
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 6, 2019

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

Virginia
(State or other jurisdiction
of incorporation)

1-08022
(Commission
File Number)

62-1051971
(I.R.S. Employer
Identification No.)

500 Water Street, 15th Floor, Jacksonville, Florida
(Address of principal executive offices)

32202
(Zip Code)

Registrant's telephone number, including area code: (904) 359-3200

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On February 6, 2019, the Compensation Committee of the Board of Directors of CSX Corporation (“CSX” or the “Company”) approved and adopted a new long-term incentive program, including the CSX 2019-2021 Long-Term Incentive Plan (the “2019-2021 Plan”), that seeks to motivate and reward certain employees. The program is comprised of three components—Performance Units, Stock Options and Restricted Stock Units. Pursuant to the 2019-2021 Plan, the Company’s President and Chief Executive Officer and executive vice presidents received awards comprised of 60% Performance Units and 40% Stock Options. No Restricted Stock Units were awarded to the Company’s President and Chief Executive Officer or executive vice presidents pursuant to the 2019-2021 Plan.

Pursuant to the 2019-2021 Plan, Performance Units have potential payouts ranging from zero to 200% of the target awards depending on Company performance against predetermined goals. Performance Units will be paid out, if at all, in the form of shares of CSX common stock in early 2022, after the conclusion of the three-year performance cycle. Performance Units payouts for the executive officers listed below are subject to formulaic upward or downward adjustments of up to 25% based upon the Company’s total shareholder return relative to a specified peer comparator group.

Payouts of the Performance Units will be based on the achievement of goals related to Operating Ratio (“OR”) and Free Cash Flow (“FCF”), with each measure excluding nonrecurring items as disclosed in the Company’s financial statements. For the 2019-2021 Plan, OR will be determined using the Company’s cumulative performance during 2019-2021 and FCF will be measured from the beginning of 2019 through the end of 2021. OR and FCF will each comprise 50% of the total payout opportunity for participants and each will be measured independently of the other. OR is defined as operating expense divided by operating revenue. FCF is defined as net cash provided by operating activities minus property additions and adjusted for certain other investing activities.

The following table sets forth the target number of Performance Units and the number of Stock Options awarded to the Company’s President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Executive Vice President of Operations, Executive Vice President of Sales and Marketing, Executive Vice President and Chief Legal Officer and Executive Vice President and Chief Administrative Officer.

| <u>Executive</u> | <u>Performance Units</u> | <u>Stock Options</u> |
|-------------------|--------------------------|----------------------|
| James M. Foote | 89,539 | 228,833 |
| Frank A. Lonergo | 17,908 | 45,767 |
| Edmond L. Harris | 17,908 | 45,767 |
| Mark K. Wallace | 17,908 | 45,767 |
| Nathan D. Goldman | 17,908 | 45,767 |
| Diana B. Sorfleet | 17,908 | 45,767 |

Consistent with past practices, the number of Performance Units was based on the average closing price of CSX common stock for November 2018, December 2018 and January 2019 of \$67.01. The number of Stock Options was calculated based on the Black-Scholes value of \$17.48, which, consistent with past practices, was determined using the average closing price of CSX common stock for November 2018, December 2018 and January 2019 of \$67.01. One-third of the Stock Options will vest on each of February 6, 2020, February 6, 2021, and February 6, 2022, assuming the completion of the applicable vesting period. If unexercised, the Stock Options will expire on February 6, 2029. The exercise price of each Stock Option is based on the closing price of CSX common stock on the date of the grant, which was February 6, 2019.

The foregoing descriptions of the 2019-2021 Plan and the awards made pursuant to the new long-term incentive program are qualified in their entirety by reference to the 2019-2021 Plan and the form of 2019 Stock Option Agreement, which are attached to this Current Report on Form 8-K as Exhibits 10.1 and 10.2, and incorporated herein by reference.

On February 6, 2019, the CSX Board of Directors also approved an increase in the annual incentive opportunity for James M. Foote, the Company's President and Chief Executive Officer, to 140% of his annual base salary, as well as an increase to his target long-term incentive equity award from \$9 million to \$10 million, effective February 6, 2019.

Item 9.01. Exhibits.

(d) The following exhibit is being filed as part of this report:

- 10.1 [CSX 2019-2021 Long Term Incentive Plan](#)
- 10.2 [Form of 2019 Stock Option Agreement](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CSX CORPORATION

By: /s/ Nathan D. Goldman

Name: Nathan D. Goldman

Title: Executive Vice President – Chief Legal Officer &
Corporate Secretary

DATE: February 12, 2019



Notice of Performance Unit Grant

| | |
|--------------------------------|-------------------|
| Name of Participant | [Name] |
| Employee ID | [ID #] |
| Number of Units Granted | [# Units Granted] |
| Grant Date | [Grant Date] |

CSX Corporation (“CSX”) has granted to you performance units wherein each unit represents one share of CSX Corporation common stock. Your grant has been made pursuant to the CSX Stock and Incentive Award Plan (the “Plan”), which is incorporated herein by reference, and together with this Notice and plan document (“ Plan Document”) set forth the terms and conditions of this grant.

CSX reserves the right to terminate, change or amend the Plan at any time. Receipt of this grant does not obligate CSX to make any additional grants to you. This grant, or a portion thereof, may be subject to forfeiture if you terminate employment as set forth in this Plan Document. You will receive a separate notification to view and accept your Plan Document electronically.

A copy of the Plan is available on etrade.com and on the CSX Gateway within the Long-Term Incentives Portal under Team Sites. You should review the terms of the Notice and Plan Document carefully.

PURPOSE AND OBJECTIVE

The CSX Long-Term Incentive Plan (“LTIP” or the “Plan”) is the vehicle under which CSX Corporation (“CSX” or “Company”) issues Performance Grants, as described in the CSX Stock and Incentive Award Plan, referred to herein as Performance Units. The Performance Units are issued pursuant to, and are subject to, the terms and conditions of the CSX Stock and Incentive Award Plan. Under the LTIP, a Performance Unit represents the right to receive a share of CSX common stock. The purpose of the LTIP is to reward eligible employees for their contribution toward the Company’s improved operating and financial performance, ultimately creating shareholder value and driving long-term success for CSX. As described below in the Plan Design section, grants of Performance Units are approved by the Compensation Committee of CSX’s Board of Directors (the “Committee”).

The Company seeks to motivate and reward employees through the issuance of Performance Units. Performance Units are settled and paid out upon certification of the Company’s achievement of predetermined levels of: (i) Operating Ratio; and (ii) Free Cash Flow during the Performance Period (as defined below). The payments are referred to as Performance Awards at the time of payment, and are payable in the form of CSX common stock if predetermined measures are achieved.

EFFECTIVE DATE AND PERFORMANCE PERIOD

The 2019-2021 LTIP Cycle (the “2019-2021 Cycle” or “Cycle”) commences February 6, 2019 (“the Effective Date”) and ends December 31, 2021. The Performance Period, the time during which Company performance is measured, begins January 1, 2019 and ends December 31, 2021.

ELIGIBILITY AND PARTICIPATION

Active employees of CSX or participating subsidiaries (the “Company” or collectively, the “Companies”) in Career Level Director and above (“Participants”) as of the Effective Date are eligible to participate in the Plan for the 2019-2021 LTIP Cycle and receive a number of Performance Units determined by a long-term incentive compensation value approved annually by the Committee. Employees hired, promoted and demoted into, within and out of an LTIP eligible position after the Effective Date but within the first calendar year of the Plan cycle will receive a pro-rata award or forfeiture of Performance Units.

PLAN DESIGN

Under CSX’s long-term incentive compensation program design, the Committee approves annually a market-competitive value of long-term incentive compensation for Participants primarily based upon Career Level. For 2019, the long-term incentive compensation value is allocated as a percent of total LTI target opportunity by Career Level as follows:

| Equity Mix of 2019-2021 Grant Awards | President and CEO and Executive Vice President |
|--|--|
| Performance Units | 60% |
| Restricted Stock Units | N/A |
| Stock Options | 40% |

The number of Performance Units a Participant receives is calculated by multiplying the total LTI target opportunity value by the applicable percentage value of the long-term incentive compensation shown above, divided by the average closing price of CSX common stock during the most recent three full months preceding the Effective Date. For the 2019-2021 Cycle, the average stock price equaled \$67.01, representing the months of November 2018, December 2018 and January 2019. This price is used solely to determine the number of Performance Units granted to each Participant at the commencement of the Cycle.

Restricted Stock Units and Stock Options are provided in separate grants.

Performance Measures

The Plan uses as the performance measures a combination of (i) Operating Ratio (“OR”) and (ii) Free Cash Flow (“FCF”) as defined herein and excluding non-recurring items as disclosed in the Company’s financial statements, as approved by the Committee. OR and FCF have been selected as performance measures for this cycle because of their high correlation to shareholder returns and alignment with CSX’s financial business plan. Efforts to improve these measures align CSX’s business objectives in a way that allows individuals to focus on desired performance outcomes. Each Participant should be motivated to improve customer service, control costs, optimize asset utilization, operate safely, and value and develop employees.

The measures are applied independently and weighted equally. Thus, if both *target* OR and *target* FCF are achieved, each measure would pay at 50% for a total payout of 100% of the grant value. If the *maximum* OR and *maximum* FCF are achieved, then each measure would generate a 100% payout for a total payout at 200%.

1. *Operating Ratio*: OR is defined as CSX Corporation operating expenses divided by operating revenue. Performance achievement for the Cycle is a cumulative plan based on operating expenses and operating revenue for the Performance Period.

As the price of fuel has a significant impact on OR, fuel-adjusted OR targets will apply to this performance measure if the average highway diesel fuel (“HDF”) price per gallon for the Performance Period falls outside of a predetermined range (“Fuel Collar”). The OR charts in Exhibit A reflect the OR targets and related payout percentages at various HDF prices.

Free Cash Flow: Free cash flow measures cash generated by the business after reinvestment. Free Cash Flow is calculated as net cash provided by operating activities minus property additions and adjusted for certain other investing activities. Free cash flow is a measure of cash available for paying dividends, share repurchases and principal reduction on outstanding debt. Free Cash Flow performance achievement for the Cycle is based on cumulative results for 2019 through 2021.

The chart in Exhibit A reflects the FCF targets and related payout percentages.

RELATIVE TOTAL SHAREHOLDER RETURN MODIFIER

The President and CEO and Executive Vice Presidents may have an increase or decrease in award payouts by a maximum of 25%, with the maximum payout capped at 225% based on the Company’s relative Total Shareholder Return in accordance with Exhibit C.

PERFORMANCE AWARDS

As shown in the Performance Measure and Payout Percentage Table in Exhibit B, Performance Awards are paid as a percentage of a Participant's Performance Units based upon the applicable measures discussed above. All Performance Awards will be paid in CSX common stock.

No Performance Award is earned under the Plan until the Compensation Committee approves the payout percentage based upon the level of achievement of the performance measures for the Performance Period.

Impact of Change in Employment Status

Performance Awards generally will be paid only to Participants who are actively employed by the Companies at the end of the applicable three-year performance cycle. Except as provided below, all other Participants whose employment terminates prior to the end of the Cycle shall forfeit any and all Performance Units and receive no Performance Award. All earned Performance Awards will be paid no later than March 15 following the end of the Performance Period.

A Participant whose employment terminates due to death, disability, retirement, reduction in force or voluntary return to contract employment shall be eligible to retain a pro-rata Performance Award under the LTIP based on the Performance Award the Participant would have received had there been no death, disability, retirement, reduction in force or voluntary return to contract employment. The pro-rata Performance Award will be determined based upon the number of months of participation relative to the number of months in the Performance Period. In the case of death, such Performance Awards shall be paid to the Participant's estate, or as otherwise required by law. Disability shall mean long-term disability as defined in the long-term disability plan of the Company covering the Participant. Retirement shall mean: (i) the attainment of age 55 and 10 years of Company service; or (ii) the attainment of age 65. The foregoing notwithstanding, Management shall have the discretion to terminate Performance Awards for Participants who retire but subsequently violate a non-compete agreement.

A participant who returns to contract employment due to a reduction in force *within* the first calendar year of the Plan Cycle, shall retain a pro-rata Performance Award based upon the number of months in an LTIP eligible position. A participant who returns to contract employment due to a reduction in force *following* the first calendar year of the Plan Cycle, shall retain all outstanding Performance Award units.

Participants who are part-time employees (less than 40 hours per week) on the Effective Date of the 2019-2021 LTIP Cycle shall be entitled to a pro-rata Performance Award based on the reduced hours.

Taxation of Performance Awards

Performance Awards will be paid in shares of CSX common stock. The value received by the Participant is taxable income; therefore, CSX is required to withhold income taxes at the prescribed rates for both supplemental income and employment taxes in accordance with applicable tax laws. CSX will withhold the minimum number of shares (in whole shares) equal in value to such required amount. Participants in the CSX Executives' Deferred Compensation Plan may defer receipt of Performance Awards in accordance with the terms of that plan.

CLAWBACK PROVISION

In the event of Company accounting irregularities discovered within three years after receipt of payment in connection with a Performance Award, which requires the Company to restate its financial statements due to material noncompliance with any financial reporting requirements under applicable securities laws, the Participant shall repay all amounts in excess of the Performance Award the Participant should have received as determined under the restated financial statements. The Clawback Provision related to financial restatements applies only to Participants who are Section 16b officers at the time of grant or restatement.

A Participant who commits an act involving moral turpitude that adversely affects the reputation or business of the Companies shall forfeit all Performance Units. Examples of acts of moral turpitude include, but are not limited to, dishonesty or fraud involving CSX or any affiliated company, their employees, vendors, or customers or a violation of the CSX Code of Ethics.

In cases where all or part of the Performance Award is deferred under the CSX Executives' Deferred Compensation Plan, this Clawback Provision shall apply and result in an immediate forfeiture of the portion deferred, including any earnings thereon from the date of deferral, in the amount needed to equal the applicable clawback amount.

CONSIDERATION FOR NON-COMPETE AGREEMENT

In consideration for eligibility under this 2019-2021 LTIP Cycle, Participants in Career Levels of Vice President and above, General Managers, and certain other designated positions must enter into a non-compete agreement, if not already in effect, as prescribed and agreed to by CSX. Eligibility and receiving a grant award for the 2019-2021 LTIP Cycle for this population is conditioned upon the existence of such non-compete agreement.

PLAN ADMINISTRATION

The Chief Administrative Officer shall be the Plan Administrator and shall interpret and construe the provisions of the Plan subject to the terms of the CSX Stock and Incentive Award Plan and the Compensation Committee's authority and responsibility thereunder.

PLAN AMENDMENTS AND TERMINATION

The CSX Compensation Committee reserves the right to terminate, adjust, amend or suspend the Plan at any time at its sole discretion.

MISCELLANEOUS

By accepting a Performance Award, the Participant authorizes the Company to withhold, to the extent permitted by law, any amount the Participant may otherwise owe to the Company in any other capacity whatsoever.

The adoption of the 2019-2021 Cycle of the LTIP does not imply any commitment to continue the Plan, participation in the Plan or any other long-term incentive compensation plan or program for any succeeding year or period. Neither the Plan, nor any Performance Unit or Performance Award made under the Plan shall create any employment contract or relationship between the Companies and any Participant.



Notice of Non-Qualified Stock Option Grant

| | |
|-----------------------------------|--|
| Name of Participant: | [Name] |
| Employee ID: | [ID #] |
| Number of Options Granted: | [# Options Granted] |
| Grant Date: | [Grant Date] |
| Option Exercise Price: | [\$[Exercise Price] |
| Vesting Schedule: | [# Shares – Vesting Period 1] [Vesting Date 1] [# Shares – Vesting Period 2] [Vesting Date 2] [# Shares – Vesting Period 3] [Vesting Date 3] |
| Expiration Date: | [Expiration Date] |
| Grant Number | [Grant #] |

CSX Corporation (“CSX”) has made a grant to you of non-qualified stock options (“Options”), which provides you with the right to purchase CSX common stock at a pre-established price during a future time period. Your grant has been made pursuant to CSX’s Stock and Incentive Award Plan (the “Plan”), which is incorporated herein by reference, and together with this Notice and stock option agreement (the “Option Agreement”), set forth the terms and conditions of this grant.

CSX reserves the right to terminate, change or amend the Plan at any time. Receipt of this grant does not obligate CSX to make any additional grants to you. This Option grant, or a portion thereof, may be subject to forfeiture if you terminate employment as set forth in the Option Agreement. You will receive a separate notification to view and accept your Agreement electronically.

A copy of the Plan is available on the CSX Gateway within the Long-Term Incentives Portal under Team Sites and on the ETrade platform. You should review the terms of the Notice, Option Agreement and Plan carefully.

OPTION AGREEMENT | Terms and Conditions

OPTION AGREEMENT | TERMS AND CONDITIONS

Vesting

The Options may be exercised only once vested. Except in the case of Retirement, Disability, death, reduction in force or return to contract employment, one-third of the Options will vest and become exercisable on [Vesting Date 1], one-third of the Options will vest and become exercisable on [Vesting Date 2] and one-third of the Options will vest and become exercisable on [Vesting Date 3].

Termination Of Employment/Other Requirements

(a) *Retirement, Disability, death, return to contract*

Prior to vesting. In the event of Participant's separation from employment due to Retirement, Disability, death, reduction in force or voluntary return to contract employment prior to [Vesting Date], a prorated portion of the Options for the applicable Vesting Period will vest on the respective [Vesting Date]. If a Participant voluntarily returns to contract employment and their employment is terminated prior to [Vesting Date] and prior to Participant becoming Retirement eligible, any unvested Options shall lapse and terminate immediately.

In the event a Participant returns to contract employment due to a reduction in force, the Participant will retain Options for [Vesting Period] assuming continued employment through the applicable [Vesting Date]. If a Participant returns to contract employment due to a reduction in force and their employment is terminated prior to [Vesting Date] and prior to Participant becoming Retirement eligible, any unvested Options shall lapse and terminate immediately.

Notwithstanding the foregoing, if the Participant's employment is terminated by reason of Retirement and the Participant "Engages in Competing Employment" prior to vesting, then the Options shall be terminated without further obligation on the part of CSX or any Affiliate. 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 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.

Following vesting. In the event of the Participant's separation from employment due to Retirement, Disability, or death the Participant or designated Beneficiary or estate will have until the Expiration Date to exercise any vested Options.

(b) *Termination for Cause/Moral Turpitude.* If the Participant's employment is terminated for Cause, as defined in the Plan, all rights under the unvested Options shall lapse and terminate immediately. A Participant who commits an act involving moral turpitude that adversely affects the reputation or business of the Companies shall forfeit all Options. Examples of acts of moral turpitude include, but are not limited to, dishonesty or fraud involving CSX or any affiliated company, their employees, vendors, or customers or a violation of the CSX Code of Ethics.

OPTION AGREEMENT | TERMS AND CONDITIONS

- (c) *Resignation or Other Terminations.* Except as otherwise provided in Section 20 of the Plan, if the Participant separates from employment from the Company (including management and contract positions) for any reason other than Retirement, Disability, or death, Participant will have 60 days after separation from employment to exercise any Options that are vested at separation from employment. If the Participant voluntarily resigns from employment prior to becoming Retirement eligible, any then unvested Options shall lapse and terminate immediately.
- (d) *Definitions.* Retirement shall mean the attainment of age 55 with a minimum of 10 years of service or the attainment of age 65. Disability shall mean long-term disability as defined in the company's long-term disability plan covering the Participant.

Exercise

Participant may exercise these Options, in whole or in part, to purchase a whole number of vested shares at any time by following the exercise procedures below. All exercises must take place before the Expiration Date, or such earlier dates as established by the Notice, Option Agreement or the Plan, or such Options shall otherwise lapse.

Options may be exercised by: (i) paying cash, (ii) executing a "cashless" exercise, or (iii) executing a "cashless" exercise and "hold" transaction.

Non-Transferability

The Options may not be assigned, sold or transferred by the Participant other than by will or by the laws of descent and distribution, and are exercisable during Participant's life only by the Participant.

Change In Control

In the event of a Change in Control in which the Company is not the successor or acquiring company or a direct or indirect parent entity of the successor or acquiring company (the "Surviving Company") and the Surviving Company does not arrange to continue or convert the Option or grant a Substitute Award, as provided under Section 20 of the Plan, the Company may, without the Participant's consent, elect to provide any one or more of the following:

- (a) The Option shall be terminated as of the Change in Control in exchange for a payment in cash and/or securities equal to the amount, if any, by which the Fair Market Value of the shares underlying the Option exceeds the Option Exercise Price;
- (b) The Option shall become immediately and fully exercisable as of a date prior to the Change in Control, to the extent not previously exercised or terminated, and shall be terminated as of the Change in Control; or
- (c) To the extent that the Option Exercise Price exceeds the Fair Market Value of the shares underlying the Option as of the Change in Control, the Option shall lapse and terminate as of the Change in Control.

Severability

If any terms and conditions herein are, become, or are deemed to be invalid, illegal, or unenforceable in any jurisdiction, such provision shall be construed or deemed amended or limited in scope to conform to applicable laws or, in the discretion of the Company, it shall be stricken and the remainder of the terms and conditions shall remain in force and effect.

Choice Of Law; Jurisdiction

All questions pertaining to the construction, regulation, validity, and effect of the terms and conditions shall be determined in accordance with the laws of the state of Florida, without regard to the conflict of laws doctrine.

Restrictions On Resales Of Shares Acquired Pursuant To Option Exercise:

The Company may impose such restrictions, conditions or limitations as it deems appropriate as to the timing and manner of any resales by the Participant or other subsequent transfers by the Participant of any Common Stock issued as a result of the exercise of the Option, including without limitation (a) restrictions under an insider trading policy, (b) restrictions designed to delay and/or coordinate the timing and manner of sales by Participant and other option-holders and (c) restrictions as to the use of a specified brokerage firm for such resales or other transfers.

Nonqualified Stock Option

The Option is intended to be a nonqualified stock option and is not intended to be an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended and will be interpreted accordingly.

Income Taxes

An exercise of Options may generate federal and applicable state income and employment tax withholding obligations. The full purchase price of the shares being purchased through exercise of Options and the related withholding taxes for federal, state or local jurisdictions must be paid to CSX at the time of an exercise of Options. The Participant acknowledges that the Company shall have the right to deduct any taxes required to be withheld by law in connection with the exercise of the Option from any amounts payable by it to the Participant (including, without limitation, future cash wages).

You agree that this Option Agreement is governed by the terms and conditions of the Plan. Unless defined in this Option Agreement, capitalized terms shall have the meanings ascribed to them in the Plan. The Company and you have executed this Option Agreement as of [Execution Date].