

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

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
for the fiscal year ended **DECEMBER 31, 2014**

() 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)
Three Commercial Place
Norfolk, Virginia
(Address of principal executive offices)
Registrant's telephone number, including area code:

52-1188014
(IRS Employer Identification No.)
23510-2191
Zip 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 (X) 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 (X)

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 (X) No ()

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T during the preceding 12 months. Yes (X) 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. (X)

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 (X) 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 (X)

The aggregate market value of the voting common equity held by non-affiliates at June 30, 2014, was \$31,787,780,476 (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, 2015: 307,411,965 (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, 2014, our railroads operated approximately 20,000 miles of road in 22 states and the District of Columbia.

Our system reaches many individual industries, 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, 2014					
	Miles of Road	Second and Other Main Track	Passing Track, Crossovers and Turnouts	Way and Yard Switching	Total
Owned	14,991	2,754	1,974	8,274	27,993
Operated under lease, contract or trackage rights	4,768	1,914	398	834	7,914
Total	19,759	4,668	2,372	9,108	35,907

Triple Crown Operations – Triple Crown Services Company (Triple Crown), one of our subsidiaries, provides bimodal truckload transportation service primarily utilizing RoadRailer® trailers, a hybrid technology that facilitates both over-the-road and on-the-rail transportation utilizing enclosed trailers that are pulled over the highways in tractor-trailer configuration and over the rails by locomotives. In addition, Triple Crown utilizes conventional trailers that are also moved on rail flatcars. Triple Crown provides service in the eastern United States, as well as Ontario and Quebec, through a network of terminals strategically located in 13 cities.

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

	Years ended December 31,				
	2014	2013	2012	2011	2010
Revenue ton miles (billions)	205	194	186	192	182
Freight train miles traveled (millions)	74.8	74.8	76.3	75.7	72.6
Revenue per ton mile	\$ 0.0567	\$ 0.0581	\$ 0.0595	\$ 0.0582	\$ 0.0523
Revenue ton miles per employee-hour worked	3,576	3,376	3,153	3,207	3,218
Ratio of railway operating expenses to railway operating revenues	69.2%	71.0%	71.7%	71.2%	71.9%

RAILWAY OPERATING REVENUES – Total railway operating revenues were \$11.6 billion in 2014. Following is an overview of our three major market groups.

COAL – Revenues from coal accounted for about 21% of our total railway operating revenues in 2014. We handled 141.8 million tons, or 1.3 million carloads, in 2014, 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 84 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.
- Metals and construction includes steel, aluminum products, machinery, scrap metals, cement, aggregates, sand, and minerals.
- 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.
- Automotive includes finished vehicles for BMW, Chrysler, Ford, General Motors, Honda, Hyundai, Mercedes-Benz, Mitsubishi, Subaru, 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 2014, 124 million tons of general merchandise freight, or approximately 61% 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, New Orleans, East St. Louis, Memphis, Detroit, Toledo, Kansas City, Meridian, and Buffalo. General merchandise carloads handled in 2014 were 2.5 million, the revenues from which accounted for 57% 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 2014 were 3.8 million, the revenues from which accounted for 22% 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 2014, 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

2013. The STB has not made its revenue adequacy determination for the year 2014. 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 2014, 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 \$28 billion on a historical cost basis.

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

	2014	2013	2012	2011	2010
	<i>(\$ in millions)</i>				
Road and all other property	\$ 1,406	\$ 1,421	\$ 1,465	\$ 1,222	\$ 1,153
Equipment	712	550	776	938	317
Total	<u>\$ 2,118</u>	<u>\$ 1,971</u>	<u>\$ 2,241</u>	<u>\$ 2,160</u>	<u>\$ 1,470</u>

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 2015, we have budgeted \$2.4 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., 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 designed to increase intermodal and automotive capacity.
- 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, 2014, we owned or leased the following units of equipment:

	Owned⁽¹⁾	Leased⁽²⁾	Total	Capacity of Equipment (Horsepower)
Locomotives:				
Multiple purpose	4,019	3	4,022	14,957,100
Auxiliary units	147	—	147	—
Switching	99	—	99	148,750
Total locomotives	<u>4,265</u>	<u>3</u>	<u>4,268</u>	<u>15,105,850</u>
				(Tons)
Freight cars:				
Gondola	30,368	3,335	33,703	3,669,559
Hopper	12,769	79	12,848	1,437,093
Box	11,046	1,366	12,412	1,039,594
Covered hopper	10,333	158	10,491	1,159,874
Flat	2,189	1,401	3,590	341,381
Other	4,596	14	4,610	221,362
Total freight cars	<u>71,301</u>	<u>6,353</u>	<u>77,654</u>	<u>7,868,863</u>
Other:				
Containers	12,468	8,531	20,999	
RoadRailer®	6,129	27	6,156	
Work equipment	4,482	303	4,785	
Vehicles	3,809	—	3,809	
Miscellaneous	20,131	4,246	24,377	
Total other	<u>47,019</u>	<u>13,107</u>	<u>60,126</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, 2014:

	2014	2013	2012	2011	2010	2005- 2009	2000- 2004	1999& Before	Total
Locomotives:									
No. of units	73	50	60	90	42	362	663	2,925	4,265
% of fleet	2%	1%	1%	2%	1%	8%	16%	69%	100%
Freight cars:									
No. of units	900	0	2,018	3,831	150	4,639	572	59,191	71,301
% of fleet	1%	0%	3%	5%	0%	7%	1%	83%	100%

The following table shows the average age of our owned locomotive and freight car fleets at December 31, 2014, and information regarding 2014 retirements:

	Locomotives	Freight Cars
Average age – in service	23.1 years	30.1 years
Retirements	11 units	2,953 cars
Average age – retired	35.3 years	43.5 years

Our ongoing locomotive and freight car maintenance programs are intended to ensure the highest standards of safety, reliability, customer satisfaction, and equipment availability. The locomotive bad order ratio includes all units (owned and leased) out of service for required periodic inspections, unscheduled maintenance and program work which includes such activity as overhauls.

	Annual Average Bad Order Ratio				
	2014	2013	2012	2011	2010
Locomotives	8.0%	7.1%	7.1%	7.3%	6.7%
Freight cars	4.4%	4.9%	5.3%	5.7%	5.8%

Encumbrances – Certain railroad equipment is subject to the prior lien of equipment financing obligations totaling \$1 million at December 31, 2014.

Track Maintenance – Of the 35,900 total miles of track we operate, we are responsible for maintaining 28,750 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 45% of our lines, excluding rail operated pursuant to trackage rights, carried 20 million or more gross tons per track mile during 2014.

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

	2014	2013	2012	2011	2010
Track miles of rail installed	507	549	509	484	422
Miles of track surfaced	5,248	5,475	5,642	5,441	5,326
New crossties installed (millions)	2.7	2.5	2.6	2.7	2.6

Microwave System – Our microwave system, consisting of approximately 6,983 radio route miles, 423 core stations, 30 secondary stations, and 5 passive repeater stations, provides communications between most operating locations. We use the microwave system primarily for voice communications, VHF radio control circuits, data and facsimile transmissions, traffic control operations, and AEI data transmissions.

Traffic Control – Of the approximately 16,500 route miles we dispatch, about 11,025 miles are signalized, including 8,250 miles of centralized traffic control (CTC) and 2,775 miles of automatic block signals. Of the 8,250 miles of CTC, approximately 7,447 miles are controlled by data radio originating at 345 base station radio sites.

Computers – A computer network consisting of a centralized production and backup data center and various distributed computers throughout the company connects the yards, terminals, transportation offices, rolling stock repair points, sales offices, and other key system locations. Operating and traffic data are processed and stored to provide customers with information on their shipments throughout the system. Computer systems provide current information on the location of every train and each car on line, as well as related waybill and other train and car movement data. In addition, our computer systems assist us in the performance of a variety of functions and services, including payroll, car and revenue accounting, billing, sourcing, inventory management activities and controls, and special studies.

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:

	2014	2013	2012	2011	2010
Average number of employees	29,482	30,103	30,943	30,329	28,559
Average wage cost per employee	\$ 76,000	\$ 72,000	\$ 69,000	\$ 71,000	\$ 69,000
Average benefit cost per employee	\$ 35,000	\$ 40,000	\$ 38,000	\$ 39,000	\$ 37,000

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 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 re-subject the rail industry to increased federal economic regulation, and such efforts are expected to continue in 2015. 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 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 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 2014, through participation in the Transportation Community Awareness and Emergency Response (TRANSCAER) Program, we provided rail accident response training to approximately 5,442 emergency responders, such as local police and fire personnel. Our other training efforts throughout 2014 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.

Railroads are subject to the enactment of laws by Congress 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 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 subject to safety and security regulation by the U.S. Department of Transportation and the U.S. Department of Homeland Security, which regulate most aspects of our operations. Compliance with the Rail Safety Improvement Act of 2008 will result in additional operating costs associated with the statutorily mandated implementation of positive train control by 2015. In addition to increased capital expenditures, 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; 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 and natural gas; 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. Specified levels of risk are retained on a self-insurance basis (currently up to \$50 million and above \$1.2 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). 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 494 million gallons of diesel fuel in 2014. 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, 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.

In or around 2012, a building located on non-operating property formerly leased to various tenants in Williamson, West Virginia, was demolished and the related debris and waste disposed of at a local landfill. Upon further investigation in March 2014, it became uncertain as to whether asbestos abatement was properly conducted on the building prior to demolition. Although the matter is under further investigation, we have self-reported it to the West Virginia Department of Environmental Protection, and it 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, 2015, relating to our officers.

Name, Age, Present Position	Business Experience During Past Five Years
Charles W. Moorman, 62, Chairman and Chief Executive Officer	Present position since February 1, 2006.
James A. Squires, 53, President	Present position 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.
Deborah H. Butler, 60, Executive Vice President – Planning and Chief Information Officer	Present position since June 1, 2007.
Cindy C. Earhart, 53, Executive Vice President – Administration	Present position since June 1, 2013. Served as Vice President Human Resources from March 1, 2007 to June 1, 2013.
James A. Hixon, 61, Executive Vice President – Law and Corporate Relations	Present position since October 1, 2005.
Mark D. Manion, 62, Executive Vice President and Chief Operating Officer	Present position since April 1, 2009.
Donald W. Seale, 62, Executive Vice President and Chief Marketing Officer	Present position since April 1, 2006.
Marta R. Stewart, 57, 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.
Thomas E. Hurlbut, 50, 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. Served as Assistant Vice President Internal Audit from February 1, 2008 to February 1, 2010.

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 29,575 stockholders of record as of December 31, 2014 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 2014 and 2013.

2014	Quarter			
	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
2013	1st	2nd	3rd	4th
Market Price				
High	\$ 75.59	\$ 79.32	\$ 77.84	\$ 92.87
Low	61.63	69.55	70.73	75.82
Dividends per share	0.50	0.50	0.52	0.52

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, 2014	228,550	\$ 108.53	228,081	36,371,413
November 1-30, 2014	375,357	113.79	372,778	35,998,635
December 1-31, 2014	795,764	105.76	794,798	35,203,837
Total	<u>1,399,671</u>		<u>1,395,657</u>	

⁽¹⁾ Of this amount, 4,014 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 125 million shares of Common Stock could be purchased through December 31, 2014. 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.

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

	2014	2013	2012	2011	2010
	(\$ in millions, except per share amounts)				
RESULTS OF OPERATIONS					
Railway operating revenues	\$ 11,624	\$ 11,245	\$ 11,040	\$ 11,172	\$ 9,516
Railway operating expenses	8,049	7,988	7,916	7,959	6,840
Income from railway operations	3,575	3,257	3,124	3,213	2,676
Other income – net	104	233	129	160	153
Interest expense on debt	545	525	495	455	462
Income before income taxes	3,134	2,965	2,758	2,918	2,367
Provision for income taxes	1,134	1,055	1,009	1,002	871
Net income	\$ 2,000	\$ 1,910	\$ 1,749	\$ 1,916	\$ 1,496
PER SHARE DATA					
Net income – basic	\$ 6.44	\$ 6.10	\$ 5.42	\$ 5.52	\$ 4.06
– diluted	6.39	6.04	5.37	5.45	4.00
Dividends	2.22	2.04	1.94	1.66	1.40
Stockholders’ equity at year end	40.25	36.55	31.08	30.00	29.85
FINANCIAL POSITION					
Total assets	\$ 33,241	\$ 32,483	\$ 30,342	\$ 28,538	\$ 28,199
Total debt	9,026	9,448	8,682	7,540	7,025
Stockholders’ equity	12,408	11,289	9,760	9,911	10,669
OTHER					
Property additions	\$ 2,118	\$ 1,971	\$ 2,241	\$ 2,160	\$ 1,470
Average number of shares outstanding (thousands)					
Average number of shares outstanding (thousands)	309,367	311,916	320,864	345,484	366,522
Number of stockholders at year end	29,575	30,990	32,347	33,381	35,416
Average number of employees:					
Rail	29,063	29,698	30,543	29,933	28,160
Nonrail	419	405	400	396	399
Total	29,482	30,103	30,943	30,329	28,559

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.

Strong volume growth in our intermodal and merchandise businesses driven by higher demand for rail services offset declines in our coal business, resulting in a \$379 million, or 3%, improvement in our operating revenues. Our continued focus on cost control helped stem growth in operating expenses (up \$61 million, or 1%) despite higher volumes and led to an all-time low operating ratio (a measure of the amount of operating revenues consumed by operating expenses) of 69.2% for 2014.

The unexpected volume growth and severe winter weather led to resource shortages and network delays during the year. We are committed to improving our service and have added resources to meet the needs of our network. As a result of these efforts, in the latter part of the year we saw improvement in operational metrics and expect this to continue in 2015.

Looking forward to 2015, we expect the impact of lower oil prices on our fuel surcharge revenue programs to be offset by increased volumes and higher rates. We will continue to focus on safety, service levels, cost control, productivity, operational efficiency, and a market-based approach to pricing.

SUMMARIZED RESULTS OF OPERATIONS

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.

2013 Compared with 2012

Net income in 2013 was \$1.9 billion, or \$6.04 per diluted share, up \$161 million, or 9%, compared with \$1.7 billion, or \$5.37 per diluted share, in 2012, a reflection of a 4% increase in income from railway operations, in addition to the favorable impact of the recognition of the gain from a land sale in Michigan (see above). Railway operating revenues rose 2%, while operating expenses increased 1%, driven largely by higher volume-related expenses.

DETAILED RESULTS OF OPERATIONS

Railway Operating Revenues

Railway operating revenues were \$11.6 billion in 2014, \$11.2 billion in 2013, and \$11.0 billion in 2012. The following table presents a three-year comparison of revenues, volumes, and average revenue per unit by market group.

	Revenues			Units			Revenue per Unit		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
	(\$ in millions)			(in thousands)			(\$ per unit)		
Coal	\$ 2,382	\$ 2,543	\$ 2,879	1,284.4	1,346.7	1,414.1	\$ 1,855	\$ 1,888	\$ 2,036
General merchandise:									
Chemicals	1,863	1,667	1,467	502.6	449.2	388.8	3,707	3,711	3,772
Metals/construction	1,521	1,405	1,335	725.6	666.9	669.7	2,096	2,106	1,993
Agr./consumer/gov't.	1,498	1,467	1,446	603.8	594.3	595.9	2,481	2,468	2,427
Automotive	1,004	984	897	410.1	402.1	374.6	2,447	2,448	2,395
Paper/clay/forest	794	795	775	303.2	309.4	305.8	2,619	2,570	2,536
General merchandise	6,680	6,318	5,920	2,545.3	2,421.9	2,334.8	2,624	2,609	2,536
Intermodal	2,562	2,384	2,241	3,845.2	3,572.3	3,358.3	666	667	667
Total	\$ 11,624	\$ 11,245	\$ 11,040	7,674.9	7,340.9	7,107.2	\$ 1,515	\$ 1,532	\$ 1,553

Revenues increased \$379 million in 2014, and \$205 million in 2013. As reflected in the table below, 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. The increase in 2013 resulted from higher volumes, partially offset by lower average revenue per unit as lower market-based export coal rates, the effects of changes in the mix of business, and slightly lower fuel surcharges more than offset rate increases.

	Revenue Variance Analysis	
	Increase (Decrease)	
	2014 vs. 2013	2013 vs. 2012
	(\$ in millions)	
Volume (units)	\$ 512	\$ 363
Revenue per unit	(133)	(158)
Total	\$ 379	\$ 205

Over 85% of our revenue base is covered by negotiated fuel surcharges, and revenues in 2014 included \$1,329 million of such surcharges. This amount was divided about evenly between surcharges tied to the monthly average price of West Texas Intermediate Crude Oil (WTI) and surcharges tied to the weekly average price of On-Highway Diesel (OHD). More than two-thirds of the 2014 WTI-based surcharges were attributable to contracts with trigger prices above current WTI levels of about \$50 per barrel (a predominant trigger price is \$64 per barrel); therefore, if WTI prices remain below these triggers, traffic moving under these contracts will not be assessed any fuel surcharge. Almost all of the remaining WTI-based surcharges have trigger prices well below current WTI levels, and almost all of the OHD-based surcharges have trigger prices substantially below current OHD levels (of about \$3 per gallon). As a result, if WTI and OHD prices remain at their current levels, traffic moving under these

contracts will continue to be assessed fuel surcharges; however, they will be substantially lower than those generated in 2014. Thus, total fuel surcharges for 2015 could be less than half of the amount in 2014. The WTI-related surcharges are reset the first day of each calendar month based on the WTI average price for the second preceding calendar month. This two-month lag in applying the WTI average price increased fuel surcharge revenue by approximately \$84 million in 2014, decreased fuel surcharge revenue by approximately \$29 million in 2013, and increased fuel surcharge revenue by approximately \$39 million in 2012. Fuel surcharge revenue totaled \$1,254 million in 2013, and \$1,278 million in 2012.

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. On March 14, 2014, the STB resolved DuPont's rate reasonableness complaint in our favor, and on June 20, 2014, the STB resolved Sunbelt's rate case in our favor. The STB's findings in both cases remain subject to technical corrections, requests for reconsideration, and 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 \$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 market-based export coal) and the negative effect of changes in mix.

In 2013, coal revenues decreased \$336 million, or 12%, compared with 2012, reflecting a 5% decrease in carload volume (tonnage hauled declined 4%). Average revenue per unit was down 7%, the result of lower pricing (mainly market-based export coal) and decreased fuel surcharge revenue, partially offset by the positive effect of changes in mix.

For 2015, coal revenues are expected to decrease due to lower average revenue per unit (largely a result of lower fuel surcharge revenue) and decreased volumes.

Coal represented 21% of our revenues in 2014, and 79% of shipments handled originated on our lines. As shown in the following table, tonnage decreased in our export, utility, and domestic metallurgical markets but increased in our industrial markets.

	Coal Tonnage by Market		
	2014	2013	2012
	<i>(tons in thousands)</i>		
Utility	93,884	97,146	101,636
Export	23,218	28,631	28,304
Domestic metallurgical	16,130	16,905	18,793
Industrial	8,599	7,388	7,376
Total	141,831	150,070	156,109

Utility coal tonnage was down 3% in 2014, 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.

Utility coal tonnage was down 4% in 2013 as compared to 2012. Utility coal shipments in our southern region decreased due to lower demand as utility stockpiles remained high and natural gas prices remained low. This

decrease was partially offset by increased shipments in our northern region as higher coal burn necessitated stockpile replenishments to maintain targeted levels.

For 2015, we expect utility coal tonnage to decrease as we expect lower demand resulting from a decline in natural gas prices and reduced coal burn at southern utilities we serve.

Export coal tonnage decreased 19% in 2014, 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%.

In 2013, export coal tonnage increased 1%, compared with 2012. Despite strong global competition, we handled higher export thermal and metallurgical coal shipments as an increase in steel production in developing markets offset weakness in the European market. Volume through Norfolk was up 2.1 million tons, or 11%, whereas Baltimore volume decreased 1.4 million tons, or 17%. Other export volume decreased 0.4 million tons, or 36%.

For 2015, export coal tonnage is expected to decrease as a result of strong competition in the overseas metallurgical coal market, in addition to soft demand for and an oversupply of thermal coal.

Domestic metallurgical coal tonnage was down 5% in 2014, compared with 2013, as lower metallurgical coal shipments resulting from plant curtailments and customer sourcing shifts were offset in part by higher shipments of coke.

In 2013, domestic metallurgical coal tonnage was down 10%, compared with 2012, due to weaker domestic steel production, sourcing shifts away from coal origins we serve, and the permanent closure of a steel plant in mid-2012 that impacted the year-over-year comparison for the first half of 2013.

For 2015, domestic metallurgical coal tonnage is expected to decline due to closure of a mine that we currently serve.

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

In 2013, industrial coal tonnage increased slightly compared with 2012, as increased shipments to existing customers were partially offset by weaker industrial demand in the print paper and cement sectors.

For 2015, industrial coal tonnage is expected to decrease, primarily due to conversions to natural gas.

GENERAL MERCHANDISE revenues in 2014 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.

In 2013, general merchandise revenues increased \$398 million, or 7%, compared with 2012, reflecting 4% growth in carload volume and a 3% improvement in average revenue per unit that reflected favorable changes in mix as well as higher rates and fuel surcharges.

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

In 2013, chemicals revenues increased 14%, compared with 2012, reflecting 16% growth in volume partially offset by a 2% decline in average revenue per unit that resulted from the negative effect of the changes in mix due to increased crude oil shipments. The volume improvement was primarily the result of more carloads of crude oil from the Bakken and Canadian oil fields. Additionally, there were more carloads of liquefied petroleum gas in the Utica Shale region.

For 2015, chemicals revenues are anticipated to increase, as we expect more shipments of crude oil and liquefied petroleum gas. However, a prolonged period of low oil prices could put pressure on demand for crude by rail. Average revenue per unit is expected to be lower, largely a result of the anticipated reduction in fuel surcharge revenue and the negative mix effect of the volume increase in lower-rated shipments.

Metals and construction revenues grew 8% in 2014, 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.

In 2013, metals and construction revenues increased 5% compared with 2012. The improvement resulted from 6% higher average revenue per unit, which reflected the positive change in mix of business as we transported higher-rated shipments of slag and fractionating sand for natural gas drilling, higher rates, and increased fuel surcharges. Although we moved more slag and fractionating carloads, volume declined modestly as we handled reduced shipments of iron and steel (driven by fewer import slabs and a steel plant closure during the third quarter of 2012) and scrap metal (a result of weakening demand).

For 2015, metals and construction revenues are expected to decline, reflecting lower average revenue per unit as a result of the anticipated decline in fuel surcharge revenue, partially offset by improved volumes. We currently anticipate higher shipments of fractionating sand and other materials used for natural gas drilling, as well as additional shipments of aggregates due to growth in road construction activity and steel used by the automotive and energy sectors.

Agriculture, consumer products, and government revenues increased 2% in 2014, 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.

In 2013, agriculture, consumer products, and government revenues increased 1% compared with 2012, as a 2% improvement in average revenue per unit (reflecting pricing improvements that were slightly offset by a negative change in mix related to the increase of lower-rated shorter-haul movements of corn) was partially offset by a slight decrease in volume. The volume decrease was driven by reduced shipments of soybeans and related products caused by tightened supplies of domestic beans and a strong South American crop, in addition to fewer revenue movements of empty equipment. Carload volume declines were partially offset by higher shipments of food oils as we handled new business with existing customers and more biodiesel carloads in advance of the anticipated elimination of the biodiesel tax credit. We also hauled more shipments of fertilizer due to a strong farm economy and increased planting activity.

For 2015, agriculture, consumer products, and government revenues are expected to be flat as we expect higher volumes will be offset by lower average revenue per unit reflecting lower fuel surcharges offset in part by pricing gains. Volume growth is anticipated to come from higher shipments of soybeans as we return to a more normal crop cycle, more carloads of ethanol, and growth in feed product shipments as a result of increased export opportunities.

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.

In 2013, automotive revenues rose 10% compared to 2012, reflecting 7% growth in volume due to increased vehicle production at plants we serve and new business from existing customers (including both auto parts and finished vehicles). Average revenue per unit improved 2%, reflecting improved pricing and higher fuel surcharges.

For 2015, automotive revenues are expected to slightly decrease as a result of lower average revenue per unit as lower fuel surcharges are expected to offset improved pricing. These average revenue per unit declines are expected to be partially offset by volume gains driven by a continued increase in domestic production at plants we serve and the return of diverted traffic.

Paper, clay and forest products revenues were flat 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.

In 2013, paper, clay and forest products revenues increased 3% compared with 2012, reflecting 1% gains in both volume and average revenue per unit. Volume increases for lumber, pulp, and pulpboard were offset by reduced demand for newsprint and paper.

For 2015, paper, clay, and forest products revenues are anticipated to decline reflecting lower fuel surcharge revenue and a negative mix of business, offset in part by slightly higher volumes. Volume growth is expected to be driven by higher woodchip, wood pellet, lumber, and pulp shipments as we anticipate the continued recovery of the housing market to increase demand, offset in part by lower municipal solid waste (loss of a customer) and newsprint and paper shipments as demand declines.

INTERMODAL revenues increased \$178 million, or 7%, compared with 2013, reflecting an 8% growth in volume.

Domestic volume (including truckload and intermodal marketing companies, Triple Crown Services, and Premium business) 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.

In 2013, intermodal revenues increased \$143 million, or 6%, compared with 2012, reflecting a 6% growth in volume. Average revenue per unit was flat. Domestic volume improved 7%, the result of continued highway-to-rail conversions and additional business associated with the opening of new intermodal terminals. International volume grew 6% due to growth with existing customers as well as new service lanes.

For 2015, we anticipate higher intermodal revenues due to increased volumes as a result of continued highway conversions and growth associated with new and existing customers. Average revenue per unit is expected to be lower as pricing gains are offset by reduced fuel surcharge revenue.

Railway Operating Expenses

Railway operating expenses in 2014 were \$8.0 billion, up \$61 million, or 1%, compared to 2013. Expenses in 2013 were \$8.0 billion, up \$72 million, or 1%, compared to 2012. In 2014, increases in volume-related costs were offset in part by lower postretirement and pension benefit costs as well as lower fuel prices. For 2013, higher wage rates and volume-related expense increases were offset in part by lower costs resulting from network efficiencies.

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

	Operating Expense Variances	
	Increase (Decrease)	
	2014 vs. 2013	2013 vs. 2012
	<i>(\$ in millions)</i>	
Materials and other	\$ 112	\$ (31)
Purchased services and rents	58	25
Depreciation	35	—
Fuel	(39)	36
Compensation and benefits	(105)	42
	<u> </u>	<u> </u>
Total	<u>\$ 61</u>	<u>\$ 72</u>

Materials and other expenses increased \$112 million, or 14%, in 2014, but decreased \$31 million, or 4%, in 2013, as shown in the following table.

	2014	2013	2012
	<i>(\$ in millions)</i>		
Materials	\$ 470	\$ 422	\$ 408
Casualties and other claims	135	90	130
Other	335	316	321
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 940</u>	<u>\$ 828</u>	<u>\$ 859</u>

Volume growth in 2014 and 2013 drove increases in locomotive and equipment maintenance and repair costs for both years. Additionally, the harsh winter weather experienced in the first quarter of 2014 resulted in increased maintenance activity, which negatively impacted the year-over-year comparison. Casualties and other claims expenses include the estimates of costs related to personal injury (PI), property damage, and environmental matters. The increase in expense in 2014 reflected lower favorable PI reserve adjustments for prior years' claim amounts than those seen in 2013, which were driven by improved historical trend rates related to PI liabilities.

We maintain substantial amounts of insurance for potential third-party liability and property damage claims. We also retain reasonable levels of risk through self-insurance. For further discussion of casualty claims and insurance see Note 16.

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 \$58 million, or 4%, in 2014, and \$25 million, or 2%, in 2013.

	2014	2013	2012
	(\$ in millions)		
Purchased services	\$ 1,394	\$ 1,353	\$ 1,321
Equipment rents	293	276	283
Total	<u>\$ 1,687</u>	<u>\$ 1,629</u>	<u>\$ 1,604</u>

The increase in 2014 for purchased services expense reflected the impact of higher volumes and reduced network velocity 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). The increase in 2013 reflected higher volume-related activities and software expenses, partially offset by lower professional and consulting fees and travel expenses.

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 2014 as a result of higher volumes and network congestion, but decreased in 2013 as a result of increased velocity and improved equipment utilization.

Depreciation expense increased by \$35 million, or 4%, in 2014, and was flat in 2013. Both periods reflected our larger roadway and equipment capital base as we continue to invest in our infrastructure and rolling stock. In 2013, that increase was completely offset by the favorable impact of an equipment depreciation study that was completed during the first quarter of 2013.

Fuel expense, which includes the cost of locomotive fuel as well as other fuel used in railway operations, decreased \$39 million, or 2%, in 2014 but increased \$36 million, or 2%, in 2013. The decrease in 2014 was principally the result of lower locomotive fuel prices (down 6%), offset in part by higher locomotive fuel consumption (up 4%). The increase in 2013 reflected higher locomotive fuel consumption (up 4%), offset in part by lower locomotive fuel prices (down 2%). We consumed approximately 494 million gallons of diesel fuel in 2014 compared with 476 million gallons in 2013. Should fuel prices remain at current levels, we would expect to see a significant savings in fuel expenses in 2015 as compared to 2014.

Compensation and benefits, which represents 36% of total operating expenses, decreased \$105 million, or 3%, in 2014, 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).

In 2013, compensation and benefits increased \$42 million, or 1% over 2012, reflecting changes in:

- pay rates (up \$59 million),
- incentive and stock-based compensation (up \$39 million),
- lower activity levels (down \$48 million) that reflected improved employee productivity, and
- payroll taxes (down \$16 million).

Our employment averaged 29,482 in 2014, compared with 30,103 in 2013, and 30,943 in 2012. Looking forward to 2015, we expect employment levels to be higher than 2014 as we continue to add resources to our network.

Other Income – Net

Other income – net was \$104 million in 2014, \$233 million in 2013, and \$129 million in 2012 (Note 2). Both comparisons reflect the Michigan land sale (\$97 million) that occurred in 2013.

Income Taxes

Income tax expense in 2014 was \$1.1 billion, an effective rate of 36.2%, compared with 35.6% in 2013 and 36.6% in 2012. The 2014 and 2013 years benefited from favorable reductions in deferred tax expense for state law changes and certain business tax credits.

The Tax Increase Prevention Act of 2014 (2014 Act), enacted on December 19, 2014, extended for the year 2014 fifty-percent bonus depreciation and certain business tax credits that benefit us. While bonus depreciation does not affect our total provision for income taxes or effective rate, the absence of bonus depreciation will increase current income tax expense and the related cash outflows for the payment of income taxes. The effect of this tax legislation will be seen as a reduction in our 2015 cash outflows for income taxes as our required year-end estimated tax payment was due and paid before the 2014 Act was enacted.

IRS examinations have been completed for all years prior to 2011. Our consolidated federal income tax returns for 2011 and 2012 are currently being audited by the IRS. We anticipate that the IRS will complete its examination in 2015. We do not expect that the resolution of the examination will have a material effect on our financial position, results of operations, or liquidity.

FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES

Cash provided by operating activities, our principal source of liquidity, was \$2.9 billion in 2014 and \$3.1 billion in both 2013 and 2012. The decrease in 2014 reflected increased tax payments (see above), offset in part by improved operating results. We had working capital of \$998 million at December 31, 2014, compared with \$770 million at December 31, 2013, primarily reflecting reduced current maturities of long-term debt. Cash, cash equivalents, and short-term investment balances totaled \$973 million and \$1.6 billion at December 31, 2014 and 2013, 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, 2014, 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 CRC (Note 5), unconditional purchase obligations (Note 16), long-term advances from Conrail (Note 5), and unrecognized tax benefits (Note 3):

	Total	2015	2016 - 2017	2018 - 2019	2020 and Subsequent	Other
	(\$ in millions)					
Interest on fixed-rate long-term debt and capital lease principal	\$ 12,798	\$ 515	\$ 966	\$ 822	\$ 10,495	\$ —
Long-term debt and capital lease principal	9,400	2	1,050	1,185	7,163	—
Operating leases	711	83	140	105	383	—
Agreements with CRC	340	36	72	72	160	—
Unconditional purchase obligations	879	508	366	5	—	—
Long-term advances from Conrail	280	—	—	—	280	—
Unrecognized tax benefits*	61	29	—	—	—	32
Total	<u>\$ 24,469</u>	<u>\$ 1,173</u>	<u>\$ 2,594</u>	<u>\$ 2,189</u>	<u>\$ 18,481</u>	<u>\$ 32</u>

* 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 \$2.0 billion in 2014, compared with \$1.9 billion in 2013, and \$2.0 billion in 2012. 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. The decrease in 2013 resulted from lower property additions and property sales that were partially offset by increased investment purchases, net of sales.

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

	2014	2013	2012	2011	2010
	(\$ in millions)				
Road and other property	\$ 1,406	\$ 1,421	\$ 1,465	\$ 1,222	\$ 1,153
Equipment	712	550	776	938	317
Total	<u>\$ 2,118</u>	<u>\$ 1,971</u>	<u>\$ 2,241</u>	<u>\$ 2,160</u>	<u>\$ 1,470</u>

Track Structure Statistics (Capital and Maintenance)

	2014	2013	2012	2011	2010
Track miles of rail installed	507	549	509	484	422
Miles of track surfaced	5,248	5,475	5,642	5,441	5,326
New crossties installed (millions)	2.7	2.5	2.6	2.7	2.6

Average Age of Owned Railway Equipment

	2014	2013	2012	2011	2010
			(years)		
Freight cars	30.1	30.2	30.2	30.3	31.0
Locomotives	23.1	22.5	21.6	21.0	20.5
Retired locomotives	35.3	38.7	41.2	31.7	28.4

For 2015, we have budgeted \$2.4 billion for property additions. The anticipated spending includes \$930 million for the normalized replacement of rail, ties and ballast and the improvement or replacement of bridges. Planned equipment spending of \$640 million includes used and rebuilt locomotives, intermodal containers and chassis, coal cars, covered and open coil cars, mill gondolas, multilevel automobile racks, and covered hoppers. Investments in facilities and terminals are anticipated to be \$240 million and include terminals and equipment to add capacity to our intermodal network (including Crescent Corridor), new or expanded bulk transfer facilities, improvements to vehicle distribution facilities, and upgrades and expansions of our mechanical service shops. For 2015, we have budgeted \$220 million for the continued implementation of positive train control (PTC) and expect post-2015 PTC-related property additions to total over \$450 million. We also expect to spend \$100 million on infrastructure improvements to increase mainline capacity, accommodate business growth and provide our share of funding for various public/private partnership investments such as Crescent Corridor and the Chicago CREATE project. Technology investments of \$70 million are planned for new or upgraded systems and computers.

Additionally, in November 2014 we announced a proposed transaction under which we would acquire 282 miles of the Delaware & Hudson Railway Co. (D&H) rail line between Sunbury, Pennsylvania and Schenectady, New York for \$217 million. The acquisition of this property is subject to approval by the STB and if approved, expected to be completed in 2015.

The Crescent Corridor consists of a program of projects for infrastructure and other facility improvements geared toward creating a seamless, high-capacity intermodal route 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. Based on the public benefits that stand to be derived in the form of highway congestion relief, we plan to implement certain elements of the Crescent Corridor through a series of public-private partnerships. Currently, the Crescent Corridor has received or expects to receive a total of \$312 million in public capital funding commitments from the Commonwealths of Pennsylvania and Virginia, the State of Tennessee, the federal TIGER Stimulus Program and other federal funding sources related to projects in Alabama, Pennsylvania, Tennessee, and North Carolina. With respect to the private funding component, we currently anticipate spending up to \$344 million (\$291 million of which has been spent to date) for the substantial completion of work on these projects, which is expected in 2015. This includes planned investments for the Crescent Corridor that approximate \$42 million in 2015. If and when demand warrants, additional improvements and expansions beyond these amounts may be made to the Crescent Corridor.

Cash used in financing activities was \$1.3 billion in 2014, compared with \$394 million in 2013, and \$694 million in 2012. The increase in 2014 was driven primarily by higher debt repayments and lower debt proceeds, partially

offset by reduced share repurchase activity (see Note 14). The change in 2013 reflected lower share repurchases and reduced proceeds from borrowings, net of debt repayments.

Share repurchases totaled \$318 million in 2014, \$627 million in 2013, and \$1.3 billion in 2012 for the purchase and retirement of 3.1 million, 8.3 million, and 18.8 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 35.2 million shares remain under this authority as of December 31, 2014. 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.

During the fourth quarter of 2013, we issued \$400 million of 3.85% senior notes due 2024. During the third quarter of 2013, we issued \$500 million of 4.80% senior notes due 2043. Our debt-to-total capitalization ratio was 42.1% at December 31, 2014, compared with 45.6% at December 31, 2013.

We further discuss our current securities issuance authority from our 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 additional access to liquidity should the need arise.

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 \$31 million for 2014. 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 \$18 million change in pension expense. During 2014, new mortality tables were released for consideration in determining defined benefit plan obligations. We analyzed the experience in our pension plans and updated our mortality rates accordingly, which resulted in an actuarial loss of approximately \$165 million. 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 a discount rate that is 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 \$6 million for 2014. 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 2014 totaled \$951 million. Our composite depreciation rates for 2014 are disclosed in Note 6; a one-tenth percentage point increase (or decrease) in these rates would have resulted in a \$36 million increase (or decrease) to depreciation expense. For 2014, 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," consists primarily of our accrual for personal injury liabilities and environmental remediation costs.

To aid in valuing 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 of loss liabilities is subject to inherent limitation given the difficulty of predicting future events and as such the actual loss 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 \$45 million in 2014, \$57 million in 2013, and \$40 million in 2012, and property additions for environmental matters totaled \$9 million in 2014, \$8 million in 2013, and \$6 million in 2012. Property additions for environmental matters in 2015 are expected to be about \$15 million.

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 \$8.8 billion at December 31, 2014 (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 \$33 million valuation allowance on \$606 million of deferred tax assets as of December 31, 2014, 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 2014 effective tax rate, net income would have changed by \$16 million.

OTHER MATTERS

Labor Agreements

More than 80% of our railroad employees are covered by collective bargaining agreements with various labor unions. These agreements remain in effect until changed pursuant to the Railway Labor Act. 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 the unions may propose changes to the agreements. The moratorium provisions of the current agreements have now expired, formal proposals to change the agreements have been made, and negotiations with the various labor unions have begun. 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, 2014, 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 Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *"Revenue from Contracts with Customers."* This update, effective for our annual and interim reporting periods beginning January 1, 2017, 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. Early application is not permitted, but once effective, 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.

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 such property. 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

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that may be identified by the use of words like "believe," "expect," "anticipate," "estimate," "plan," "consider," "project," and similar references to the future. Forward-looking statements reflect our good-faith evaluation of information currently available.

However, such statements are dependent on and, therefore, can be influenced by, a number of external variables over which we have little or no control, including: transportation of hazardous materials as a common carrier by rail; acts of terrorism or war; general economic conditions including, but not limited to, fluctuation and competition within the industries of our customers; competition and consolidation within the transportation industry; the operations of carriers with which we interchange; disruptions to our technology infrastructure, including computer systems; labor difficulties, including strikes and work stoppages; commercial, operating, environmental, and climate change legislative and regulatory developments; results of litigation; natural events such as severe weather, hurricanes, and floods; unpredictable demand for rail services; fluctuation in supplies and prices of key materials, in particular diesel fuel; and changes in securities and capital markets. For additional discussion of significant risk factors applicable to our business, see Part II, Item 1A "Risk Factors." Forward-looking statements are not, and should not be relied upon as, a guarantee of future performance or results, nor will they necessarily prove to be accurate indications of the times at or by which any such performance or results will be achieved. As a result, actual outcomes and results may differ materially from those expressed in forward-looking statements. We undertake no obligation to update or revise forward-looking statements.

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 11, 2015

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, 2014. 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, 2014.

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, 2014.

/s/Charles W.
Moorman

Charles W. Moorman

Chairman 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, 2014, 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, 2014, 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, 2014 and 2013, 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, 2014, and our report dated February 11, 2015 expressed an unqualified opinion on those consolidated financial statements.

/s/KPMG LLP
KPMG LLP
Norfolk, Virginia
February 11, 2015

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, 2014 and 2013, 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, 2014. 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, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, 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, 2014, 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 11, 2015 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/KPMG LLP
KPMG LLP
Norfolk, Virginia
February 11, 2015

Norfolk Southern Corporation and Subsidiaries
Consolidated Statements of Income

	Years ended December 31,		
	2014	2013	2012
	<i>(\$ in millions, except per share amounts)</i>		
Railway operating revenues	\$ 11,624	\$ 11,245	\$ 11,040
Railway operating expenses:			
Compensation and benefits	2,897	3,002	2,960
Purchased services and rents	1,687	1,629	1,604
Fuel	1,574	1,613	1,577
Depreciation	951	916	916
Materials and other	940	828	859
	<u>8,049</u>	<u>7,988</u>	<u>7,916</u>
Income from railway operations	3,575	3,257	3,124
Other income – net	104	233	129
Interest expense on debt	545	525	495
	<u>3,134</u>	<u>2,965</u>	<u>2,758</u>
Income before income taxes	3,134	2,965	2,758
Provision for income taxes	1,134	1,055	1,009
	<u>1,134</u>	<u>1,055</u>	<u>1,009</u>
Net income	<u>\$ 2,000</u>	<u>\$ 1,910</u>	<u>\$ 1,749</u>
Per share amounts:			
Net income			
Basic	\$ 6.44	\$ 6.10	\$ 5.42
Diluted	6.39	6.04	5.37

See accompanying notes to consolidated financial statements.

Norfolk Southern Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income

	Years ended December 31,		
	2014	2013	2012
	<i>(\$ in millions)</i>		
Net income	\$ 2,000	\$ 1,910	\$ 1,749
Other comprehensive income (loss), before tax:			
Pension and other postretirement benefits	(15)	1,122	(114)
Other comprehensive income (loss) of equity investees	(8)	42	(13)
Other comprehensive income (loss), before tax	(23)	1,164	(127)
Income tax benefit (expense) related to items of other comprehensive income (loss)	6	(436)	44
Other comprehensive income (loss), net of tax	(17)	728	(83)
Total comprehensive income	<u>\$ 1,983</u>	<u>\$ 2,638</u>	<u>\$ 1,666</u>

See accompanying notes to consolidated financial statements.

Norfolk Southern Corporation and Subsidiaries
Consolidated Balance Sheets

	At December 31,	
	2014	2013
	<i>(\$ in millions)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 973	\$ 1,443
Short-term investments	—	118
Accounts receivable – net	1,055	1,024
Materials and supplies	236	223
Deferred income taxes	167	180
Other current assets	347	87
Total current assets	<u>2,778</u>	<u>3,075</u>
Investments	2,679	2,439
Properties less accumulated depreciation of \$10,814 and \$10,387, respectively	27,694	26,645
Other assets	<u>90</u>	<u>324</u>
Total assets	<u><u>\$ 33,241</u></u>	<u><u>\$ 32,483</u></u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,233	\$ 1,265
Short-term debt	100	100
Income and other taxes	217	225
Other current liabilities	228	270
Current maturities of long-term debt	2	445
Total current liabilities	<u>1,780</u>	<u>2,305</u>
Long-term debt	8,924	8,903
Other liabilities	1,312	1,444
Deferred income taxes	<u>8,817</u>	<u>8,542</u>
Total liabilities	20,833	21,194
Stockholders' equity:		
Common Stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 308,240,130 and 308,878,402 shares, respectively, net of treasury shares	310	310
Additional paid-in capital	2,148	2,021
Accumulated other comprehensive loss	(398)	(381)
Retained income	<u>10,348</u>	<u>9,339</u>
Total stockholders' equity	<u>12,408</u>	<u>11,289</u>
Total liabilities and stockholders' equity	<u><u>\$ 33,241</u></u>	<u><u>\$ 32,483</u></u>

See accompanying notes to consolidated financial statements.

Norfolk Southern Corporation and Subsidiaries
Consolidated Statements of Cash Flows

	Years ended December 31,		
	2014	2013	2012
	<i>(\$ in millions)</i>		
Cash flows from operating activities:			
Net income	\$ 2,000	\$ 1,910	\$ 1,749
Reconciliation of net income to net cash provided by operating activities:			
Depreciation	956	922	922
Deferred income taxes	294	262	366
Gains and losses on properties and investments	(13)	(104)	(6)
Changes in assets and liabilities affecting operations:			
Accounts receivable	(31)	85	(64)
Materials and supplies	(13)	(7)	(7)
Other current assets	(260)	(5)	(6)
Current liabilities other than debt	53	5	82
Other – net	(134)	10	29
Net cash provided by operating activities	2,852	3,078	3,065
Cash flows from investing activities:			
Property additions	(2,118)	(1,971)	(2,241)
Property sales and other transactions	114	144	192
Investments, including short-term	(104)	(130)	(23)
Investment sales and other transactions	106	63	78
Net cash used in investing activities	(2,002)	(1,894)	(1,994)
Cash flows from financing activities:			
Dividends	(687)	(637)	(624)
Common Stock issued	130	131	89
Purchase and retirement of Common Stock	(318)	(627)	(1,288)
Proceeds from borrowings – net	200	989	1,491
Debt repayments	(645)	(250)	(362)
Net cash used in financing activities	(1,320)	(394)	(694)
Net increase (decrease) in cash and cash equivalents	(470)	790	377
Cash and cash equivalents:			
At beginning of year	1,443	653	276
At end of year	\$ 973	\$ 1,443	\$ 653
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest (net of amounts capitalized)	\$ 522	\$ 492	\$ 473
Income taxes (net of refunds)	1,102	735	618

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
	(\$ in millions, except per share amounts)				
Balance at December 31, 2011	\$ 332	\$ 1,912	\$ (1,026)	\$ 8,693	\$ 9,911
Comprehensive income:					
Net income				1,749	1,749
Other comprehensive loss			(83)		(83)
Total comprehensive income					1,666
Dividends on Common Stock, \$1.94 per share				(624)	(624)
Share repurchases	(19)	(104)		(1,165)	(1,288)
Stock-based compensation, including tax benefit of \$42	2	103		(10)	95
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					2,638
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
Balance at December 31, 2013	310	2,021	(381)	9,339	11,289
Comprehensive income:					
Net income				2,000	2,000
Other comprehensive loss			(17)		(17)
Total comprehensive income					1,983
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)
Balance at December 31, 2014	\$ 310	\$ 2,148	\$ (398)	\$ 10,348	\$ 12,408

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 2014): intermodal (22%); coal (21%); chemicals (16%); metals/construction (13%); agriculture/consumer products/government (13%); automotive (8%); 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 \$6 million at December 31, 2014 and \$3 million at December 31, 2013. 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

Debt securities classified as “held-to-maturity” are reported at amortized cost.

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 2014, roadway depreciation rates ranged from 0.83% to 33.3% 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 May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "*Revenue from Contracts with Customers*." This update, effective for our annual and interim reporting periods beginning January 1, 2017, will replace most existing revenue recognition guidance in U.S. 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. Early application is not permitted, but once effective, 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.

2. Other Income – Net

	2014	2013	2012
	(\$ in millions)		
Income from natural resources:			
Royalties from coal	\$ 33	\$ 50	\$ 72
Nonoperating depletion and depreciation	(5)	(6)	(6)
Subtotal	<u>28</u>	<u>44</u>	<u>66</u>
Rental income	75	61	54
Corporate-owned life insurance – net	24	25	13
Gains and losses from sale of properties	13	101	5
Interest income	9	8	8
Equity in earnings of Conrail Inc. (Note 5)	—	42	34
Taxes on nonoperating property	(9)	(10)	(10)
Charitable contributions	(9)	(11)	(9)
Other interest expense – net	(12)	(12)	(9)
Other	<u>(15)</u>	<u>(15)</u>	<u>(23)</u>
Total	<u>\$ 104</u>	<u>\$ 233</u>	<u>\$ 129</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

	2014	2013	2012
	(\$ in millions)		
Current:			
Federal	\$ 729	\$ 695	\$ 569
State	111	98	74
Total current taxes	<u>840</u>	<u>793</u>	<u>643</u>
Deferred:			
Federal	299	270	339
State	(5)	(8)	27
Total deferred taxes	<u>294</u>	<u>262</u>	<u>366</u>
Provision for income taxes	<u>\$ 1,134</u>	<u>\$ 1,055</u>	<u>\$ 1,009</u>

Other current assets include prepaid income taxes of \$248 million and zero, respectively, at December 31, 2014 and 2013.

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:

	2014		2013		2012	
	Amount	%	Amount	%	Amount	%
	(\$ in millions)					
Federal income tax at statutory rate	\$ 1,097	35	\$ 1,038	35	\$ 965	35
State income taxes, net of federal tax effect	88	3	69	2	69	3
Internal Revenue Service (IRS) audit, settlement	—	—	—	—	(6)	—
State tax law changes, net of federal tax effect	(20)	(1)	(11)	—	(3)	—
Other, net	(31)	(1)	(41)	(1)	(16)	(1)
	<u>\$ 1,134</u>	<u>36</u>	<u>\$ 1,055</u>	<u>36</u>	<u>\$ 1,009</u>	<u>37</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,	
	2014	2013
	(\$ in millions)	
Deferred tax assets:		
Compensation and benefits, including postretirement	\$ 454	\$ 462
Accruals, including casualty and other claims	107	114
Other	45	54
Total gross deferred tax assets	606	630
Less valuation allowance	(33)	(32)
	<u>573</u>	<u>598</u>
Deferred tax liabilities:		
Property	(8,768)	(8,494)
Other	(455)	(466)
Total gross deferred tax liabilities	(9,223)	(8,960)
	<u>(8,650)</u>	<u>(8,362)</u>
Net deferred tax liability	167	180
Net current deferred tax asset		
	<u>\$ (8,817)</u>	<u>\$ (8,542)</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 that may not be utilized prior to their expiration. The valuation allowance for 2014 also includes state investment tax credits that may not be utilized prior to their expiration. The total valuation allowance increased by \$1 million in 2014 and \$13 million in 2013.

Uncertain Tax Positions

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

	December 31,	
	2014	2013
	<i>(\$ in millions)</i>	
Balance at beginning of year	\$ 65	\$ 63
Additions based on tax positions related to the current year	6	3
Additions for tax positions of prior years	1	4
Reductions for tax positions of prior years	(8)	(1)
Settlements with taxing authorities	(1)	(2)
Lapse of statutes of limitations	(2)	(2)
Balance at end of year	<u>\$ 61</u>	<u>\$ 65</u>

Included in the balance of unrecognized tax benefits at December 31, 2014, are potential benefits of \$28 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 2011. Our consolidated federal income tax returns for 2011 and 2012 are currently being audited by the IRS. We anticipate that the IRS will complete its examination in 2015. 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. We expect that the total amount of unrecognized tax benefits at December 31, 2014, will decrease by approximately \$6 million in 2015 due to tax positions for which there was an uncertainty about the timing of deductibility in earlier years, but deductibility may become certain by the close of 2015. We do not expect that the aforementioned potential change in unrecognized tax benefits will have a material effect on our financial position, results of operations, or liquidity.

Interest related to unrecognized tax benefits, which is included in "Other income – net," totaled \$1 million of expense in both 2014 and 2013, and \$1 million of income in 2012. There were no penalties related to tax matters in 2014, 2013, and 2012. We have recorded a liability of \$6 million at December 31, 2014, and \$4 million at December 31, 2013, for the payment of interest on unrecognized tax benefits. We have no liability recorded at December 31, 2014 and 2013, 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, 2014 or 2013.

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,” “Short-term investments,” “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:

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(\$ in millions)			
Long-term investments	\$ 162	\$ 193	\$ 148	\$ 177
Long-term debt, including current maturities	(8,926)	(10,962)	(9,348)	(10,673)

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

	December 31, 2013		
	Level 1	Level 2	Total
	(\$ in millions)		
Long-term investments	\$ 47	\$ 130	\$ 177
Long-term debt, including current maturities	(10,449)	(224)	(10,673)

5. Investments

	December 31,	
	2014	2013
	(\$ in millions)	
Short-term investments:		
Commercial paper, 2 months	\$ —	\$ 98
Federal government bonds, held-to-maturity, 3 months	—	20
	<u>\$ —</u>	<u>\$ 118</u>
Long-term investments:		
Equity method investments:		
Conrail Inc.	\$ 1,102	\$ 1,075
TTX Company	425	404
Meridian Speedway LLC	277	278
Pan Am Southern LLC	152	155
Other	91	90
Total equity method investments	<u>2,047</u>	<u>2,002</u>
Company-owned life insurance at net cash surrender value	470	289
Other investments	<u>162</u>	<u>148</u>
	<u>\$ 2,679</u>	<u>\$ 2,439</u>

Investment in Conrail

Through a limited liability company, we and CSX Corporation (CSX) jointly own Conrail Inc. (Conrail), whose primary subsidiary is Consolidated Rail Corporation (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, 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, 2013, based on the funded status of Conrail's pension plans, we increased our proportional investment in Conrail by \$37 million. This resulted in income of \$34 million recorded to "Other comprehensive income" and a combined federal and state deferred tax liability of \$3 million.

At December 31, 2014, the difference between our investment in Conrail and our share of Conrail's underlying net equity was \$529 million. Our equity in the earnings of Conrail, net of amortization, included in "Purchased services and rents" was \$39 million for 2014. For 2013 and 2012, this amounted to \$42 million and \$34 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 \$144 million in 2014, \$146 million in 2013, and \$147 million in 2012. Future minimum lease payments due to CRC under the Shared Assets Areas agreements are as follows: \$36 million in each of 2015 through 2019 and \$160 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.

In 2014, we converted approximately \$147 million of our accounts payable into the long-term advance from Conrail included in "Other Liabilities." "Accounts payable" includes \$56 million at December 31, 2014, and \$187 million at December 31, 2013, due to Conrail for the operation of the Shared Assets Areas. "Other liabilities" includes \$280 million and \$133 million at December 31, 2014 and 2013 for long-term advances from Conrail, maturing 2044 and 2035 that bear interest at an average rate of 2.9% and 4.4%, respectively.

6. Properties

At December 31, 2014	Cost	Accumulated Depreciation	Net Book Value	Depreciation Rate ⁽¹⁾
	(\$ in millions)			
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	25,739	(6,491)	19,248	
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	10,034	(4,051)	5,983	
Other property	475	(272)	203	1.04%
Total properties	<u>\$ 38,508</u>	<u>\$ (10,814)</u>	<u>\$ 27,694</u>	

At December 31, 2013	Cost	Accumulated Depreciation	Net Book Value	Depreciation Rate ⁽¹⁾
	(\$ in millions)			
Land	\$ 2,253	\$ —	\$ 2,253	—
Roadway:				
Rail and other track material	5,934	(1,782)	4,152	2.46%
Ties	4,464	(1,100)	3,364	3.24%
Ballast	2,244	(468)	1,776	2.65%
Construction in process	405	—	405	—
Other roadway	11,704	(2,814)	8,890	2.55%
Total roadway	24,751	(6,164)	18,587	
Equipment:				
Locomotives	4,814	(1,918)	2,896	3.42%
Freight cars	3,225	(1,429)	1,796	2.78%
Computers and software	513	(292)	221	11.07%
Construction in process	139	—	139	—
Other equipment	862	(316)	546	6.15%
Total equipment	9,553	(3,955)	5,598	
Other property	475	(268)	207	1.15%
Total properties	\$ 37,032	\$ (10,387)	\$ 26,645	

⁽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 \$8 million at both December 31, 2014 and 2013, of assets recorded pursuant to capital leases with accumulated amortization of \$3 million at both December 31, 2014 and 2013. Other property includes the costs of obtaining rights to natural resources of \$336 million at both December 31, 2014 and 2013, with accumulated depletion of \$196 million and \$195 million, respectively.

Capitalized Interest

Total interest cost incurred on debt was \$564 million in 2014, \$543 million in 2013, and \$515 million in 2012, of which \$19 million, \$18 million, and \$20 million, respectively, was capitalized.

7. Current Liabilities

	December 31,	
	2014	2013
	(\$ in millions)	
Accounts payable:		
Accounts and wages payable	\$ 748	\$ 685
Casualty and other claims (Note 16)	187	166
Vacation liability	132	130
Due to Conrail (Note 5)	56	187
Other	110	97
	<u>1,233</u>	<u>1,265</u>
Total	<u>\$ 1,233</u>	<u>\$ 1,265</u>
Other current liabilities:		
Interest payable	\$ 118	\$ 121
Postretirement and pension benefit obligations (Note 11)	14	64
Other	96	85
	<u>228</u>	<u>270</u>
Total	<u>\$ 228</u>	<u>\$ 270</u>

8. Debt

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

	December 31,	
	2014	2013
	(\$ in millions)	
Notes and debentures:		
6.21% maturing to 2019	\$ 2,150	\$ 2,582
6.27% maturing 2020 to 2021	897	897
3.22% maturing 2022 to 2024	1,600	1,600
6.92% maturing 2025 to 2037	1,402	1,402
4.81% maturing 2041 to 2043	1,833	1,833
6.39% maturing 2097 to 2111	1,328	1,328
Securitization borrowings, 1.28%	200	200
Other debt, 8.14% maturing to 2024	90	101
Discounts and premiums, net	(474)	(495)
Total debt	<u>9,026</u>	<u>9,448</u>
Less current maturities and short-term debt	<u>(102)</u>	<u>(545)</u>
Long-term debt excluding current maturities and short-term debt	<u>\$ 8,924</u>	<u>\$ 8,903</u>

Long-term debt maturities subsequent to 2015 are as follows:

2016	\$	500
2017		550
2018		600
2019		585
2020 and subsequent years		<u>6,689</u>
Total	\$	<u>8,924</u>

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 \$200 million and repaid \$200 million in 2014.

At both December 31, 2014 and 2013, the amounts outstanding under the receivables securitization facility were \$200 million at an average variable interest rate of 1.28% and 1.23%, respectively. Our intent is to refinance \$100 million of these borrowings on a long-term basis, which is supported by our \$750 million credit agreement (see below). Accordingly, these amounts outstanding are included in the line item “Long-term debt” and the remaining \$100 million outstanding at both December 31, 2014 and December 31, 2013, is included in the line item “Short-term debt” in 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, 2014 and 2013, the receivables included in “Accounts receivable – net” serving as collateral for these borrowings totaled \$782 million and \$747 million, respectively.

Issuance of Debt or Equity Securities

We have authority from our Board of Directors to issue an additional \$800 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 2016, which provides for borrowings at prevailing rates and includes covenants. We had no amounts outstanding under this facility at December 31, 2014 and 2013, and we are in compliance with all of its covenants.

On June 4, 2014, we terminated our commercial paper dealer agreement.

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	Capital Leases
	<i>(\$ in millions)</i>	
2015	\$ 83	\$ 2
2016	75	—
2017	65	—
2018	58	—
2019	47	—
2020 and subsequent years	<u>383</u>	<u>2</u>
Total	<u><u>\$ 711</u></u>	4
Less imputed interest on capital leases at an average rate of 5.6%		<u>(1)</u>
Present value of minimum lease payments included in debt		<u><u>\$ 3</u></u>

Operating Lease Expense

	2014	2013	2012
	<i>(\$ in millions)</i>		
Minimum rents	\$ 109	\$ 121	\$ 129
Contingent rents	<u>92</u>	<u>82</u>	<u>73</u>
Total	<u><u>\$ 201</u></u>	<u><u>\$ 203</u></u>	<u><u>\$ 202</u></u>

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

10. Other Liabilities

	December 31,	
	2014	2013
	<i>(\$ in millions)</i>	
Net retiree other postretirement benefit obligations (Note 11)	\$ 309	\$ 566
Long-term advances from Conrail (Note 5)	280	133
Net pension benefit obligations (Note 11)	260	218
Casualty and other claims (Note 16)	199	214
Deferred compensation	116	120
Other	148	193
	<hr/>	<hr/>
Total	\$ 1,312	\$ 1,444
	<hr/>	<hr/>

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.

In the first quarter of 2014, we amended our retiree medical plan for participants who are Medicare-eligible resulting in a remeasurement of our plan assets and obligations. Effective July 1, 2014, 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, and which is not subject to health care cost trends. The Medicare Part D subsidy no longer applies as Medicare-eligible participants are no longer covered under the self-insured retiree health care plan.

Pension and Other Postretirement Benefit Obligations and Plan Assets

	Pension Benefits		Other Postretirement Benefits	
	2014	2013	2014	2013
	(\$ in millions)			
Change in benefit obligations:				
Benefit obligation at beginning of year	\$ 2,091	\$ 2,285	\$ 855	\$ 1,311
Service cost	34	41	7	16
Interest cost	93	81	24	50
Actuarial losses (gains)	335	(196)	102	(471)
Plan amendments	—	—	(367)	—
Benefits paid	(124)	(120)	(50)	(51)
Benefit obligation at end of year	<u>2,429</u>	<u>2,091</u>	<u>571</u>	<u>855</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	2,115	1,791	239	205
Actual return on plan assets	163	432	26	34
Employer contribution	13	12	47	51
Benefits paid	(124)	(120)	(50)	(51)
Fair value of plan assets at end of year	<u>2,167</u>	<u>2,115</u>	<u>262</u>	<u>239</u>
Funded status at end of year	<u>\$ (262)</u>	<u>\$ 24</u>	<u>\$ (309)</u>	<u>\$ (616)</u>
Amounts recognized in the Consolidated Balance Sheets:				
Noncurrent assets	\$ 12	\$ 256	\$ —	\$ —
Current liabilities	(14)	(14)	—	(50)
Noncurrent liabilities	<u>(260)</u>	<u>(218)</u>	<u>(309)</u>	<u>(566)</u>
Net amount recognized	<u>\$ (262)</u>	<u>\$ 24</u>	<u>\$ (309)</u>	<u>\$ (616)</u>
Amounts included in accumulated other comprehensive loss (before tax):				
Net loss (gain)	\$ 854	\$ 585	\$ 6	\$ (88)
Prior service cost (benefit)	3	4	(347)	—

Our accumulated benefit obligation for our defined benefit pension plans is \$2.2 billion and \$1.9 billion at December 31, 2014 and 2013, respectively. 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 December 31, 2014, and \$231 million at December 31, 2013, and had accumulated benefit obligations of \$244 million at December 31, 2014, and \$206 million at December 31, 2013.

Pension and Other Postretirement Benefit Cost Components

	2014	2013	2012
	(\$ in millions)		
Pension benefits:			
Service cost	\$ 34	\$ 41	\$ 34
Interest cost	93	81	89
Expected return on plan assets	(151)	(142)	(138)
Amortization of net losses	54	89	75
Amortization of prior service cost	1	—	—
Net cost	<u>\$ 31</u>	<u>\$ 69</u>	<u>\$ 60</u>
Other postretirement benefits:			
Service cost	\$ 7	\$ 16	\$ 15
Interest cost	24	50	54
Expected return on plan assets	(18)	(16)	(15)
Amortization of net losses	—	58	53
Amortization of prior service benefit	(20)	—	—
Net cost (benefit)	<u>\$ (7)</u>	<u>\$ 108</u>	<u>\$ 107</u>

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

	2014	
	Pension Benefits	Other Postretirement Benefits
	(\$ in millions)	
Net loss arising during the year	\$ 323	\$ 94
Prior service effect of plan amendment	—	(367)
Amortization of net losses	(54)	—
Amortization of prior service benefit (cost)	(1)	20
Total recognized in other comprehensive loss	<u>\$ 268</u>	<u>\$ (253)</u>
Total recognized in net periodic cost and other comprehensive loss	<u>\$ 299</u>	<u>\$ (260)</u>

Net actuarial losses arising during the year to our pension and other postretirement benefits were due primarily to a decrease in our discount rate and a change in our mortality rate.

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 \$65 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:

	2014	2013	2012
<i>Pension funded status:</i>			
Discount rate	3.95%	4.60%	3.65%
Future salary increases	4.50%	4.50%	4.50%
<i>Other postretirement benefits funded status:</i>			
Discount rate	3.70%	4.65%	3.80%
<i>Pension cost:</i>			
Discount rate	4.60%	3.65%	4.50%
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	3.90%	3.80%	4.55%
Return on assets in plans	8.00%	8.00%	8.00%
Health care trend rate	6.94%	7.33%	7.70%

¹ Current year 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, 2014, increases in the per capita cost of pre-Medicare covered health care benefits were assumed to be 6.56% for 2015. It is assumed the rate will decrease gradually to an ultimate rate of 5.0% for 2019 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
	(\$ in millions)	
Increase (decrease) in:		
Total service and interest cost components	\$ 1	\$ (1)
Postretirement benefit obligation	12	(11)

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,	
	2014	2013
Domestic equity securities	50%	54%
Debt securities	25%	20%
International equity securities	23%	22%
Cash and cash equivalents	2%	4%
Total	100%	100%

The other postretirement benefit plan assets consist primarily of trust-owned variable life insurance policies with an asset allocation at December 31, 2014, of 66% in equity securities and 34% in debt securities compared with 65% in equity securities and 35% in debt securities at December 31, 2013. 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 2014, 2013, and 2012. A one-percentage point change to the rate of return assumption would result in an \$18 million change to the net pension cost and, as a result, an equal change in "Compensation and benefits" expense. For 2015, 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, 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>\$ 1,221</u>	<u>\$ 946</u>	<u>\$ 2,167</u>
December 31, 2013			
	Level 1	Level 2	Total
	<i>(\$ in millions)</i>		
Common stock	\$ 1,245	\$ —	\$ 1,245
Common collective trusts:			
Debt securities	—	423	423
International equity securities	—	265	265
Commingled funds	—	95	95
Interest bearing cash	83	—	83
U.S. government and agencies securities	—	4	4
	<u>\$ 1,328</u>	<u>\$ 787</u>	<u>\$ 2,115</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 \$262 million and \$239 million at December 31, 2014 and 2013 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 2015, we expect to contribute approximately \$14 million to our unfunded pension plans for payments to pensioners and approximately \$19 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 2015.

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>	
2015	\$ 130	\$ 44
2016	134	43
2017	137	43
2018	139	43
2019	141	42
Years 2020 – 2024	718	194

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 \$36 million in 2014, \$41 million in 2013, and \$47 million in 2012.

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 \$20 million in 2014, \$19 million in 2013, and \$18 million in 2012.

12. Stock-Based Compensation

Under the stockholder-approved Long-Term Incentive Plan (LTIP), the Compensation Committee (Committee), 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 96,125,000 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 below.

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 quarter of 2014, 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 \$44 million in 2014, \$54 million in 2013, and \$45 million in 2012. The total tax effects recognized in income in relation to stock-based compensation were benefits of \$14 million in 2014, \$18 million in 2013, and \$14 million in 2012.

"Common stock issued – net" in the Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013, and 2012 includes tax benefits generated from tax deductions in excess of compensation costs recognized for share-based awards of \$37 million, \$38 million, and \$42 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 2014, 515,240 options were granted under LTIP and 181,070 options were granted under TSOP. In each case, the grant price was \$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. In the first quarter of 2012, 567,300 options were granted under LTIP and 210,300 options were granted under TSOP, each with a grant price of \$75.14. 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 2014, 2013, and 2012 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 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. For options granted that include dividend equivalent payments, a dividend yield of zero was used. For 2014, 2013, and 2012, a dividend yield of 2.29%, 2.86%, and 2.30%, respectively, was used for LTIP options for periods where no dividend equivalent payments are made, as well as for TSOP options, which do not receive dividend equivalents.

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

	2014	2013	2012
Expected volatility range	23% – 27%	24% – 30%	27% – 29%
Average expected volatility	25%	26%	27%
Average risk-free interest rate	2.79%	1.88%	1.96%
Average expected option term LTIP	8.9 years	9.0 years	8.9 years
Per-share grant-date fair value LTIP	\$ 29.87	\$ 20.40	\$ 23.84
Average expected option term TSOP	8.8 years	8.9 years	8.8 years
Per-share grant-date fair value TSOP	\$ 24.38	\$ 15.84	\$ 19.55
Options granted (LTIP and TSOP)	696,310	1,016,700	777,600

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

	Stock Options	Weighted Avg. Exercise Price
Outstanding at December 31, 2013	7,152,178	\$ 54.52
Granted	696,310	94.17
Exercised	(2,009,461)	47.70
Forfeited	(7,710)	78.78
Outstanding at December 31, 2014	5,831,317	61.57

The aggregate intrinsic value of options outstanding at December 31, 2014, was \$280 million with a weighted average remaining contractual term of 5.7 years. Of these options outstanding, 3,091,117 were exercisable and had an aggregate intrinsic value of \$188 million with a weighted average exercise price of \$48.82 and a weighted average remaining contractual term of 3.9 years.

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

	2014	2013	2012
	(\$ in millions)		
Options exercised	2,009,461	2,570,088	1,809,770
Total intrinsic value	\$ 106	\$ 106	\$ 80
Cash received upon exercise	93	93	47
Related tax benefits realized	26	31	28

At December 31, 2014, total unrecognized compensation related to options granted under LTIP and TSOP was \$11 million, and is expected to be recognized over a weighted-average period of approximately 2.3 years.

Restricted Stock Units

RSU grants and grant-date fair values were 113,505 and \$94.17 in 2014; 162,000 and \$69.83 in 2013; and 140,000 and \$75.14 in 2012. RSUs granted in all three years have a five-year restriction period and will be settled through issuance of shares of Common Stock. The RSU grants include cash dividend equivalent payments during the restriction period commensurate with regular quarterly dividends paid on Common Stock. During 2014, 319,150 of the RSUs granted in 2009 vested, with 187,969 shares of Common Stock issued net of withholding taxes. A summary of the status of and changes in RSUs is presented below:

	RSUs	Weighted-Average Grant-Date Fair Value
Nonvested at December 31, 2013	964,000	\$ 55.17
Granted	113,505	94.17
Vested	(319,150)	38.72
Forfeited	(1,850)	60.76
Nonvested at December 31, 2014	756,505	67.94

At December 31, 2014, 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 2014, 2013, and 2012 were \$6 million, \$2 million, and \$3 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 399,530 in 2014 and grant-date fair values relating to performance and market conditions were \$94.17 and \$50.31, respectively, with the market condition fair value measured on the date of grant using a Monte Carlo simulation model. PSU grants were 550,800 and 468,850 in 2013 and 2012, respectively, and grant-date fair values relating to performance conditions were \$69.83 and \$75.14 in 2013 and 2012, respectively. During 2014, 374,099 of the PSUs granted in 2011 were earned, with 223,253 shares of Common Stock issued net of withholding taxes. A summary of the status of and changes in PSUs is presented below:

	PSUs	Weighted-Average Grant-Date Fair Value
Balance at December 31, 2013	1,595,800	\$ 68.81
Granted	399,530	72.24
Earned	(374,099)	62.75
Unearned	(205,001)	62.75
Forfeited	(1,450)	75.14
Balance at December 31, 2014	1,414,780	72.26

At December 31, 2014, total unrecognized compensation related to PSUs granted under LTIP was \$7 million, and is expected to be recognized over a weighted-average period of approximately 1.6 years. The total related tax benefits realized were \$5 million in both 2014 and 2013, and \$11 million in 2012.

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:

	2014	2013	2012
Available for future grants:			
LTIP	4,899,428	5,945,033	7,638,688
TSOP	998,896	1,172,256	1,434,356
Issued:			
LTIP	2,168,641	2,765,986	2,337,179
TSOP	252,042	331,282	153,423

13. Stockholders' Equity

Common Stock

Common Stock is reported net of shares held by our consolidated subsidiaries (Treasury Shares). Treasury Shares at December 31, 2014 and 2013, amounted to 20,320,777, with a cost of \$19 million for both 2014 and 2013.

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 Gain (Loss)	Reclassification Adjustments	Balance at End of Year
	(\$ in millions)			
Year ended December 31, 2014				
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>
Year ended December 31, 2013				
Pensions and other postretirement liabilities	\$ (999)	\$ 600	\$ 89 ⁽¹⁾	\$ (310)
Other comprehensive gain (loss) of equity investees	<u>(110)</u>	<u>39</u>	<u>—</u>	<u>(71)</u>
Accumulated other comprehensive loss	<u>\$ (1,109)</u>	<u>\$ 639</u>	<u>\$ 89</u>	<u>\$ (381)</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
	(\$ in millions)		
Year ended December 31, 2014			
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
Subtotal	(15)	5	(10)
Other comprehensive loss of equity investees	(8)	1	(7)
Other comprehensive loss	<u>\$ (23)</u>	<u>\$ 6</u>	<u>\$ (17)</u>
Year ended December 31, 2013			
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
Subtotal	1,122	(433)	689
Other comprehensive income of equity investees	42	(3)	39
Other comprehensive income	<u>\$ 1,164</u>	<u>\$ (436)</u>	<u>\$ 728</u>
Year ended December 31, 2012			
Net gain (loss) arising during the year:			
Pensions and other postretirement benefits	\$ (242)	\$ 93	\$ (149)
Reclassification adjustments for costs included in net income	128	(50)	78
Subtotal	(114)	43	(71)
Other comprehensive loss of equity investees	(13)	1	(12)
Other comprehensive loss	<u>\$ (127)</u>	<u>\$ 44</u>	<u>\$ (83)</u>

14. Stock Repurchase Program

We repurchased and retired 3.1 million, 8.3 million, and 18.8 million shares under our share repurchase program in 2014, 2013, and 2012, respectively, at a cost of \$318 million, \$627 million, and \$1.3 billion. 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 139.8 million shares of Common Stock at a total cost of \$8.4 billion.

15. Earnings Per Share

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

	Basic			Diluted		
	2014	2013	2012	2014	2013	2012
	<i>(\$ in millions except per share amounts, shares in millions)</i>					
Net income	\$ 2,000	\$ 1,910	\$ 1,749	\$ 2,000	\$ 1,910	\$ 1,749
Dividend equivalent payments	(6)	(7)	(9)	(4)	(4)	(4)
Income available to common stockholders	\$ 1,994	\$ 1,903	\$ 1,740	\$ 1,996	\$ 1,906	\$ 1,745
Weighted-average shares outstanding	309.4	311.9	320.9	309.4	311.9	320.9
Dilutive effect of outstanding options and share-settled awards				3.1	3.6	4.3
Adjusted weighted-average shares outstanding				312.5	315.5	325.2
Earnings per share	\$ 6.44	\$ 6.10	\$ 5.42	\$ 6.39	\$ 6.04	\$ 5.37

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 diluted calculations exclude options having exercise prices exceeding the average market price of Common Stock as follows: none in 2014 and 2013, and 2 million in 2012.

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. On March 14, 2014, the STB resolved DuPont's rate reasonableness complaint in our favor, and on June 20, 2014, the STB resolved Sunbelt's rate case in our favor. The STB's findings in both cases remain subject to technical corrections, requests for reconsideration, and 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 \$66 million at December 31, 2014, and \$58 million at December 31, 2013 (of which \$15 million is classified as a current liability at the end of each period). At December 31, 2014, the liability represents our estimate of the probable cleanup and remediation costs based on available information at 146 known locations and projects compared with 142 locations and projects at December 31, 2013. At December 31, 2014, 15 sites accounted for \$39 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 11 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 EPA or comparable state authorities), estimates of our ultimate potential financial exposure for a given site or in the aggregate for all such sites are necessarily imprecise 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 in our traffic mix, 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 ourself 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 \$1.2 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, 2014, we had outstanding purchase commitments totaling approximately \$879 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 2018.

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, 2014, 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>			
<u>2014</u>				
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
<u>2013</u>				
Railway operating revenues	\$ 2,738	\$ 2,802	\$ 2,824	\$ 2,881
Income from railway operations	691	836	849	881
Net income	450	465	482	513
Earnings per share:				
Basic	1.43	1.47	1.55	1.66
Diluted	1.41	1.46	1.53	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, 2014. Based on such evaluation, our officers have concluded that, at December 31, 2014, 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, 2014. 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, 2014.

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, 2014. These reports appear in Part II, Item 8 of this report on Form 10-K.

During the fourth quarter of 2014, 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 under the caption “Committees of the Board” in our definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 14, 2015, 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 “Board of Directors”, including “Compensation of Directors”, the “2014 Non-Employee Director Compensation Table” and the “Narrative to Non-Employee Director Compensation Table;”
- appearing under the caption “Executive Compensation” for executives, including the “Compensation Discussion and Analysis,” the information appearing in the “Summary Compensation Table” and the “2014 Grants of Plan-Based Awards” table, including the narrative to such tables, the “Outstanding Equity Awards at Fiscal Year-End 2014” and “Option Exercises and Stock Vested in 2014” 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 the Annual Meeting of Stockholders to be held on May 14, 2015, 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 the Annual Meeting of Stockholders to be held on May 14, 2015, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.

Equity Compensation Plan Information (at December 31, 2014)

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⁾	7,241,162 ⁽⁴⁾	\$ 60.28 ⁽⁵⁾	4,899,428
Equity compensation plans not approved by securities holders ⁽³⁾	<u>1,084,904</u>	67.24	<u>1,007,896 ⁽⁶⁾</u>
Total	<u><u>8,326,066</u></u>		<u><u>5,907,324</u></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 2,495,249 outstanding RSUs and PSUs at December 31, 2014.

⁽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 26, 2010, which amendment was approved by shareholders on May 13, 2010, to include the reservation for issuance of an additional 8,100,000 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 2014 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 2014 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. Currently, 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 will 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 “Transactions with Related Persons” and under the caption “Director Independence” in our definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 14, 2015, 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 the Annual Meeting of Stockholders to be held on May 14, 2015, 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. Index to Consolidated Financial Statements	
Report of Management	K 37
Reports of Independent Registered Public Accounting Firm	K 38
Consolidated Statements of Income, Years ended December 31, 2014, 2013, and 2012	K 40
Consolidated Statements of Comprehensive Income, Years ended December 31, 2014, 2013, and 2012	K 41
Consolidated Balance Sheets at December 31, 2014 and 2013	K 42
Consolidated Statements of Cash Flows, Years ended December 31, 2014, 2013, and 2012	K 43
Consolidated Statements of Changes in Stockholders' Equity, Years ended December 31, 2014, 2013, and 2012	K 44
Notes to Consolidated Financial Statements	K 45
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	
Schedule II – Valuation and Qualifying Accounts	K 98
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.
- 4 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) Eighth Supplemental Indenture, dated as of September 17, 2004, between Norfolk Southern Corporation and U.S. Bank Trust National Association, as Trustee, related to the issuance of 5.257% Notes due 2014 (Securities) in the aggregate principal amount of \$441.5 million in connection with Norfolk Southern Corporation's offer to exchange the Securities and cash for up to \$400 million of its outstanding 7.350% Notes due 2007, is incorporated by reference to Exhibit 4.1 to Norfolk Southern Corporation's Form 8-K filed on September 23, 2004.
 - (f) 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.
 - (g) 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.

- (h) 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.

- (i) 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
- (j) 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.
- (k) 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.
- (l) 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.
- (m) 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.
- (n) 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.
- (o) 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.
- (p) 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.
- (q) 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.
- (r) 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.

- (s) 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.
- (t) 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.
- (u) 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.
- (v) 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.
- (w) 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.
- (x) 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.
- (y) 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.

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 13, 2010 and as amended September 27, 2011, April 26, 2012, and November 26, 2013, is incorporated by reference to Exhibit 10s to Norfolk Southern Corporation's Form 10-K filed on February 2, 2014.

- (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 amended effective May 13, 2010, and as amended July 23, 2013, November 26, 2013, and December 2, 2014.

- (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 July 1, 2014.
- (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 2008 annual Meetings 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)* Consulting Services Agreement between Norfolk Southern Corporation and John P. Rathbone, entered into on September 20, 2013, is incorporated by reference to Exhibit 10.1 to Norfolk Southern Corporation's Form 8-K/A filed on September 24, 2013.
- (hhh)* Form of Norfolk Southern Corporation Long-Term Incentive Plan, Award Agreement for Outside Directors approved by the Compensation Committee on November 25, 2013, and is incorporated by reference to Exhibit 10(iii) to Norfolk Southern Corporation's Form 10-K filed on February 14, 2014.
- (iii)*,** Form of Norfolk Southern Corporation Long-Term Incentive Plan, Award Agreement for incentive stock options approved by the Compensation Committee on January 22, 2015.
- (jjj)*,** Form of Norfolk Southern Corporation Long-Term Incentive Plan, Award Agreement for performance share units approved by the Compensation Committee on January 22, 2015.
- (kkk)*,** Form of Norfolk Southern Corporation Long-Term Incentive Plan, Award Agreement for non-qualified stock options approved by the Compensation Committee on January 22, 2015.
- (lll)*,** Form of Norfolk Southern Corporation Long-Term Incentive Plan, Award Agreement for restricted stock units approved by the Compensation Committee on January 22, 2015.

(mmm)*,** 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.

(nnn) Performance Criteria for bonuses payable in 2016 for the 2015 incentive year. On January 22, 2015, the Compensation Committee of the Norfolk Southern Corporation Board of Directors adopted the following performance criteria for determining bonuses payable in 2016 for the 2015 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.

(ooo) 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.

(ppp)* 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.

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, 2014, formatted in Extensible Business Reporting Language (XBRL) includes: (i) the Consolidated Statements of Income of each of the years ended December 31, 2014, 2013, and 2012; (ii) the Consolidated Statements of Comprehensive Income for each of the years ended December 31, 2014, 2013, and 2012; (iii) the Consolidated Balance Sheets at December 31, 2014 and 2013; (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013, and 2012; (v) the Consolidated Statements of Changes in Stockholders' Equity for each of the three years ended December 31, 2014, 2013, and 2012; 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 2014 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**

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 11th day of February, 2015.

/s/Charles W. Moorman

By: Charles W. Moorman

(Chairman and Chief Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on this 11th day of February, 2015, by the following persons on behalf of Norfolk Southern Corporation and in the capacities indicated.

Signature	Title
<u>/s/Charles W. Moorman</u> (Charles W. Moorman)	Chairman 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/James A. Squires</u> (James A. Squires)	Director
<u>/s/John R. Thompson</u> (John R. Thompson)	Director

Norfolk Southern Corporation and Subsidiaries
Valuation and Qualifying Accounts
Years ended December 31, 2012, 2013, and 2014
(\$ in millions)

		Additions charged to:				
	Beginning Balance	Expenses	Other Accounts	Deductions	Ending Balance	
<i>Year ended December 31, 2012</i>						
Valuation allowance (included net in deferred tax liability) for deferred tax assets	\$ 19	\$ —	\$ —	\$ —	\$ 19	
Casualty and other claims included in other liabilities	275	76 ⁽¹⁾	—	93 ⁽³⁾	258	
Current portion of casualty and other claims included in accounts payable	201	18	157 ⁽²⁾	193 ⁽⁴⁾	183	
<i>Year ended December 31, 2013</i>						
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	
<i>Year ended December 31, 2014</i>						
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	

⁽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.

NORFOLK SOUTHERN CORPORATION

Directors' Restricted Stock Plan

- I. Effective Date: January 1, 1994, as amended November 24, 1998, August 1, 2012, and as amended and restated effective January 23, 2015.
- II. Purpose: To increase the ownership of common stock of Norfolk Southern Corporation ("Corporation") by non-employee directors so as to align further their ownership interest in the Corporation with that of the stockholders.
- III. Eligibility: Any non-employee director of the Corporation as of the Effective Date and any non-employee director of the Corporation who begins his or her term as director on or after the Effective Date and before January 23, 2015 ("Eligible Director"). No grants of common stock shall be made under this Plan on or after January 23, 2015. A "non-employee director" is a director who is not an officer of the Corporation or any of its subsidiaries.
- IV. Benefits:
- (1) An Eligible Director shall be granted three thousand (3,000) shares of Corporation common stock ("Restricted Shares") on the later of the Effective Date of the Registration Statement registering the grant of common stock under this Plan or the date a person becomes an Eligible Director.
 - (2) Restricted Shares shall be restricted as hereinafter provided for a period ("Restriction Period") commencing on the date of grant and ending on the date that is the earlier of the death of the Eligible Director or the day after the Eligible Director ceases to be a director by reason of disability or retirement. During the Restriction Period, the Eligible Director shall have the entire beneficial interest in and all rights and privileges of a stockholder as to the Restricted Shares, including the right to receive dividends and the right to vote such shares, subject to the following conditions: (a) the Eligible Director shall not be entitled to delivery of the stock certificate until expiration of the Restriction Period; (b) none of the Restricted Shares may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of during the Restriction Period; and (c) all Restricted Shares shall be forfeited and all rights of the Eligible Director in and to such shares shall terminate unless the Eligible Director remains a director of the Corporation until death, disability or retirement.
 - (3) For purposes of this Plan, "retirement" of an Eligible Director means termination of service as a director of the Corporation, if

(a) the Eligible Director at the time of termination was ineligible to continue serving as a director under the Corporation's Retirement Policy for Directors or (b) the Eligible Director had served as a director of the Corporation for at least two consecutive years, and such termination is (i) due to the Eligible Director's taking a position with or providing services to a governmental, charitable or educational institution whose policies prohibit continued service as a director of the Corporation, or (ii) due to the fact that continued service as a director would be a violation of law, or (iii) not due to the voluntary resignation or refusal to stand for reelection by the Eligible Director.

(4)The Board of Directors of the Corporation may make such adjustments in the number and kind of shares authorized by the Plan and the number and kind of shares or other securities or property covered by outstanding awards as are required by any change in the corporate structure or shares of the Corporation, including, but not limited to, recapitalization, stock splits, stock dividends, combination or exchange of shares, mergers, consolidations, rights, offerings, separations, reorganizations, and liquidations.

V. Miscellaneous:

A maximum of 66,000 shares of Corporation common stock may be granted under this Plan. This Plan may be amended or terminated by the Board of Directors of the Corporation.

SUPPLEMENTAL BENEFIT PLAN
OF
NORFOLK SOUTHERN CORPORATION
AND
PARTICIPATING SUBSIDIARY COMPANIES

Amended to and Including September 30, 2014

SUPPLEMENTAL BENEFIT PLAN
OF
NORFOLK SOUTHERN CORPORATION
AND
PARTICIPATING SUBSIDIARY COMPANIES
(As amended effective September 30, 2014)

ARTICLE I. INTRODUCTION

This Supplemental Benefit Plan ("Plan"), formerly the Excess Benefit Plan, was established by Norfolk Southern Corporation effective June 1, 1982, ("Effective Date") to provide retirement benefits to eligible employees in excess of those provided for by the Retirement Plan of Norfolk Southern Corporation and Participating Subsidiary Companies. This Plan is the successor to and supersedes, as of the Effective Date, the following plans:

- Excess Benefit Plan of Norfolk and Western Railway Company
- Southern Railway System Supplemental Retirement Plan
- Norfolk and Western Railway Company Executives Contingent Compensation Plan Pension Resolution

The Plan, as hereby amended and restated, is effective with respect to supplemental benefits that were earned or vested (within the meaning of Section 409A of the Internal Revenue Code) on or after January 1, 2005. Supplemental benefits earned and vested (within the meaning of Section 409A of the Internal Revenue Code) before January 1, 2005, and any subsequent increase that is permitted to be included in such benefits under Section 409A (collectively, the "Grandfathered Amounts"), remain subject to the terms of the Plan as in effect on October 3, 2004 except with respect to the small-balance lump-sum cashout provisions set forth herein. For recordkeeping purposes, NSC will account separately for the Grandfathered Amounts.

ARTICLE II. DEFINITIONS

Average Final Compensation	Compensation as defined in Article II of the Retirement Plan.
Compensation Committee	The Compensation Committee of the Board of Directors of NSC.
Conrail Plan	Supplemental Pension Plan of Consolidated Rail Corporation.

Deferred Compensation	<p>Amounts the receipt of which a Participant elects to defer under the:</p> <p>Deferred Compensation Plan of Norfolk and Western Railway Company</p> <p>Southern Railway System Executive, General or Middle Management Incentive Plan</p> <p>Norfolk Southern Corporation Management Incentive Plan</p> <p>Norfolk Southern Corporation Executive Management Incentive Plan</p> <p>Norfolk Southern Corporation Officers' Deferred Compensation Plan</p> <p>Norfolk Southern Corporation Executives' Deferred Compensation Plan</p>
Member	A person entitled to participate in the Retirement Plan.
NSC	Norfolk Southern Corporation, a Virginia corporation.
NW Pension Resolutions	Resolutions adopted by the Board of Directors of Norfolk and Western Railway Company at its meetings held on January 23, 1968, June 24, 1969, November 25, 1969, January 26, 1971, and April 23, 1974, authorizing the respective payments of additional pension benefits to five Members.
Participant	A Member of the Retirement Plan who is eligible to participate under Article III.
Participating Subsidiary	Each subsidiary or affiliated company of NSC which is a Participating Subsidiary in the Retirement Plan shall automatically participate in the Plan.
Retirement Plan	Retirement Plan of Norfolk Southern Corporation and Participating Subsidiary Companies
Same Sex Partner	Same Sex Partner as defined in Article II of the Retirement Plan.
Separation from Service	A Participant's "separation from service" within the meaning of Section 409A of the Internal Revenue Code and the regulations thereunder.

Specified Employee	An officer of NSC or of any company controlled by or under common control with NSC within the meaning of Section 414(b) or (c) of the Code (including NSC, 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.” 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. 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.
Surviving Same Sex Partner	Surviving Same Sex Partner as defined in Article II of the Retirement Plan.
Surviving Spouse	Surviving Spouse as defined in Article II of the Retirement Plan.

ARTICLE III. ELIGIBILITY AND PAYMENTS

1. The following Members of the Retirement Plan shall be eligible to participate in the Plan on or after the Effective Date:
 - (a) Any Member of the Retirement Plan whose benefit computed under Article VI of the Retirement Plan without regard to the maximum limitation on benefits imposed by Section 415 of the Internal Revenue Code exceeds such maximum limitation on benefits;
 - (b) Any Member of the Retirement Plan whose benefit computed under Article VI of the Retirement Plan disregards amounts of Deferred Compensation in the computation of his Average Final Compensation;
 - (c) Any Member of the Retirement Plan entitled to receive a pension benefit, in excess of the benefit computed under the provisions of the Retirement Plan, pursuant to an NW Pension Resolution;
 - (d) Any Member of the Retirement Plan entitled to receive a pension benefit, in excess of the benefit computed under the provisions of the Retirement Plan, pursuant to a resolution adopted by the Board of Directors of NSC;

- (e) Any Member of the Retirement Plan whose Compensation exceeds the limitation contained in Section 401(a)(17) of the Internal Revenue Code;
 - (f) Any Member protected by the Pension Benefits Standard Act of Canada whose benefit computed under Article VI of the Retirement Plan exceeds \$60,000; or
 - (g) Any Member of the Retirement Plan entitled to receive a pension benefit in excess of the benefit computed under the provisions of the Retirement Plan, pursuant to the provisions of any agreement between a Participant and NSC providing benefits upon "Termination" of a Participant's employment following a "Change in Control" (as the terms "Termination" and "Change in Control" are defined in any such agreement).
2. Any participant of the Excess Benefit Plan of Norfolk and Western Railway Company or the Southern Railway System Supplemental Retirement Plan or any individual covered by the Norfolk and Western Railway Company Executive Contingent Compensation Plan Pension Resolution, dated September 24, 1968, shall become a Participant on the Effective Date. Any participant in the Consolidated Rail Corporation Supplemental Employee Retirement Plan who transfers employment to NSC from Consolidated Rail Corporation on or before August 22, 2001 shall become a Participant on the effective date of his or her transfer.
3. Subject to Section 5 of this Article III, a Participant's benefit shall commence on the later of the last day of the month in which a Participant turns age 55 or the Participant's Separation from Service. Unless the Participant elects a different form of annuity under Section 4 of this Article III, the Participant's supplemental benefit shall be paid as a single life annuity if the Participant is single on the benefit commencement date, and shall be paid as a joint and 50% survivor annuity with the Participant's spouse or Same Sex Partner as the survivor annuitant if the Participant is married or has a Same Sex Partner on the benefit commencement date.

Notwithstanding the foregoing and anything to the contrary in Article I, if the present value (determined 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 Participant's supplemental benefit, including any Grandfathered Amount, does not exceed \$5,000 as of the date of the Participant's Separation from Service, and the Participant's benefit has not commenced as an annuity payment, then the supplemental benefit, including any Grandfathered Amount, shall be paid in a lump sum distribution to the Participant upon the Participant's Separation from Service, and no benefit shall be payable to the Participant's Surviving Spouse or Same Sex Partner. Any lump sum benefit payable hereunder will be paid as soon as administratively feasible following the Participant's Separation from Service, and in no event later than the later of (i) sixty days following the effective date of this amendment, or (ii) March 15 of the year following the year of the Participant's Separation from Service; provided, however, that if the Participant is a Specified

Employee on the date of his Separation from Service, then such payment shall be made as provided in Section V of this Article III. The lump sum payment described in this Section shall only be made if the payment results in a termination and liquidation of the entirety of the Participant's interest under this Plan, including all arrangements with respect to which deferrals of compensation are treated as having been deferred under a single nonqualified deferred compensation plan under Treas. Reg. § 1.409A-1(c)(2) and the requirements of Treas. Reg. § 1.409A-3(j)(v), or any successor regulation, are also satisfied with respect to such payment.

4. At any time before a Participant's benefit commencement date, the Participant may change the form of payment for the Participant's supplemental benefit from one life annuity to another actuarially-equivalent life annuity (within the meaning of Section 409A of the Internal Revenue Code) commencing at the same time, or may change the designated survivor annuitant, provided, however, that if the Participant's benefit under this Plan and the Retirement Plan are to commence at the same time (disregarding any six-month delay under Section V of this Article III), a Participant may not elect a form of payment or a designated survivor annuitant for the Participant's supplemental benefit that is a different form of payment or designated survivor annuitant than the Participant has elected under the Retirement Plan. Any change in the Participant's form of annuity or survivor annuitant shall be subject to any spousal consent requirement that would have applied if the election had been made under the Retirement Plan.
5. If a Participant is a Specified Employee on the date of his or her Separation from Service, the Participant's supplemental benefit shall not commence or be paid earlier than six months after the date of the Participant's Separation from Service. Any payments that otherwise would have been made during the six-month period shall be paid in a lump sum, without interest, on the last day of the first month that begins after the six-month period.

ARTICLE IV. SUPPLEMENTAL BENEFIT

1. A Participant shall, upon the Participant's benefit commencement date, be entitled to receive a monthly benefit equal to the excess of
 - (a) the monthly benefit under Article VI of the Retirement Plan if such benefit had been payable at the same time and in the same form as the Participant's supplemental benefit, and had been computed
 - (i) without regard to the limitation imposed by Section 415 of the Internal Revenue Code and provided for in Section 1 of Article VII of the Retirement Plan, in Section 7.4 of the Conrail Plan and in Section 7.4 of the Retirement Plan of Consolidated Rail Corporation;

- (ii) without regard to the limitation of Compensation imposed by Section 401(a)(17) of the Internal Revenue Code;
 - (iii) without regard to the \$60,000 limitation on benefits payable to Members protected by the Pension Benefits Standard Act of Canada;
 - (iv) without regard to the minimum benefit provided for in Section 13 of Article VI of the Retirement Plan provided, however, that this paragraph (iv) shall be effective only with respect to benefits accrued after April 30, 2005, and further provided that in no event shall the benefit payable under this plan be greater than the benefit that would have been payable if Section 13 of the Retirement Plan had continued to apply as in effect on April 30, 2005;
 - (v) by including in the calculation of Average Monthly Final Compensation amounts of Deferred Compensation, if any;
 - (vi) by including service credits and applying any offsets provided for under any NW Pension Resolution, if any;
 - (vii) by including the service credits and compensation to which a Participant is entitled pursuant to the provisions of any agreement providing the benefits described in Article III, Section 1(g), hereof; and
 - (viii) by excluding the Additional Retirement Benefit provided under Article VI of the Retirement Plan, as set forth in Schedule A of the Retirement Plan, over
- (b) the sum of
- (i) the monthly benefit that would actually have been payable under the Retirement Plan if the benefit had been paid at the same time and in the same form as the Participant's supplemental benefit; and
 - (ii) the monthly benefit (or actuarial equivalent thereof if payable in a lump sum) that would actually have been payable under the Consolidated Rail Corporation Supplemental Employee Retirement Plan or its successor plan if the benefit had been paid at the same time and in the same form as the Participant's supplemental benefit.

2. A Participant shall, upon the Participant's benefit commencement date, be entitled to receive a monthly benefit, in excess of the benefit that would otherwise be payable under

the Retirement Plan if the benefit had been paid at the same time and in the same form as the Participant's supplemental benefit, and in addition to any amount payable pursuant to Section 1 of this Article IV, in an amount so provided by a resolution adopted by the Board of Directors of NSC, if any.

3. If a Participant dies after the benefit commencement date for the supplemental benefit, any survivorship option which has been elected or is in force under Article III of the Plan at the time of a Participant's death shall determine the benefit paid to the Participant's Surviving Spouse, Surviving Same Sex Partner or other beneficiary. If a Participant dies before the benefit commencement date for the supplemental benefit, and if the participant is married or has a Same Sex Partner on his date of death, then the Participant's Surviving Spouse or Surviving Same Sex Partner shall receive an annuity for the life of the Surviving Spouse or Surviving Same Sex Partner, commencing on the later of the last day of the month in which the Participant would have reached age 55 or the last day of the month in which the Participant died, calculated using the method set forth in Section 1 of this Article IV, but substituting the corresponding survivor benefit under the Retirement Plan for the Participant's retirement benefit.

Notwithstanding the foregoing, if the present value (determined 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 supplemental benefit, including any Grandfathered Amount, that becomes payable to a Surviving Spouse or Surviving Same Sex Partner upon the death of the Participant does not exceed \$5,000, and the survivor's benefit has not commenced as an annuity payment, then the supplemental benefit, including any Grandfathered Amount, shall be paid in a lump sum distribution to the Surviving Spouse or Surviving Same Sex Partner. Any lump sum benefit payable hereunder will be paid as soon as administratively feasible following the Participant's death, and in no event later than March 15 of the year following the year of the Participant's death. The lump sum payment described in this Section shall only be made if the payment results in a termination and liquidation of the entirety of the Participant's interest under this Plan, including all arrangements with respect to which deferrals of compensation are treated as having been deferred under a single nonqualified deferred compensation plan under Treas. Reg. § 1.409A-1(c)(2) and the requirements of Treas. Reg. § 1.409A-3(j)(v), or any successor regulation, are also satisfied with respect to such payment.

4. A payment is treated as being made on the date when it is due under the Plan if the payment is made on the due date specified by the Plan, or on a later date that is either (i) in the same calendar year (for a payment whose specified due date is on or before September 30), or (ii) by the 15th day of the third calendar month following the date specified by the Plan (for a payment whose specified due date is on or after October 1). A payment also is treated as being made on the date when it is due under the Plan if the payment is made not more than 30 days before the due date specified by the Plan, provided that a payment under Section 5 of Article III shall not be made earlier than six months after a Specified Employee's Separation From Service. A Participant or

beneficiary may not, directly or indirectly, designate the taxable year of a payment made in reliance on the administrative rules in this paragraph.

ARTICLE V. FUNDING

The benefits under the Plan shall be paid in cash from the general funds of NSC or its Participating Subsidiary, and no special or separate fund shall be established or other segregation of assets made to assure such payments. Nothing contained in the Plan shall create or be construed to create a trust of any kind. To the extent that any person acquires a right to receive payments under the terms of the Plan, such right shall be no greater than the right of an unsecured creditor of NSC or its Participating Subsidiary.

ARTICLE VI. ADMINISTRATION

1. The Plan shall be administered by the Compensation Committee, which is composed of three or more NSC directors appointed by the NSC Board who are not eligible to participate in the Plan and who shall serve at the pleasure of the Board. Each member of the Compensation Committee, while serving as such, shall be considered to be acting in his capacity as a director of NSC.
2. The Compensation Committee shall from time to time adopt rules and regulations determined to be necessary to insure the effective implementation of the Plan.
3. The Compensation Committee shall have the power to interpret the Plan. Any disputed question arising under the Plan, including questions of construction and interpretation, shall be determined conclusively and finally by the Compensation Committee.

ARTICLE VII. RIGHTS AND RESTRICTIONS

1. Participants in the Plan shall have only those rights in respect of the Plan specifically set forth herein.
2. This Plan shall not be deemed to constitute a contract between NSC or any Participating Company and any Participant or surviving spouse of a deceased Participant, nor shall it be construed to be consideration for or an inducement or condition of the employment of any Participant. Nothing contained herein shall be deemed to give any Participant the right to continued employment.
3. Benefits payable hereunder shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any attempt to accomplish any of these mentioned acts shall be void. Benefits shall not be subjected to attachment or other legal process or debts of the retired Participant or surviving spouse.

4. The Plan is intended, and shall be construed, to comply with the requirements of Section 409A of the Internal Revenue Code. NSC does not warrant that the Plan will comply with Section 409A of the Internal Revenue Code with respect to any Participant or with respect to any payment, however. In no event shall NSC, its officers, directors, employees, parents, subsidiaries, or affiliates be liable for any additional tax, interest, or penalty incurred by a Participant or beneficiary as a result of the Plan's failure to satisfy the requirements of Section 409A of the Internal Revenue Code, or as a result of the Plan's failure to satisfy any other applicable requirements for the deferral of tax.

ARTICLE VIII. AMENDMENTS AND TERMINATIONS

The Plan may be amended at any time, and retroactively, if deemed necessary or appropriate, by any proper officer of NSC to effect changes which are, in his or her sole 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 NSC.

The Board or Directors of NSC, in its sole discretion, may at any time modify or amend any provisions of the Plan or may suspend or terminate the Plan, in whole or in part, but no such action shall retroactively impair or otherwise adversely affect the rights of any person to benefits under the Plan which have accrued prior to the date of such action, as determined by the Compensation Committee.

In no event shall a termination of the Plan accelerate the distribution of amounts accrued or vested under the Plan in calendar year 2005 and succeeding years, except to the extent permitted in regulations or other guidance under Section 409A of the Internal Revenue Code and expressly provided in the resolution terminating the Plan.

NORFOLK SOUTHERN CORPORATION
LONG-TERM INCENTIVE PLAN

AS APPROVED BY SHAREHOLDERS MAY 13, 2010
AND AS AMENDED JULY 23, 2013, NOVEMBER 26, 2013 AND DECEMBER 2, 2014

The terms of this amended Plan, as set forth below, were approved by the separate vote of the holders of a majority of the shares of Common Stock present or represented and entitled to vote at a meeting of the stockholders of the Corporation at which a quorum was present for the proposal on May 13, 2010. The Board of Directors of the Corporation subsequently amended the Plan by adding Section 20(c) on July 23, 2013, effective as of such date; further amended the Plan by adding a definition of “Award Date” on November 26, 2013, effective as of such date, and revising the Plan to incorporate such definition; and further amended the Plan to eliminate the adjustments under sections 9, 10 and 11 that could be made as a result of individual performance. These amendments are reflected herein.

Section 1. PURPOSE

The purpose of the Long-Term Incentive Plan (“Plan”), as amended, is to promote the success of Norfolk Southern Corporation (the “Corporation”) and to provide an opportunity for officers and other key employees of the Corporation and its Subsidiary Companies (as hereinafter defined) to acquire or increase a proprietary interest in the Corporation and thereby to provide an additional incentive to officers and other key employees to devote their maximum efforts and skills to the advancement, betterment, and prosperity of the Corporation and its stockholders. The Plan provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, performance share units, performance shares, shares of the Corporation’s common stock (restricted pursuant to the provisions of Section 9 of the Plan) and restricted stock units, in accordance with the terms and conditions set forth below. The Corporation intends that the Plan comply with the requirements of Internal Revenue Code Section 162(m) and applicable treasury regulations thereunder and intends that compensation paid under the Plan qualify as performance-based compensation under Code Section 162(m). Notwithstanding the preceding sentence, the Corporation reserves the right to pay compensation under the Plan that does not qualify as performance-based compensation under Code Section 162(m), as circumstances may warrant. The Plan, as amended, is intended, and shall be construed, to comply with the requirements of Code Section 409A.

Section 2. DEFINITIONS

The terms used herein shall have the following meanings unless otherwise specified or unless a different meaning is clearly required by the context:

Award	Any one or more of the following: Incentive Stock Option; Non-qualified Stock Option; Stock Appreciation Right; Restricted Shares; Restricted Stock Units; Performance Share Units; and Performance Shares.
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Award Date	The later of the date on which the Committee or the chief executive officer (to the extent as may be delegated by the Committee) grants an Award or, if granted during a blackout period, the first day of the subsequent trading window during which officers of the Corporation and Subsidiary Companies are permitted to trade in Norfolk Southern Corporation Common Stock under the Corporation's insider trading policy.
Beneficiary	The person or persons designated in writing by the Participant as his Beneficiary in respect of Awards or, in the absence of such a designation or if the designated person or persons predecease the Participant, the person or persons who shall acquire the Participant's rights in respect of Awards by bequest or inheritance in accordance with the applicable laws of descent and distribution. In order to be effective, a Participant's designation of a Beneficiary must be on file with the Corporation before the Participant's death. Any such designation may be revoked and a new designation substituted for the revoked designation by the Participant at any time before his death without the consent of the previously designated Beneficiary.
Board of Directors	The Board of Directors of the Corporation.
Cash-Settled Stock Appreciation Rights	Stock Appreciation Rights settled in cash.
Code	The Internal Revenue Code of 1986, as amended from time to time.
Committee	The Compensation Committee, the Performance-Based Compensation Committee or any other committee of the Board of Directors which is authorized to grant Awards under this Plan.
Common Stock	The Common Stock of the Corporation.
Disability	<p>A disability that has enabled the Participant to receive a disability benefit under the Long-Term Disability Plan of the Corporation or a long-term disability plan of a Subsidiary Company (whichever is applicable), as amended from time to time, for a period of at least three months.</p> <p>For a Participant who is a non-employee director, "Disability" means any medically determinable physical or mental impairment that is expected to result in death or to last for a continuous period of not less than 12 months and which prevents a Participant from continuing to serve as a non-employee director.</p>
Dividend Equivalent	An amount equal to 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, and granted pursuant to Section 13 of the Plan.
Executive Officers	Officers designated by the Board of Directors as "Executive Officers" for purposes of Section 16 of the Securities Exchange Act of 1934.

Exercise Gain Shares	With respect to a Stock Appreciation Right, all of the shares of Common Stock received upon exercise of the Stock Appreciation Right. With respect to an Option, the portion of the shares of Common Stock received upon exercise of the Option equal to the excess of the Fair Market Value, as of the exercise date, over the Option price, multiplied by the number of shares purchased under the Option on the exercise date, divided by such Fair Market Value, and rounded down to the nearest whole number of shares.
Fair Market Value	The value of Common Stock on a particular date as measured by the mean of the high and low prices at which it is traded on such date as reported in the Composite Transactions for such date by Bloomberg L.P., or its successor, on its internet-based service, or, if Common Stock was not traded on such date, on the next preceding day on which Common Stock was traded.
Incentive Stock Option	An Option that complies with the terms and conditions set forth in Section 422(b) of the Code and is designated by the Committee as an Incentive Stock Option.
Non-Qualified Stock Option	An Option granted under the Plan other than an Incentive Stock Option.
Option	Any option to purchase Common Stock granted pursuant to the provisions of Section 6 or Section 7 of the Plan.
Optionee	A Participant who is the holder of an Option.
Participant	Any officer or key employee of the Corporation or a Subsidiary Company selected by the Committee to participate in the Plan and any non-employee director of the Corporation.
Performance-Based Compensation Committee	A committee of the Board of Directors composed solely of two or more outside directors, as defined under Code Section 162(m) and applicable regulations thereunder.
Performance Cycle	The period of time, designated by the Committee but not less than one year, over which Performance Shares may be earned.
Performance Criteria	One or more, or any combination, of the following business criteria, selected by the Committee, which may be applied on a corporate, department or division level: earnings measures (including net income, earnings per share, income from continuing operations, income before income taxes, income from railway operations); return measures (including net income divided by total assets, return on shareholder equity, return on average invested capital); cash flow measures (including operating cash flow and free cash flow); productivity measures (including total operating expense per thousand gross ton miles or revenue ton miles, total operating revenue per employee, total operating expense per employee, gross ton miles or revenue ton miles per employee, carloads per employee, revenue ton miles per mile of road operated, total operating expense per carload, revenue ton miles per carload, gross ton miles or revenue ton miles per train hour, percent of loaded-to-total car miles); fair market value of shares of the Corporation's Common Stock; revenue measures; expense measures; operating ratio measures); customer satisfaction measures; working capital measures; cost control measures; total shareholder return measures; and safety measures.

Performance Criteria Weighting Percentage	The percentage weighting accorded to each Performance Criterion (or each combination thereof) selected by the Committee. The total of the Performance Criteria Weighting Percentages for any type of Award shall equal one hundred percent (100%).
Performance Goal	The specific target set by the Committee for each selected Performance Criterion (or each combination thereof). A Performance Goal may be set solely with respect to the Corporation's performance, or as compared to the performance of a published or special index deemed applicable by the Committee, including but not limited to the Standard & Poor's 500 Stock Index or an index based on a group of comparative companies.
Performance Shares	Shares of Common Stock granted pursuant to Section 11 of the Plan, which may be made subject to the restrictions and other terms and conditions prescribed in Section 11 of the Plan.
Performance Share Units	Contingent rights to receive Performance Shares pursuant to Section 11 of the Plan.
Restricted Shares	Shares of Common Stock granted pursuant to Section 9 of the Plan and subject to the restrictions and other terms and conditions set forth therein.
Restricted Stock Unit	Contingent rights, granted pursuant to Section 10 of the Plan, to receive Restricted Stock Unit Shares or cash payment for the Fair Market Value of shares of Common Stock, subject to the restrictions and other conditions set forth herein. Each Restricted Stock Unit shall equal the Fair Market Value of one share of Common Stock.
Restricted Stock Unit Shares	Shares of Common Stock issued as payment for Restricted Stock Units pursuant to Section 10 of the Plan, which may be made subject to the restrictions and other terms and conditions prescribed in Section 10 of the Plan.
Restriction Period	A period of time not less than thirty-six (36) nor more than sixty (60) months, to be determined within those limits by the Committee in its sole discretion, commencing on the Award Date, during which the restrictions imposed by paragraphs (b) and (c) of Section 9 or paragraphs (b) and (c) of Section 10 of the Plan shall apply. At the time that the Restricted Shares or Restricted Stock Units are granted, the Committee shall impose a Restriction Period and determine the length of the Restriction Period. Such Restriction Period, if any, shall be incorporated in the Award Agreement setting forth the grant. Under Sections 9 and 10 of this Plan, the Committee may, in its discretion, specify when the Award is granted that the Restriction Period shall expire upon the earlier achievement of Performance Goals.
Retention Agreement	An agreement entered into pursuant to Section 12 of the Plan.

Retirement	Retirement from the Corporation and all Subsidiary Companies pursuant to the provisions of the Retirement Plan of the Corporation or a retirement plan of a Subsidiary Company (whichever is applicable), as amended from time to time. For a Participant who is a non-employee director, “Retirement” means termination of service as a director of the Corporation, if (a) the director at the time of termination was ineligible to continue serving as a director under the Corporation's Retirement Policy for Directors or (b) the director had served as a director of the Corporation for at least two consecutive years.
Stock Appreciation Right	The right, granted pursuant to the provisions of Section 8 of the Plan, to receive Exercise Gain Shares or a cash payment equal to the excess, if any, of the Fair Market Value of Common Stock on the exercise date over the Fair Market Value of the Common Stock on the Award Date, as specified in Section 8 of the Plan.
Stock-Settled Stock Appreciation Rights	Stock Appreciation Rights paid out in Exercise Gain Shares.
Subsidiary Company	A corporation of which at least fifty percent (50%) of the total combined voting power of all classes of stock entitled to vote is owned, directly or indirectly, by the Corporation.

Section 3. ADMINISTRATION

The Plan shall be administered by the Committee, which, subject to the limitations set forth herein, shall have the full and complete authority and sole discretion, except as may be delegated to the Corporation’s chief executive officer as provided herein, to construe and interpret the Plan; to select the officers, key employees and non-employee directors who shall be granted Awards under the Plan; to determine the type, size, terms, and conditions of the Award or Awards to be granted to each such Participant; to authorize the grant of such Awards pursuant to the Plan; in connection with the merger or consolidation of the Corporation (and subject to any applicable requirements of Code Section 409A), to give a Participant an election to surrender an Award in exchange for the grant of a new Award; to adopt, amend and rescind rules and regulations relating to the Plan; and to make all other determinations and take all other actions it may deem necessary or advisable for the implementation and administration of the Plan.

The Committee in its sole discretion may delegate authority to the Corporation’s chief executive officer to select the officers and key employees who shall be granted Awards under the Plan (provided, however, that only the Committee shall grant Awards to the chief executive officer and Executive Officers); to determine the type, size, terms, and conditions of the Award or Awards to be granted to each such Participant; and to authorize the grant of such Awards pursuant to the Plan.

The Committee, or the chief executive officer to the extent as may be delegated by the Committee (hereinafter, the term “Committee” shall include reference to the chief executive officer to the extent of any such delegation), may authorize the grant of more than one type of Award, and Awards subject to differing terms and conditions, to any eligible Participant. The Committee’s decision to authorize the grant of an Award to a Participant at any time shall not require the Committee to authorize the grant of an Award to that Participant at any other time or to any other Participant at any time; nor shall its determination with respect to the size, type, or terms and conditions of the Award to be granted to a Participant at any time require it to authorize the grant of an Award of the same type or size or with the same terms and conditions to that Participant at any other time or to any other Participant at any time. The

Committee shall not be precluded from authorizing the grant of an Award to any eligible Participant solely because the Participant previously may have been granted an Award of any kind under the Plan.

All determinations of the Committee shall be by a majority of its members and shall be final, conclusive and binding. Each member of the Committee, while serving as such, shall be considered to be acting in his capacity as a director of the Corporation, and no member of the Committee shall be liable for any action taken or decision made in good faith with respect to the implementation or administration of the Plan.

Section 4. ELIGIBILITY

To be eligible for selection by the Committee to participate in the Plan, an individual must be a full-time salaried officer or key employee of the Corporation, or of a Subsidiary Company, and must reside in the United States or Canada, on the date on which the Committee authorizes the grant to such individual of an Award. A non-employee director shall be eligible to participate in the Plan if he or she is a director of the Corporation and is not a full-time salaried employee of the Corporation or a Subsidiary Company on the date on which the Committee authorizes the grant of an Award to non-employee directors.

Section 5. SHARES AVAILABLE

Since the Plan's establishment in 1983, up to a maximum of 82,978,604 shares of Common Stock have been authorized for issuance under the Plan. Subject to approval of the Plan, as hereby amended, by the separate vote of the holders of a majority of the shares of Common Stock present or represented and entitled to vote at a meeting of the stockholders of the Corporation, at which a quorum for the proposal is present, an additional 8,100,000 shares of Common Stock are approved for issuance pursuant to the Plan as of May 13, 2010. Awards that are made in a form other than Options or Stock-Settled Stock Appreciation Rights and that are granted under the Plan after May 13, 2010, shall be counted against the share limit set forth in the previous sentence as 1.61 shares for every one share issued in connection with such Award. Such shares shall be provided from shares of Common Stock authorized but not issued. Stock-Settled Stock Appreciation Rights shall be counted in full against the number of shares available for award under the Plan, regardless of the number of Exercise Gain Shares issued upon settlement of the Stock Appreciation Right.

If any shares of Common Stock subject to an Award are forfeited, cancelled, exchanged or surrendered or if an Award otherwise terminates or expires without a distribution of shares to the Participant (including by reason of such Award being settled in cash), the shares with respect to such Award shall, to the extent of any such forfeiture, cancellation, exchange, surrender, termination or expiration, again be available for Awards under the Plan; provided, however, in the case of a stock-based Award that is not an Option or Stock Appreciation Right and that was made after May 13, 2010, 1.61 shares for each share underlying such Award shall again be available for Awards under the Plan. Notwithstanding the foregoing, the following shares of Common Stock may not again be made available for award under the Plan: (i) shares of Common Stock not issued or delivered as a result of the net settlement of an outstanding Stock Appreciation Right or Option; (ii) shares of Common Stock used to pay the exercise price or withholding taxes related to an outstanding award, or (iii) shares of Common Stock repurchased on the open market with proceeds of an Option exercise.

Notwithstanding any other provision to the contrary, no Participant may be awarded a grant in any one year, which, when added to any other grant of Options, Stock Appreciation Rights, Restricted

Shares, Restricted Stock Units and Performance Share Units in the same year, shall exceed 1,000,000 shares of Common Stock. If an Option is canceled, the canceled Option continues to count against the maximum number of shares for which Options may be granted to a Participant in any year.

Section 6. INCENTIVE STOCK OPTIONS

(a) General – The Committee may authorize the grant of Incentive Stock Options subject to the terms and conditions set forth in this Section 6. The grant of an Incentive Stock Option shall be evidenced by a written Award Agreement between the Corporation and the Optionee, setting forth the number of shares of Common Stock subject to the Incentive Stock Option evidenced thereby and the terms, conditions, and restrictions applicable thereto. The issuance of shares of Common Stock pursuant to an Incentive Stock Option also shall be subject to the provisions of any Retention Agreement that may be required by the Committee under Section 12 of the Plan.

Except for adjustments pursuant to Section 15 of the Plan, the Option Price for any outstanding Option granted under the Plan may not be decreased after the date the Option is granted, nor may an outstanding Option be modified or replaced if the effect would be to reduce the Option Price, nor may an outstanding Option be cancelled in exchange for cash or another Award, unless such repricing, modification or replacement is approved by the vote of a majority of the shares of Common Stock present or represented and entitled to vote at a meeting of the stockholders of the Corporation at which a quorum is present.

(b) Option Price - The Committee shall determine the Option price for each share of Common Stock purchased under an Option, but, subject to the provisions of Section 15 of the Plan, in no event shall the Option price be less than the greater of (i) one hundred percent (100%) of the Fair Market Value of the Common Stock on the Award Date, or (ii) the price at which the Corporation's Common Stock was last sold in the principal United States market for such Common Stock on the Award Date.

(c) Duration of Options - The Committee shall fix the term or duration of Options, provided that such term shall not exceed ten (10) years from the Award Date, and that such term shall be subject to earlier termination pursuant to the provisions of paragraph (g) of this Section 6.

(d) Non-Transferability of Options - Options may be exercised during the lifetime of the Optionee only by him, and following his death only by his Beneficiary. If a Beneficiary dies after the Optionee, but before the Option is exercised and before such rights expire, such rights shall become assets of such Beneficiary's estate. Except as provided in this paragraph, Options may not be assigned or alienated, whether voluntarily or involuntarily.

(e) Exercise of Options - The Committee shall determine the time or times at which Options may be exercised; provided that such time or times shall not occur before the latest of:

(i) the first anniversary of the Award Date; and

(ii) the effectiveness of any registration statement required to be filed under the Securities Act of 1933 for the registration of the Common Stock to be issued upon exercise of the Option.

(f) Payment of Option Price - The purchase price of Common Stock upon exercise of an Option shall be paid in full to the Corporation at the time of the exercise of the Option in cash or, at the discretion of the Committee and subject to any limitations or requirements that the Committee may adopt, by the surrender to the Corporation of shares of previously acquired Common Stock, which have been

held by the Optionee for at least six (6) months and which shall be valued at Fair Market Value on the date that the Option is exercised, or, at the discretion of the Committee, by a combination of cash and such Common Stock.

(g) Termination of Options - No Option shall be exercisable after it expires. Each Option shall expire upon the earliest of:

(i) the expiration of the term for which the Option was granted;

(ii) (A) Except as otherwise provided by the Committee in the Award Agreement, in the case of an Optionee whose employment with the Corporation or a Subsidiary Company is terminated due to Retirement, Disability or death, the expiration of the term for which the Option was granted, or

(B) in the case of an Optionee whose employment with the Corporation or a Subsidiary Company is terminated for any reason other than Retirement, Disability, or death, at the close of business on the last day of active service by the Optionee with the Corporation or a Subsidiary Company, or

(C) in the case of an Optionee who is granted a leave of absence, if the Optionee's employment with the Corporation or a Subsidiary Company terminates at any time during or at the end of the leave of absence, at the close of business on the last day of employment with the Corporation or a Subsidiary Company, or

(iii) in connection with a merger or consolidation of the Corporation, with the Optionee's consent, the grant of a new Award to replace the Option.

(h) Limitation on Exercisability - The aggregate Fair Market Value (determined as of the Award Date) of the Common Stock with respect to which Incentive Stock Options (granted on or after January 1, 1987) are exercisable for the first time by the Optionee during any calendar year shall not exceed \$100,000, as adjusted under Code Section 422(d)(1) and corresponding Treasury Regulations.

Section 7. NON-QUALIFIED STOCK OPTIONS

The Committee may authorize the grant of Non-Qualified Stock Options subject to the terms and conditions specified in this Section 7. The grant of a Non-Qualified Stock Option shall be evidenced by a written Award Agreement between the Corporation and the Optionee, setting forth the number of shares of Common Stock subject to the Non-Qualified Stock Option evidenced thereby and the terms, conditions, and restrictions applicable thereto. Non-Qualified Stock Options granted pursuant to the provisions of this Section 7 shall be subject to the terms, conditions, and restrictions set forth in paragraphs (a) through (g) of Section 6 of the Plan. The limitations set forth in paragraph (h) of Section 6 of the Plan shall not apply to Non-Qualified Stock Options. The issuance of shares of Common Stock pursuant to a Non-Qualified Stock Option also shall be subject to the provisions of any Retention Agreement that may be required by the Committee under Section 12 of the Plan.

Section 8. STOCK APPRECIATION RIGHTS

(a) General - The Committee may grant a Stock Appreciation Right to a Participant in connection with an Option, or portion thereof, or on a stand alone basis, as determined by the Committee, subject to the terms and conditions set forth in this Section 8. If granted in connection with an Option, the Stock Appreciation Right may be granted at the time of grant of the related Option and shall be subject to the same terms and conditions as the related Option, except as this Section 8 may otherwise provide. If

granted in connection with an Option, the Stock Appreciation Right shall be evidenced by provisions in the Award Agreement evidencing or identifying the related Option, specifying the number of shares of Common Stock subject thereto and setting forth the terms and conditions applicable to the Stock Appreciation Right. If granted on a stand alone basis, the Stock Appreciation Right shall be evidenced by provisions of a written Award Agreement between the Corporation and the Participant. The Committee may grant Cash-Settled Stock Appreciation Rights or Stock-Settled Stock Appreciation Rights as shall be set forth in an Award Agreement.

Except for adjustments pursuant to Section 15 of the Plan, the terms of an outstanding Stock Appreciation Right may not be amended to reduce the exercise price of the Stock Appreciation Right, nor may an outstanding Stock Appreciation Right be modified or replaced if the effect would be to reduce the exercise price, nor may an outstanding Stock Appreciation Right be cancelled in exchange for cash or another Award, unless such repricing, modification or replacement is approved by the vote of a majority of the shares of Common Stock present or represented and entitled to vote at a meeting of the stockholders of the Corporation at which a quorum is present.

(b) Exercise Price and Duration - The Committee shall determine the exercise price for any Stock Appreciation Right granted on a stand alone basis but, subject to the provisions of Section 15 of the Plan, in no event shall the exercise price be less than one hundred percent (100%) of the Fair Market Value of the Common Stock on the Award Date. The Committee shall fix the term or duration of Stock Appreciation Rights, provided that such term shall not exceed ten (10) years from the Award Date, and that such term shall be subject to earlier termination pursuant to the provisions of paragraph (e) of this Section 8.

(c) Exercise – If granted in connection with an Option, a Stock Appreciation Right shall be exercisable only at such time or times, to such extent, and by such persons, as the Option to which it relates shall be exercisable. If granted on a stand alone basis, a Stock Appreciation Right shall be exercisable only at such time or times, to such extent, and by such persons, as shall be set forth in the Award Agreement.

Stock Appreciation Rights shall be subject to the following restrictions:

(i) the Stock Appreciation Right may not be exercised before the expiration of one (1) year from the Award Date; provided, however, that this subparagraph (i) shall not apply if the death or Disability of the Optionee occurs within one (1) year after the Award Date; and,

(ii) a Stock Appreciation Right granted in connection with an Incentive Stock Option may not be exercised on any date on which the Fair Market Value of a share of Common Stock is less than or equal to the Option price per share under the related Incentive Stock Option.

A Stock Appreciation Right shall be exercised by providing the Corporation with a written notice in such form and containing such information (including the number of shares of Common Stock with respect to which the Stock Appreciation Right is being exercised) as the Committee may specify. If the Stock Appreciation Right was granted in connection with an Option, the Participant must surrender the related Option, or the portion thereof pertaining to the shares with respect to which the Stock Appreciation Right is exercised, and the date on which the Corporation receives such notice shall be the date on which the related Option, or portion thereof, shall be deemed surrendered and the Stock Appreciation Right shall be deemed exercised.

(d) Payment - Upon the proper exercise of a Stock-Settled Stock Appreciation Right granted on a stand alone basis, a Participant shall be entitled to receive Exercise Gain Shares equal to the number

of shares of Common Stock that have an aggregate Fair Market Value on the exercise date equal to the amount by which the Fair Market Value of a share of Common Stock on the exercise date exceeds the Fair Market Value of a share of Common Stock on the Award Date, multiplied by the number of Stock-Settled Stock Appreciation Rights surrendered in connection with the exercise of the Stock Appreciation Right.

Upon the proper exercise of a Stock-Settled Stock Appreciation Right granted in connection with an Option, an Optionee shall be entitled to receive Exercise Gain Shares equal to the number of shares of Common Stock that have an aggregate Fair Market Value on the exercise date equal to the amount by which the Fair Market Value of a share of Common Stock on the exercise date exceeds the Option price per share of the related Option, multiplied by the number of shares covered by the related Option, or portion thereof, surrendered in connection with the exercise of the Stock Appreciation Right. The Exercise Gain Shares shall be subject to the provisions of any Retention Agreement that may be required by the Committee under Section 12 of the Plan.

Upon the proper exercise of a Cash-Settled Stock Appreciation Right granted on a stand alone basis, a Participant shall be entitled to receive cash equal to the value of the number of shares of Common Stock that have an aggregate Fair Market Value on the exercise date equal to the amount by which the Fair Market Value of a share of Common Stock on the exercise date exceeds the Fair Market Value on the Award Date, multiplied by the number of Cash-Settled Stock Appreciation Rights surrendered for settlement.

Upon the proper exercise of a Cash-Settled Stock Appreciation Right granted in connection with an Option, an Optionee shall be entitled to receive cash equal to the value of the number of shares of Common Stock that have an aggregate Fair Market Value on the exercise date equal to the amount by which the Fair Market Value of a share of Common Stock on the exercise date exceeds the Option price per share of the related Option, multiplied by the number of shares covered by the related Option, or portion thereof, surrendered in connection with the exercise of the Stock Appreciation Right.

(e) Termination of Right - A Stock Appreciation Right granted in connection with an Option shall expire, unless previously exercised or canceled, upon the expiration of an Option to which it relates, or upon such time as may be set forth in an Award Agreement. A Stock Appreciation Right granted on a stand alone basis shall be subject to the termination provisions set forth in paragraph (g) of Section 6 for Options and shall expire, unless previously exercised or cancelled, at such time as may be set forth in an Award Agreement.

(f) Effect of Exercise - A Stock Appreciation Right shall be canceled when, and to the extent that, it or a related Option is exercised, and an Option shall be canceled when, and to the extent that, the Option is surrendered to the Corporation upon the exercise of a related Stock Appreciation Right.

Section 9. RESTRICTED SHARES

(a) General - The Committee, in its sole discretion, may from time to time authorize the grant of Restricted Shares to a Participant pursuant to an Award Agreement. A certificate or certificates representing the number of Restricted Shares granted shall be registered in the name of the Participant or held in uncertificated form through a direct registration system or the number of Restricted Shares shall be delivered by electronic delivery to a brokerage account established for the Participant's benefit at a financial/brokerage firm selected by the Corporation. Until the expiration of the Restriction Period or the lapse of restrictions in the manner provided in paragraph (g) of this Section 9, any certificate or certificates shall be held by the Corporation for the account of the Participant, and any Restricted Shares held through direct registration or in a brokerage account shall be blocked from sale or transfer. Until the expiration of the Restriction Period or the lapse of restrictions in the manner provided in paragraph (g) of this Section 9, the Participant shall have beneficial ownership of the Restricted Shares, including the right to receive dividends on, and the right to vote, the Restricted Shares. Any dividends declared during the Restriction Period shall be paid in cash on the date declared by the Board of Directors.

(b) Performance Goal Requirement – The Committee may determine, in its sole discretion, that a Participant's entitlement to Restricted Shares shall be subject to achievement of a specified Performance Goal or Goals during the Restriction Period. If so, the Committee shall select the Performance Criterion or each combination thereof, the Performance Goal for each Performance Criterion or each combination thereof, and the Performance Criteria Weighting Percentage for each Performance Criterion or each combination thereof within ninety (90) days of the commencement of the Restriction Period. The Committee may also determine that the Restriction Period shall expire upon achievement of established Performance Goals prior to the established end of the Restriction Period. In determining whether Performance Goals have been achieved, special charges, restructuring charges and unusual or infrequent accounting adjustments which are significant, and restatements or reclassifications, all as determined in accordance with Generally Accepted Accounting Principles, which would have the effect of reducing the percentage of Performance Goals achieved shall be excluded, and which would have the effect of increasing the percentage of Performance Goals achieved shall be included, unless the Committee, in its discretion, determines otherwise. At such time as the Committee certifies that the Performance Goals have been achieved, the Committee shall authorize delivery of Restricted Shares (or such percentage of the Restricted Shares as equal the Percentage of Performance Goals that have been achieved) for which the Restriction Period has expired. If the Restricted Shares are subject to the achievement of Performance Goals, such Restricted Shares shall be forfeited to the extent Performance Goals are not achieved before the established end of the Restriction Period.

(c) Restrictions – Until the expiration of the Restriction Period or the lapse of restrictions in the manner provided in paragraph (g) of this Section 9, Restricted Shares shall be subject to the following restrictions and any additional restrictions that the Committee, in its sole discretion, may from time to time deem desirable in furtherance of the objectives of the Plan:

(i) the Participant shall not be entitled to receive the certificate or certificates representing the Restricted Shares, or exercise any ownership over any Restricted Shares held through direct registration or in a brokerage account;

(ii) the Restricted Shares may not be sold, transferred, assigned, pledged, conveyed, hypothecated, or otherwise disposed of; and

(iii) the Restricted Shares may be forfeited as provided in paragraphs (b) or (e) of this Section 9, subject to the provisions of paragraph (f) and (g) of this Section 9.

(d) Distribution of Restricted Shares – If a Participant to whom Restricted Shares have been granted remains in the continuous employment of the Corporation or a Subsidiary Company during the entire Restriction Period, or, in the case of a Participant who is a non-employee director, who remains a non-employee director during the entire Restriction Period, upon the expiration of the Restriction Period all restrictions applicable to the Restricted Shares shall lapse. When the restrictions applicable to the Restricted Shares lapse, either:

(i) the certificate or certificates representing the shares of Common Stock that were earned pursuant to paragraph (b) of this Section 9 shall be delivered to the Participant or,

(ii) if the shares were delivered by electronic delivery to a brokerage account established for the Participant's benefit or by direct registration and held in uncertificated form, the restrictions on the sale or transfer of any shares that were earned pursuant to paragraph (b) of this Section 9 shall lapse.

(e) Termination of Employment - If the employment of a Participant 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 Shares shall be forfeited immediately and all rights of the Participant with respect 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 expiration of the Restriction Period, the Participant shall not forfeit any rights with respect to any Restricted Shares subject to the Restriction Period, 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 for any reason other than Retirement, Disability, or death, at which time the shares shall be forfeited immediately and all rights of the Participant with respect to such shares shall terminate immediately without further obligation on the part of the Corporation or any Subsidiary Company.

(f) Retirement, Disability or Death - If the Participant's employment is terminated by reason of the Retirement, Disability, or death of the Participant in service before the expiration of the Restriction Period and no Performance Goals have been imposed, the restrictions on the Restricted Shares shall lapse upon the expiration of the Restriction Period and delivery of the Restricted Shares shall be made to the Participant, or the Participant's Beneficiary in the event of the Participant's death, as described in paragraph (d) of this Section 9. If the Participant's employment is terminated by reason of the Retirement, Disability, or death of the Participant in service before the expiration of the Restriction Period and Performance Goals have been imposed, the restrictions on the Restricted Shares shall lapse upon the expiration of the Restriction Period and to the extent that the Committee certifies that Performance Goals have been achieved and delivery of the Restricted Shares shall be made to the Participant, or the Participant's Beneficiary in the event of the Participant's death, in accordance with paragraphs (b) and (d) of this Section 9.

(g) Waiver of Restrictions - The Committee, in its sole discretion, may waive any or all restrictions with respect to Restricted Shares.

Section 10. RESTRICTED STOCK UNITS

(a) General - The Committee, in its sole discretion, may from time to time authorize the grant of Restricted Stock Units ("Units") to a Participant pursuant to an Award Agreement. Such Units shall be recorded in individual memorandum accounts maintained by the Committee or its agent. The grant of Restricted Stock Units shall entitle the Participant to payment in Restricted Stock Unit Shares or cash, as provided for in the Award Agreement. The Participant shall have no beneficial ownership interest in the

Common Stock represented by the Units prior to expiration of the Restriction Period and achievement of any Performance Goals. The Participant shall have no right to vote the Common Stock represented by the Units or to receive dividends (except for any Dividend Equivalents which may be awarded by the Committee in connection with such Units) on the Common Stock represented by the Units. The grant of Units shall be evidenced by an Award Agreement between the Corporation or Subsidiary Company and the Participant, identifying the number of Units awarded, and setting forth the terms and conditions applicable to the Units.

(b) Performance Goal Requirement – The Committee may determine, in its sole discretion, that a Participant's entitlement to payment in cash or Restricted Stock Unit Shares for Restricted Stock Units shall be subject to achievement of a specified Performance Goal or Goals over the duration of the Restriction Period. If so, the Award shall specify when it is granted that the Participant's entitlement to payment is subject to the achievement of the Performance Goal or Goals, and the Committee shall select the Performance Criterion or each combination thereof, the Performance Goals for each Performance Criterion or each combination thereof, and the Performance Criteria Weighting Percentage for each Performance Criterion or each combination thereof within ninety (90) days after the commencement of the Restriction Period.

The Committee may specify, when the Award is granted, that the Restriction Period shall expire upon achievement of the established Performance Goals prior to the established end of the Restriction Period. In determining whether Performance Goals have been achieved, special charges, restructuring charges and unusual or infrequent accounting adjustments which are significant, and restatements or reclassifications, all as determined in accordance with Generally Accepted Accounting Principles, which would have the effect of reducing the percentage of Performance Goals achieved shall be excluded, and which would have the effect of increasing the percentage of Performance Goals achieved shall be included, unless the Committee, in its discretion, determines otherwise. The Committee shall certify in writing the extent to which the Performance Goals have been achieved, and shall authorize settlement of Units in cash or Restricted Stock Unit Shares. The Units shall be settled within two and one half months after the end of the year in which the Performance Goals are achieved. Such settlement shall be based on the Fair Market Value on the date all applicable restrictions lapse (or such percentage of the value of the Restricted Stock Units as equal the percentage of Performance Goals that have been achieved) for which the Restriction Period has expired. If the settlement of Restricted Stock Units is subject to the achievement of Performance Goals, such Restricted Stock Units shall be forfeited to the extent Performance Goals are not achieved before the established end of the Restriction Period.

(c) Restrictions - Until the expiration of the Restriction Period and the lapse of any Retention Agreement provided in Section 12, Units shall be subject to the following restrictions and any additional restrictions that the Committee, in its sole discretion, may from time to time deem desirable in furtherance of the objectives of the Plan:

- (i) the grant of Units to a Participant shall not entitle a Participant to receive cash payment or Restricted Stock Unit Shares;
- (ii) the Units may not be sold, transferred, assigned, pledged, conveyed, hypothecated, or otherwise disposed of; and,
- (iii) all or a portion of the Units may be forfeited immediately as provided in paragraph (b) or (e) of this Section 10, subject to the provisions of paragraphs (f) and (g) of this Section 10.

(d) Distribution of Restricted Stock Units - If a Participant to whom Units have been granted remains in the continuous employment of the Corporation or a Subsidiary Company during the entire Restriction Period or, in the case of a Participant who is a non-employee director, who remains a

non-employee director during the entire Restriction Period, upon the expiration of the Restriction Period and the further expiration of any Retention Agreement applicable to such Units, all restrictions applicable to the Units shall lapse, and the Units shall be settled in cash or in Restricted Stock Unit Shares, based on Fair Market Value on the later of the date all applicable restrictions lapse or any Retention Agreement lapses. Settlement in cash in a single sum or issuance of Restricted Stock Unit Shares shall be made within thirty (30) days following the later of the expiration of the Restriction Period or any Retention Agreement applicable to such Units. The Participant may not, directly or indirectly, designate the taxable year of the settlement.

(e) Termination of Employment - If the employment of a Participant 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 Units shall be forfeited immediately and all rights of the Participant with respect to such Units 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 expiration of the Restriction Period, the Participant shall not forfeit all rights with respect to any Units subject to the Restriction Period, 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 for any reason other than Retirement, Disability, or death, at which time all rights of the Participant with respect to such Units shall terminate immediately without further obligation on the part of the Corporation or any Subsidiary Company.

(f) Retirement, Disability or Death - If the Participant's employment is terminated by reason of the Retirement, Disability, or death of the Participant in service before the expiration of the Restriction Period and no Performance Goals have been imposed, the restrictions on the Restricted Stock Units shall lapse upon the expiration of the Restriction Period and settlement of Restricted Stock Units shall be made at the end of the Restriction Period to the Participant, or his Beneficiary in the event of the Participant's death, as described in paragraph (d) of this Section 10. Settlement of the Restricted Stock Units shall be made within thirty (30) days following the expiration of the Restriction Period. The Participant or Beneficiary may not, directly or indirectly, designate the taxable year of the settlement.

If the Participant's employment is terminated by reason of the Retirement, Disability, or death of the Participant in service before the expiration of the Restriction Period and Performance Goals have been imposed, the restrictions on the Restricted Stock Units shall lapse if the Committee certifies that Performance Goals have been achieved, and settlement of the Restricted Stock Units shall be made to the Participant, or the Participant's Beneficiary in the event of the Participant's death, in accordance with paragraphs (b) and (d) of this Section 10.

(g) Waiver of Restrictions - The Committee, in its sole discretion, may waive any or all restrictions with respect to Units. If no Performance Goals have been imposed, settlement of the Units shall be made on the same settlement date that would have applied absent the waiver of restrictions. If Performance Goals have been imposed, settlement of the Units shall be made within two and one half months after the end of the year in which all restrictions are either waived or satisfied.

Section 11. PERFORMANCE SHARES

(a) General - The Committee, in its sole discretion, may from time to time authorize the grant of Performance Share Units to a Participant pursuant to an Award Agreement. Performance Share Units shall entitle the Participant to Performance Shares (or cash in lieu thereof) upon the achievement of Performance Goals. The Committee shall select the Performance Criteria, set the Performance Goals and assign Performance Criteria Weighting Percentages to each Performance Criterion or each combination

thereof within ninety (90) days of the commencement of the Performance Cycle. Performance Share Units may not be sold, transferred, assigned, pledged, conveyed, or hypothecated.

After the end of the Performance Cycle, the Committee shall certify in writing to what extent the Performance Goals have been achieved. In determining whether Performance Goals have been achieved, special charges, restructuring charges and unusual or infrequent accounting adjustments which are significant, and restatements or reclassifications, all as determined in accordance with Generally Accepted Accounting Principles, which would have the effect of reducing the percentage of Performance Goals achieved shall be excluded, and which would have the effect of increasing the percentage of Performance Goals achieved shall be included, unless the Committee, in its discretion, determines otherwise. The Committee shall thereafter authorize the payment to the Participant, or the Participant's Beneficiary in the event of the Participant's death after the end of the Performance Cycle, of (i) cash in lieu of Performance Shares (or such percentage of the value of the Performance Shares as equal the percentage of Performance Goals that have been achieved), or (ii) either (1) the issuance of Performance Shares registered in the name of the Participant or (2) the electronic delivery of Performance Shares to a brokerage account established for the Participant's benefit at a financial/brokerage firm selected by the Corporation (in either case equal to such percentage of the value of the Performance Shares as equal the percentage of Performance Goals that have been achieved), subject to the provisions of any Retention Agreement that may be required by the Committee under Section 12 of the Plan, or (iii) both. Settlement in cash or issuance of Performance Shares shall be made within two and one half months after the end of the year in which the Performance Goals are achieved.

(b) Distribution or Forfeiture of Performance Shares - If the Participant's employment with the Corporation or a Subsidiary Company is terminated before the end of a Performance Cycle for any reason other than Retirement, Disability, or death, the Participant shall forfeit all rights with respect to any Performance Shares that were being earned during the Performance Cycle. If the Participant is granted a leave of absence before the end of a Performance Cycle, the Participant shall not forfeit all 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, at which time the Participant shall forfeit all rights with respect to any Performance Shares that were being earned during the Performance Cycle. If the Participant's employment is terminated before the end of a 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, subject to the other provisions of this Section 11, continue as if the Participant's employment had continued through the end of the Performance Cycle.

Section 12. RETENTION AGREEMENTS

(a) General - The Committee, in its sole discretion, may require as a condition of a grant, exercise, settlement or payment with respect to any Award under the Plan that the Participant and the Corporation enter into a Retention Agreement, which shall provide, (1) with respect to an Award of Restricted Stock Units, that the settlement of the Restricted Stock Units in Restricted Stock Unit Shares or cash shall not occur until the event specified in the Retention Agreement that is part of the Award, or (2) with respect to any portion of any Exercise Gain Shares, Restricted Shares, Restricted Stock Unit Shares, or Performance Shares, that (i) the certificate or certificates representing any such Awards, when issued, shall be held by the Secretary of the Corporation for the benefit of the Participant until such time as the retention period specified by the Retention Agreement has expired or has been waived by the Committee, whichever occurs first, or (ii) that any such Award, when delivered by electronic delivery to a brokerage account established for the Participant's benefit at a financial/brokerage firm selected by the Corporation

or by direct registration and held in uncertificated form, shall not be permitted to be transferred or sold until such time as the retention period specified by the Retention Agreement has expired or has been waived by the Committee, whichever occurs first.

Any dividends payable on shares subject to a Retention Agreement shall be paid to the Participant in cash on the date declared by the Board of Directors. Each Retention Agreement may include some or all of the terms, conditions and restrictions set forth in paragraphs (b) through (e) of this Section 12.

(b) Retention Period - Shares that are subject to the Retention Agreement may not be sold, transferred, assigned, pledged, conveyed, hypothecated or otherwise disposed of within such period of time of not less than twenty-four (24) months following the exercise date (in the case of Exercise Gain Shares) or the date of issuance (in the case of Restricted Shares, Restricted Stock Unit Shares, or Performance Shares), as shall be prescribed by the Committee.

(c) Termination of Employment - If a Participant's employment with the Corporation or a Subsidiary Company is terminated for any reason other than Retirement, Disability, or death, shares subject to the Retention Agreement shall continue to be held, following the Participant's termination of employment, until the expiration of the retention period specified by the Retention Agreement. If the Participant's employment is terminated by reason of Retirement or Disability, shares then held subject to the Retention Agreement shall continue to be held until the expiration of the applicable retention period following termination of employment, but any such retention period shall cease upon the earlier of the Participant's attainment of age 65 or the expiration of two (2) years after the Participant's Retirement or Disability, if either of those events occurs before the expiration of the applicable retention period. If the Participant dies while shares are subject to a retention period under the Retention Agreement, such retention period shall expire immediately at the time of death.

(d) Leave of Absence - If a Participant is granted a leave of absence, shares subject to the Retention Agreement shall continue to be held during the leave of absence, until the expiration of the retention period specified by the Retention Agreement.

(e) Change in Control - Upon a Change in Control, the retention periods specified by all Retention Agreements shall immediately expire; provided, however, that any such waiver shall not accelerate the settlement of any Restricted Stock Units in a manner that would violate the requirements of Code Section 409A.

A Change in Control shall occur if:

(i) any person, other than the Corporation or a Subsidiary Company or any employee benefit plan sponsored by the Corporation or a Subsidiary Company, shall become the beneficial owner of, or obtain voting control over, 20% or more of the Corporation's outstanding Common Stock;

(ii) (A) any consolidation or merger of the Corporation occurs in which the Corporation is not the continuing or surviving corporation or pursuant to which shares of Common Stock would be converted into cash, securities, or other property, other than a merger of the Corporation in which holders of Common Stock immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger as immediately before, or (B) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Corporation occurs; or

(iii) there shall have been a change in the composition of the Board of Directors such that within any period of two (2) consecutive years or less individuals who at the beginning of such period constituted such Board, together with any new directors whose election, or nomination for election by the Corporation's stockholders, was approved by a vote of at least two-thirds of the directors then in office who were directors at the beginning of such period, shall for any reason no longer constitute a majority of the directors of the Corporation.

If the expiration of a Retention Agreement pursuant to this paragraph (f) causes a Participant to be subject to an excise tax under Section 4999 of the Code, or any successor provision thereto (the "Excise Tax"), the Corporation shall make a cash payment, either directly to the Participant or on the Participant's behalf, in an amount that the Committee estimates to be equal (after taking into account any Federal and state taxes, including interest and penalties, that the Committee estimates to be applicable to the additional cash payment) to the additional Excise Tax imposed on the Participant as a result of the expiration of the Retention Agreement. In determining the amount to be paid pursuant to this subparagraph, the Committee may adopt such methods and assumptions as it considers appropriate, and it shall not be required to examine the individual tax liability of each Participant to whom this subparagraph applies.

(g) Waiver of Requirements - The Committee, in its sole discretion, may waive any or all retention periods or other restrictions in the Share Retention Agreement, provided that the waiver of restrictions does not accelerate the payment of any Restricted Stock Units in a manner that would violate the requirements of Code Section 409A.

(f) Distribution of Shares and Restricted Stock Units - The Corporation shall cause the shares subject to a Retention Agreement to be distributed to the Participant, or the Participant's Beneficiary in the event of the Participant's death, upon expiration of the retention period or other termination or waiver of the restrictions under this Section 12. The Corporation shall cause the Restricted Stock Units subject to a Retention Agreement to be distributed to the Participant upon the expiration of the retention period or to the Participant's Beneficiary in the event of the Participant's death.

Section 13. DIVIDEND EQUIVALENT PAYMENTS

The Committee may authorize the immediate payment, in cash or in Common Stock, of Dividend Equivalents on some or all of the shares of Common Stock covered by Options or Stock Appreciation Rights, as specified in the Award Agreement required under Section 6(a), Section 7 or Section 8(a) of the Plan. Dividend Equivalents payable on options may be paid in cash or Common Stock, at the discretion of the Committee.

The Committee may authorize the immediate or deferred payment of Dividend Equivalents on some or all of the shares of Common Stock covered by Restricted Stock Units that are not subject to Performance Goals, as specified in the Award Agreement required under Section 10 of the Plan. Dividend Equivalents payable on Restricted Stock Units may be paid in cash or converted to additional Restricted Stock Units, at the discretion of the Committee and as specified in the Award Agreement.

The Committee may authorize the deferred payment of Dividend Equivalents on some or all of the shares of Common Stock covered by Restricted Stock Units that are subject to Performance Goals, or by Performance Share Units, as specified in the Award Agreement described in Sections 10 or 11 of the Plan. Deferred Dividend Equivalents shall be paid only to the extent Performance Goals are achieved with respect to such Performance Share Units or Restricted Stock Units, and shall be distributed at the same

time as the underlying Performance Shares, Restricted Stock Unit Shares, or cash equivalents thereto. Deferred Dividend Equivalents payable on Performance Share Units or on Restricted Stock Units that are subject to a Performance Goal may be paid in cash, or converted to additional Performance Shares or Restricted Stock Unit Shares (as applicable), at the discretion of the Committee and as specified in the Award Agreement.

Notwithstanding the above, Dividend Equivalents shall not be made or accumulated during a Participant's leave of absence. If Dividend Equivalents provided under this section are to be paid immediately, the Dividend Equivalents shall be paid in cash on the date declared by the Board of Directors for the payment of dividends on Common Stock. If Dividend Equivalents provided under this section are to be deferred, the deferred Dividend Equivalents shall be paid or forfeited when the underlying Award is paid or forfeited.

Section 14. NON-COMPETE COVENANT

The Committee, in its sole discretion, may require as a condition of a grant of any Award under the Plan that the Participant execute a non-compete, non-solicitation and confidentiality agreement, which agreement shall require that such individual (i) not Engage in Competing Employment (as defined in this Section 14 of the Plan) nor solicit any employee of the Corporation or a Subsidiary Company to Engage in Competing Employment for a specified term following termination of employment (including Retirement), (ii) not solicit customers of the Corporation or a Subsidiary Company for a specified term following termination of employment (including Retirement), and (iii) maintain the Corporation's and each Subsidiary Company's confidential information in strict confidence, in accordance with the provisions of the agreement. The Committee, in its sole discretion, may further require as a condition of a grant, exercise, settlement or payment with respect to any Award under the Plan that the Award shall be subject to immediate forfeiture, and all rights of the Participant to such Award shall terminate immediately without further obligation on the part of the Corporation or any Subsidiary Company, if the Participant Engages in Competing Employment for a specified period of time following termination of employment. The terms of such a non-compete covenant shall be as set forth in the agreement or grant providing the terms of an Award and are incorporated herein by reference. A non-compete covenant shall not apply to the settlement or payment of any Option (although it may apply to the grant or exercise of an Option). Settlement or payment of any other Award that is subject to a non-compete covenant shall occur upon the expiration of the Restriction Period, Performance Cycle, Retention Agreement, or other date upon which the Award would be settled and paid if the Participant had not terminated employment.

For purposes of the provision, "Engages in Competing Employment" shall mean to work for or provide services for any Competitor, on the Participant's own behalf or in the service of or on behalf of others, including, but not limited to, as a consultant, independent contractor, owner, officer, partner, joint venturer, or employee, at any time during the specified period commencing on the date of his or her termination of employment (including Retirement). "Competitor" shall mean 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.

Section 15. CAPITAL ADJUSTMENTS

In the event of a recapitalization, stock split, stock dividend, exchange, combination, or reclassification of shares, merger, consolidation, reorganization, or other change in or affecting the capital structure or capital stock of the Corporation, the Board of Directors, upon the recommendation of the Committee, may make appropriate adjustments in the number of shares of Common Stock authorized for the Plan and in the annual limitation imposed by Section 5 of this Plan; and the Committee may make appropriate adjustments in the number of shares subject to outstanding Options, Stock Appreciation Rights, Restricted Shares, Restricted Stock Units, or Performance Share Unit grants, and in the Option price of any then outstanding Options, as it deems equitable, in its absolute discretion, to prevent dilution or enlargement of the rights of Participants.

Section 16. REGULATORY APPROVALS

The exercise of each Option and Stock Appreciation Right, and the grant or distribution of Restricted Shares, Restricted Stock Units and Performance Shares, shall be subject to the condition that if at any time the Corporation shall determine in its discretion that the satisfaction of withholding tax or other tax liabilities, or the listing, registration, or qualification of any shares of Common Stock upon any securities exchange or under any Federal or state law, or the consent or approval of any regulatory body, is necessary or desirable as a condition of, or in connection with, such exercise, grant, or distribution, then in any such event such exercise, grant, or distribution shall not be effective unless such liabilities have been satisfied or such listing, registration, qualification, consent, or approval shall have been effected or obtained free of any conditions not acceptable to the Corporation.

Section 17. TERM OF THE PLAN

Awards may be granted from time to time under the terms and conditions of the Plan, but no Incentive Stock Option may be granted after the expiration of ten (10) years from the date of adoption of the Plan, as amended on May 13, 2010, by the Board of Directors; provided, that any future amendment to the Plan that is approved by the stockholders of the Corporation in the manner provided under Section 18 of this Plan shall be regarded as creating a new Plan, and an Incentive Stock Option may be granted under such new Plan until the expiration of ten (10) years from the earlier of the approval by the Board of Directors, or the approval by the stockholders of the Corporation, of such new Plan. Incentive Stock Options theretofore granted may extend beyond the expiration of that ten-year period, and the terms and conditions of the Plan shall continue to apply thereto and to shares of Common Stock acquired upon the subsequent exercise of an Incentive Stock Option or related Stock Appreciation Right.

Section 18. AMENDMENT OR TERMINATION OF THE PLAN

The Corporation may at any time and from time to time alter or amend, in whole or in part, any or all of the provisions of the Plan, or may at any time suspend or terminate the Plan, through resolution of its Board of Directors, provided that no change in any Awards theretofore granted to any Participant may be made which would impair or diminish the rights of the Participant without the Participant's consent, and provided further, that no alteration or amendment may be made without the approval of the holders of a majority of the Common Stock then outstanding and entitled to vote if (a) such stockholder approval is necessary to comply with the requirements of any rules promulgated under Section 16 of the Securities Exchange Act of 1934 or such other Federal or state laws or regulations as may be applicable, (b) the amendment materially increases the benefits accruing to Participants under the Plan, (c) materially

increases the number of securities that may be issued under the Plan, or (d) materially modifies the requirements for participation in the Plan.

Section 19. FORFEITURE AND RECOUPMENT EVENTS

The Committee may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award shall be subject to reduction, forfeiture, or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award.

Any Award to a Participant under this Plan is subject to reduction, forfeiture, or recoupment to the extent provided under Section 304 of the Sarbanes-Oxley Act of 2002 or as may be provided under any other applicable law.

Section 20. MISCELLANEOUS

(a) Fractional Shares - The Corporation shall not be required to issue or deliver any fractional share of Common Stock upon the exercise of an Option or Stock Appreciation Right, the award of Performance Shares, the payment of a dividend equivalent in Common Stock pursuant to Section 13 of the Plan or the withholding of shares of Common Stock for payment of taxes required to be withheld, but may pay, in lieu thereof, an amount in cash equal to the Fair Market Value of such fractional share.

(b) Withholding - The Corporation and its Subsidiary Companies shall have the right, to the extent permitted by law, to deduct from any payment of any kind otherwise due to a Participant any Federal, state or local taxes of any kind required by law to be withheld with respect to Awards under the Plan, and to the extent any such withholding requirements are not satisfied, each Participant shall pay to the Corporation any Federal, state or local taxes of any kind required by law to be withheld with respect to Awards under the Plan. The Corporation shall have the right to withhold shares of Common Stock, including fractional shares, from payment as necessary to satisfy any withholding obligations, but may only withhold the minimum number of shares necessary to do so. If fractional shares are withheld, any remaining fractional shares shall be paid in cash to the Participant as provided under paragraph (a) of this Section 20. The Participant or Beneficiary shall remain responsible at all times for paying any Federal, state or local taxes of any kind with respect to Awards under the Plan. In no event shall the Corporation or the Committee be liable for any interest or penalty that a Participant or Beneficiary incurs by failing to make timely payments of tax.

(c) Acceleration of Payments to Avoid Conflicts of Interest - To the extent permitted by Code Section 409A and not prohibited by Section 6(a) of the Plan, the Committee may, in its sole discretion and with the consent of a Participant or Beneficiary, accelerate the time or schedule of a payment under the Plan, or make a substitute cash payment upon cancellation of a Participant's Award, in either case to the extent reasonably necessary for a Participant or Beneficiary to avoid the violation of an applicable Federal, state, local or foreign ethics law or conflicts of interest law (including where such payment is reasonably necessary to permit the Participant or Beneficiary to participate in activities in the normal course of his or her position in which the Participant or Beneficiary would otherwise not be able to participate under an applicable rule). The Corporation's chief executive officer may exercise the authority granted to the Committee in this paragraph with respect to any Participant or Beneficiary who is neither a current or former director of the Corporation nor a current Executive Officer of the Corporation.

(d) Stockholder Rights - No person shall have any rights of a stockholder by virtue of an Option, Stock Appreciation Right, or Performance Share Unit except with respect to shares of Common Stock actually issued to him, and the issuance of shares of Common Stock shall confer no retroactive right to dividends. A Participant's right to receive Dividend Equivalents shall not, by itself, confer upon the Participant the rights or privileges of a stockholder.

(e) No Contract of Employment - This Plan shall not be deemed to be an employment contract between the Corporation or any Subsidiary Company and any Participant or other employee. Nothing contained herein, or in any agreement, certificate or other document evidencing, providing for, or setting forth the terms and conditions applicable to any Awards shall be deemed to confer upon any Participant or other employee a right to continue in the employment of the Corporation or any Subsidiary Company, or to interfere with the right of the Corporation or any Subsidiary Company to terminate the employment of such Participant or employee at any time.

(f) Unfunded Plan - Except as may otherwise be provided in the Plan, the Plan shall be unfunded. Neither the Corporation nor any Subsidiary Company shall be required to segregate any assets that may be represented by Options, Stock Appreciation Rights, Performance Share Units, or Restricted Stock Units, and neither the Corporation nor any Subsidiary Company shall be deemed to be a trustee of any amounts to be paid under an Option, Stock Appreciation Right, Performance Share Unit, or Restricted Stock Unit. Any liability of the Corporation to pay any Participant or Beneficiary with respect to an Option, Stock Appreciation Right, Performance Share Unit, or Restricted Stock Unit shall be based solely upon any contractual obligations created pursuant to the provisions of the Plan; no such obligation shall be deemed to be secured by any pledge or encumbrance on any property of the Corporation or a Subsidiary Company.

(g) Applicable Law - The Plan, its validity, interpretation, and administration, and the rights and obligations of all persons having an interest therein, shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, except to the extent that such laws may be preempted by Federal law.

(h) Gender and Number - Wherever used in the Plan, words in the masculine form shall be deemed to refer to females as well as to males, and words in the singular or plural shall be deemed to refer also to the plural or singular, respectively, as the context may require.

(i) Code Section 409A - The Plan is intended, and shall be construed, to comply with the requirements of Code Section 409A. The Corporation does not warrant that the Plan will comply with Code Section 409A with respect to any Participant or with respect to any payment, however. In no event shall the Corporation or the Committee be liable for any additional tax, interest, or penalty incurred by a Participant or Beneficiary as a result of the Plan's failure to satisfy the requirements of Code Section 409A, or as a result of the Plan's failure to satisfy any other applicable requirements for the deferral of tax.

RETIREMENT PLAN
OF
NORFOLK SOUTHERN CORPORATION
AND
PARTICIPATING SUBSIDIARY COMPANIES

Effective June 1, 1982

Reflecting amendments adopted to and including July 1, 2014

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 1, 2014, 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 Supplemental 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 (other than those excepted under Section 4 of Supplemental Agreement "A" between NW and the Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employees, effective January 12, 1979).
Agreement Trainee	An Employee in training for a position that is not a Nonagreement Position.
Average Final Compensation	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.
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.
Closing Date	The Closing Date as defined in the Transaction Agreement by and among CSX Corporation, CSX Transportation, Inc., Norfolk Southern Corporation, Norfolk Southern Railway Company, Conrail Inc., Consolidated Rail Corporation and CRR Holding LLC, dated as of June 10, 1997.
Code	The Internal Revenue Code of 1986, as amended.
Compensation	Remuneration in the form of salary (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 which is 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	<p>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.</p>
Entry Date	<p>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.</p>
Fund	<p>The assets held from time to time under the Plan.</p>

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 (but including those employees excepted under Section 4 of Supplemental Agreement "A" between NW and the Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employees, effective January 12, 1979), excluding those employees who perform service on positions in job class M11 (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	Norfolk and Western Railway Company Plan for Supplemental Pensions.
Participating Subsidiary	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.

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.
Same Sex Partner	The Member's same sex civil union partner or domestic partner, (i) if the Member resides in a state that provides legal recognition of the partnership through civil union or domestic partnership, then the Member and the Same Sex Partner have registered as domestic partners or entered into a civil union (provided, however, that if the Member resides in a state that provides legal recognition for same sex marriage, the Member must be married to a same sex spouse rather than obtain a civil union or domestic partnership), or (ii) if the Member does not reside in a state that provides legal recognition of the partnership, the Member completes an affidavit provided by the Plan administrator to evidence that the Member and the Same Sex Partner: (a) are in an exclusive, committed relationship and intend to continue that relationship indefinitely; (b) are not married to, nor in a civil union or domestic partnership with, any other person; (c) are not related by blood to a degree of closeness that would prohibit marriage under the laws of the Member's and Same Sex Partner's state of residence; (d) share a mutual obligation of support and responsibility for each other's welfare and form an economically interdependent unit; and (e) share a principal residence and intend to do so indefinitely.
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 Same Sex Partner	An individual who was the deceased Member's Same Sex Partner on the date of retirement or date of death before retirement.
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; and

(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 five or more years, whether or not consecutive; 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 five or more years, whether or not consecutive, after March 7, 1997; and

(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.

(i) Service by a Member in job class M11 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 five or more years, whether or not consecutive.

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. If a 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 in job class M11 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 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 Section 4 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 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 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 either of the following two benefits:

(a) A 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 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 of Article VI. A Member (other than a Member who was a member of the Conrail Plan on the Closing Date) may not retire under this Section of Article V until February 29, 2000, effective March 1, 2000.

5. A Member retiring under any Section of this Article V shall make a written application to retire under the Plan in the manner and on the form specified by the Board of Managers. A Member shall be provided with a written notice not more than 90 days before the Member's retirement date, which notice shall contain (a) a general description of the material features of each form of distribution available under the Plan, (b) an explanation of the financial effect of electing each form of distribution available under the Plan, (c) 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 (d) if the distribution is payable as a lump sum distribution, an explanation of the Member's right to make a direct rollover.

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 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 which 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 pay 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.

(b) 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 which 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.

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. Effective January 1, 2008, 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 or Surviving Same Sex Partner 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, effective January 1, 2008, to a Roth IRA described in Section 408A of the Code; or, (v) effective January 1, 2010, to the extent permitted under Section 402(c)(11) and related guidance issued by the Secretary of the Treasury, if a Surviving Same Sex Partner or other 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 payable on or after March 28, 2005, 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 or Surviving Same Sex Partner 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;
 - (c) The Member's accrued retirement benefit under this Article VI as measured on April 30, 2005; or
 - (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
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- (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.

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. Effective February 1, 1999, for a Member who is not a 5% owner and who attains age 70½ on or after February 1, 1999, 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
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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.
- (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 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
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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 OPTIONS

1. (a) In the case of a Member who is married or who has a Same Sex Partner and retires under Article V or Article IX, unless he elects otherwise under Section 3 or Section 4 of this

Article VIII, the Member shall receive his retirement benefit computed under Article VI in the form of a joint and survivor annuity payable to him during life and after his death to his Surviving Spouse or Surviving Same Sex Partner during life in an amount equal to 50% of the retirement benefit payable to the Member.

(b) In the case of a Member who is unmarried and who does not have a Same Sex Partner and retires under Article V or Article IX, unless he elects otherwise under Section 4 of this Article VIII, the Member shall receive his retirement benefit computed under Article VI in the form of 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.

(c) 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 and does not have a Same Sex Partner, 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.

(d) In the case of a Member who is married or has a Same Sex Partner and dies prior to retirement after attaining age 60, his Surviving Spouse or Surviving Same Sex Partner 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 which the Member is 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 or Surviving Same Sex Partner in the form of a preretirement survivor annuity. The benefit payable to such Surviving Spouse or Surviving Same Sex Partner 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 the Member is under age 62 at the time of his death, as provided under Section 2 of Article VI; however, 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 or Surviving Same Sex Partner 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 or Surviving Same Sex Partner shall be an amount payable monthly for life equal to 50% of the benefit the deceased Member would have been eligible to receive 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; provided, however, that the provisions regarding Same Sex Partners shall only be effective with respect to a Member who retires on or after January 1, 2009.

(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 or Surviving Same Sex Partner 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 or Surviving Same Sex Partner 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 and without the 1/180th reduction in benefit for each calendar month which the Member is under 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 or Surviving Same Sex Partner 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 Same Sex Partner dies or ceases to be the Member's Same Sex Partner, 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 Member who has elected a benefit under this Section 2(b) and who retires under Section 4(a) of Article V dies prior to attaining age 60, his Surviving Spouse or Surviving Same Sex Partner 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 or Surviving Same Sex Partner 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 or Surviving Same Partner is entitled to a survivor annuity equal to 50% of the retirement benefit payable to the Member in accordance with Section 1(a) 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 joint and survivor annuity payable as a reduced retirement benefit to him during life and after his death to his Surviving Spouse or Surviving Same Sex Partner 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's Same Sex Partner dies or ceases to be the Member's Same Sex Partner 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 provided in Section 1(a) of this Article VIII. 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.

A Member shall have only one opportunity while the Member is in active service or during Disability Service to elect a joint and survivor annuity that provides a joint and 100% survivor annuity or a joint and 75% survivor annuity pursuant to the preceding paragraph. If such joint and survivor 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 joint and survivor 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.

Such election shall become inoperative if the Member revokes his election within the 90-day period before the Member's retirement. The benefit payable to the designated beneficiary 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 4 will not commence until the first calendar month in which the Member would have attained age 60. A Member electing an option under this Section 4 shall have his retirement benefit reduced by a percentage computed on the basis of actuarial values to reflect the actuarial cost of this protection. 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.

A Member shall have only one opportunity while the Member is in active service or during Disability Service to elect a joint and survivor annuity that provides a joint and 100% survivor annuity or a joint and 75% survivor annuity pursuant to the preceding paragraph. If such joint and survivor 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 joint and survivor 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.

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, Surviving Same Sex Partner 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 or Surviving Same Sex Partner under the provisions of Sections 1(d) 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 or Surviving Same Sex Partner 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 or Surviving Same Sex Partner elects otherwise under Section 2(a) of this Article VIII.

8. Except as provided in Section 9 of Article VI, if the present value of the retirement benefit payable under this Article VIII is equal to \$9,000 or less, the 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. For purposes of this section only, the present value of the benefit 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) effective January 1, 2008, 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. 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, effective January 1, 2008, 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. Except as provided in Section 9 of Article VI, if the present value of the benefit that becomes payable on account of a Member's death prior to commencement of benefits is equal to \$9,000 or less, the Surviving Spouse or Surviving Same Sex Partner may elect distribution of the benefit be made in a lump sum. For purposes of this section only, the present value of the benefit 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 or Surviving Same Sex Partner. The lump sum distribution will be paid as soon as administratively feasible to the Surviving Spouse or Surviving Same Sex Partner. 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, effective January 1, 2008, to a Roth IRA described in Section 408A of the Code. Effective January 1, 2010, to the extent permitted under Section 402(c)(11) and related guidance issued by the Secretary of the Treasury, if the Surviving Same Sex Partner so elects in writing, the lump sum distribution will be paid to 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 a Roth IRA described in section 408A of the Code that both is established to receive such distribution and treated as an "inherited IRA" for the Surviving Same Sex Partner.

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 accrued retirement benefit under the Plan.

2. A Member whose service terminates after 10 Years of Creditable Service, and before attainment of age 60, shall be eligible to receive his accrued 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. The retirement benefit 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 on the date of the Member's termination of service. 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 Normal Retirement Benefit 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 on the date of the Member's termination of service.

3. A Member who has completed 5 Years of Service, or is otherwise vested, and whose service terminates prior to 10 Years of Creditable Service and before attainment of age 60, shall be eligible to receive his accrued retirement benefit 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 accrued retirement benefit beginning on the last day of the calendar month following any calendar month between the Member's attainment of age 60 and 62, in which case the Member's retirement benefit shall be reduced in accordance with the provisions of Section 2(a) of Article VI. The retirement benefit 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 on the date of the Member's termination of service.

4. A 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 accrued retirement benefit between attainment of ages 55 and 60. A Member (other than a member who was a member of the Conrail Plan on the Closing Date) may not receive a benefit under this Section until March 1, 2000. The retirement benefit shall be calculated as if the Member retired under Section 4(b) of Article V and 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 on the date of the Member's termination of service.

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 accrued 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 accrued 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. A Member receiving an accrued retirement benefit under any Section of this Article IX shall make a written application for benefits under the Plan in the manner and on the form specified by the Board of Managers. Effective January 1, 1998, 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. A Member shall be provided with a written notice not more than 90 days before the Member's retirement date, which notice shall contain (a) a general description of the material features of each form of distribution available under the Plan, (b) an explanation of the financial effect of electing each form of distribution available under the Plan, (c) 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 (d) if the distribution is payable as a lump sum distribution, an explanation of the Member's right to make a direct rollover.

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, Surviving Same Sex Partner or alternate payee is entitled to benefits under the Plan; and the amount of any benefit payment. If a Member, Surviving Spouse, Surviving Same Sex Partner 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 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 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 or Surviving Same Sex Partner 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.
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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.

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 or Surviving Same Sex Partner 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. 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 2 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 or Surviving Same Sex Partner 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 benefit 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.

EXHIBIT A

EMPLOYEE MORTALITY ASSUMPTION
USED IN DEVELOPMENT OF ACTUARIAL EQUIVALENCE FACTORS

<u>Employee</u> <u>Age</u>	<u>Annual Rate</u> <u>of Mortality</u>	<u>Employee</u> <u>Age</u>	<u>Annual Rate</u> <u>of Mortality</u>	<u>Employee</u> <u>Age</u>	<u>Annual Rate</u> <u>of Mortality</u>
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	0.003824	79	0.071557	109	0.871996

110 1.000000

BENEFICIARY MORTALITY ASSUMPTION
USED IN DEVELOPMENT OF ACTUARIAL EQUIVALENCE FACTORS

<u>Employee</u> <u>Age</u>	<u>Annual Rate</u> <u>of Mortality</u>	<u>Employee</u> <u>Age</u>	<u>Annual Rate</u> <u>of Mortality</u>	<u>Employee</u> <u>Age</u>	<u>Annual Rate</u> <u>of Mortality</u>
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	Age	Annual Rate of Mortality	Age	Annual Rate of Mortality	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

Schedule A continued

Identification Number	Additional Retirement Benefits
67	504.39
68	94.28
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

Schedule A continued

Identification Number	Additional Retirement Benefit
106	404.78
107	93.75
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

Schedule A continued

Identification Number	Additional Retirement Benefit
145	482.39
146	682.86
147	184.46
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 <u>Article VI Is Applicable</u>	Additional Retirement Benefit After Offset Described in Section 1(e) of <u>Article VI is Applicable</u>
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**

Incentive 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 Incentive Stock Option. The Corporation hereby grants to the Participant on Award Date an Incentive Stock Option (ISO) to purchase <#_of_ISO> 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, except that the term of the Option is subject to earlier termination if the Participant's employment with the Corporation or a Subsidiary Company is terminated for any reason other than Retirement, Disability, or death, in which case 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. 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.

(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, prior to the declared record date for any dividend, 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**

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, then 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.

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, except that the term of the Option is subject to earlier termination if the Participant's employment with the Corporation or a Subsidiary Company is terminated for any reason other than Retirement, Disability, or death, in which case 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. 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.

(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 immediately 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 immediately 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, Disability or death 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. 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 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.

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

**Non-Compete Agreement
Associated With
Award Agreement Under The
Norfolk Southern Corporation Long-Term Incentive Plan**

THIS AGREEMENT (the "Agreement") is executed by and between Employee and Norfolk Southern Corporation ("NS" or "Company"). The term "Employee" means the employee who has received this document in conjunction with an award agreement under the Norfolk Southern Corporation Long-Term Incentive Plan ("LTIP" or "Plan"). The term NS or Company includes NS' affiliated companies including, but not limited to, Norfolk Southern Railway Company and its rail subsidiaries.

WHEREAS, Employee is a participant in the LTIP and is eligible to receive an award under such Plan, subject to certain terms and conditions of that Plan; and

WHEREAS, execution of this Agreement is a condition precedent to Employee's receipt of an award under the LTIP; and

WHEREAS, Employee is willing to enter into this Agreement and deliver same to NS to satisfy that condition in order to receive an award under the LTIP.

NOW THEREFORE the parties hereto do hereby covenant and agree as follows:

1. NS agrees that, upon Employee executing this Agreement, Employee will be provided an award under the LTIP this year on the terms and conditions set forth in an Award Agreement and will continue to receive confidential NS business and operational information as required by the duties of his or her position.

2. Employee agrees that the LTIP award is consideration for entering into this Agreement and that in consideration of the award Employee will abide by the covenants and obligations contained in this Agreement.

3. From the last date of his or her employment with the Company and for a period of one (1) year thereafter, and irrespective of the reason for such separation, whether voluntary or involuntary, Employee will not, on his or her own behalf or in the service of or on behalf of others, including, but not limited to, as a consultant, independent contractor, owner, partner, joint venturer or employee:

- (a) work for or provide services to any "competitor" of the Company "in a capacity involving substantially the same or similar work he or she performed for the Company" in the two (2) years preceding the last date of his or her employment with the Company.
- (b) solicit, recruit, entice or persuade any employee of the Company to leave the employment of the Company in order to work for or provide services for any "competitor" of the Company, "in a capacity involving substantially the same or similar work the employee performed for the Company" in the previous two (2) years.
- (c) solicit, contact, attempt to divert, or appropriate any "customer or account" of the Company for the purpose of "providing the same or similar services as provided by the Company".

The term "competitor" is defined as any North American Class I rail carrier (including, without limitation, a holding or other company that controls or operates, or is controlled by or under common control with, any North American Class I rail carrier). The phrase "in a capacity involving substantially the same or similar work he or she performed for the Company", in sub-paragraph (a) above, means being involved in the same work or closely related work to that which Employee performed for the Company and, if

Employee occupied a position at the vice president level or above for the Company, includes, without limitation, any work at the vice president level or above for a competitor. The phrase "in a capacity involving substantially the same or similar work the employee performed for the Company", in sub-paragraph (b) above, means being involved in the same work or closely related work to that which the employee performed for the Company and, if the employee occupied a position at the vice president level or above for the Company, includes, without limitation, any work at the vice president level or above for a competitor. The phrase "providing the same or similar services as provided by the Company", in sub-paragraph (c) above, means being in the same or closely related line of business as the Company for or on behalf of a competitor of the Company. A "customer or account" is defined as any individual or entity with whom Employee worked on behalf of the Company within two (2) years of his or her last date of employment with the Company; provided, however, that any individual or entity that ceased its business relationship with Company during this two (2) year period, and did not thereafter resume such relationship, for reasons not related to the Employee, will not be considered a "customer" or "account."

Nothing contained in this paragraph 3 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.

4. Employee covenants and agrees that any confidential or proprietary information acquired by him or her during his or her employment with the Company (including information of or concerning a customer of the Company) is the exclusive property of the Company, and Employee acknowledges that he or she has no ownership interest or right of any kind to said property. Except as otherwise required by law, Employee agrees that during his or her employment with the Company and after the termination of that employment, and irrespective of the reason for such separation, whether voluntary or involuntary, he or she will not, either directly or indirectly, use, access, disclose, or divulge to any unauthorized party, for his or her own benefit or to the detriment of the Company, any confidential or proprietary information of the Company which he or she may have acquired or been provided during his or her employment with the Company, whether or not developed or compiled by the Employee, and whether or not Employee was authorized to have access to such information. Nothing herein shall affect Employee's obligations as set forth in the Patent Agreement between Employee and the Company.

For the purposes of the above, the term "confidential or proprietary information" includes, without limitation, the identity of or other facts relating to the Company, its customers and accounts, its marketing strategies, financial data, trade secrets, other intellectual property or any other information acquired by the Employee as a result of his or her employment with the Company such that if such information were disclosed, such disclosure could act to the prejudice of the Company. The term "confidential or proprietary information" does not include information that has become generally available to the public by the act of one who has the right to disclose such information without violating any right of the Company. The term "unauthorized party" means any firm, entity (including governmental entities), or person (whether outsiders or employees of the Company), who is not specifically authorized by the Company to receive such confidential or proprietary information.

Employee agrees that if he or she believes that he or she is required by law or otherwise to reveal any confidential or proprietary information of the Company, he or she or his or her attorney, except as otherwise prohibited by law, will promptly contact NS's Law Department prior to disclosing such information in order that the Company can take appropriate steps to safeguard the disclosure of such confidential and proprietary information.

Nothing in this paragraph or Agreement should be construed, either expressly or by implication, as limiting the maximum protections which may be available to the Company under appropriate state and federal common law or statute concerning the obligations and duties of the Employee to protect the Company's property and/or confidential and proprietary information, including, but not limited to, under the federal Uniform Trade Secrets Act or the Virginia Uniform Trade Secrets Acts. Employee also acknowledges his or her duty to refrain from any action which would harm or have the potential to harm

the Company, or the Company's customers, including, but not limited to, breaching the fiduciary duties Employee owes the Company, both during the Employee's employment and after the termination of that employment.

5. Employee acknowledges and agrees that the breach of this Agreement, or any portion thereof, may result in irreparable harm to the Company, the monetary value of which could be difficult to establish. Employee therefore agrees and consents that the Company shall be entitled to injunctive relief or such other equitable relief as is necessary to prevent a breach by Employee of any of the covenants or provisions contained in this Agreement. Nothing contained in this paragraph shall be construed as prohibiting the Company from pursuing any legal remedies available to the Company for such breach of this Agreement, including the recovery of damages from the Employee.

6. The parties agree that this Agreement shall be governed by and interpreted in accordance with the laws of the Commonwealth of Virginia without regard to Virginia's choice of law rules. Employee consents to the personal jurisdiction of the federal and/or state courts serving the Commonwealth of Virginia and waives any defenses of forum non conveniens. The parties agree that any and all initial judicial actions instituted under this Agreement or relating to its enforceability shall only be brought in the United States District Court for the Eastern District of Virginia, Norfolk Division or the appropriate state court in the City of Norfolk, Virginia regardless of the place of residence or work location of the Employee at the time of such action.

7. Each provision and sub-provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or sub-provision of this Agreement shall be adjudged to be invalid under applicable law, the remainder of the Agreement is severable and shall continue in full force and effect. Should a court of competent jurisdiction declare any of the provisions of paragraphs 3 or 4, or other paragraphs, invalid or unenforceable, the parties acknowledge and agree that the court may revise or reconstruct such invalid or unenforceable provisions to better effectuate the parties' intent to reasonably restrict the activity of the Employee to the greatest extent afforded by law and needed to protect the business interests of the Company.

8. Employee understands and agrees that nothing in this Agreement creates a contract of employment for any specific duration. The obligations contained in this Agreement shall survive the termination of the Employee's employment with the Company, however caused, and irrespective of the existence of any claim or cause of action by the Employee against the Company.

9. This Agreement is effective as of the date of the Employee's electronic acceptance of both this Agreement and the corresponding Award Agreement(s) under LTIP. The terms of this Agreement (and all associated remedial provisions of this Agreement) shall continue until cancelled by a subsequent written agreement between the parties.

Norfolk Southern Corporation and Subsidiaries
Computation of Ratio of Earnings to Fixed Charges

	Year ended December 31,				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
	(\$ in millions)				
EARNINGS					
Income from continuing operations before income taxes as reported	\$ 3,134	\$ 2,965	\$ 2,758	\$ 2,918	\$ 2,367
Add (subtract):					
Total interest expenses (as detailed below)	592	576	546	504	517
Amortization of capitalized interest	11	12	10	9	8
Income of partially owned entities ⁽¹⁾	(46)	(51)	(45)	(39)	(43)
Total earnings	<u>\$ 3,691</u>	<u>\$ 3,502</u>	<u>\$ 3,269</u>	<u>\$ 3,392</u>	<u>\$ 2,849</u>
FIXED CHARGES					
Interest expense on debt	\$ 545	\$ 525	\$ 495	\$ 455	\$ 462
Interest expense on unrecognized tax benefit	1	1	(1)	(9)	1
Other interest expense	11	11	10	12	16
Calculated interest portion of rent expense ⁽²⁾	35	39	42	46	38
Total interest expenses	592	576	546	504	517
Capitalized interest	19	18	20	19	15
Total fixed charges	<u>\$ 611</u>	<u>\$ 594</u>	<u>\$ 566</u>	<u>\$ 523</u>	<u>\$ 532</u>
RATIO OF EARNINGS TO FIXED CHARGES	6.04	5.90	5.78	6.49	5.36

⁽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, 2015

	<u>STATE OR COUNTRY OF INCORPORATION</u>
Atlantic Acquisition Corporation	Pennsylvania
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
 <u>Norfolk Southern Railway Company Subsidiaries</u>	
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
Whealersburg 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, 333-60722, 333-100936, 333-109069 and 333-168414 on Form S-8 and 333-179569 on Form S-3 of Norfolk Southern Corporation of our reports dated February 11, 2015, with respect to the consolidated balance sheets of Norfolk Southern Corporation as of December 31, 2014 and 2013, 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, 2014, and the related financial statement schedule, and the effectiveness of internal control over financial reporting as of December 31, 2014, which reports appear in the December 31, 2014 annual report on Form 10-K of Norfolk Southern Corporation.

/s/KPMG LLP
KPMG LLP
Norfolk, Virginia
February 11, 2015

CERTIFICATIONS

I, Charles W. Moorman, 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 11, 2015

/s/ Charles W. Moorman

Charles W. Moorman
Chairman 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 11, 2015

/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, 2014, 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/ Charles W. Moorman

Charles W. Moorman

Chairman and Chief Executive Officer

Norfolk Southern Corporation

Dated: February 11, 2015

I certify, to the best of my knowledge, that the Annual Report on Form 10-K for the period ended December 31, 2014, 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 11, 2015

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/ Charles W. Moorman
Print Name: Charles W. Moorman
Title: Chairman and Chief Executive Officer
Date: May 30, 2014

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.

