

CSX CORP
Form PRER14A
April 17, 2008

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**SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No. 2)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under Rule 14a-12

CSX Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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, 2008

Dear Shareholder:

On behalf of the Board of Directors and the management of CSX Corporation, I invite you to attend the 2008 Annual Meeting of Shareholders (the Meeting). The Meeting will be held at 10:00 a.m. (CDST) on Wednesday, June 25, 2008, at , New Orleans, Louisiana.

We consider the votes of all shareholders important, no matter how many or how few shares you may own. Regardless of whether you plan to attend the Meeting, we encourage you to vote promptly, following the easy instructions on the enclosed **WHITE** proxy card. You may submit your vote by telephone, by Internet or by mail.

The Children's Investment Master Fund (TCI) has provided notice that it intends to nominate and, together with 3G Capital Partners Ltd. and certain of their affiliates (the TCI Group), solicit proxies for an opposition slate of five nominees for election as directors at the Meeting. **YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH OF THE BOARD OF DIRECTORS NOMINEES ON THE ENCLOSED WHITE PROXY CARD. YOUR BOARD OF DIRECTORS URGES YOU NOT TO SIGN OR RETURN ANY BLUE PROXY CARD SENT TO YOU BY THE TCI GROUP.**

At the Meeting, shareholders will be asked to approve the bylaw amendments adopted by the Board of Directors relating to the right of shareholders to request a special shareholder meeting, and will also consider two proposals by shareholders described in the enclosed proxy materials.

Your vote is extremely important. If you have questions or require any assistance with voting your shares, please call our proxy solicitor, Innisfree M&A Incorporated, toll-free at (877) 750-9497.

We look forward to seeing you at the Meeting.

Michael Ward

Chairman of the Board, President
and Chief Executive Officer

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Notice of Annual Meeting of Shareholders

Jacksonville, Florida
, 2008

To Our Shareholders:

The Annual Meeting of Shareholders of CSX Corporation (the Meeting) will be held at 10:00 a.m. (CDST) on Wednesday, June 25, 2008 at , New Orleans, Louisiana, for the purpose of considering and acting upon the following matters:

Election of twelve directors;

Ratification of Ernst & Young LLP as the Independent Registered Public Accounting Firm for 2008;

Approval of the bylaw amendments adopted by the Board of Directors allowing shareholders to request special shareholder meetings;

Shareholder proposal regarding special shareholder meetings;

Shareholder proposal regarding nullification of certain bylaw provisions; and

Such other matters as may properly come before the Meeting.

The above matters are described in the proxy statement accompanying this notice (the Proxy Statement). You are urged, after reading the Proxy Statement, to vote your shares by proxy using one of the following methods: (a) vote by telephone or via the Internet using the instructions on your **WHITE** proxy card or (b) complete, sign, date and return your **WHITE** proxy card in the postage-paid envelope provided.

WE ALSO URGE YOU NOT TO VOTE OR SUBMIT ANY BLUE PROXY CARD SENT TO YOU BY THE TCI GROUP OR THEIR AFFILIATES. YOU CAN REVOKE ANY TCI GROUP PROXY CARD YOU MAY HAVE PREVIOUSLY SUBMITTED BY VOTING AND SUBMITTING THE ENCLOSED **WHITE PROXY CARD.**

Only shareholders of record at the close of business on April 21, 2008 will be entitled to vote, either by proxy or by ballot. This Proxy Statement is being mailed to those shareholders on or about , 2008.

By Order of the Board of Directors

Ellen M. Fitzsimmons
Senior Vice President-Law and Public Affairs
and Corporate Secretary

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Proxy Statement for 2008 Annual Meeting of Shareholders

About the Annual Meeting

What is the purpose of the Annual Meeting of Shareholders?

At our 2008 Annual Meeting of Shareholders (the Meeting), shareholders will act upon the matters outlined in the Notice of Meeting on page ii of this Proxy Statement, including the election of directors and ratification of the Independent Registered Public Accounting Firm (the Independent Auditors) of CSX Corporation (the Company or CSX).

On January 8, 2008, the Company received notice from The Children's Investment Master Fund (TCI) stating its intention to nominate five persons for election to the Company's Board of Directors at the Meeting. The Company does not know whether TCI, 3G Capital Partners Ltd. and their respective affiliates (the TCI Group) will in fact solicit proxies or nominate persons for election as directors at the Meeting. Nominations by TCI have **NOT** been endorsed by the CSX Board of Directors. We urge shareholders **NOT** to sign any blue proxy card that you may receive from the TCI Group. We are not responsible for the accuracy of any information provided by or relating to the TCI Group contained in any proxy solicitation materials filed or disseminated by the TCI Group or any other statements that they may otherwise make.

Your Board of Directors urges you to vote **FOR** our nominees for director: Donna M. Alvarado, Elizabeth E. Bailey, John B. Breaux, Steven T. Halverson, Edward J. Kelly, III, Robert D. Kunisch, John D. McPherson, David M. Ratcliffe, William C. Richardson, Frank S. Royal, Donald J. Shepard and Michael J. Ward.

Where will the Meeting be held?

The Meeting will be held at 10:00 a.m. (CDST) on Wednesday, June 25, 2008 at _____, New Orleans, Louisiana. The facility is accessible to persons with disabilities. If you have a disability, we can provide reasonable assistance to help you participate in the Meeting upon request. If you would like to obtain directions to be able to attend the Meeting and vote in person, you can write to us at CSX Corporation, Office of the Corporate Secretary, 500 Water Street, C160, Jacksonville, FL 32202 or call us at (904) 366-4242.

Who is soliciting my vote?

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

Who is entitled to vote?

Only shareholders of record at the close of business on April 21, 2008 (the Record Date) will be entitled to notice of, and to vote at, the Meeting or any adjournments or postponements thereof. On that date, there were issued and outstanding [] shares of common stock, the only class of voting securities of the Company.

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

What will I be voting on?

At the Meeting, shareholders will vote on:

Election of twelve directors;

Ratification of Ernst & Young LLP as CSX's Independent Auditors for 2008;

Approval of the bylaw amendments adopted by the Board allowing shareholders to request special shareholder meetings;

Shareholder proposal regarding special shareholder meetings;

Shareholder proposal regarding nullification of certain bylaw provisions; and

Such other matters as may properly come before the Meeting.

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How many votes do I have?

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

How many shares must be present to hold the Meeting?

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

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

What are the voting procedures?

Election of Directors. The Company's state of incorporation is Virginia. Under Virginia law and the Company's bylaws, in a contested election, directors are elected by a plurality of votes cast by the shares entitled to vote at a meeting at which a quorum is present. Because TCI has indicated that it will nominate candidates for election to the Board, we expect the number of nominees for election at the Meeting will exceed the number of directors to be elected at the Meeting, and the 2008 election of directors will be a contested election under the bylaws. This means that the twelve nominees for election as directors who receive the greatest number of votes cast at the Meeting will be elected. Only votes cast for a nominee will be counted. Unless indicated otherwise by your **WHITE** proxy card, if you return a validly executed **WHITE** proxy card or vote the **WHITE** proxy card by telephone or Internet, your shares will be voted **FOR** the twelve nominees named in this Proxy Statement. Instructions on the accompanying **WHITE** proxy card to withhold authority to vote for one or more of the nominees will result in those nominees receiving fewer votes but will not count as a vote against the nominees. Similarly, abstentions and broker non-votes will have no effect on the director election since only votes **For** a nominee will be counted.

Other Proposals. For all other proposals, the proposal will be approved if the votes cast in favor of the proposal exceed the votes cast against the proposal. For further information on the voting procedures in the event that more than one proposal under Items 3 and 4 is approved, see **Special Shareholder Meeting Proposals** on page 50.

Abstentions and broker non-votes are not considered votes **for** or **against** any proposal and will have no effect on the outcome of any proposal.

How do I vote?

You can vote either by proxy or by ballot. The shares represented by a properly executed **WHITE** proxy card will be voted as you direct.

We urge you to vote by doing one of the following:

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

or nominee to determine whether you will be able to vote by telephone.

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

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

If you want to vote by ballot, and you hold your CSX stock in street name (that is, through a bank or broker), you must obtain a proxy from your bank or broker and present that proxy when voting by ballot.

The Board recommends that you NOT sign or return any blue proxy card that may be sent to you by the TCI Group, even as a protest. Withholding authority to vote for TCI's nominees on a blue proxy card that the TCI Group or their affiliates may send you is not the same as voting for the Company's nominees.

Can I change my vote?

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

If you have previously signed a blue proxy card that may have been sent to you by the TCI Group, you may change any vote you may have cast in favor of the TCI nominees and vote in favor of the Company's director nominees by submitting a proxy by telephone or Internet, by signing, dating, and returning the enclosed **WHITE** proxy card in the postage-paid envelope provided or by voting by ballot. If you are a beneficial owner, or you hold your shares in street name, please check your voting instruction card or contact your bank, broker or nominee for instructions on how to change or revoke your vote.

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

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

If the TCI Group solicits proxies to elect TCI's nominees to the Board at the Meeting, then the election of directors will also be a non-discretionary item for any brokerage accounts solicited by the TCI Group. As a result, if your shares are held in street name and the TCI Group provides you with proxy solicitation materials through your broker and you do not provide instructions as to how your shares are to be voted in the election of directors, your broker or other nominee will not be able to vote your shares in the election of directors, and your shares will not be voted for any of CSX's nominees. We urge you to provide instructions to your broker or nominee so that your votes may be counted on this important matter. We urge you to vote your shares by following the instructions provided on the enclosed **WHITE** proxy card and returning the **WHITE** proxy card to your bank, broker or other nominee to ensure that your shares will be voted on your behalf.

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

If you sign your **WHITE** proxy card but do not give voting instructions, the shares represented by that proxy will be voted as recommended by the Board. The Board recommends a vote **FOR** the election of the twelve director nominees named in this Proxy Statement, **FOR** Item 2, the ratification of Ernst & Young LLP as Independent Auditors for 2008, **FOR** Item 3, approval of the bylaw amendments adopted by the Board regarding special

shareholder meetings, and **AGAINST** each of the shareholder proposals under Items 4 and 5.

What if other matters are voted on at the Meeting?

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

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How are votes counted?

Votes are counted by inspectors of election appointed by the Company.

What is the deadline for consideration of shareholder proposals for the 2009 Annual Meeting of Shareholders?

A shareholder who wants to submit a proposal to be included in the proxy statement for the 2009 Annual Meeting of Shareholders (the 2009 Meeting) must send it to CSX Corporation, Office of the Corporate Secretary, 500 Water Street, C160, Jacksonville, FL, 32202, so that it is received on or before unless the date of 2009 Meeting is changed by more than 30 days from June 25, 2009, in which case the proposal must be received a reasonable time before the Company begins to print and send its proxy materials for the 2009 Meeting.

A shareholder who wants to submit a proposal that will not be in the proxy statement but will be considered at the 2009 Meeting, pursuant to our bylaws, must send it to the principal executive offices of CSX so that it is received not earlier than the close of business on February 25, 2009, nor later than the close of business on March 27, 2009 unless the date of the 2009 Meeting is more than 30 days before or more than 70 days after June 25, 2009, in which case the proposal must be received not earlier than the 120th day prior to the date of the 2009 Meeting and not later than the close of business on the later of the 90th day prior to the date of the 2009 Meeting and the 10th day following the day on which the Company first publicly announces the date of the 2009 Meeting.

Does the Board consider director nominees recommended by shareholders?

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

What happens if the Meeting is postponed or adjourned?

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

Do I need a ticket to attend the Meeting?

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

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

Important Notice Regarding the Availability of Proxy Material for the Shareholder Meeting to Be Held on June 25, 2008. This Proxy Statement and the 2007 Annual Report are available on the Company's Internet website (www.csx.com/ /).

What does it mean if I receive more than one proxy card?

If you hold your shares in more than one account, you will receive a **WHITE** proxy card for each account. To ensure that all of your shares are voted, please vote using each **WHITE** proxy card you receive. Remember, you may vote by telephone or Internet by signing, dating and returning the **WHITE** proxy card in the postage-paid envelope provided.

As previously noted, TCI has provided notice that it intends to nominate and solicit proxies for an opposition slate of five nominees for election as directors at the Meeting. As a result, you may receive proxy cards from both the TCI Group and the Company. To ensure that shareholders have the Company's latest proxy information and materials to vote, the Board expects to conduct multiple mailings prior to the date of

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the Meeting, each of which will include a **WHITE** proxy card. The Board encourages you to vote each **WHITE** proxy card you receive. Only your latest-dated proxy for each account will be voted.

THE BOARD URGES YOU NOT TO SIGN OR RETURN ANY BLUE PROXY CARD SENT TO YOU BY THE TCI GROUP. Even if you have previously signed a proxy card sent by the TCI Group, you have every right to change your vote by telephone, by Internet or by signing, dating and returning the **WHITE** proxy card in the postage-paid envelope provided.

Whom should I call if I have questions or need additional copies of the proxy materials?

If you have any questions, need assistance voting, or need additional copies of this proxy statement, please contact our proxy solicitor:

Innisfree M&A Incorporated
Shareholders Call Toll Free: (877) 750-9497
Banks and Brokers Call Collect: (212) 750-5833

Certain Litigation Matters

On March 17, 2008, the Company filed a lawsuit against TCI, 3G and certain of their affiliates in the United States District Court for the Southern District of New York alleging violations of federal securities laws, including violations of Sections 13(d) and 14(a) of the Securities Exchange Act of 1934. The lawsuit alleges, among other things, that TCI and 3G have undisclosed plans with respect of CSX. The lawsuit further alleges that TCI and 3G have employed swap agreements in order to evade the filing requirements of Section 13(d) and that their Section 14(a) and Section 13(d) filings concerning their collective 12.3 percent swap position in CSX shares are materially misleading. The lawsuit further alleges that TCI's and 3G's disclosures in their Section 14(a) and Section 13(d) filings concerning their formation of a Section 13(d) group are false and misleading.

The complaint seeks an order (i) declaring that TCI and 3G failed to file disclosures as required by the Securities Exchange Act of 1934, (ii) directing TCI and 3G to file truthful and accurate Schedule 13D and Schedule 14A disclosures, (iii) enjoining TCI and 3G from acquiring additional shares of the Company until such truthful and accurate filings have been made, (iv) enjoining TCI and 3G from acquiring any Company shares referenced in swap arrangements to which they are party, (v) directing TCI and 3G to sell all Company shares acquired, and terminate all swaps referencing Company shares that TCI and 3G entered into, renewed or extended after the date by which TCI and 3G should have filed a Schedule 13D, and enjoining TCI and 3G from voting such shares at the Meeting, or alternatively, directing TCI and 3G to vote such shares in proportion with the votes of other shareholders of CSX, (vi) enjoining TCI and 3G from voting any proxies received prior to the date on which TCI's and 3G's filings complied with the requirements of Schedule 13D and Schedule 14A, as determined by the court, (vii) declaring that TCI's and 3G's notices with respect to the nomination of candidates for the Board and the two shareholder proposals are invalid as non-compliant with the Company's bylaws, and (viii) granting leave to the Company to conduct expedited discovery regarding the above claims. TCI and 3G have stated that they believe the claims to be without merit and intend to defend themselves vigorously.

On April 4, 2008, TCI and 3G each filed substantially similar counterclaims against the Company and Michael Ward, chairman, president and CEO of CSX. The counterclaims allege, among other things, that (i) the 2007 long-term incentive plan target share awards to the Company's named executive officers and over 600 other employees and the May 2007 stock grants to the Company's non-employee directors under the CSX Corporation Stock Plan for Directors were made while the Board was in possession of material, non-public information, (ii) such awards and grants and the December 2007 stock grants to the Company's non-employee directors were made in violation of the CSX Omnibus

Incentive Plan, the Company's insider trading policy, the code of ethics, the corporate governance guidelines and the bylaws, (iii) this proxy statement omits details regarding the bylaw amendments relating to shareholder requests for special meetings adopted in February 2008, which are the subject of Item 3, including the requirement that the request come from holders of record, the requirement that the requesting shareholders hold the shares through the date of the requested meeting and other procedural requirements, (iv) this proxy statement mischaracterizes the TCI special shareholder meeting

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shareholder proposal, which is the subject of Item 4, and the purpose of the non-binding 2007 special shareholder meeting proposal, (v) the Company's proxy materials mischaracterize the TCI Group's intentions as seeking control and the TCI Group's suggestions regarding limitations on capital spending, (vi) the Company's proxy materials mischaracterize CSX's reasons for filing the lawsuit, (vii) the February 2008 bylaw amendments violate Virginia law, and (viii) this proxy statement and our other proxy materials are materially false and misleading and violate Section 14(a) of the Securities Exchange Act of 1934 because they fail to disclose such alleged items and include such mischaracterizations.

TCI and 3G seek an order (i) declaring that the Company failed to file disclosures required by Section 14(a) of the Securities Exchange Act of 1934, (ii) directing the Company to file truthful and accurate Schedule 14A disclosures at the personal expense of the current directors, (iii) declaring that the Board was in violation of Company policies and the bylaws, (iv) directing that the February 2008 bylaw amendments are void under Virginia law, (v) enjoining Item 3 from being considered at the Meeting, (vi) enjoining the Company from voting any proxies received prior to the date on which this proxy statement is accurate and compliant, as determined by the court, (vii) enjoining the Company from committing violations of Rule 14a-9 promulgated under the Securities Exchange Act of 1934, and (viii) granting costs, including attorneys' fees to TCI and 3G. The Company believes the TCI and 3G counterclaims are without merit and will defend against them vigorously.

The outcome of the litigation cannot be predicted.

Item 1: *Election of Directors*

Twelve directors are to be elected to hold office until the next Annual Meeting of Shareholders is held and their successors are elected. The proxy holders will cast votes on the **WHITE** proxy cards received by them, unless otherwise specified, **FOR** the election of the nominees named below. Each of the nominees named below is a current director standing for re-election and each was elected at the Annual Meeting of Shareholders held on May 2, 2007, except for Mr. John D. McPherson who is standing for election for the first time. Mr. Southwood J. Morcott is not standing for re-election as he has reached the mandatory retirement age of 70 set forth in the Company's Corporate Governance Guidelines.

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

In this contested election of directors, the nominees receiving the greatest number of votes shall be elected, even if such votes do not constitute a majority.

Certain information regarding each Company nominee follows. Each nominee has consented to being named in this Proxy Statement and to serve if elected.

The Board recommends a vote FOR the following nominees.

Donna M. Alvarado, 59, has served as a CSX director since September 2006. Ms. Alvarado is the founder and current President of Aguila International, a business-consulting firm.

Previously, Ms. Alvarado served as President and CEO of a global educational publishing company and has served on corporate boards in the manufacturing, banking, transportation,

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and services industries. Ms. Alvarado currently serves on the Board of Directors of Corrections Corporation of America and as Chairwoman of the Ohio Board of Regents.

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

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Elizabeth E. Bailey, PhD, 69, has served as a director of CSX since November 1989. Dr. Bailey is the John C. Hower Professor of Business and Public Policy at The Wharton School of the University of Pennsylvania, focusing on corporate governance and social responsibility; economic deregulation; and strategic management of economic, environmental and international regulation. She is also a director of Altria Group, Inc. and the Teachers Insurance and Annuity Association. Dr. Bailey holds a PhD from Princeton University. Earlier in her career, Dr. Bailey served as a Commissioner of the Civil Aeronautics Board during the period of airline de-regulation.

Senator John B. Breaux, 64, has served as a director of CSX since his retirement from the U.S. Congress in 2005. Senator Breaux held numerous leadership positions during his 18-year tenure in the U.S. Congress, serving on the House Public Works and Transportation Committee, the Senate Finance Committee, and the Senate Commerce Committee. Senator Breaux also founded the Centrist Coalition of Senate Democrats and Republicans and served as chairman of the Democratic Leadership Council.

Currently, Senator Breaux is a partner in the Breaux-Lott Leadership Group. Senator Breaux also serves as a director of LHC Group, Inc. and as Managing Director of Riverstone Holdings, a private equity fund.

Steven T. Halverson, 54, has served as a director of CSX since September 2006. Mr. Halverson is the Chief Executive Officer of The Haskell Company, one of the largest design and construction firms in the United States. Prior to joining The Haskell Company in 1999, Mr. Halverson served as a Senior Vice President of M.A. Mortenson, a national construction firm.

Mr. Halverson also serves as a director for ACIG Insurance Co., the Florida Council of 100, the Jacksonville Symphony Orchestra and the Construction Industry Round Table. He is also a trustee of the University of North Florida and a St. John's University regent.

Edward J. Kelly, III, 54, has served as a director of CSX since July 2002. Mr. Kelly is currently President and Chief Executive Officer of Citi Alternative Investments, an integrated alternative investments platform.

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

Mr. Kelly also serves on the Board of Directors of The Hartford Financial Services Group.

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Robert D. Kunisch, 66, has served as a director of CSX since October 1990. He is currently a Special Partner and Senior Advisor of ABS Capital Partners, Inc., a private equity investment partnership.

Mr. Kunisch retired as Vice Chairman, Executive Vice President and Director of Cendant Corporation, a global provider of consumer and business services, in July 1999. He continued in the role as Senior Advisor to the Cendant management team until July 2006. Prior to joining ABS Capital Partners in 2001, Mr. Kunisch was Chairman, Chief Executive Officer and President of PHH Corporation, a global provider of consumer and business services.

Mr. Kunisch has previously served on the public boards of PHH Corporation, Cendant Corporation, GenCorp., Mercantile Bankshares, Alex Brown & Sons, and Noxell Corporation. Mr. Kunisch is also a former member of the Listed Company Advisory Committee of the NYSE Board of Directors.

John D. McPherson, 61, served as President and COO of Florida East Coast Railway, a wholly owned subsidiary of Florida East Coast Industries, Inc., from 1999 until his retirement in 2007. From 1993-1998, Mr. McPherson served as Senior Vice President Operations, and from 1998-1999, he served as President and CEO of the Illinois Central Railroad. Prior to joining the Illinois Central Railroad, Mr. McPherson served in various capacities at Santa Fe Railroad for 25 years.

Mr. McPherson holds an M.S. Management degree from the Massachusetts Institute of Technology Sloan School of Management. Mr. McPherson served as a member of the TTX Company, a railcar provider and freight car management services joint venture of North American railroads, Board of Directors from 1997-1999, while at the Illinois Central Railroad, and from 1999-2007 during his time at Florida East Coast Railway.

David M. Ratcliffe, 59, has served as a director of CSX since January 2003. He has been Chairman, President and Chief Executive Officer of Southern Company, one of America's largest producers of electricity since 2004.

From 1999 until 2004, Mr. Ratcliffe was President and CEO of Georgia Power where he was responsible for the overall operation of Southern Company's largest subsidiary, with more than two million customers across Georgia. Prior to becoming President and CEO in 1999, Mr. Ratcliffe was Executive Vice President, Treasurer and Chief Financial Officer of Georgia Power. Mr. Ratcliffe also served as Chairman of the Federal Reserve Bank of Atlanta Board of Directors from 2004 to 2006.

Mr. Ratcliffe also serves as a member of the boards of several organizations, including Edison Electric Institute (Director), Georgia Chamber of Commerce (Chairman, 2005), Federal Reserve Bank of Atlanta (Chairman, 2004-2006), Metro Atlanta Chamber of Commerce, Georgia Research Alliance (Chairman, 2005-2006), Georgia Partnership for Excellence in Education and the Woodruff Arts Center (Trustee; Chairman, 2004 Campaign).

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William C. Richardson, PhD, 67, has served as a director of CSX since December 1992. Dr. Richardson is the immediate Past President and Chief Executive Officer of the W.K. Kellogg Foundation, one of the world's largest private charitable foundations. Dr. Richardson also has served as Co-Trustee and Chairman of the W.K. Kellogg Trust. He is a director of The Bank of New York Mellon Corporation and Exelon Corporation.

Dr. Richardson holds an M.B.A. and PhD from University of Chicago, and has served on the boards of numerous corporations, foundations and nonprofit organizations.

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Frank S. Royal, M.D., 68, has served as a director of CSX since January 1994. Dr. Royal, a physician in private practice in Richmond, Virginia, is also a director of Dominion Resources, Inc., Smithfield Foods, Inc., and SunTrust Banks, Inc. He is an active member of the National Medical Organization, where he previously served as Chairman and President. He also served as Chairman of the Board of Meharry Medical College and currently serves as Chairman of the Board of Virginia Union University. Dr. Royal received his B.S. in Chemistry from Virginia Union University, and his M.D. from the Meharry Medical College.

Donald J. Shepard, 61, has served as a director of CSX since January 2003. Mr. Shepard currently serves as Chairman of the Executive Board and Chief Executive Board of AEGON N.V., one of the world's largest life insurance and pension companies.

Mr. Shepard holds an MBA degree from the University of Chicago. He currently serves as a member of the board of directors of PNC Financial Services Group, Inc. He is also Vice Chairman of the U.S. Chamber of Commerce. In addition, he is a trustee of Johns Hopkins Medicine and Johns Hopkins University.

Michael J. Ward, 57, is a thirty-year veteran of the Company and has served as Chairman, President and Chief Executive Officer since January 2003. Mr. Ward's career with CSX has included key executive positions in nearly all aspects of the Company's business, including sales and marketing, operations, and finance.

Mr. Ward holds an M.B.A. degree from the Harvard Business School. Mr. Ward serves on the boards of directors of Ashland Inc., the Association of American Railroads and the Center for Energy and Economic Development.

RECOMMENDATION OF THE BOARD

THE BOARD RECOMMENDS A VOTE FOR THE ELECTION OF THE TWELVE NOMINEES NAMED HEREIN AS DIRECTORS.

What if a nominee is unable to serve as director?

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

Director Independence

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

During its deliberations, the Board specifically considered the Company's relationship with the Southern Company, a producer and provider of electric power. Mr. Ratcliffe, a director and a nominee, currently is the Chairman of the Board, President and Chief Executive Officer of the Southern Company. CSX Transportation, a wholly-owned subsidiary of CSX, delivers coal to generating plants operated by subsidiaries of the Southern Company. As a result of fuel surcharges by CSX to the Southern Company resulting from increased fuel costs in 2007, revenue received from the Southern Company exceeded the thresholds set forth in the NYSE listing standards regarding director independence.

As a result of its review, the Board affirmatively determined, based on its understanding of any relationships or transactions, and consistent with the NYSE listing standards, that each of the director nominees is independent, other than Messrs. Ratcliffe and Ward.

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Principles of Corporate Governance

The Board is committed to governance principles and practices that facilitate fulfilling its fiduciary duties to shareholders and to the Company. The Board has adopted Corporate Governance Guidelines that reflect the high standards that those who deal with the Company as employees, investors, customers, vendors or in other capacities can and should expect. Key corporate governance principles observed by the Board and the Company include:

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

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

Membership of the Governance, Compensation and Audit Committees comprised solely of independent directors.

Authority for each Board committee to retain outside, independent advisors and consultants when appropriate.

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

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

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

CSX's Corporate Governance Guidelines, Code of Ethics, the charters of each standing committee, and policies adopted by the Board are available on the Company's Internet website at investors.csx.com under the heading Corporate Governance . Shareholders may also request a free copy of any of these documents by writing to CSX Corporation, Office of the Corporate Secretary, 500 Water Street, C160, Jacksonville, FL 32202.

Any waivers of or changes to the Code of Ethics that apply to our directors or executive officers will be disclosed on CSX's Internet website (www.csx.com). There were no such waivers or changes in 2007.

Shareholders who wish to communicate with the Board generally, or with a particular director, may forward appropriate correspondence to CSX Corporation, Office of the Corporate Secretary, 500 Water Street, C160, Jacksonville, FL 32202.

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

Transactions with Related Persons

CSX operates under a Code of Ethics that requires all employees, officers, and directors, without exception, to avoid engagement in activities or relationships that conflict, or would be perceived to conflict, with the Company's interests or adversely affect its reputation. It is understood, however, that certain relationships or transactions may arise that would be deemed acceptable and appropriate upon full disclosure of the transaction, following review and approval to ensure there is a legitimate business reason for the transaction and that the terms of the transaction are no less favorable to CSX than could be obtained from an unrelated person.

The Audit Committee is responsible for reviewing and approving, as appropriate, all transactions with related persons. CSX has not adopted written procedures for reviewing related person transactions, but generally follows the procedures described below.

CSX considers a Related Person to be: (i) any person who is, or at any time since the beginning of the last fiscal year was, a director or executive officer or a nominee to become a director; (ii) any person who is known to be the beneficial owner of more than 5% of any class of CSX's voting securities; (iii) any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse,

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sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the director, executive officer, nominee or more than 5% beneficial owner, and any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee or more than 5% beneficial owner; and (iv) any firm, corporation or other entity in which any of the foregoing persons is employed or is a partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest.

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

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

The Audit Committee will evaluate Related Person Transactions based on:

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

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

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

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

Meetings of the Board and Executive Sessions

During 2007, there were ten meetings of the Board. Each director attended 75% or more of the meetings of the Board and the meetings of the committees on which he or she served.

The non-management directors meet alone in executive session at each Board meeting. Non-management directors are all those who are not Company officers. These executive sessions are chaired by a Presiding Director who is an independent director selected annually by the Governance Committee. Mr. Kelly currently serves as the Presiding Director. In addition, the non-management directors have periodic special meetings without management in connection with regularly scheduled Board meetings. In accordance with the CSX Corporate Governance Guidelines, the independent directors (when different than non-management directors) meet in executive session at least once a year.

While the Company does not have a formal policy regarding director attendance at Annual Meetings of Shareholders, the Company encourages directors to attend. Every director attended the 2007 Annual Meeting of Shareholders.

Committees of the Board

CSX has five standing committees: the Audit Committee, the Compensation Committee, the Finance Committee, the Governance Committee, and the Public Affairs Committee. Each of these committees has a written charter approved by the Board, a copy of which can be found on the Company's Internet website at

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investors.csx.com under the heading *Corporate Governance* . In addition, the Board has an Executive Committee, which is discussed below. The members of the committees are identified in the following table.

Director	Audit	Compensation	Executive	Finance	Governance	Public Affairs
Donna M. Alvarado	X			X		
Elizabeth E. Bailey	X		X			Chair
John B. Breaux					X	X
Steven T. Halverson				X	X	
Edward J. Kelly, III			X	X	Chair	
Robert D. Kunisch	X	X				
Southwood J. Morcott					X	X
David M. Ratcliffe			X	Chair		X
William C. Richardson	X	Chair	X			
Frank S. Royal		X			X	
Donald J. Shepard	Chair	X	X			
Michael J. Ward			Chair			

Executive Committee

The Executive Committee meets only as needed and has authority to act for the Board on most matters during the intervals between Board meetings. The Executive Committee has six members, consisting of the Chairman of the Board and the chairs of each of the five standing committees. The Committee did not meet in 2007.

Audit Committee

The Audit Committee selects the Independent Auditors and submits its choice to the shareholders for ratification. Its primary functions include oversight of the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the Independent Auditors' qualifications and independence, and the performance of the Independent Auditors and the Company's internal audit function.

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

The Audit Committee has five members, each of whom the Board has determined to be independent pursuant to the independence standards promulgated by the NYSE and the Securities and Exchange Commission (SEC). The Committee held six meetings in 2007.

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

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Compensation Committee

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

The Compensation Committee has four members, all of whom are "outside directors" within the meaning of regulations promulgated pursuant to Section 162(m) and are independent pursuant to the independence standards promulgated by the NYSE. The Committee held four meetings in 2007. Please refer to the Compensation Discussion and Analysis section of this Proxy Statement for additional information regarding the functions and operations of the Compensation Committee.

For additional information regarding the functions of the Compensation Committee, please see "Role of the Compensation Committee" on pages 17-18.

Finance Committee

The Finance Committee provides general oversight and review of financial matters affecting the Company, including the monitoring of corporate debt, cash flow, and the assets and liabilities maintained by the Company and its affiliates in conjunction with employee benefit plans, including monitoring the funding and investment policies and performances of the assets. This four-member Committee held five meetings in 2007.

Governance Committee

The Governance Committee of the Board identifies individuals qualified to become board members and recommends candidates for election to the Board. In addition, the Committee develops criteria regarding director qualification and reviews and recommends changes in Board composition, committee structure, and director compensation. The Committee develops, recommends and monitors corporate governance principles and conducts regular evaluations of director performance and of the effectiveness of the Board as a working group. The Governance Committee also reviews significant changes in corporate structure, succession in senior management, and other internal matters of broad corporate importance.

The Committee has five members and is composed solely of independent directors pursuant to the independence standards promulgated by the NYSE. The Committee held six meetings in 2007.

The Governance Committee generally identifies nominees for directors based upon outside research and suggestions from directors and officers of the Company. The Committee will also consider persons recommended by shareholders of the Company in selecting director nominees. Potential nominees suggested by shareholders will be evaluated by the Committee on the same basis as individuals identified directly by the Committee or from other sources. As a group, the Board is expected to represent a broad diversity of experience in business matters and to be able to assess and evaluate the role and policies of the Company in

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the face of changing conditions in the economy, regulatory environment and customer expectations. While there is not a formal list of qualifications, nominees for Board membership are expected to be prominent individuals with demonstrated leadership ability and to possess outstanding integrity, values and judgment. Nominees must be willing to devote the substantial time required to carry out the duties and responsibilities of directors. In addition, each Board member is expected to represent the broad interests of the Company and its shareholders as a group, and not any particular constituency. The Committee uses these and other relevant criteria to evaluate potential nominees.

Shareholders who wish to nominate a director nominee should do so in accordance with the nomination provisions of the Company's bylaws. In general, a shareholder nomination for the 2009 Meeting should be delivered to the Company at least 90 days but no more than 120 days prior to the first anniversary of this year's Meeting date unless the date of the 2009 Meeting is more than 30 days before or more than 70 days after such anniversary, in which case the proposal must be received not earlier than the 120th day prior to the date of the 2009 Meeting and not later than the close of business on the later of the 90th day prior to the date of the 2009 Meeting and the 10th day following the day on which the Company first publicly announces the date of the 2009 Meeting. Nominations should be accompanied by a description of the proposed nominee's qualifications and experience and his or her consent to serve if elected. A shareholder's notice regarding any such nomination should also indicate the nominating shareholder's name and address and the class and number of shares that he or she owns along with all other information required under Article I, Section 11(a)(ii) of the Company's bylaws.

Public Affairs Committee

The Public Affairs Committee reviews and makes recommendations concerning the Company's practices and programs designed to address important public policy issues that may impact the Company, its shareholders, and the general public. This four-member Committee held four meetings during 2007.

Director Compensation

The Board periodically, but at least once every three years, reviews and sets the compensation for non-management directors based on the recommendation of the Governance Committee. Director compensation includes both cash and stock-based components. In recommending the amount and form of director compensation, the Committee considers, among other factors, the level of compensation necessary to attract and retain qualified, independent directors. The most recent review of the compensation for non-management directors occurred in 2007, and resulted in no changes in the overall compensation structure.

During 2007, each non-employee director received an annual retainer of \$75,000, at least 50% of which was payable in CSX stock pursuant to the CSX Corporation Stock Plan for Directors (the "Stock Plan"). The Chair of each Board committee other than the Audit Committee received an additional \$10,000. The Chair of the Audit Committee received an additional \$15,000, and each member of the Audit Committee also received an additional \$5,000. The stock component was paid to directors on May 2, 2007 and, pursuant to the terms of the Stock Plan, was determined using the average of the high and low price per share on May 1, 2007, the day before the 2007 annual meeting of shareholders, of \$43.32. On December 15, 2007, each non-employee director also received a grant of 5,000 shares of CSX common stock, which had a market value of \$217,625 (based on an average of the high and low price per share on the date of grant of \$43.525) and was required to be deferred. This is consistent with the Board's historical practice followed since 2003 of awarding a grant of 5,000 shares to each non-employee director at the Board's December meeting. Directors also are eligible to receive other compensation and benefits as discussed below. With the exception of participation in the CSX Directors' Matching Gift Program ("Matching Gift Program"), Mr. Ward does not receive compensation for his services as a director.

During 2007, each director was eligible to defer all or a portion of his or her director's fees, including cash compensation and stock, under the CSX Directors' Deferred Compensation Plan (the "Directors' Plan"). Deferrals are subject to Section 409A of the Internal Revenue Code ("Section 409A"). Deferrals of director

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fees and other awards earned prior to 2005 are not subject to Section 409A. Those deferrals will continue to be administered in accordance with the terms of the Directors' Plan in effect as of December 31, 2004.

Cash deferrals may be credited to an unfunded account and invested in various investment choices or deferred as shares of CSX common stock. The investment choices parallel the investment options offered to employees under CSX's 401(k) plan. Stock deferrals are automatically held as outstanding shares in a rabbi trust, with dividend equivalents credited in the form of shares.

The following table summarizes the compensation earned by each of the non-employee directors in 2007. No stock option awards were made to the directors in 2007.

Directors' Compensation Table

Name	Fees Earned or Paid in Cash(1) (\$)	Stock Awards(2) (\$)	Option Award (\$)	Non-Equity Deferred Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified	All Other Compensation(3) (\$)	Total(4) (\$)
					Earnings		
Donna M Alvarado	\$ 42,500	\$ 255,125				\$ 6,873	\$ 304,498
Elizabeth E. Bailey	\$ 52,500	\$ 255,125				\$ 21,289	\$ 328,914
John B. Breaux	\$ 37,500	\$ 255,125				\$ 7,924	\$ 300,549
Steven T. Halverson	\$ 37,500	\$ 255,125				\$ 51,873	\$ 344,498
Edward J. Kelly, III	\$ 57,500	\$ 255,125				\$ 51,873	\$ 364,498
Robert D. Kunisch	\$ 42,500	\$ 255,125				\$ 62,626	\$ 360,251
Southwood J. Morcott	\$ 37,500	\$ 255,125				\$ 62,004	\$ 354,629
David M. Ratcliffe	\$ 47,500	\$ 255,125				\$ 34,815	\$ 337,440
William C. Richardson	\$ 52,500	\$ 255,125				\$ 61,289	\$ 368,914
Frank S. Royal	\$ 37,500	\$ 255,125				\$ 61,289	\$ 353,914
Donald J. Shepard	\$ 47,500	\$ 255,125				\$ 51,873	\$ 354,498

- (1) *Fees Earned or Paid in Cash* Includes cash retainer (\$37,500) and any Chairman or Audit Committee fees earned in 2007. Messrs. Breaux, Ratcliffe, and Shepard elected to defer 100% of their cash retainers and fees in the form of stock into the CSX Directors' Deferred Compensation Plan. The number of shares deferred was 912, 1,155, and 1,155, respectively.
- (2) *Stock Awards* Includes stock retainer (\$37,500) and a December stock grant of 5,000 shares at a stock price of \$43.525, the average of the high and low price of CSX stock on the date of grant. All the Directors were required to defer the 5,000 shares into the CSX Directors' Deferred Compensation Plan.
- (3)

All Other Compensation Includes discounts at The Greenbrier, a CSX-owned resort, excess liability insurance, amounts for personal aircraft usage, Company matches under the CSX Directors Matching Gift Program and incremental costs associated with the administration of the CSX Directors Charitable Gift Plan. Under the Directors Matching Gift Program, the Company makes direct contributions to approved charities selected by a director who contributes his or her own funds as well. The details of the Directors Matching Gift Program are described on page 16.

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

Stock Ownership Guidelines

The Board has adopted Stock Ownership Guidelines to better align the interests of non-employee directors with the interests of shareholders. These guidelines require that all non-employee directors own shares of CSX common stock. Within five years of election to the Board, a non-employee director is expected

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to acquire and hold an amount of CSX common stock equal in value to five times the amount of such non-employee director's annual retainer. Moreover, non-employee directors may only dispose of shares held in excess of 1.2 times the applicable ownership threshold. If the annual retainer increases, the non-employee directors will have five years from the time of the increase to acquire any additional shares needed to satisfy the guidelines. Further information on the Stock Ownership Guidelines is available on CSX's website at investors.csx.com under the heading "Corporate Governance".

Charitable Gift Plan

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

Matching Gift Plan and Other Benefits

Directors may participate in the CSX Directors' Matching Gift Program ("Matching Gift Program"), which is considered an important part of CSX's philanthropy and community involvement. CSX will match \$2 for every \$1 that a director contributes to organizations that qualify for support under CSX guidelines, up to a maximum annual CSX contribution of \$50,000 per director. During 2007, 42 philanthropic organizations in areas served by the Company received \$501,000 under the Matching Gift Program. The matching amounts are included in the directors' compensation table on page 15.

Other Benefits

CSX makes available to directors personal excess liability insurance at no expense to the directors. In addition, directors are entitled to certain discounts (not to exceed an aggregate of \$10,000 per director) when visiting The Greenbrier, a CSX-owned resort. During 2007, the value of the excess liability insurance and the discounts described above varied by director but did not exceed \$3,815 for any director.

Report of the Compensation Committee

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

Compensation Committee

William C. Richardson, Chairman
Robert D. Kunisch
Frank S. Royal
Donald J. Shepard

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COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

The Compensation Discussion and Analysis (CD&A) describes and analyzes the compensation of our Chief Executive Officer, Michael J. Ward, and our other named executive officers. The development of compensation programs and benefit plans for senior executives, along with specific compensation decisions for the named executive officers, is the responsibility of the Compensation Committee of the Board (the Committee). The Committee is assisted in this responsibility by an independent compensation consultant, whose duties and responsibilities are detailed in this document. The Committee utilizes benchmark data, both from a peer group of U.S. railroads and from a broad survey of comparably-sized general U.S. companies, to assist in determining pay programs and in making compensation decisions on individual named executive officers.

The purpose of CSX s executive compensation program is to attract and retain talented, high-performing executives with specialized experience and expertise in a highly competitive industry subject to substantial government oversight. It is intended to reward recent performance, incentivize future performance, and align the long-term interests of executives with those of shareholders. It does so by utilizing direct pay base salary and short- and long-term incentives and indirect pay. These are outlined in detail beginning on page 20.

The CD&A emphasizes the Company s commitment to a pay-for-performance compensation philosophy. For senior executives, 75% or more of their compensation depends on meeting or exceeding performance standards established by the Committee. No payments are made under the Company s short- and long-term incentive compensation plans if performance threshold targets are not achieved. In establishing the Company s incentive compensation plans, the Committee selects performance measures designed to enhance shareholder value. The discussion set forth in the sections below will provide further detail on the design and effectiveness of the Company s overall incentive compensation programs.

In 2007, the Company had improved performance along almost all financial measures. This resulted in a payout of 90% under our performance-based annual incentive compensation plan, and 151.1% under our performance-based long term incentive compensation plan.

The CD&A is divided into five sections in order to help explain and analyze CSX s compensation philosophy, policies and programs, how they are administered, how they operated in 2007, and how understanding them can contribute to a better understanding of CSX and its management. The sections of our CD&A include:

Role of the Compensation Committee;

Philosophy and Purpose of CSX s Executive Compensation Program;

Analysis of Elements of CSX s 2007 Compensation Program;

Post-Employment Arrangements; and

Stock Ownership Guidelines.

Role of the Compensation Committee

The Committee is specifically responsible for establishing compensation and benefits programs, as well as plans for the Company's senior executives – the CEO and his senior team – which includes the named executive officers in this Proxy Statement.

The Committee is comprised solely of independent directors, and its membership currently consists of William C. Richardson, Committee Chair, Donald J. Shepard, Frank S. Royal, and Robert D. Kunisch. The members of the Committee are recommended by the Governance Committee and elected by the Board annually. For more information and discussion of the Committee and the independence of its members, see page 13.

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The Committee is responsible for determining the form, amount and mix of compensation elements, setting and reviewing performance goals and achievements, and determining payouts. With regard to Mr. Ward's compensation, the Committee performs these functions with input from the Senior Vice President Human Resources and Labor Relations (SVP Human Resources) and the independent outside consultant (discussed below) and with regard to the other named executive officers, the Committee consults with Mr. Ward, the SVP Human Resources and the independent outside consultant, but in all cases has responsibility for final compensation decisions.

The Committee strives to maintain an effective balance between short-term and long-term business objectives, employing its understanding of the Company, the industry and the current and likely future business environment. Accordingly, the Committee endeavors to structure short-term and long-term incentive plans that reward performance based on achievement of different, but complementary, strategic and financial objectives. The Committee believes this balanced approach motivates management's efforts to drive strong outcomes in both the current and future environment.

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

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

- the nature, scope, and level of the executive's responsibilities;

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

- contribution to CSX's financial results;

- effectiveness in leading CSX's initiatives to increase customer service, productivity, people development, cash flow and profitability;

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

- commitment to corporate citizenship.

To assist in discharging its responsibilities, the Committee employs a variety of internal and external professional resources such as CSX human resources (Human Resources), legal, finance, tax, and accounting professionals. Pursuant to the Committee charter, the Committee has the authority to select, retain, and terminate a compensation consultant used to assist in the evaluation of the CEO's or any senior executive's compensation and benefits. The Committee formally reviews and evaluates the performance and independence of its independent compensation consultant annually.

Independent Compensation Consultant

The Committee retains an independent compensation consultant to provide the Committee with independent, objective analysis and professional opinions on executive compensation matters. This consultant, Semler Brossy Consulting

Group, LLC (the Consultant), reports directly to the Chairperson of the Committee and performs no other work for the Company or for any employee of the Company. The Consultant generally attends all meetings of the Committee where evaluations of the effectiveness of overall executive compensation programs are conducted or where compensation for executive officers is analyzed or approved. The Consultant is paid on an hourly fee basis, such hourly rate approved by the Committee annually. The performance and the independence of the Consultant is reviewed on an annual basis by the Committee, at which time they make a

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determination as to the renewal of the Consultant's annual contract. The Consultant has been the independent compensation consultant for the Committee since 2003.

Duties and Responsibilities

In 2007, the Consultant's role included:

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

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

analyzing financial, stock price, and other performance data as critical inputs to recommended compensation level changes, always factoring in the business needs of CSX and the benefits to shareholders;

providing the Committee with detailed analyses of the pay competitiveness relative to the peer group and the cost to CSX of any change in its compensation programs;

reviewing performance targets for our 100% performance-based annual and long-term incentive plans; and

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

The performance of the Consultant's duties in 2007 required an understanding of all relevant CSX internal factors such as:

Company practices;

critical business issues and strategies;

human resource considerations including recruiting and retention concerns;

strategic imperatives;

financial plans and actual results;

performance drivers; and

cultural factors.

Role of the CEO in Compensation Decisions

The CEO reviews compensation comparison benchmark data, as more fully discussed on page 22, for members of his senior executive team (excluding data on his position). Using this data, he considers information on individual performance and scope of responsibility and makes individual compensation recommendations to the Compensation Committee for the senior executive team, other than himself. These recommendations include possible salary adjustments, generally made only every other year (biennially) and adjustments to the annual incentive compensation (or SEIP, as defined below) payout for each member of the executive team based on his or her individual performance

during the previous year.

The CEO does not establish targets for performance-based compensation plans, as this is a role of the Committee. The CEO also does not make recommendations and he is not present when the Committee discusses his individual compensation.

Philosophy and purpose of CSX's Executive Compensation Program

CSX operates in a highly competitive industry subject to substantial government oversight in which a company's success depends on having highly skilled management with specialized expertise in addition to more general managerial talents. The Committee believes therefore that in the joint interests of the Company's

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success and the long-term value of our shareholders, it is important for us to appropriately value the quality, skills and dedication of the senior executive officers. The executive compensation program is designed to reflect that position. To that end, the compensation program is structured to:

attract talented, motivated, high-performing executives with specific skill sets and relevant experience;

retain key leaders;

reward recent performance on an annual basis;

incentivize future performance; and

align the long-term interests of executives with those of CSX's shareholders.

The Committee then evaluates the success of the compensation program and makes changes to the program as appropriate.

CSX uses a variety of compensation tools to achieve these goals including: (i) direct pay—base salary, short-term and long-term incentives, and (ii) indirect pay—employee benefits, including retirement and certain post-employment benefits, nonqualified deferred compensation plans, and perquisites.

The Company's compensation decisions are premised on the following two key principles:

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

the total executive compensation opportunity, including benefits, should be competitive with reasonable market comparisons.

Performance-based Compensation

In light of the Committee's belief that the talents and experience of management play a key role in the Company's success, the Committee has structured the Company's compensation program to recognize those talents while rewarding actual performance results. A substantial portion of the executive officers' potential compensation depends upon achievement of preset financial and strategic objectives. For example, in 2007, base salary was targeted to comprise only 15% to 25% of direct compensation. Thus, 75% to 85% of a named executive officer's take-home pay was at risk—meaning that if the Company did not meet or exceed certain predetermined threshold performance levels, the executive would not receive a payout under either the short-term or long-term incentive programs. In this regard, 100% of CSX's short-term and long-term incentive compensation is performance-based, which is unique among the Class I railroads.

Senior Executive Incentive Plan (SEIP)—this refers to the Company's shareholder approved plan for annual cash incentives to be paid to the Company's named executive officers while preserving the Company's tax deduction under Internal Revenue Code (the Code) Section 162(m). The SEIP is 100% performance-based.

Management Incentive Compensation Plan (MICP)—this refers to the Company's annual cash bonus plan for eligible employees other than the named executive officers and is discussed in detail in the Elements of CSX's 2007 Compensation Program. The plan is 100% performance-based and requires attainment of both financial and strategic objectives. No payout is made under the MICP unless a preset operating income level is achieved regardless of strategic achievement.

Long-term Incentive Plan this refers to the Company's equity-based long-term incentive plans (LTIPs) whose philosophy is discussed below, as well as in detail in the Elements of CSX's 2007 Compensation Program. The plans are also 100% performance-based and require improvement in operating ratio during a 3-year cycle (or for the 2006-2007 LTIP, a 2-year cycle), as measured in the final year. For named executive officers, other measurements are also considered as explained below. No payout is made unless a preset operating ratio is attained.

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Use of Performance Grants

CSX's pay for performance philosophy underlies the long-term incentive decisions of the Committee. CSX has not issued stock options since 2003 and has changed its long-term compensation approach to focus exclusively on performance-based grants designed to reward performance over multi-year periods and which are payable only upon the achievement of preestablished performance targets. The key reasons for this important change included:

the change in FASB accounting rules (effective in 2006) requiring annual expensing of stock options and making use of performance grants less subject to unexpectedly high expenses; and

the improved alignment between company performance and value creation during the performance period.

CSX's shareholder-approved plans allow for the use of a variety of long-term vehicles, including options and restricted stock. At this point in the Company's business, the Committee believes the exclusive use of performance grants is appropriate. Performance grants are described in more detail on pages 25-29.

Results of performance-based compensation philosophy

Incentive payouts have reflected the Company's performance philosophy and have tracked substantial performance improvements and sharpened focus and commitment to significant improvements in operational performance and customer service since the current executive team was established in 2004. The impact of the Company's performance-based compensation philosophy can be seen, for example, in the annual incentive payout table on page 24.

Following disappointing results in 2003, which resulted in no bonuses being paid to executives, operations, service and financial performance began to rebound in 2004, as the Company undertook a restructuring that reduced management staff by approximately 20%. This restructuring also prepared the Company to effectively meet increasing demand for railroad and intermodal services. As a result of the restructuring and other productivity initiatives, 2004 performance showed progress marked by an operating income improvement from \$651 million to \$993 million.

In 2005, the Company continued the momentum built in 2004 and recorded operating income of \$1.549 billion, which exceeded its target of \$1.31 billion by 18%. This result was delivered despite the negative impact of Hurricane Katrina, which constrained operations and resources for several months during the year.

In 2006, CSX's marked improvement continued and was defined by substantial growth in pricing and revenue. The CSX team also made improvements in safety, customer service and productivity. Against this background, more than \$150 million of capacity expansion and facility improvement projects were completed for high-growth areas. CSX delivered further shareholder value by increasing dividends 54 percent and by repurchasing \$465 million of common stock. Share price increased by 36%, the highest increase among the Class I railroads.

In 2007, the Company was able to continue its improvement with pricing initiatives leading to substantial revenue growth, despite weakening traffic volume. The Company also made significant safety, service, and productivity gains, which included an industry-leading 17% reduction in personal injury frequency and a 4.5% increase in train velocity. The Company also achieved a 7.6% improvement in equipment dwell, a measure of asset utilization. Since 2004, the Company delivered productivity improvements exceeding \$400 million. In 2007, the Company also enhanced shareholder value by increasing quarterly dividends by 50% and by repurchasing \$2.1 billion of common stock under its previously authorized \$3 billion share repurchase program. In the first quarter of 2008, the Company repurchased approximately \$300 million of additional shares of common stock under this program, and on March 17, 2008,

announced an increase in this authorization by approximately \$2.4 billion, bringing the total remaining authorization to \$3 billion. CSX intends to complete this recently increased repurchase program by the end of 2009. During 2007, the CSX share price increased by 28%.

The Committee believes its compensation philosophy has contributed to the Company's ability to attract and retain a highly qualified, performance-driven management team, which has played a key role in producing

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stronger, safer and more efficient business operations. From the beginning of 2004 through the end of 2007, CSX's stock price increased approximately 145%, and net cash provided by operating activities increased by \$126 million.

Competitive Compensation: Benchmarking and Competitive Comparisons

The Committee's Consultant prepares or reviews in detail all competitive data for the Committee.

In 2007, Human Resources contracted with Towers Perrin, an executive compensation consulting firm, to assist in gathering and analyzing market data for compensation paid for similar positions by other large companies and railroads. The general industry comparisons are to service companies of similar size and market capitalization to CSX, with financial companies excluded from the comparisons. The Committee reviews this data with its Consultant when making compensation decisions.

The Committee also reviews competitive pay and performance data on specific peer groups of U.S. railroads as well as competitive pay data from broad surveys of general U.S. companies. For 2007, the peer group for pay and performance was comprised of the other major U.S. railroads (BNSF, Norfolk Southern, and Union Pacific). In some cases, where available, performance data may include the Canadian railroads or broader railroad survey data. The peer group analysis always includes a view of the relative size and performance of each railroad. It is noteworthy that peer rail companies still currently use options and time-vested restricted stock as primary components of their compensation programs. As previously mentioned, CSX's incentive program—direct compensation other than base salary—is 100% performance-based.

Further to our principle of having compensation practices that are competitive with reasonable market standards, competitive data from the railroad peer group and the broad survey of general U.S. companies is analyzed from several perspectives. Both targeted and actual payouts are considered. When reviewing the general industry group of companies, data at both the 50th and 75th percentile of compensation is considered. Final decisions are based on this data, along with the scope of the individuals' responsibilities and their individual performance. General industry comparisons include 127 companies that have revenues between \$6 billion and \$15 billion. The comparison group excludes financial services and the banking industry because they generally pay in excess of market rates for similar-sized companies.

In addition, in 2007, we shifted our payout practices under our LTIPs going forward