

CSX CORP
Form 424B5
October 29, 2002
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This prospectus supplement relates to an effective registration statement under the Securities Act of 1933, but is not complete and may be changed. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(5)
Registration No. 333-84016

SUBJECT TO COMPLETION, DATED OCTOBER 29, 2002

**PROSPECTUS SUPPLEMENT
(To Prospectus Dated March 20, 2002)**

\$200,000,000

% Notes due 2009

The Notes will bear interest at the rate of •% per year. Interest on the Notes is payable on • and • of each year, beginning on •, 2003. The Notes will mature on •, 2009. We may redeem some or all of the Notes at any time. The redemption prices are discussed under the caption Description of Notes Optional Redemption.

The Notes will be senior obligations of our company and will rank equally with all of our other unsecured senior indebtedness.

CSX will not make application to list the Notes on any securities exchange or to include them in any automated quotation system.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the related prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	<u>Per Note</u>	<u>Total</u>
Public Offering Price	%	\$
Underwriting Discount	%	\$
Proceeds to CSX (before expenses)	%	\$

Interest on the Notes will accrue from •, 2002 to the date of delivery.

The underwriters expect to deliver the Notes to purchasers on or about •, 2002.

Salomon Smith Barney

JPMorgan

Credit Suisse First Boston

Mizuho International plc

Scotia Capital

Banc One Capital Markets, Inc.

BNY Capital Markets, Inc.
PNC Capital Markets, Inc.

Wachovia Securities

October •, 2002

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You should rely only on the information contained in or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front cover of this prospectus supplement.

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This document consists of two parts. The first part is the prospectus supplement, which describes the specific terms of the Notes we are offering and certain other matters relating to CSX Corporation. The second part, the base prospectus, gives more general information about securities we may offer from time to time, some of which does not apply to the Notes we are offering. Generally, when we refer to the prospectus, we are referring to both parts of this document combined. If the description of the Notes in the prospectus supplement differs from the description in the base prospectus, the description in the prospectus supplement supersedes the description in the base prospectus.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including documents incorporated by reference, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act with respect to, among other items:

projections and estimates of earnings, revenues, cost savings, expenses or other financial items;

statements of management's plans, strategies and objectives for future operations, and management's expectations as to future performance and operations and the time by which objectives will be achieved;

statements concerning proposed new products and services; and

statements regarding future economic, industry or market conditions or performance.

Forward-looking statements are typically identified by words or phrases such as "believe," "expect," "anticipate," "project," and similar expressions. Forward-looking statements speak only as of the date they are made. We undertake no obligation to update or revise any forward-looking statement. If we do update any forward-looking statement, no inference should be drawn that we will make additional updates with respect to that statement or any other forward-looking statements.

Forward-looking statements are subject to a number of risks and uncertainties, and actual performance or results could differ materially from that anticipated by these forward-looking statements. Factors that may cause actual results to differ materially from those contemplated by these forward-looking statements include, among others:

our success in implementing our financial and operational initiatives;

changes in domestic or international economic or business conditions, including those affecting the rail industry (such as the impact of industry competition, conditions, performance and consolidation);

legislative or regulatory changes; and

the outcome of claims and litigation involving or affecting us.

Other important assumptions and factors that could cause actual results to differ materially from those in the forward-looking statements are specified in our SEC reports, accessible on the SEC's website at <http://www.sec.gov> and our website at <http://www.csx.com>. You are cautioned not to place undue reliance on any forward-looking statements made by or on behalf of CSX.

WHERE YOU CAN FIND MORE INFORMATION

CSX files annual, quarterly and special reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at <http://www.sec.gov>. You may also read and copy any document we file at the SEC's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. You may also read and copy these documents at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

The SEC allows CSX to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. CSX incorporates by reference the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Exchange Act until CSX sells all of the Notes.

Annual Report on Form 10-K for the fiscal year ended December 28, 2001 filed with the SEC on March 4, 2002;

Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 2002 filed with the SEC on May 3, 2002;

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Quarterly Report on Form 10-Q for the fiscal quarter ended June 28, 2002 filed with the SEC on July 29, 2002;

Quarterly Report on Form 10-Q for the fiscal quarter ended September 27, 2002 filed with the SEC on October 28, 2002;

Current Report on Form 8-K dated March 5, 2002 filed with the SEC on March 6, 2002;

Current Report on Form 8-K dated July 31, 2002 filed with the SEC on July 31, 2002; and

Current Report on Form 8-K dated September 4, 2002 filed with the SEC on September 4, 2002.

You may request a copy of any filings referred to above, at no cost, by contacting CSX at the following address: Stephen R. Larson, Vice President General Counsel and Corporate Secretary, CSX Corporation, One James Center, 901 East Cary Street, Richmond, Virginia 23219, telephone number 1-804-782-1400.

CSX CORPORATION

CSX, incorporated in Virginia in 1978 and headquartered in Richmond, Virginia, operates the largest rail network in the eastern United States and also provides intermodal transportation services across the United States and into key markets in Canada and Mexico. Our marine operations include a domestic container shipping company and an international terminal services company. CSX's goal, advanced at each of our business units, is to provide efficient, competitive transportation and related services for our customers and to deliver superior value to our shareholders. Unless the context indicates otherwise, references in this prospectus to CSX are to CSX Corporation and our consolidated subsidiaries.

CSX Transportation Inc. (CSXT)

CSXT is the largest rail network in the eastern United States, providing rail freight transportation over a network of more than 23,300 route miles in 23 states, the District of Columbia and two Canadian provinces. Headquartered in Jacksonville, Florida, CSXT accounted for 75% of CSX's operating revenue and 78% of operating income in 2001.

CSX Intermodal Inc. (CSXI)

CSXI is the nation's only transcontinental intermodal transportation service provider, operating a network of dedicated intermodal facilities across North America. The CSXI network runs approximately 500 dedicated trains between our 49 terminals every week. CSXI accounted for 14% of CSX's operating revenue and 11% of operating income in 2001. CSXI's headquarters are located in Jacksonville, Florida.

CSX Lines LLC

CSX Lines operates a domestic liner business consisting of a fleet of 16 vessels and 27,000 containers serving the trade between ports on the United States mainland and Alaska, Guam, Hawaii and Puerto Rico. CSX Lines accounted for 8% of CSX's operating revenue and 3% of operating income in 2001. CSX Lines is headquartered in Charlotte, North Carolina.

CSX World Terminals LLC

CSX World Terminals operates container-freight terminal facilities in Hong Kong, China, Australia, Europe and Latin America. CSX World Terminals accounted for 3% of CSX's operating revenue and 7% of operating income in 2001. CSX World Terminals is headquartered in Charlotte, North Carolina.

Table of Contents**Non-Transportation**

Our non-transportation holdings include: the AAA Five-Diamond hotel, The Greenbrier, in White Sulphur Springs, West Virginia; CSX Real Property Inc., which is responsible for sales, leasing and development of CSX-owned properties; and a majority interest in Yukon Pacific Corporation, which is promoting construction of the Trans-Alaska Gas System to transport Alaska's North Slope natural gas to Valdez for export to Asian markets.

USE OF PROCEEDS

CSX expects to use substantially all of the net proceeds from the sale of the Notes to reduce the amount of our outstanding commercial paper. At October 25, 2002, CSX had approximately \$515 million of commercial paper outstanding, the weighted average maturity of our outstanding commercial paper was approximately 37.88 days and the weighted average interest rate was approximately 1.88%. The balance, if any, of the net proceeds will be used for general corporate purposes, which may include capital expenditures, working capital requirements, implementation of work force reductions, improvements in productivity and other cost reductions at our major transportation units.

RATIO OF EARNINGS TO FIXED CHARGES

CSX's consolidated ratio of earnings to fixed charges for each of the fiscal periods indicated is as follows:

	For the Nine Months Ended		For the Fiscal Years Ended				
	Sept. 27, 2002	Sept. 28, 2001	Dec. 28, 2001	Dec. 29, 2000	Dec. 31, 1999	Dec. 25, 1998	Dec. 26, 1997
Ratio of earnings to fixed charges (a)(b)	2.2x	1.7x	1.7x	1.4x	1.1x	1.7x	2.5x

- (a) For purposes of computing the ratio of earnings to fixed charges, earnings represent earnings from operations before income taxes and cumulative effects of accounting changes plus interest expense related to indebtedness, amortization of debt discount and the interest portion of fixed rent expense, less undistributed earnings of affiliates accounted for using the equity method. Fixed charges include interest on indebtedness (whether expensed or capitalized), amortization of debt discount and the interest portion of fixed rent expense.
- (b) Pretax earnings for certain periods include the effects of various non-recurring gains and charges. These items are summarized as follows:
- (1) A pretax loss of \$60 million for the proposed settlement of the Company's New Orleans Tank Car Fire litigation is included in the year ended December 28, 2001.
 - (2) A pretax loss of \$360 million related to an impairment charge related to the sale of assets comprised of the international liner business of Sea-Land and certain container terminal facilities is included in the year ended December 31, 1999.
 - (3) A pretax gain of \$27 million from the sale of CSX's investment in Grand Teton Lodge Company, a wholly-owned subsidiary located in Jackson Hole, Wyoming, is included in the year ended December 31, 1999.
 - (4) A pretax gain of \$154 million primarily from the conveyance of CSX's barge subsidiary to a joint venture is included for the year ended December 25, 1998.
 - (5) A restructuring credit of \$30 million to reverse a charge taken in 1995 related to a restructuring plan is included for the year ended December 25, 1998.

Excluding these items, the ratio of earnings to fixed charges for each of the periods indicated below would have been:

Fiscal year ended December 28, 2001	1.8x
Fiscal year ended December 31, 1999	1.5x
Fiscal year ended December 25, 1998	1.4x

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DESCRIPTION OF NOTES

Set forth below is a description of the specific terms of the Notes. This description supplements, and should be read together with, the description of the general terms and provisions of the debt securities set forth in the accompanying base prospectus under the caption

Description of Debt Securities . The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the description in the base prospectus and the senior indenture. If the description of the Notes in this prospectus supplement differs from the description of the debt securities in the base prospectus, the description in this prospectus supplement supersedes the description in the base prospectus. Capitalized terms used in this Description of Notes that are not defined in this prospectus supplement have the meanings given to them in the base prospectus or the senior indenture.

General

The Notes will initially be limited to \$200,000,000 in aggregate principal amount. The Notes will be issued in fully registered form only, in denominations of \$1,000 and integral multiples of \$1,000, and will mature on •, 2009. The Notes will be issued as a series of senior debt securities under the senior indenture referred to in the accompanying base prospectus. The senior indenture does not limit the amount of other debt that CSX may incur. CSX may, from time to time, without the consent of the holders of Notes, issue other debt securities under the senior indenture in addition to the \$200,000,000 aggregate principal amount of the Notes. CSX may also, from time to time, without the consent of the holders, issue additional debt securities having the same ranking and the same interest rate, maturity and other terms as the Notes. Any additional debt securities having those similar terms, together with the Notes, will constitute a single series of debt securities under the senior indenture.

The Notes will bear interest from •, 2002, at the annual rate set forth on the cover page of this prospectus supplement, payable semiannually on • and • each year, commencing •, 2003, to the persons in whose names the Notes are registered at the close of business on the immediately preceding • and • respectively, whether or not that day is a business day.

The Notes will be unsecured obligations of CSX and will rank *pari passu* with all other unsecured and unsubordinated indebtedness of CSX.

The Notes do not provide for any sinking fund.

For a description of the rights attaching to each series of debt securities under the senior indenture, see Description of Debt Securities in the accompanying prospectus.

The provisions of the senior indenture described under Description of Debt Securities Discharge, Defeasance and Covenant Defeasance in the accompanying base prospectus apply to the Notes.

Limitation on Liens on Stock of CSXT

The senior indenture provides that neither CSX nor any of our subsidiaries may create or permit any lien of any kind upon any stock or indebtedness, whether owned on the date of the senior indenture or acquired later, of any principal subsidiary, to secure any obligation (other than the senior debt securities) of CSX, any subsidiary or any other person, unless all of the outstanding senior debt securities (and other outstanding debt securities issued from time to time pursuant to the senior indenture) will be directly secured equally and ratably with that obligation. This provision does not restrict any other property of CSX or our subsidiaries. The senior indenture defines obligation as indebtedness for money borrowed or indebtedness evidenced by a bond, note, debenture or other evidence of indebtedness; principal subsidiary as CSXT; and subsidiary as a corporation a majority of the outstanding voting stock of which is owned, directly or indirectly, by CSX or one or more subsidiaries, or by CSX and one or more subsidiaries. The senior indenture does not prohibit the sale by CSX or any subsidiary of any stock or indebtedness of any subsidiary, including any principal subsidiary.

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Optional Redemption

The Notes will be redeemable, in whole or in part, at our option at any time. The redemption price for the Notes to be redeemed will equal the greater of the following amounts, plus, in each case, accrued interest thereon to the redemption date:

100% of the principal amount of such Notes; or

as determined by the Independent Investment Banker (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest on the Notes (not including any portion of any payments of interest accrued as of the redemption date) discounted to the redemption date on a semiannual basis at the Adjusted Treasury Rate (as defined below) plus 20 basis points.

The redemption price will be calculated assuming a 360-day year consisting of twelve 30-day months.

Adjusted Treasury Rate means, with respect to any redemption date:

the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the remaining term of the Notes, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue will be determined and the Adjusted Treasury Rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month); or

if that release (or any successor release) is not published during the week preceding the calculation date or does not contain those yields, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of the principal amount) equal to the Comparable Treasury Price for that redemption date.

The Adjusted Treasury Rate will be calculated on the third business day preceding the redemption date.

Comparable Treasury Issue means the United States Treasury security selected by the Independent Investment Banker as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of those Notes.

Comparable Treasury Price means, with respect to any redemption date, (A) the average of five Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of those Reference Treasury Dealer Quotations, or (B) if the Independent Investment Banker obtains fewer than five such Reference Treasury Dealer Quotations, the average of all of those quotations.

Independent Investment Banker means Salomon Smith Barney Inc. and its successors, or if that firm is unwilling or unable to serve in that capacity, an independent investment and banking institution of national standing appointed by us.

Reference Treasury Dealer means:

Salomon Smith Barney Inc. and its successors; provided that, if Salomon Smith Barney Inc. ceases to be a primary U.S. Government securities dealer in New York City (Primary Treasury Dealer), we will substitute another Primary Treasury Dealer; and

up to four other Primary Treasury Dealers selected by us.

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Reference Treasury Dealer Quotation means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 5:00 p.m. (New York City time) on the third business day preceding that redemption date.

We will mail notice of any redemption at least 30 days but not more than 60 days before the redemption date to each holder of the Notes to be redeemed. If we elect to partially redeem the Notes, the trustee will select in a fair and appropriate manner the Notes to be redeemed.

Unless we default in payment of the redemption price, on and after the redemption date interest will cease to accrue on the Notes or portions of the Notes called for redemption.

Book-Entry Notes

The Notes will be represented by one or more permanent global Notes in definitive, fully registered form without interest coupons. Each beneficial interest in a global Note is referred to as a book-entry Note. Each global Note representing book-entry Notes will be deposited with the trustee, as custodian for, and registered in the name of, a nominee of The Depository Trust Company, as depository, located in the Borough of Manhattan, The City of New York.

Ownership of beneficial interests in book-entry Notes will be limited to persons who have accounts with the depository (participants) or persons who hold interests through participants. Ownership of beneficial interests in book-entry Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by the depository or its nominee (with respect to interests of participants) and the records of participants (with respect to persons other than participants). The laws of some jurisdictions require that certain purchasers of securities take physical delivery of those securities in definitive form. Those laws may impair the ability to transfer book-entry Notes.

So long as the depository, or its nominee, is the registered owner or holder of a global Note, the depository or the nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by that global Note for all purposes under the senior indenture and the Notes. No beneficial owner of an interest in a global Note will be able to transfer that interest except in accordance with the depository's applicable procedures, in addition to those provided for under the senior indenture.

CSX has been advised by the depository that upon the issuance of global Notes representing book-entry Notes, and the deposit of those global Notes with the depository, the depository will immediately credit, on its book-entry registration and transfer system, the respective principal amounts of the book-entry Notes represented by those global Notes to the accounts of participants. The accounts to be credited shall be designated by the underwriters.

Payments of principal of and any premium and interest on book-entry Notes will be made to the depository or its nominee, as the case may be, as the registered owner of those Notes. Those payments to the depository or its nominee, as the case may be, will be made in immediately available funds at the offices of JPMorgan Chase Bank, as paying agent, in the Borough of Manhattan, The City of New York, provided that, in the case of payments of principal and any premium, the global Notes are presented to the paying agent in time for the paying agent to make those payments in immediately available funds in accordance with its normal procedures. None of CSX, the underwriters, the trustee or any agent of CSX, the underwriters or the trustee will have any responsibility or liability for any aspect of the depository's records or any participant's records relating to or payments made on account of book-entry Notes or for maintaining, supervising or reviewing any of the depository's records or any participant's records relating to book-entry Notes.

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Payments of principal of and any premium and interest on book-entry Notes will be made to the depositary or its nominee, as the case may be, as the registered owner of those Notes. Those payments to the depositary or its nominee, as the case may be, will be made in immediately available funds at the offices of JPMorgan Chase Bank, as paying agent, in the Borough of Manhattan, The City of New York, provided that, in the case of payments of principal and any premium, the global Notes are presented to the paying agent in time for the paying agent to make those payments in immediately available funds in accordance with its normal procedures. None of CSX, the underwriters, the trustee or any agent of CSX, the underwriters or the trustee will have any responsibility or liability for any aspect of the depositary's records or any participant's records relating to or payments made on account of book-entry Notes or for maintaining, supervising or reviewing any of the depositary's records or any participant's records relating to book-entry Notes.

CSX expects that the depositary or its nominee upon receipt of any payment of principal of or any premium or interest in respect of a global Note, will immediately credit, on its book-entry registration and transfer system, accounts of participants with payments in amounts proportionate to their respective beneficial interests in the principal amount of the global Notes as shown on the records of the depositary or its nominee. CSX also expects that payments by participants to owners of beneficial interests in book-entry Notes held through those participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in street name, and will be the responsibility of those participants.

Transfers between participants in the depositary will be effected in the ordinary way in accordance with the depositary's rules and will be settled in same-day funds.

CSX expects that the depositary will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account or accounts the depositary interests in a global Note are credited and only in respect of the portion of the aggregate principal amount of the Notes as to which that participant or participants has or have given that direction. However, if there is an event of default under the Notes, the depositary will exchange the applicable global Note for definitive Notes in registered form, which it will distribute to its participants.

CSX understands that the depositary is a limited purpose trust company organized under the laws of the State of New York, a banking organization within the meaning of New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the Uniform Commercial Code, and a Clearing Agency registered pursuant to the provisions of Section 17A of the Exchange Act. The depositary was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions among participants through electronic book-entry changes in accounts of its participants and certain other organizations, thereby eliminating the need for physical movement of securities certificates. The depositary's participants include securities brokers and dealers (including the underwriters), banks, trust companies, clearing corporations, and certain other organizations, some of whom (or their representatives) own interests in the depositary. Indirect access to the depositary's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly (indirect participants).

Although the depositary is expected to follow the foregoing procedures in order to facilitate transfers of interests in a global Note among participants of the depositary, it is under no obligation to perform or continue to perform those procedures and those procedures may be discontinued at any time. Neither CSX, the underwriters nor the trustee will have any responsibility for the performance by the depositary or its respective participants or indirect participants of its respective obligations under the rules and procedures governing their operations.

The global Notes representing book-entry Notes may not be transferred except as a whole by a nominee of the depositary to the depositary or to another nominee of the depositary, or by the depositary or the nominee to a successor of the depositary or a nominee of the successor.

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The global Notes representing book-entry Notes are exchangeable for definitive Notes in registered form, of like tenor and of an equal aggregate principal amount, only if (x) the depositary notifies CSX that it is unwilling or unable to continue as depositary for the global Note or if at any time the depositary ceases to be a Clearing Agency registered under the Exchange Act and a successor depositary is not appointed by CSX within 90 days, (y) CSX in its sole discretion determines that the book-entry Notes will be exchangeable for definitive Notes in registered form or (z) any event has happened and is continuing which, after notice or lapse of time, or both, would become an event of default with respect to the Notes. Any global Note representing book-entry Notes that is exchangeable pursuant to the preceding sentence will be exchangeable in whole for definitive Notes in registered form, of like tenor and of an equal aggregate principal amount, in denominations of U.S. \$1,000 and integral multiples of U.S. \$1,000. Upon the exchange of a global Note for definitive Notes, that global Note will be canceled by the trustee and the definitive Notes will be registered in the names and in the authorized denominations as the depositary, pursuant to instructions from its participants, any indirect participants or otherwise, instruct the trustee. The trustee will deliver those Notes to the persons in whose names those Notes are registered and will recognize those persons as the holders of those Notes.

Except as provided above, owners of book-entry Notes will not be entitled to receive physical delivery of Notes in definitive form and will not be considered the holders of those Notes for any purpose under the senior indenture, and no global Note representing book-entry Notes will be exchangeable, except for another global Note of like denomination and tenor to be registered in the name of the depositary or its nominee. Accordingly, each person owning a book-entry Note must rely on the procedures of the depositary and, if that person is not a participant, on the procedures of the participant through which that person owns its interest, to exercise any rights of a holder under that global Note or the senior indenture. The senior indenture provides that the depositary, as a holder, may appoint agents and otherwise authorize participants to give or take any request, demand, authorization, direction, notice, consent, waiver or other action which a holder is entitled to give or take under the senior indenture. CSX understands that under existing industry practices, if CSX requests any action of holders or an owner of a book-entry Note desires to give or take any action a holder is entitled to give or take under the senior indenture, the depositary would authorize the participants owning the relevant book-entry Notes to give or take that action, and those participants would authorize beneficial owners owning through those participants to give or take that action or would otherwise act upon the instructions of beneficial owners owning through them.

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Salomon Smith Barney Inc. is acting as representative of the underwriters named below.

Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each underwriter named below has agreed to purchase, and we have agreed to sell to that underwriter, the principal amount of Notes set forth opposite the underwriter's name.

<u>Underwriter</u>	<u>Principal Amount of Notes</u>
Salomon Smith Barney Inc.	\$
J.P. Morgan Securities Inc.	
Credit Suisse First Boston Corporation	
Mizuho International plc	
Scotia Capital (USA) Inc.	
Banc One Capital Markets, Inc.	
BNY Capital Markets, Inc.	
PNC Capital Markets, Inc.	
Wachovia Securities, Inc.	
Total	\$200,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase the Notes included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all of the Notes if they purchase any of the Notes.

The underwriters propose to offer some of the Notes directly to the public at the public offering price set forth on the cover page of this prospectus supplement and some of the Notes to dealers at the public offering price less a concession not to exceed •% of the principal amount of the Notes. The underwriters may allow, and dealers may reallow, a concession not to exceed •% of the principal amount of the Notes on sales to other dealers. After the initial offering of the Notes to the public, the representative may change the public offering price and concessions.

The following table shows the underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering (expressed as a percentage of the principal amount of the Notes).

	<u>Paid by CSX</u>
Per Note	%

In connection with the offering, Salomon Smith Barney Inc., on behalf of the underwriters, may purchase and sell Notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves syndicate sales of Notes in excess of the principal amount of Notes to be purchased by the underwriters in the offering, which creates a syndicate short

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position. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover syndicate short positions. Stabilizing transactions consist of certain bids or purchases of Notes made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress.

The underwriters may also impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when Salomon Smith Barney Inc., in covering syndicate short positions or making stabilizing purchases, repurchases Notes originally sold by that syndicate member.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The underwriters may conduct these transactions in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

J.P. Morgan Securities Inc. (JPMorgan) will make the securities available for distribution on the Internet through a proprietary Web site and/or a third-party system operated by Market Axess Inc., an Internet-based communications technology provider. Market Axess Inc. is providing the system as a conduit for communications between JPMorgan and its customers and is not a party to any transactions. Market Axess Inc., a registered broker-dealer, will receive compensation from JPMorgan based on transactions JPMorgan conducts through the system. JPMorgan will make the securities available to its customers through the Internet distributions, whether made through a proprietary or third-party system, on the same terms as distributions made through other channels.

We estimate that our total expenses (excluding underwriting discounts and commissions) for this offering will be approximately \$200,000.

The underwriters have performed investment banking and advisory services for us from time to time for which they have received customary fees and expenses. The underwriters may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business. Certain of the underwriters or their affiliates engage in commercial lending activities with us and are lenders under CSX's bank credit facilities. J.P. Morgan Securities Inc. is an affiliate of the trustee.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

LEGAL MATTERS

Certain legal matters in connection with the offering of the Notes will be passed upon for CSX by McGuireWoods LLP, Richmond, Virginia, and for the underwriters by Shearman & Sterling, New York, New York. Robert L. Burrus, Jr., a partner of McGuireWoods LLP, is a director of CSX.

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PROSPECTUS

\$1,100,000,000

One James Center
901 East Cary Street
Richmond, Virginia 23219
(804) 782-1400

**DEBT SECURITIES, TRUST PREFERRED SECURITIES (AND RELATED
GUARANTEE AND AGREEMENT AS TO EXPENSES AND LIABILITIES),
COMMON STOCK, PREFERRED STOCK, DEPOSITARY SHARES AND
SECURITIES WARRANTS**

We may sell from time to time, in one or more offerings:

debt securities

trust preferred securities, related guarantee and agreement as to expenses and liabilities

common stock

preferred stock

depository shares

warrants for debt securities, common stock or preferred stock

The total offering price of these securities, in the aggregate, will not exceed \$1,100,000,000. We will provide specific terms of these securities in supplements to this prospectus. You should read this prospectus and any supplement carefully before you invest.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus is dated March 20, 2002.

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ABOUT THIS PROSPECTUS

This prospectus is part of a shelf registration statement that CSX Corporation filed with the Securities and Exchange Commission. Under the shelf registration statement, CSX may sell any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of \$1,100,000,000. For further information about our business and the securities, you should refer to the registration statement and its exhibits. The exhibits to the registration statement and the documents we incorporate by reference contain the full text of certain contracts and other important documents summarized in this prospectus. Since these summaries may not contain all the information that you may find important in deciding whether to purchase the securities CSX may offer, you should review the full text of those documents. The registration statement can be obtained from the SEC as indicated under the heading Where You Can Find More Information.

This prospectus provides you with a general description of the securities CSX may offer. Each time CSX sells securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. Any material United States federal income tax considerations will also be discussed in the applicable prospectus supplement. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under the heading Where You Can Find More Information.

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WHERE YOU CAN FIND MORE INFORMATION

CSX files annual, quarterly and special reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC's web site at <http://www.sec.gov>. You may also read and copy any document we file at the SEC's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. You may also read and copy these documents at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

The SEC allows CSX to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. CSX incorporates by reference the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), until CSX sells all of the securities.

Annual Report on Form 10-K for the fiscal year ended December 28, 2001;

Current Report on Form 8-K filed with the SEC on March 6, 2002; and

The description of CSX common stock contained in our Registration Statement on Form 8-B (File No. 1-8022) filed with the SEC on September 25, 1980; and the description of the Rights (described below) contained in our Registration Statement on Form 8-A (File No. 1-8022) filed with the SEC on May 29, 1998 and Form 8-A/A (File No. 1-8022) filed with the SEC on June 28, 2000.

You may request a copy of any filings referred to above, at no cost, by contacting CSX at the following address: Stephen R. Larson, Vice President General Counsel and Corporate Secretary, CSX Corporation, One James Center, 901 East Cary Street, Richmond, Virginia 23219, telephone number (804) 782-1400.

You should rely only on the information contained or incorporated by reference in this prospectus and any prospectus supplement. CSX has not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. CSX will not make an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus, as well as information CSX previously filed with the SEC and incorporated by reference in this prospectus, is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

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CSX CORPORATION

CSX, incorporated in Virginia in 1978 and headquartered in Richmond, Virginia, operates the largest rail network in the eastern United States and also provides intermodal transportation services across the United States and into key markets in Canada and Mexico. Our marine operations include a domestic container shipping company and an international terminal services company. CSX's goal, advanced at each of our business units, is to provide efficient, competitive transportation and related services for our customers and to deliver superior value to our shareholders. Unless the context indicates otherwise, references in this prospectus to CSX are to CSX Corporation and our consolidated subsidiaries.

CSX Transportation Inc. (CSXT)

CSXT is the largest rail network in the eastern United States, providing rail freight transportation over a network of more than 23,300 route miles in 23 states, the District of Columbia and two Canadian provinces. Headquartered in Jacksonville, Florida, CSXT accounted for 75% of CSX's operating revenue and 78% of operating income in 2001.

CSX Intermodal Inc. (CSXI)

CSXI is the nation's only transcontinental intermodal transportation service provider, operating a network of dedicated intermodal facilities across North America. The CSXI network runs approximately 500 dedicated trains between our 49 terminals every week. CSXI accounted for 14% of CSX's operating revenue and 11% of operating income in 2001. CSXI's headquarters are located in Jacksonville, Florida.

CSX Lines LLC

CSX Lines operates a domestic liner business consisting of a fleet of 16 vessels and 27,000 containers serving the trade between ports on the United States mainland and Alaska, Guam, Hawaii and Puerto Rico. CSX Lines accounted for 8% of CSX's operating revenue and 3% of operating income in 2001. CSX Lines is headquartered in Charlotte, North Carolina.

CSX World Terminals LLC

CSX World Terminals operates container-freight terminal facilities in Hong Kong, China, Australia, Europe and Latin America. CSX World Terminals accounted for 3% of CSX's operating revenue and 7% of operating income in 2001. CSX World Terminals is headquartered in Charlotte, North Carolina.

Non-Transportation

Our non-transportation holdings include: the AAA Five-Diamond hotel, The Greenbrier, in White Sulphur Springs, West Virginia; CSX Real Property Inc., which is responsible for sales, leasing and development of CSX-owned properties; and a majority interest in Yukon Pacific Corporation, which is promoting construction of the Trans-Alaska Gas System to transport Alaska's North Slope natural gas to Valdez for export to Asian markets.

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CSX CAPITAL TRUST I

CSX Capital Trust I (the Trust) is a statutory business trust formed under Delaware law by us, as sponsor for the Trust, and Chase Manhattan Bank USA, National Association, who will serve as trustee in the State of Delaware for the purpose of complying with the provisions of the Delaware Business Trust Act. The trust agreement for the Trust will be amended and restated substantially in the form filed as an exhibit to the registration statement, effective when securities of the Trust are initially issued. The amended trust agreement will be qualified as an indenture under the Trust Indenture Act of 1939. The Trust exists for the exclusive purposes of:

issuing two classes of trust securities, trust preferred securities and trust common securities, which together represent undivided beneficial interests in the assets of the Trust;

investing the gross proceeds of the trust securities in our subordinated debt securities;

making distributions; and

engaging in only those other activities necessary, advisable or incidental to the purposes listed above.

Subordinated debt securities of CSX will be the sole assets of the Trust, and our payments under those subordinated debt securities and the agreement as to expenses and liabilities will be the sole revenue of the Trust. No separate financial statements of the Trust are included in this prospectus. CSX considers that those financial statements would not be material to holders of the trust preferred securities because the Trust has no independent operations and the purpose of the Trust is as described above. The Trust is not required to file annual, quarterly or special reports with the SEC.

The principal place of business of the Trust will be c/o CSX Corporation, One James Center, 901 East Cary Street, Richmond, Virginia 23219, telephone number (804) 782-1400.

Table of Contents**FORWARD-LOOKING STATEMENTS**

This prospectus, including documents incorporated by reference, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Exchange Act. Estimates, forecasts and other forward-looking statements included, or incorporated by reference, in this prospectus are based on many assumptions about complex economic and operating factors with respect to industry performance, general business and economic conditions and other matters that cannot be predicted accurately and that are subject to contingencies over which CSX has no control. Forward-looking statements are subject to uncertainties and other factors that may cause actual results to differ materially from the views, beliefs, and projections expressed in those statements. The words believe, expect, anticipate, project, and similar expressions signify forward-looking statements.

Factors that may cause actual results to differ materially from those contemplated by these forward-looking statements include, among others, the following possibilities:

general economic or business conditions, either nationally or internationally, an increase in fuel prices, a tightening of the labor market or changes in demands of organized labor resulting in higher wages, or increased benefits or other costs or disruption of operations may adversely affect our businesses;

legislative or regulatory changes, including possible enactment of initiatives to re-regulate the rail industry, may adversely affect our businesses;

possible additional consolidation of the rail industry in the near future may adversely affect our operations and business; and

changes may occur in the securities and capital markets.

You are cautioned not to place undue reliance on any forward-looking statements made by or on behalf of CSX. Forward-looking statements speak only as of the date the statement was made. We undertake no obligation to update or revise any forward-looking statement.

RATIO OF EARNINGS TO FIXED CHARGES

CSX's consolidated ratio of earnings to fixed charges for each of the fiscal periods indicated is as follows:

	For the Fiscal Years Ended				
	Dec. 28, 2001	Dec. 29, 2000	Dec. 31, 1999	Dec. 25, 1998	Dec. 26, 1997
Ratio of earnings to fixed charges(a)(b)	1.7x	1.4x	1.1x	1.7x	2.5x

- (a) For purposes of computing the ratio of earnings to fixed charges, earnings represent earnings from operations before income taxes plus interest expense related to indebtedness, amortization of debt discount and the interest portion of fixed rent expense, less undistributed earnings of affiliates accounted for using the equity method. Fixed charges include interest on indebtedness (whether expensed or capitalized), amortization of debt discount and the interest portion of fixed rent expense.
- (b) Pretax earnings for the fiscal years ended December 28, 2001, December 31, 1999 and December 25, 1998 include the effects of various non-recurring gains and charges. These items are summarized as follows:
- (1) A pretax loss of \$60 million for the proposed settlement of CSX's New Orleans Tank Car Fire litigation included in the year ended December 28, 2001.

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- (2) A pretax loss of \$360 million related to an impairment charge related to the sale of assets comprised of the international liner business of SL Service, Inc. (formerly Sea-Land Service, Inc.), a wholly-owned subsidiary of CSX, and certain container terminal facilities is included in the year ended December 31, 1999.
- (3) A pretax gain of \$27 million from the sale of CSX's investment in Grand Teton Lodge Company, a wholly-owned subsidiary located in Jackson Hole, Wyoming is included in the year ended December 31, 1999.
- (4) A pretax gain of \$154 million primarily from the conveyance of CSX's barge subsidiary to a joint venture is included for the year ended December 25, 1998.
- (5) A restructuring credit of \$30 million to reverse a charge taken in 1995 related to a restructuring plan is included for the year ended December 25, 1998.

Excluding these items, the ratio of earnings to fixed charges for each of the periods indicated below would have been:

Fiscal year ended December 28, 2001	1.8x
Fiscal year ended December 31, 1999	1.5x
Fiscal year ended December 25, 1998	1.4x

USE OF PROCEEDS

CSX will use the net proceeds from the sale of the securities for general corporate purposes, which may include reduction or refinancing of outstanding indebtedness, capital expenditures, working capital requirements, implementation of work force reductions, improvements in productivity and other cost reductions at our major transportation units, and redemptions and repurchases of certain outstanding securities. CSX has not specifically allocated the proceeds to those purposes as of the date of this prospectus. The precise amount and timing of the application of proceeds from the sale of securities will depend upon the funding requirements of CSX and the availability and cost of other funds at the time of the sale. Allocation of the proceeds of a particular series of securities, or the principal reasons for the offering if no allocation has been made, will be described in the applicable prospectus supplement.

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DESCRIPTION OF DEBT SECURITIES

CSX may issue debt securities either separately, or together with, or upon the conversion of or in exchange for, other securities. The debt securities will be either senior unsecured obligations or subordinated unsecured obligations of CSX. Senior debt securities will be issued under a senior indenture dated as of August 1, 1990 between CSX and JPMorgan Chase Bank, formerly The Chase Manhattan Bank, as trustee, as currently supplemented and amended and as further supplemented and amended from time to time. Subordinated debt securities will be issued under a subordinated indenture to be entered into between CSX and JPMorgan Chase Bank, as trustee, as further supplemented and amended from time to time. Copies of the senior indenture and a form of the subordinated indenture have been incorporated by reference in, or filed as exhibits to, the registration statement of which this prospectus is a part. The senior indenture and the subordinated indenture are sometimes referred to collectively as the indentures. The trustee under the senior indenture and the trustee under the subordinated indenture are sometimes referred to collectively as the trustees.

The summary of certain provisions of the indentures and the debt securities set forth below and the summary of certain terms of a particular series of debt securities set forth in the applicable prospectus supplement do not purport to be complete and are subject to and are qualified in their entirety by reference to all of the provisions of the indentures, which provisions of the indentures (including defined terms) are incorporated in this description of debt securities by reference.

The debt securities may be issued from time to time in one or more series of senior debt securities and one or more series of subordinated debt securities. Neither indenture limits the aggregate principal amount of debt securities that may be issued under it and provides that debt securities of any series may be issued under that indenture up to an aggregate principal amount that may be authorized from time to time by CSX. The terms of each series of debt securities will be established by or pursuant to a resolution of our Board of Directors and set forth or determined in the manner provided in an officer's certificate or by a supplemental indenture. The following description of debt securities summarizes certain general terms and provisions of the series of debt securities to which any prospectus supplement may relate. The particular terms of each series of debt securities offered by a prospectus supplement or prospectus supplements will be described in the prospectus supplement or prospectus supplements relating to that series.

Unless otherwise indicated, currency amounts in this prospectus and any prospectus supplement are stated in United States dollars.

General

The prospectus supplement for a particular series of debt securities will describe the specific terms of that series, including (where applicable):

the title of the debt securities;

any limit on the aggregate principal amount of the debt securities;

whether the debt securities are to be issuable as registered debt securities or bearer debt securities or both, whether any of the debt securities are to be issuable initially in temporary global form and whether any of the debt securities are to be issuable in permanent global form;

the price or prices (expressed as a percentage of the aggregate principal amount of the debt securities) at which the debt securities will be issued;

the date or dates on which the debt securities will mature;

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the rate or rates per annum at which the debt securities will bear interest, if any, or the formula pursuant to which the rate or rates will be determined, and the date or dates from which interest will accrue;

the interest payment dates on which interest on the debt securities will be payable and the regular record date for any interest payable on any registered debt securities on any interest payment date;

the person to whom any interest on any registered debt securities of the series will be payable, if other than the person in whose name that debt security (or one or more predecessor debt securities) is registered at the close of business on the regular record date for that interest, the manner in which, or the person to whom, any interest on any bearer debt security of the series will be payable, if otherwise than upon presentation and surrender of the applicable coupons, and the extent to which, or the manner in which, any interest payable on a temporary global debt security on an interest payment date will be paid if other than in the manner provided in the relevant indenture and the extent to which, or the manner in which, any interest payable on a permanent global debt security on an interest payment date will be paid;

each office or agency where, subject to the terms of the indenture as described below under **Payment and Paying Agents**, the principal of and any premium and interest on the debt securities will be payable and each office or agency where, subject to the terms of the indenture as described below under **Form, Exchange, Registration and Transfer**, the debt securities may be presented for registration of transfer or exchange;

the period or periods within which and the price or prices at which the debt securities may, pursuant to any optional redemption provisions, be redeemed, in whole or in part, at our option and the other detailed terms and conditions of any optional redemption provisions;

the obligation, if any, of CSX to redeem or purchase the debt securities pursuant to any sinking fund or analogous provisions or at the option of the holder of the debt securities and the period or periods within which and the price or prices at which the debt securities will be redeemed or purchased, in whole or in part, pursuant to that obligation, and the other detailed terms and conditions of that obligation;

the denominations in which any registered debt securities will be issuable, if other than denominations of \$1,000 and any integral multiple of \$1,000, and the denomination or denominations in which bearer debt securities will be issuable, if other than denominations of \$5,000;

the currency or currencies, including currency units, in which payment of principal of and any premium and interest on the debt securities will be payable if other than U.S. dollars and the ability, if any, of CSX or the holders of the debt securities to have payments made in any currency other than those in which the debt securities are stated to be payable;

whether the amount of payments of principal of, premium, if any, and interest, if any, on the debt securities may be determined with reference to an index and the manner in which those amounts will be determined;

the portion of the principal amount of the debt securities that will be payable upon acceleration if other than the full principal amount;

any limitation on the application of the terms of the indenture described below under **Discharge, Defeasance and Covenant Defeasance** ;

the terms, if any, upon which the debt securities may be convertible into or exchangeable for other securities;

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whether the debt securities will be senior debt securities or subordinated debt securities; and

any other terms of the debt securities not inconsistent with the provisions of the relevant indenture.

The prospectus supplement will also describe any special provisions for the payment of additional amounts relating to specified taxes, assessments or other governmental charges in respect of the debt securities of that series and whether CSX has the option to redeem the affected debt securities rather than pay those additional amounts.

As used in this prospectus and any prospectus supplement relating to the offering of any debt securities, references to the principal of and premium, if any, and interest, if any, on the debt securities will be deemed to include mention of the payment of additional amounts, if any, required by the terms of the debt securities.

If the purchase price of any debt securities is payable in a currency other than U.S. dollars or if principal of, or premium, if any, or interest, if any, on any of the debt securities is payable in any currency other than U.S. dollars, the specific terms and other information with respect to those debt securities and that currency will be specified in the related prospectus supplement.

Debt securities of a series may also be issued under the indenture upon the exercise of debt warrants issued by CSX. See Description of Debt Warrants.

The indentures do not contain any provisions that may afford the holders of debt securities of any series protection in the event of a highly leveraged transaction or other transaction that may occur in connection with a takeover attempt resulting in a decline in the credit rating of the debt securities. Those provisions, if applicable to the debt securities of any series, will be described in the related prospectus supplement.

Form, Exchange, Registration and Transfer

Unless otherwise indicated in the applicable prospectus supplement, each series of debt securities will be issued in registered form only, without coupons. The indentures, however, provide that CSX may also issue debt securities in bearer form only, or in both registered and bearer form. Bearer debt securities will not be offered, sold, resold or delivered in connection with their original issuance in the United States or to any United States person other than offices located outside the United States of certain United States financial institutions. Purchasers of bearer debt securities will be subject to certification procedures and may be affected by certain limitations under United States tax laws. Those procedures and limitations will be described in the prospectus supplement relating to the offering of the bearer debt securities. Unless otherwise indicated in an applicable prospectus supplement or prospectus supplements, bearer debt securities will have interest coupons attached. The indentures also will provide that debt securities of a series may be issuable in temporary or permanent global form. See Global Debt Securities.

At the option of the holder, subject to the terms of the relevant indenture, registered debt securities of any series will be exchangeable for other registered debt securities of the same series of any authorized denominations and of a like aggregate principal amount and tenor. In addition, if debt securities of any series are issuable as both registered debt securities and bearer debt securities, at the option of the holder, subject to the terms of the relevant indenture, bearer debt securities (with all unmatured coupons, except as provided below, and with all matured coupons in default) of that series will be exchangeable for registered debt securities of the same series of any authorized denominations and of a like aggregate principal amount and tenor. Bearer debt securities surrendered in exchange for registered debt securities between a regular record date or a special record date and the relevant date

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for payment of interest will be surrendered without the coupon relating to that date for payment of interest and interest will not be payable in respect of the registered debt security issued in exchange for that bearer debt security, but will be payable only to the holder of the coupon when due in accordance with the terms of the indenture. Registered debt securities, including registered debt securities received in exchange for bearer debt securities, may not be exchanged for bearer debt securities. Each bearer debt security and coupon will bear a legend to the following effect:

Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.

Debt securities may be presented for exchange as provided above, and registered debt securities may be presented for registration of transfer (with the form of transfer duly executed), at the office of the security registrar or at the office of any transfer agent designated by CSX for that purpose with respect to any series of debt securities and referred to in an applicable prospectus supplement, without a service charge and upon payment of any taxes and other governmental charges as described in the relevant indenture. The transfer or exchange will be effected upon the records of the security registrar or the transfer agent, as the case may be, being satisfied with the documents of title and identity of the person making the request. CSX has appointed the trustee as security registrar. If a prospectus supplement refers to any transfer agent (in addition to the security registrar) initially designated by CSX with respect to any series of debt securities, CSX may at any time rescind the designation of that transfer agent or approve a change in the location through which that transfer agent acts, except that, if debt securities of a series are issuable solely as registered debt securities, CSX will be required to maintain a transfer agent in each place of payment for that series and, if debt securities of a series are issuable as bearer debt securities, CSX will be required to maintain (in addition to the security registrar) a transfer agent in a place of payment for that series located outside the United States and its possessions. CSX may at any time designate additional transfer agents with respect to any series of debt securities.

In the event of any partial redemption, CSX will not be required to

issue, register the transfer of or exchange any debt security during a period beginning at the opening of business 15 days before any selection for redemption of debt securities of like tenor and of the series of which that debt security is a part, and ending at the close of business on the earliest date on which the relevant notice of redemption is deemed to have been given to all holders of debt securities of like tenor and of the series to be redeemed;

register the transfer of or exchange any registered debt security so selected for redemption, in whole or in part, except the unredeemed portion of any debt security being redeemed in part; or

exchange any bearer debt security so selected for redemption, except to exchange that bearer debt security for a registered debt security of that series and like tenor which is immediately surrendered for redemption.

Payment and Paying Agents

Unless otherwise indicated in an applicable prospectus supplement, principal of and any premium and interest on bearer debt securities will be payable, subject to any applicable laws and regulations, at the offices of paying agents outside the United States and its possessions that CSX may designate from time to time or, at the option of the holder, by check or by transfer to an account maintained by the payee with a financial institution located outside the United States and its possessions. Unless otherwise indicated in an applicable prospectus supplement, payment of interest on a bearer debt security on any interest payment date will be made only against surrender to the paying agent of the

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coupon relating to that interest payment date. No payment with respect to any bearer debt security will be made at any office or agency of CSX in the United States or its possessions or by check mailed to any address in the United States or its possessions or by transfer to any account maintained with a financial institution located in the United States or its possessions. However, payments of principal of and any premium and interest on bearer debt securities denominated and payable in U.S. dollars will be made at the office of the paying agent in the Borough of Manhattan, The City of New York, if (but only if) payment of the full amount in U.S. dollars at all offices or agencies outside the United States and its possessions is illegal or effectively precluded by exchange controls or other similar restrictions.

Unless otherwise indicated in an applicable prospectus supplement, principal of and any premium and interest on registered debt securities will be payable, subject to any applicable laws and regulations, at the office of the paying agent or paying agents that CSX may designate from time to time, except that at our option payment of any interest may be made by check mailed to the address of the person entitled to that payment as that address appears in the security register. Unless otherwise indicated in an applicable prospectus supplement, payment of interest on a registered debt security on any interest payment date will be made to the person in whose name that registered debt security (or predecessor debt security) is registered at the close of business on the regular record date for that interest.

Unless otherwise indicated in an applicable prospectus supplement, the corporate trust office of the trustee in The City of New York will be designated as a paying agent for CSX for payments with respect to debt securities of each series which are issuable solely as registered debt securities and as a paying agent for payments with respect to debt securities of each series (subject to the limitations described above in the case of bearer debt securities) which are issuable solely as bearer debt securities or as both registered debt securities and bearer debt securities. Any paying agents outside the United States and its possessions and any other paying agents in the United States or its possessions initially designated by CSX for the debt securities of each series will be named in the applicable prospectus supplement. CSX may at any time designate additional paying agents or rescind the designation of any paying agent or approve a change in the office through which any paying agent acts, except that if debt securities of a series are issuable solely as registered debt securities, CSX will be required to maintain a paying agent in each place of payment for that series and, if debt securities of a series are issuable as bearer debt securities, CSX will be required to maintain

a paying agent in the Borough of Manhattan, The City of New York for payments with respect to any registered debt securities of the series (and for payments with respect to bearer debt securities of the series in the circumstances described above, but not otherwise), and

a paying agent in a place of payment located outside the United States and its possessions where debt securities of that series and any related coupons may be presented and surrendered for payment;

provided, however, that if the debt securities of that series are listed on The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited, the Luxembourg Stock Exchange or any other stock exchange located outside the United States and its possessions and that stock exchange requires CSX to do so, CSX will maintain a paying agent in London, Luxembourg or any other required city located outside the United States and its possessions, as the case may be, for the debt securities of that series.

All moneys paid by CSX to a paying agent for the payment of the principal of and any premium or interest on any debt security of any series which remain unclaimed at the end of two years after that principal, premium or interest has become due and payable will be repaid to CSX and the holder of that debt security or any related coupon will after that time look only to CSX for payment of that principal, premium or interest.

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Ranking of Debt Securities; Holding Company Structure

The senior debt securities will be unsecured unsubordinated obligations of CSX and will rank on a parity in right of payment with all other unsecured and unsubordinated indebtedness of CSX. The subordinated debt securities will be unsecured obligations of CSX and will be subordinated in right of payment to all existing and future senior indebtedness (as defined below) of CSX. See Additional Terms of Subordinated Debt Securities Subordination.

The debt securities are obligations exclusively of CSX. CSX is a holding company, substantially all of whose consolidated assets are held by our subsidiaries. Accordingly, the cash flow of CSX and the consequent ability to service our debt, including the debt securities, are largely dependent upon the earnings of those subsidiaries.

Because CSX is a holding company, the debt securities will be effectively subordinated to all existing and future indebtedness, trade payables, guarantees, lease obligations and letter of credit obligations of CSX's subsidiaries. Therefore, CSX's rights and the rights of our creditors, including the holders of the debt securities, to participate in the assets of any subsidiary upon the latter's liquidation or reorganization will be subject to the prior claims of that subsidiary's creditors, except to the extent that CSX may itself be a creditor with recognized claims against the subsidiary, in which case the claims of CSX would still be effectively subordinate to any security interest in, or mortgages or other liens on, the assets of that subsidiary and would be subordinate to any indebtedness of that subsidiary senior to that held by CSX. Although certain debt instruments to which CSX and our subsidiaries are parties impose limitations on the incurrence of additional indebtedness, both CSX and our subsidiaries retain the ability to incur substantial additional indebtedness and lease and letter of credit obligations.

Global Debt Securities

The debt securities of a series may be issued in whole or in part in the form of one or more global securities that will be deposited with, or on behalf of, a depositary identified in the prospectus supplement relating to that series. Global debt securities may be issued in either registered or bearer form and in either temporary or permanent form. Unless and until it is exchanged in whole or in part for individual certificates evidencing debt securities in definitive form, a global debt security may not be transferred except as a whole by the depositary for that global debt security to a nominee of the depositary or by a nominee of the depositary to the depositary or another nominee of the depositary or by the depositary or any nominee to a successor of the depositary or a nominee of the successor.

The specific terms of the depositary arrangement with respect to a series of global debt securities and certain limitations and restrictions relating to a series of global bearer debt securities will be described in the prospectus supplement relating to that series.

Redemption and Repurchase

The debt securities of any series may be redeemable at our option, may be subject to mandatory redemption pursuant to a sinking fund or otherwise, or may be subject to repurchase by us at the option of the holders, in each case upon the terms, at the times and at the prices set forth in the applicable prospectus supplement.

Conversion and Exchange

The terms, if any, on which debt securities of any series are convertible into or exchangeable for our common stock, preferred stock, depositary shares or other debt securities will be set forth in the applicable prospectus supplement. Those terms may include provisions for conversion or exchange, either mandatory, at the option of the holders or at our option.

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Certain Covenants and Agreements of CSX

The indentures do not limit the amount of indebtedness or lease obligations that may be incurred by CSX and our subsidiaries. The indentures do not contain provisions that would give holders of the debt securities the right to require CSX to repurchase their debt securities in the event of a decline in the credit rating of our debt securities resulting from a takeover, recapitalization or similar restructuring.

Covenant in the Senior Indenture Limitation on Liens on Stock of Our Principal Subsidiaries.

The following covenant will be applicable to senior debt securities but not to subordinated debt securities. The senior indenture provides that CSX may not, nor may it permit any subsidiary to, create, assume, incur or suffer to exist any mortgage, pledge, lien, encumbrance, charge or security interest of any kind upon any stock or indebtedness, whether owned on the date of the senior indenture or acquired later, of any principal subsidiary, to secure any obligation (other than the senior debt securities) of CSX, any subsidiary or any other person, unless all of the outstanding senior debt securities (and other outstanding debt securities issued from time to time pursuant to the senior indenture) will be directly secured equally and ratably with that obligation. This provision does not restrict any other property of CSX or our subsidiaries. The senior indenture defines obligation as indebtedness for money borrowed or indebtedness evidenced by a bond, note, debenture or other evidence of indebtedness; principal subsidiary as CSXT; and subsidiary as a corporation a majority of the outstanding voting stock of which is owned, directly or indirectly, by CSX or one or more subsidiaries, or by CSX and one or more subsidiaries. The indentures do not prohibit the sale by CSX or any subsidiary of any stock or indebtedness of any subsidiary, including any principal subsidiary.

Provision in Both Indentures Consolidation, Merger and Sale of Assets.

The following provision will be applicable to both senior debt securities and subordinated debt securities. Each indenture provides that CSX may, without the consent of the holders of any of the outstanding debt securities of a series, consolidate with, merge into or transfer our assets substantially as an entirety to any corporation organized under the laws of any domestic or foreign jurisdiction, provided that

the successor corporation assumes, by a supplemental indenture, CSX's obligations on the debt securities of each series and under the indenture,

after giving effect to the transaction, no event of default, and no event which, after notice or lapse of time, or both, would become an event of default will have occurred and be continuing, and

CSX delivers to the relevant trustee an officer's certificate and an opinion of counsel each stating that the transaction and supplemental indenture, if any, comply with the applicable article of the indenture and that all conditions precedent in the indenture relating to the transaction have been complied with.

Events of Default

An event of default with respect to the debt securities of any series is defined in the relevant indenture as being a:

failure to pay principal of or any premium on any of the debt securities of that series when due;

failure to pay any interest on any debt security of that series when due, continued for 30 days;

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failure to deposit any sinking fund payment, when due, in respect of any debt security of that series;

failure to perform any other covenant of CSX in the relevant indenture (other than a covenant included in that indenture solely for the benefit of series of debt securities other than that series) continued for 90 days after written notice as provided in the indenture;

certain events of bankruptcy, insolvency or reorganization of CSX; or

any other event of default provided with respect to debt securities of that series.

No event of default with respect to any particular series of debt securities necessarily constitutes an event of default with respect to any other series of debt securities. Each indenture provides that the trustee may withhold notice to the holders of the debt securities of any series of the occurrence of a default with respect to the debt securities of that series (except a default in payment of principal, premium, if any, interest, if any, or sinking fund payments, if any) if the trustee considers it in the interest of the holders to do so.

Subject to the provisions of the Trust Indenture Act requiring each trustee, during an event of default under the relevant indenture, to act with the requisite standard of care, and to the provisions of the relevant indenture relating to the duties of the trustee in case an event of default occurs and is continuing, a trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders of debt securities of any series or any related coupons unless those holders offer to the trustee reasonable indemnity. Subject to the provisions for the indemnification of the relevant trustee, the holders of a majority in aggregate principal amount of the outstanding debt securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the relevant trustee, or exercising any trust or power conferred on the trustee, with respect to debt securities of that series.

If an event of default with respect to debt securities of any series at the time outstanding occurs and is continuing, either the relevant trustee or the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series may declare the principal of all those outstanding debt securities to be due and payable immediately. At any time after a declaration of acceleration with respect to debt securities of any series has been made but before a judgment or decree for payment of money due has been obtained by the relevant trustee, the holders of a majority in aggregate principal amount of outstanding debt securities of that series may rescind any declaration of acceleration and its consequences, if all payments due (other than those due as a result of acceleration) have been made and all events of default have been cured or waived.

No holder of any debt securities of any series or any related coupons will have any right to institute any proceeding with respect to the relevant indenture or for any remedy under the indenture, unless that holder has previously given to the relevant trustee written notice of a continuing event of default with respect to debt securities of that series, the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series have made written request, and offered reasonable indemnity, to the relevant trustee to institute the proceeding as trustee, and the trustee has not received from the holders of a majority in aggregate principal amount of the outstanding debt securities of that series a direction inconsistent with that request and has failed to institute the proceeding within 60 days. However, these limitations do not apply to a suit instituted by a holder of an outstanding debt security of that series for enforcement of payment of the principal of, or any premium or interest on, that debt security on or after the respective due dates expressed in that debt security.

CSX is required to furnish to the relevant trustee annually a statement as to performance or fulfillment of covenants, agreements or conditions in the relevant indenture and as to the absence of default.

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Meetings, Modification and Waiver

Each indenture contains provisions permitting CSX and the relevant trustee, with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding debt securities of each series issued under that indenture and affected by a modification or amendment (voting as one class), to modify or amend any of the provisions of that indenture or of those debt securities or the rights of the holders of those debt securities under that indenture, provided that no modification or amendment will, without the consent of each holder of each outstanding debt security affected by that modification or amendment:

change the stated maturity of the principal of, or any installment of principal of or interest on, any debt security, or reduce the principal amount of or the rate of interest on or any premium payable upon the redemption of any debt security, or change any obligation of CSX to pay additional amounts (except as contemplated and permitted by the indenture), or reduce the amount of the principal of an original issue discount security that would be due and payable upon a declaration of acceleration of the maturity of that security or change the coin or currency in which any debt security or any premium or interest on any debt security is payable, or impair the right to institute suit for the enforcement of any payment on or after the stated maturity of any debt security (or, in the case of redemption, on or after the redemption date),

reduce the percentage in principal amount of the debt securities, the consent of the holders of which is required for any modification or amendment or the consent of whose holders is required for any waiver (of compliance with certain provisions of the indenture or certain defaults under the indenture and their consequences) or reduce the requirements for a quorum or voting at a meeting of holders of the debt securities,

change any obligation of CSX to maintain an office or agency in the places and for the purposes required by the indenture,

solely in the case of the subordinated indenture, modify any of the provisions of the subordinated indenture relating to subordination of the subordinated debt securities or the definition of senior indebtedness in a manner adverse to the holders of the subordinated debt securities, or

modify any of the above provisions (except as permitted by the indenture).

Each indenture also contains provisions permitting CSX and the relevant trustee, without the consent of the holders of the debt securities issued under the indenture, to modify or amend the indenture in order, among other things:

to add any additional events of default or add to the covenants of CSX for the benefit of the holders of all or any series of debt securities issued under the indenture;

to establish the form or terms of debt securities of any series;

to cure any ambiguity, to correct or supplement any provision in the indenture which may be inconsistent with any other provision in the indenture, or to make any other provisions with respect to matters or questions arising under the indenture which will not adversely affect the interests of the holders of any debt securities issued under the indenture in any material respect; or

to change or eliminate any of the provisions of the indenture, provided that the change or elimination will become effective only when there is no debt security outstanding of any series issued under the indenture created prior to the execution of the supplemental indenture which is entitled to the benefit of that provision.

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The holders of at least a majority in aggregate principal amount of the outstanding debt securities of a series may, on behalf of the holders of all the debt securities of that series, waive, insofar as that series is concerned, compliance by CSX with certain restrictive provisions of the indenture, including the covenant described above under Certain Covenants and Agreements of CSX Covenant in the Senior Indenture Limitation on Liens on Stock of Our Principal Subsidiaries. The holders of not less than a majority in aggregate principal amount of the outstanding debt securities of a series may, on behalf of all holders of debt securities of that series and any related coupons, waive any past default under the indenture with respect to debt securities of that series, except a default (a) in the payment of principal of or any premium or interest on any debt security of that series or (b) in respect of a covenant or provision of the indenture which cannot be modified or amended without the consent of the holder of each outstanding debt security of the series affected.

Each indenture provides that in determining whether the holders of the requisite principal amount of the outstanding debt securities have given any request, demand, authorization, direction, notice, consent or waiver under that indenture or are present at a meeting of holders of debt securities for quorum purposes,

- (1) the principal amount of an original issue discount debt security that will be deemed to be outstanding will be the amount of the principal that would be due and payable as of the date of the determination upon acceleration of the maturity thereof,
- (2) the principal amount of a debt security denominated in a foreign currency or currency unit will be the U.S. dollar equivalent, determined as of the date of original issuance of that debt security, of the principal amount of that debt security or, in the case of an original issue discount debt security, the U.S. dollar equivalent, determined as of the date of original issuance of that debt security, of the amount determined as provided in (1) above and
- (3) any debt security owned by CSX or any other obligor on that debt security or any affiliate of CSX or other obligor will be deemed not to be outstanding.

Each indenture contains provisions for convening meetings of the holders of debt securities of any or all series. A meeting may be called at any time by the relevant trustee, and also, upon request, by CSX or the holders of at least 10% in aggregate principal amount of the outstanding debt securities of that series, in each case upon notice given in accordance with Notices below and the provisions of the relevant indenture. Except for any consent which must be given by the holder of each outstanding debt security that would be affected as described above, any resolution presented at a meeting, or adjourned meeting duly reconvened, at which a quorum (as described below) is present may be adopted by the affirmative vote of the holders of a majority in principal amount of the outstanding debt securities of that series; provided, however, that, except for any consent which must be given by the holder of each outstanding debt security that would be affected, as described above, any resolution with respect to any consent, waiver, request, demand, notice, authorization, direction or other action which may be given by the holders of not less than a specified percentage in principal amount of the outstanding debt securities of a series may be adopted at a meeting, or an adjourned meeting duly reconvened, at which a quorum is present only by the affirmative vote of the holders of not less than the specified percentage in principal amount of the outstanding debt securities of that series.

Any resolution passed or decision taken at any meeting of holders of debt securities of any series duly held in accordance with the relevant indenture will be binding on all holders of debt securities of that series and the related coupons. The quorum required for any meeting called to adopt a resolution, and at any reconvened meeting, will be persons holding or representing a majority in principal amount of the outstanding debt securities of a series; provided, however, that if any action is to be taken at that meeting with respect to a consent, waiver, request, demand, notice, authorization, direction or other

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action which may be given by the holders of not less than a specified percentage in principal amount of the outstanding debt securities of a series, the persons holding or representing that specified percentage in principal amount of the outstanding debt securities of the series will constitute a quorum.

Notices

Except as otherwise provided in the indenture, notices to holders of bearer debt securities will be given by publication at least twice in a daily newspaper of general circulation in The City of New York and in any other city or cities as may be specified in those debt securities. Notices to holders of registered debt securities will be given by mail to the addresses of those holders as they appear in the security register.

Title

Title to any bearer debt securities (including bearer debt securities in temporary global form and in permanent global form) and any related coupons will pass by delivery. CSX, the trustee and any agent of CSX or the trustee may treat the bearer of any bearer debt security and the bearer of any coupon and the registered owner of any registered debt security as the absolute owner (whether or not that debt security or coupon is overdue and notwithstanding any notice to the contrary) for the purpose of making payment and for all other purposes.

Replacement of Debt Securities

Any mutilated debt security or a debt security with a mutilated coupon will be replaced by CSX at the expense of the holder upon surrender of that debt security to the relevant trustee. Debt securities or coupons that become destroyed, lost or stolen will be replaced by CSX at the expense of the holder upon delivery to the relevant trustee of evidence of the destruction, loss or theft satisfactory to CSX and the relevant trustee; in the case of any coupon which becomes destroyed, lost or stolen, that coupon will be replaced by issuance of a new debt security in exchange for the debt security to which the coupon appertains. In the case of a destroyed, lost or stolen debt security or coupon, an indemnity satisfactory to the trustee and CSX may be required at the expense of the holder of that debt security or coupon before a replacement debt security will be issued.

Discharge, Defeasance and Covenant Defeasance

Upon the direction of CSX, either indenture will generally cease to be of further effect with respect to any series of debt securities issued under that indenture specified by CSX (subject to the survival of certain provisions of that indenture) when

CSX has delivered to the relevant trustee for cancellation all debt securities issued under that indenture or

all debt securities issued under that indenture not previously delivered to the relevant trustee for cancellation have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year, and CSX has deposited with the relevant trustee as trust funds the entire amount sufficient to pay and discharge at stated maturity or upon redemption the entire indebtedness on all debt securities issued under that indenture

(and if, in either case, CSX has paid or caused to be paid all other sums payable under the relevant indenture with respect to the debt securities of that series by CSX and CSX has delivered an officer's certificate and an opinion of counsel each stating that the requisite conditions have been complied with).

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In addition, unless otherwise provided in an applicable prospectus supplement, CSX may elect with respect to any series of debt securities either

- (1) to defease and be discharged from any and all obligations with respect to those debt securities (except as otherwise provided in the relevant indenture) (defeasance) or
- (2) to be released from our obligations with respect to those debt securities described above under Certain Covenants and Agreements of CSX Covenant in the Senior Indenture Limitation on Liens on Stock of Our Principal Subsidiaries (which covenant appears only in the senior indenture) and certain other restrictive covenants in the relevant indenture and, if indicated in the applicable prospectus supplement, our obligations with respect to any other covenant applicable to the debt securities of that series (covenant defeasance).

If we exercise our defeasance option with respect to any series of debt securities, payment of those debt securities may not be accelerated because of an event of default. If we exercise our covenant defeasance option with respect to any series of debt securities, payment of those debt securities may not be accelerated because of an event of default related to the covenants noted under clause (2) of the immediately preceding paragraph. We may exercise our defeasance option with respect to those debt securities even though we may have previously exercised our covenant defeasance option.

If CSX effects covenant defeasance with respect to any debt securities and those debt securities are declared due and payable because of the occurrence of any event of default other than an event of default with respect to the covenant described above under Certain Covenants and Agreements of CSX Covenant in the Senior Indenture Limitation on Liens on Stock of Our Principal Subsidiaries (which covenant appears only in the senior indenture and which would no longer be applicable to those debt securities after the covenant defeasance) or with respect to any other covenant as to which there has been covenant defeasance, the amount of monies and/or government obligations deposited with the applicable trustee to effect the covenant defeasance may not be sufficient to pay amounts due on those debt securities at the time of any acceleration resulting from the event of default. However, we would remain liable to make payment of those amounts due at the time of acceleration.

We may exercise our defeasance option or our covenant defeasance option with respect to any series of debt securities, only if

- (1) CSX irrevocably deposits in trust with the trustee cash and/or U.S. government obligations for the payment of principal, premium, if any, and interest with respect to those debt securities to maturity or redemption, as the case may be, and we deliver to the relevant trustee a certificate from a nationally recognized firm of independent public accountants expressing their opinion that the payments of principal and interest when due and without reinvestment on the deposited U.S. government obligations plus any deposited money without investment will provide cash at the times and in the amounts as will be sufficient to pay the principal, premium, if any, and interest when due with respect to all those debt securities to maturity or redemption, as the case may be,
- (2) no event of default with respect to the debt securities of that series has occurred and is continuing
 - on the date of the deposit or
 - with respect to certain bankruptcy defaults, at any time during the period ending on the 123rd day after the date of the deposit,
- (3) the defeasance or covenant defeasance does not result in the trust arising from that deposit to constitute, unless it is qualified as, a regulated investment company under the Investment Company Act of 1940, as amended,

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- (4) the defeasance or covenant defeasance does not result in a breach or violation of, or constitute a default under, the relevant indenture or any other agreement or instrument to which we are a party or by which we are bound,
- (5) CSX delivers to the trustee an opinion of counsel to the effect that the holders of the debt securities will not recognize income, gain or loss for United States federal income tax purposes as a result of the defeasance or covenant defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the defeasance or covenant defeasance had not occurred, and
- (6) CSX delivers to the trustee an officer's certificate and an opinion of counsel, each stating that all conditions precedent to the defeasance and discharge of the debt securities as contemplated by the indenture have been complied with.

The opinion of counsel, with respect to defeasance, referred to in clause (5) above, must refer to and be based upon a ruling of the Internal Revenue Service or a change in applicable United States federal income tax law occurring after the date of the relevant indenture.

The trustee must hold in trust cash or U.S. government obligations deposited with it as described above and must apply the deposited cash and the proceeds from deposited U.S. government obligations to the payment of principal, premium, if any, and interest with respect to the debt securities.

The applicable prospectus supplement may further describe the provisions, if any, permitting or restricting defeasance or covenant defeasance with respect to the debt securities of a particular series.

Governing Law

The indentures and the debt securities will be governed by, and construed in accordance with, the laws of the State of New York.

Concerning the Trustees

The Trust Indenture Act of 1939 contains limitations on the rights of a trustee, should it become a creditor of CSX, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of those claims, as security or otherwise. Each trustee is permitted to engage in other transactions with CSX and our subsidiaries from time to time, provided that if the trustee acquires any conflicting interest it must eliminate the conflict upon the occurrence of an event of default under the relevant indenture, or else resign.

CSX and certain of our subsidiaries may from time to time maintain lines of credit, and have other customary banking and commercial relationships, with JPMorgan Chase Bank, the senior trustee and the subordinated trustee, and its affiliates. JPMorgan Chase Bank acts as trustee under the senior indenture and another indenture pursuant to which we issued our Series A Medium-Term Notes, Series B Medium-Term Notes, Series C Medium Term Notes, 7.00% Notes due 2002, 7.05% Debentures due 2002, 7.25% Debentures due 2004, 9.00% Debentures due 2006, 7.45% Debentures due 2007, 6.25% Notes due 2008, 6.75% Notes due 2011, 6.30% Notes due 2012, 7.90% Debentures due 2017, Zero Coupon Convertible Debentures due October 30, 2021, 8.625% Debentures due 2022, 8.10% Debentures due 2022, 7.95% Debentures due 2027, 6.95% Debentures due 2027, 7.25% Debentures due 2027 and 8.30% Debentures due 2032.

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ADDITIONAL TERMS OF SUBORDINATED DEBT SECURITIES

Additional Covenants Applicable to Subordinated Debt Securities

Under the subordinated indenture, or under one or more supplemental indentures to the subordinated indenture, we will:

maintain 100% ownership of the common securities of any trust to which subordinated debt securities have been issued while those subordinated debt securities remain outstanding; and

pay to any trust to which subordinated debt securities have been issued any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any other taxing authority on that trust, so that the net amounts received and retained by that trust (after paying any taxes, duties, assessments or other governmental charges) will be not less than that trust would have received had no such taxes, duties, assessments or other governmental charges been imposed.

Option to Extend Interest Payment Period

If so indicated in the prospectus supplement, we can defer interest payments by extending the interest payment period for the number of consecutive extension periods specified in the applicable prospectus supplement. Other details regarding the extension period will also be specified in the applicable prospectus supplement. No extension period may extend beyond the maturity of the applicable subordinated debt securities. At the end of the extension period(s), we will pay all interest then accrued and unpaid, together with interest compounded quarterly at the rate for the applicable subordinated debt securities, to the extent permitted by applicable law.

During any extension period, we will not make distributions related to our capital stock, including dividends, redemptions, repurchases, liquidation payments, or guarantee payments. Also, we will not make any payments, redeem or repurchase any debt securities of equal or junior rank to the subordinated debt securities or make any guarantee payments on any such debt securities. We may, however, make the following types of distributions:

dividends paid in common stock;

dividends in connection with the implementation of a shareholder rights plan;

payments to a trust holding securities of the same series under a guarantee; or

repurchases, redemptions or other acquisitions of shares of our capital stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or consultants.

Subordination

The payment of the principal of, premium, if any, and interest, if any, on the subordinated debt securities will be subordinated, to the extent and in the manner set forth in the subordinated indenture, in right of payment to the prior payment in full of all senior indebtedness which may at any time and from time to time be outstanding. Unless otherwise provided in the applicable prospectus supplement with respect to an issue of subordinated debt securities, in the event of any distribution of our assets upon any dissolution, winding up, liquidation, reorganization or other similar proceedings of CSX,

all senior indebtedness will first be paid in full, or that payment will be provided for, before any payment on account of the principal of, or premium, if any, or interest, if any, on the subordinated debt securities is made, and

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if any payment or distribution of our assets is received by the subordinated trustee or the holders of any of the subordinated debt securities before all senior indebtedness is paid in full, that payment or distribution will be paid over to the holders of senior indebtedness or on their behalf for application to the payment of all senior indebtedness remaining unpaid until all senior indebtedness has been paid in full or that payment provided for, after giving effect to any concurrent payment or distribution to the holders of senior indebtedness.

Subject to the payment in full of all senior indebtedness upon any distribution of our assets, the holders of the subordinated debt securities will be subrogated to the rights of the holders of the senior indebtedness to the extent of payments made to the holders of senior indebtedness out of the distributive share of the subordinated debt securities.

By reason of subordination of the subordinated debt securities, if there is any distribution of our assets upon dissolution, winding up, liquidation, reorganization or other similar proceedings of CSX,

holders of senior indebtedness will be entitled to be paid in full before payments may be made on the subordinated debt securities and the holders of subordinated debt securities will be required to pay over their share of that distribution to the holders of senior indebtedness until all senior indebtedness is paid in full, and

creditors of CSX who are neither holders of subordinated debt securities nor holders of senior indebtedness may recover less, ratably, than holders of senior indebtedness and may recover more, ratably, than the holders of the subordinated debt securities.

Furthermore, subordination may result in a reduction or elimination of payments to the holders of subordinated debt securities. The subordinated indenture provides that the subordination provisions in the subordinated indenture will not apply to any money and securities held in trust pursuant to the discharge, defeasance and covenant defeasance provisions of the subordinated indenture (see Discharge, Defeasance and Covenant Defeasance above).

The subordinated indenture also provides that no payment on account of the principal of, or premium, if any, sinking funds, if any, or interest, if any, on the subordinated debt securities will be made unless full payment of amounts then due for the principal of, premium, if any, sinking funds, if any, and interest, if any, on senior indebtedness has been made or duly provided for.

Senior indebtedness means, with respect to any series of subordinated debt securities, the principal, premium, interest and any other payment in respect of any of the following:

- (1) any liability of CSX
 - for borrowed money or under any reimbursement obligation relating to a letter of credit, or
 - evidenced by a bond, note, debenture or similar instrument, or
 - for obligations to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, or
 - for the payment of money relating to a capitalized lease obligation, or
 - for the payment of money under any swap agreement;
- (2) any liability of others described in the preceding clause (1) that CSX has guaranteed or that is otherwise our legal liability; and
- (3) any deferral, renewal, extension or refunding of any liability of the types referred to in clauses (1) and (2) above,

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unless, in the instrument creating or evidencing any liability referred to in clause (1) or (2) above or any deferral, renewal, extension or refunding referred to in clause (3) above or pursuant to which the same is outstanding, it is expressly provided that the liability, deferral, renewal, extension or refunding is subordinate in right of payment to all other indebtedness of CSX or is not senior or prior in right of payment to the subordinated debt securities or ranks *pari passu* with or subordinate to the subordinated debt securities in right of payment; and *provided that* the subordinated debt securities will not constitute senior indebtedness. Swap agreements are defined as any financial agreement designed to manage our exposure to fluctuations in interest rates, currency exchange rates or commodity prices, including without limitation swap agreements, option agreements, cap agreements, floor agreements, collar agreements and forward purchase agreements.

Senior indebtedness will be entitled to the benefits of the subordination provisions in the subordinated indenture irrespective of the amendment, modification or waiver of any term of the senior indebtedness. We may not amend the subordinated indenture to change the subordination of any outstanding subordinated debt securities without the consent of each holder of senior indebtedness that the amendment would adversely affect.

If this prospectus is being delivered in connection with the offering of a series of subordinated debt securities, the accompanying prospectus supplement or the information incorporated by reference in this prospectus will set forth the approximate amount of senior indebtedness outstanding as of a recent date. The subordinated indenture does not limit the amount of senior indebtedness that we may issue.

DESCRIPTION OF THE TRUST PREFERRED SECURITIES

The following is a summary of the principal terms of the trust preferred securities. The form of amended trust agreement is filed as an exhibit to the registration statement of which this prospectus forms a part, or is incorporated by reference. The terms of the trust preferred securities will include those stated in the amended trust agreement and those made part of the amended trust agreement by the Trust Indenture Act.

General

The Trust will exist until terminated as provided in its amended trust agreement. Except under certain circumstances, CSX will be entitled to appoint, remove, or replace trustees, who will conduct the business and affairs of the Trust. The trustees of the Trust will consist of:

two employees, officers or affiliates of CSX as administrative trustees;

a financial institution unaffiliated with CSX that will act as property trustee and as indenture trustee for purposes of the Trust Indenture Act, under the terms set forth in a prospectus supplement; and

one trustee with its principal place of business or who resides in the State of Delaware and who will act under the terms set forth in a prospectus supplement.

The amended trust agreement will authorize the administrative trustees to issue, on behalf of the Trust, two classes of trust securities, trust preferred securities and trust common securities, each of which will have the terms described in this prospectus and in the applicable prospectus supplement. CSX will own all of the trust common securities. The trust common securities will rank equally in right of payment, and payments will be made on the trust common securities, proportionately with the trust preferred securities. However, if an event of default occurs and is continuing under the amended trust agreement, the rights of the holders of the trust common securities to payment of distributions and

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payments upon liquidation, redemption and otherwise, will be subordinated to the rights of the holders of the trust preferred securities. CSX will acquire, directly or indirectly, trust common securities in a total liquidation amount of approximately 3% of the total capital of the Trust.

The proceeds from the sale of the trust preferred securities will be used by the Trust to purchase our subordinated debt securities. These subordinated debt securities will be held in trust by the property trustee for the benefit of the holders of the trust securities. CSX will guarantee the payments of distributions and payments on redemption or liquidation with respect to the trust preferred securities, but only to the extent the Trust has funds available to make those payments and has not made the payments. See Description of the Guarantee.

The assets of the Trust available for distribution to the holders of trust preferred securities will be limited to payments from us under the subordinated debt securities held by the Trust. If we fail to make a payment on the subordinated debt securities, the Trust will not have sufficient funds to make related payments, including distributions, on its trust preferred securities.

The guarantee, when taken together with our obligations under the subordinated debt securities, the subordinated indenture and the amended trust agreement, will provide a full and unconditional guarantee of amounts due on the trust preferred securities issued by the Trust.

The trust preferred securities will have the terms, including distributions, redemption, voting, liquidation rights and other preferred, deferred or other special rights or restrictions that will be described in the amended trust agreement or made part of the amended trust agreement by the Trust Indenture Act or the Delaware Business Trust Act. The terms of the trust preferred securities will mirror the terms of the subordinated debt securities held by the Trust. In other words, the distribution rate and the distribution payment dates and other payment dates for the trust preferred securities will correspond to the interest rate and interest payment dates and other payment dates on the subordinated debt securities. Holders of trust preferred securities have no preemptive or similar rights.

Provisions of a Particular Series

The Trust may issue only one series of trust preferred securities. The applicable prospectus supplement will set forth the principal terms of the trust preferred securities that will be offered, including:

the name of the trust preferred securities;

the liquidation amount and number of trust preferred securities issued;

the annual distribution rate(s) or method of determining such rate(s), the payment date(s) and the record dates used to determine the holders who are to receive distributions;

the date from which distributions will be cumulative;

consultant

- Committee determines annual salaries for all NEOs
- Committee reviews determinations with the other non-management directors
- Committee participates in Board review of five year plan before beginning of fiscal year and review of annual operating plan at the beginning of the fiscal year
- Management recommends financial and other performance measures, weightings and ranges
- Early in the fiscal year, the Committee reviews proposed performance measures and ranges with input from consultant and determines performance measures and ranges that it believes establish appropriate
- In first fiscal quarter, CEO recommends grant date fair value of awards for executives other than himself
- Committee reviews proposed awards with input from consultant and reviews with other non-management directors
- Committee determines the dollar values of awards
- Exercise price and number of options and restricted stock units are determined by formula based on market price of common shares on the date of award

- stretch goals
- CEO recommends bonus targets for executives other than himself
 - Early in the fiscal year, the Committee reviews bonus targets with input from its consultant and in light of the targets established by employment agreements and competitive conditions and determines bonus targets as a percentage of fiscal year end salary for each executive
 - After the end of the fiscal year, management presents financial results to the Committee
 - CEO recommends other performance factor multiplier for executives other than himself
 - Committee reviews the results and determines whether to make any adjustments to financial results and determines other performance factor multipliers and establishes bonus
 - Committee reviews determinations with the other non-management directors

The following table outlines the process for determining terms of employment agreements and compensation plans in which the named executive officers participate.

Employment Agreements	Compensation Plans
<p><u>CEO</u></p> <ul style="list-style-type: none"> ● Committee arrives at proposed terms of agreement with input from consultant ● Committee recommends terms of agreement to other non-management directors following negotiation with CEO ● Committee participates with other non-management directors in determining terms of agreement for CEO 	<ul style="list-style-type: none"> ● Committee requests management and consultant to review compensation plans ● Management and consultant recommend changes to compensation plans in response to requests or on their own initiative ● Committee reviews proposed changes to compensation plans with input from consultant ● Committee determines changes to compensation plans or recommends to Board if Board action is required ● Committee participates with Board in determining changes when Board action is required
<p><u>Other NEOs</u></p> <ul style="list-style-type: none"> ● CEO recommends terms of agreements ● Committee reviews proposed terms of agreements with input from consultant ● Committee determines material terms of agreements, subject to consultation with Board 	

Management Input

In addition to the CEO recommendations described above, management regularly:

- provides data, analysis and recommendations to the Compensation Committee regarding the Company's executive compensation programs and policies;
- administers those programs and policies as directed by the Committee;
- provides an ongoing review of the effectiveness of the compensation programs, including competitiveness and alignment with the Company's objectives; and
- recommends changes to compensation programs if needed to help achieve program objectives.

The Committee meets regularly in executive session without management present to discuss compensation decisions and matters relating to the design and operation of the executive compensation program.

Compensation Consultant

The Compensation Committee has retained the firm of Frederic W. Cook & Co., Inc. as its compensation consultant. The consultant assists the Committee's development and evaluation of compensation policies and practices and the Committee's determinations of compensation awards by:

- attending Committee meetings;
- meeting with the Committee without management present;
- providing third-party data, advice and expertise on proposed executive compensation awards and plan designs;
- reviewing briefing materials prepared by management and outside advisers and advising the Committee on the matters included in these materials, including the consistency of proposals with the Committee's compensation philosophy and comparisons to programs at other companies; and

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- preparing its own analysis of compensation matters, including positioning of programs in the competitive market and the design of plans consistent with the Committee's compensation philosophy.

The Committee considers input from the consultant as one factor in making decisions on compensation matters, along with information and analyses it receives from management and its own judgment and experience.

The Compensation Committee has adopted a policy requiring its consultant to be independent of Company management. The Committee performs an annual assessment of the consultant's independence to determine whether the consultant is independent. The Committee assessed Frederic W. Cook & Co. Inc.'s independence in December 2013 and confirmed that the firm's work has not raised any conflict of interest and the firm is independent under the policy.

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2013 Compensation Decisions

This section discusses the specific decisions made by the Compensation Committee in fiscal 2013 or with respect to fiscal 2013 compensation.

Investor Engagement

At our 2013 Annual Meeting the majority of shares cast voted in favor of the advisory vote on executive compensation. We continue to strive to improve the level of shareholder support on this issue. To ensure that the Board and Compensation Committee consider direct shareholder feedback, we maintain a robust shareholder engagement program, meeting with many of our largest investors. The Compensation Committee has been regularly updated on conversations with investors and understands that shareholders remain very focused on the alignment of pay and performance as well as the absolute level of executive compensation, particularly for the Chief Executive Officer.

The Committee remains committed to pay-for-performance and believes that fiscal 2013 compensation demonstrates this alignment. Fiscal 2013 compensation for the Chief Executive Officer (and for the named executive officers in the aggregate) was below fiscal 2012 levels due in part to the fact that while it was strong, financial growth did not overperform against the performance ranges set by the Compensation Committee by as much as it did in 2012. The Committee believes that the resulting compensation is appropriately responsive to changes in performance and is not excessive relative to compensation paid in the media industry.

Employment Agreements

Employment Agreement with Mr. Iger

During fiscal 2013, the Board (acting on the recommendation of the Compensation Committee) decided to amend Mr. Iger's employment agreement to extend the period he serves as Chief Executive Officer to June 30, 2016, the end of the agreement's term. Prior to amendment, Mr. Iger's service as Chief Executive Officer was scheduled to end on March 31, 2015, and from that date until June 30, 2016, he would serve only as Executive Chairman. Under the amended agreement, Mr. Iger's annual compensation for the extended Chief Executive Officer period will be determined on the same basis as his annual compensation as Chief Executive Officer was determined prior to the amendment. Specifically, his target annual incentive under the Company's annual performance-based bonus program and the target equity award value for fiscal year 2016 will be the same as those that apply for fiscal year 2015.

As described under [Board Leadership](#), above, the Board extended Mr. Iger's tenure as Chief Executive Officer because it determined that it was in the best interest of shareholders to have the benefit of Mr. Iger's leadership as Chief Executive Officer and Chairman for the duration of his tenure.

Employment Agreement with Mr. Braverman

During fiscal 2013, the Compensation Committee approved terms of a new employment agreement with Mr. Braverman, which was subsequently negotiated and agreed to. The new agreement was effective as of October 1, 2013, upon expiration of Mr. Braverman's previous agreement.

The new agreement includes a minimum annual base salary of \$1,400,000 beginning January 1, 2014, and the target for calculating annual performance-based bonus opportunities is 200% of annual base salary at the end of the fiscal year, as was the case under his prior agreement. The agreement also sets a target award value for annual long-term incentive compensation awards at twice Mr. Braverman's annual base salary at the end of the fiscal year, but the Committee retains discretion to adjust this target value.

Other material terms of the employment agreements with Mr. Iger and Mr. Braverman are described under [Other Considerations Employment Agreements](#) above and [Compensation Tables Potential Payments and Rights on Termination or Change in Control](#), beginning on page 45.

Performance Goals

The Compensation Committee sets performance goals for each fiscal year early in that year, and evaluates performance against those goals after the fiscal year has ended to arrive at its compensation decisions.

Setting Goals

Financial Performance

In November 2012, the Compensation Committee selected the following financial measures and relative weights for calculating the portion of the named executive officers' bonuses that is based on financial performance:

- segment operating income (25.0%)
- return on invested capital (25.0%)
- after-tax free cash flow (21.4%)
- earnings per share (28.6%)

These are the same measures used in recent years and the Committee selected them because it believes successful performance on these measures promotes the creation of long-term shareholder value. The Committee places slightly more weight on earnings per share and slightly less weight on after-tax cash flow because, between the two, it believes earnings per share is somewhat more closely related to shareholder value.

The Committee also established performance ranges for each of the measures in November 2012. These ranges are used to determine the multiplier that is applied to 70% of each named executive officer's target bonus. The overall financial performance multiple is equal to the weighted average of the performance multiples for each of the four measures. The performance multiple for each measure is zero if performance is below the bottom of the range and varies from 35% at the low end of the performance range to a maximum of 200% at the top end of the range. The Committee believes the top of each range represented extraordinary performance in light of the goals established for the year and expected economic conditions, and the bottom of each range represented disappointing performance. The 70% of an executive's target bonus that is tied to these measures generally cannot be achieved unless there is meaningful growth across the four financial measures on a weighted basis.

The following table shows actual performance in fiscal 2012 and the target ranges chosen by the Committee for fiscal 2013 (dollars in millions except per share amounts):

	Fiscal 2012 Actual	Fiscal 2013 Target Range
Segment Operating Income*	\$9,964	\$9,035-\$11,773
Adjusted earnings per share*	\$3.07	\$2.69-\$3.72
After-tax free cash flow**	\$4,769	\$3,286-\$8,664
Return on Invested Capital***	10.4%	8.6%-11.3%

* For purposes of the annual performance-based bonuses, segment operating income and adjusted earnings per share are calculated as set forth in Annex B.

** For purposes of the annual performance-based bonuses, after-tax free cash flow was defined as cash provided by operations less investments in parks, resorts and other properties, all on an equity basis (i.e., including Euro Disney, Hong Kong Disneyland and Shanghai Disney Resort on a basis that reflects actual ownership percentage rather than on a consolidated basis).

*** For purposes of the annual performance-based bonuses return on invested capital was defined as the aggregate segment operating income less corporate and unallocated shared expenses and income tax expense, divided by average net assets (including net goodwill) invested in operations, all on an equity basis (i.e., including Euro Disney, Hong Kong Disneyland and Shanghai Disney Resort on a basis that reflects actual ownership percentage rather than on a consolidated basis).

Other Performance Factors

The Committee also established other performance factors for fiscal 2013 in November 2012. The Committee established the following factors based on the recommendation of Mr. Iger and the strategic objectives of the Company:

- Foster quality, creativity and innovation in how we create, market and distribute all of our products
- Drive long-term growth internationally, particularly through recent acquisitions and initiatives
- Manage efficiency across all areas of spending
- Invest in our people including an emphasis on diversity, leadership and improved communications

Evaluating Performance

After the fiscal year ended, the Compensation Committee reviewed overall performance of the Company. The Company delivered strong financial performance in fiscal 2013, while achieving record revenue, net income and earnings per share for the third year in a row. The Company also delivered strong shareholder returns in fiscal 2013 as measured for the one, three and five-year periods. Data detailing this performance is set forth in the proxy statement summary beginning on page 1.

The strong performance was reflected in our performance against each of the four financial measures used to determine 70% of each named executive officer's bonus award.

- Segment operating income grew 7.6%
- Adjusted earnings per share grew 10.4%
- After-tax free cash flow grew 57.7%

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- Return on invested capital grew by 10 basis points to 10.5%

Under the aggressive performance ranges that the Committee had set for the year, that strong performance was insufficient to generate a performance factor of 100% on two of the measures, but taking all four measures into account yielded a weighted financial performance factor of 112%.

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The following chart shows actual performance with respect to each of these measures relative to the ranges established at the beginning of the fiscal year and the resulting performance factor used in calculating the aggregate financial performance goal multiple. (Dollars in millions except per share amounts.)

In comparing actual performance for fiscal 2013 to the performance ranges, the Compensation Committee excluded the impacts of gains on the sales of businesses, tax benefits related to prior year earnings, a litigation charge, restructuring and impairment charges and a charge related to equity redemption at a joint venture.

The Committee also evaluated performance of each executive officer against the other performance factors established at the beginning of the year. While these

were based on the individual factors for each executive discussed below, the evaluations were against the backdrop of the Company's overall strong performance and continued focus on the Company's long-term strategy to develop quality entertainment, respond to technological change and promote growth of our international business.

Individual Compensation Decisions

The following table summarizes compensation decisions made by the Committee with respect to each of the named executive officers. The Committee established the calendar year salary for each named executive officer early in the fiscal year. The final bonus award was calculated after the fiscal year ended using the financial performance factor of 112% described above and the other performance factors determined by the Committee described below applied to the target bonus opportunity for that executive, which was established by the Committee early in the fiscal year. The dollar value of the equity award was determined early in the fiscal year.

	Salary		Performance-Based Bonus		Equity Awards				
	Calendar 2013 Salary	Target	Financial Performance Factor*	Other Performance Factor**	Award Amount	Dollar Value	Target Performance-Based Units	Time-Based Units***	Options*
Robert A. Iger	\$2,500,000	\$12,000,000	112%	115%	\$13,570,000	\$16,956,511	165,301		685,550
James A. Rasulo	\$1,700,000	\$3,400,000	112%	115%	\$3,850,000	\$5,100,000	29,831	29,831	164,954
Alan N. Braverman	\$1,300,000	\$2,600,000	112%	115%	\$2,950,000	\$2,600,000	15,208	15,208	84,095
Kevin A. Mayer	\$900,000	\$1,125,000	112%	115%	\$1,275,000	\$1,800,000	10,529	10,529	58,219
						\$300,000		5,335	
M. Jayne Parker	\$700,000	\$875,000	112%	115%	\$990,000	\$1,400,000	8,189	8,189	45,282

* Multiplied by 70% of the target amount.

** Multiplied by 30% of the target amount.

*** The number of restricted stock units and options was calculated from the dollar value of the award as described in the table on page 31.

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The compensation set forth above and described below differs from the total compensation reported in the Summary Compensation Table as follows:

- The dollar value of equity awards differs from the aggregate dollar value for equity awards reported in the Summary Compensation Table and the Fiscal 2013 Grants of Plan Based Awards Table because the dollar value reported in this table for performance-based restricted stock units is equal to the grant-date share price multiplied by the number of target shares granted. This amount is less than the amount reported in the other tables, which report the value used for accounting purposes, because the accounting cost is adjusted for the probability that strong performance will increase the number of units vesting over the target number of units. The Committee generally uses the dollar value included in the table to determine awards because employment agreement provisions regarding equity awards are based on this value.
- The compensation set forth above does not include the change in pension value and nonqualified deferred compensation earnings as the change in pension value does not reflect decisions made by the Committee during the fiscal year.
- The compensation set forth above does not include perquisites and benefits and other compensation as these matters are determined by contract and do not reflect decisions made by the Committee during the fiscal year.

The Committee's determination on each of these matters was based on the recommendation of Mr. Iger (except in the case of his own compensation), the parameters established by each executive's employment agreement and the factors described below. In addition, in determining equity awards, the Committee considered its overall long-term incentive guidelines for all executives, which attempt to balance, in the context of the competitive market for executive talent, the benefits of incentive compensation tied to performance of the Company's common stock with the dilutive effect of equity compensation awards.

Mr. Iger

Salary

Mr. Iger's 2013 salary was unchanged from his 2012 salary and is equal to the amount set in his employment agreement.

Performance-based Bonus

Target Bonus

Mr. Iger's fiscal 2013 target bonus amount was unchanged from fiscal 2012 and is equal to the amount set in his employment agreement.

Other Performance Factor

The Committee applied a factor of 115% with respect to other performance factors for Mr. Iger in fiscal 2013 compared to a factor of 150% in fiscal 2012, when the factor was affected by the acquisition of Lucasfilm and the culmination of a number of strategic milestones including the opening of Cars Land at California Adventure, expansion at Hong Kong Disneyland, the launch of the second new cruise ship, and the strong box office results for Marvel's *The Avengers*. The determination this year reflected the Committee's assessment of Mr. Iger's strong leadership and vision in achieving strong overall financial performance while driving the Company toward the attainment of long-term goals including:

- the development of quality entertainment such as continued expansion of Fantasyland at Walt Disney World, market leadership in morning news with Good Morning America and children's programming with Disney Junior;
- responding to technological change in the delivery and consumption of entertainment;
- international expansion including the development of Shanghai Disney Resort and completion of an expansion of Hong Kong Disneyland;
- continued progress on diversity and inclusion initiatives including a nationally recognized initiative for hiring veterans and development of a strategy for reaching the US Hispanic population; and
- restructuring and integrating Lucasfilm and strategically aligning the organizational model to leverage talent capabilities.

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Equity Award Value

The Committee determined that the accounting cost of the equity award to Mr. Iger should be unchanged from the accounting cost of the award Mr. Iger received in fiscal 2012. The equity award value of \$16,965,511 is the value (using the stock price on the equity award date of the target number of performance units to calculate the value) of an award that has an *accounting cost* equal to the accounting cost of the award Mr. Iger received in fiscal 2012.

Mr. Iger's employment agreement provides that restricted stock units awarded after October 2, 2011, will have the performance test for units awarded in fiscal 2012 unless the Committee revises the test in a way that does not materially diminish the value of the grant to Mr. Iger or the opportunity for such awards to become vested. Although the Committee established a new performance test in November 2012 that diminishes the opportunity for such awards to vest, Mr. Iger voluntarily agreed to accept awards that are subject to the newly established performance test. As discussed in last year's proxy statement, the Committee separately determined that the value of the awards to Mr. Iger in fiscal 2013 and 2014 would be adjusted to provide an equivalent probability of vesting as measured by the accounting cost of his awards such that the accounting cost of awards would be equivalent to the cost of awards under the test that was in effect for fiscal 2012.

Mr. Rasulo

Salary

The Committee increased Mr. Rasulo's 2013 salary by 13% to \$1,700,000 to reflect changes in the market for executive talent and his continued outstanding performance.

Performance-based Bonus

Target Bonus

Mr. Rasulo's target bonus for fiscal 2013 is equal to two times his fiscal year end salary, as set forth in his employment agreement.

Other Performance Factor

The Committee applied a factor of 115% with respect to other performance factors for Mr. Rasulo in fiscal 2013 compared to a factor of 145% in fiscal 2012. The determination this year reflected Mr. Iger's recommendation and Mr. Rasulo's accomplishments during the year including:

- Mr. Rasulo led an efficiency project to reduce selling, general and administrative expenses that achieved significant cost reductions in fiscal 2013 and is expected to lead to additional cost reductions in fiscal 2014;
- Mr. Rasulo reorganized and consolidated multiple corporate functions including supply chain management, controllership and corporate tax;
- Mr. Rasulo supported multiple domestic and international acquisitions including Lucasfilm and television operations in Russia, Germany and Asia;
- Mr. Rasulo initiated transactions to expand the distribution and reach of Disney Store Online; and
- Corporate Citizenship gained continued recognition for the Company's corporate reputation including recognition as first in corporate social responsibility reputation in a survey published by Forbes Magazine.

Equity Award Value

The equity award value for Mr. Rasulo is equal to three times his expected fiscal year end salary, as set forth in his employment agreement.

Mr. Braverman

Salary

The Committee increased Mr. Braverman's 2013 salary by 5% to \$1,300,000 to reflect changes in the market for executive talent and his continued outstanding performance.

Performance-based Bonus

Target Bonus

Mr. Braverman's target bonus for fiscal 2013 is equal to two times his fiscal year end salary, as set forth in his employment agreement.

Other Performance Factor

The Committee applied a factor of 115% with respect to other performance factors for Mr. Braverman in fiscal 2013 compared to a factor of 145% in fiscal 2012. The determination this year reflected Mr. Iger's recommendation and Mr. Braverman's accomplishments during the year including:

- Mr. Braverman led the development of the Company's legal position on a number of significant litigation matters involving intellectual property, contract and antitrust matters;
- Mr. Braverman continued to lead the development of appropriate privacy protections including input into the development of the FTC's framework for new rules under the Children's Online Privacy Protection Act, assisting business units in implementation of the rules, and input on similar policies in the European Union;
- Mr. Braverman led input into policies regarding potential rules surrounding cross-border flow of data over the Internet and implications for piracy; and
- Mr. Braverman continued to evolve the legal organization including expanding diversity in the department through new hires.

Equity Award Value
Mr. Mayer

The equity award value for Mr. Braverman is equal to two times his expected fiscal year end salary, as set forth in his employment agreement.

Salary

The Committee increased Mr. Mayer's salary by 17% to \$900,000, the amount provided in his new employment agreement, to reflect changes in the market for executive talent and his continued outstanding performance.

Performance-based Bonus

Target Bonus

Mr. Mayer's target bonus for fiscal 2013 is equal to 1.25 times his fiscal year end salary, as set forth in his employment agreement.

Other Performance Factor

The Committee applied a factor of 115% with respect to other performance factors for Mr. Mayer in fiscal 2013 compared to a factor of 145% in fiscal 2012. The determination this year reflected Mr. Iger's recommendation and Mr. Mayer's accomplishments during the year including:

- Mr. Mayer successfully completed a number of important acquisitions (including Lucasfilm and television operations in Russia, Germany and Asia), dispositions (including ESPN's United Kingdom operations and Hyperion Books) and joint ventures (Hulu);
- Mr. Mayer partnered with business units in development of strategic growth plans;
- Mr. Mayer negotiated the licensing of Star Wars intellectual property for game development and led initiatives to advance brand recognition and franchise development for the Disney and Marvel brands; and
- Mr. Mayer continued the implementation of a customer relationship management strategy and expanded direct marketing activities.

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Equity Award Value

The annual equity award value for Mr. Mayer is equal to two times his expected fiscal year end salary, as set forth in his employment agreement.

In addition, the Committee made a special award of time-based restricted stock units to Mr. Mayer following the completion of the Lucasfilm acquisition on the recommendation of Mr. Iger and to reflect the exceptional efforts of Mr. Mayer in the negotiation and completion of this acquisition.

Ms. Parker

Salary

The Committee increased Ms. Parker's salary by 8% to \$700,000, the amount provided in her new employment agreement, to reflect changes in the market for executive talent and her continued outstanding performance.

Performance-based Bonus

Target Bonus

Ms. Parker's target bonus for fiscal 2013 is equal to 1.25 times her fiscal year end salary, as set forth in her employment agreement.

Other Performance Factor

The Committee applied a factor of 115% with respect to other performance factors for Ms. Parker in fiscal 2013 compared to a factor of 145% in fiscal 2012. The determination this year reflected Mr. Iger's recommendation and Ms. Parker's accomplishments during the year including:

- Ms. Parker continued to lead development of an efficient and effective human relations operating model including development of centers of excellence in talent acquisition and development of a shared services model for human relations functions;
- Ms. Parker continued to lead diversity and inclusion initiatives including improvements in diversity at the executive level, expanded hiring of veterans, launch of a global women and workplace initiative, and launch of an enterprise-wide Hispanic initiative;
- Ms. Parker led an initiative to harmonize compensation and benefit programs across the Company to promote efficient movement of talent within the Company; and
- Ms. Parker led the implementation of health care changes for the Company designed to provide competitive medical plan options, improve health care services and promote health and wellness programs for employees while reducing the rate of cost increases.

Equity Award Value

The equity award value for Ms. Parker is equal to two times her expected fiscal year end salary, as set forth in her employment agreement.

Compensation Committee Report

The Compensation Committee has:

- (1) reviewed and discussed the Compensation Discussion and Analysis included in this proxy statement with management; and
- (2) based on this review and discussion, recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's proxy statement relating to the 2013 Annual Meeting of shareholders.

Members of the Compensation Committee

- Susan E. Arnold (Chair)*
- John S. Chen*
- Fred H. Langhammer*
- Aylwin B. Lewis*

Compensation Tables

Fiscal 2013 Summary Compensation Table

The following table provides information concerning the total compensation earned in fiscal 2011, fiscal 2012 and fiscal 2013 by the chief executive officer, the chief financial officer and the three other persons serving as executive officers at the end of fiscal 2013 who were the most highly compensated executive officers of the Company in fiscal 2013. These five officers are referred to as the named executive officers or NEOs in this proxy statement. Information regarding the amounts in each column follows the table.

Name and Principal Position	Fiscal Year	Salary	Stock Awards ¹	Option Awards	Incentive Plan Compensation	Change in Pension Value	Nonqualified Deferred Compensation Earnings ²	All Other Compensation	Total
						and			
Robert A. Iger Chairman and Chief Executive Officer	2013	\$2,500,000	\$8,804,278	\$8,478,239	\$13,570,000	\$	\$968,538	\$34,321,055	
	2012	2,500,000	9,532,500	7,750,008	16,520,000	3,124,640	800,700	40,227,848	
	2011	2,000,000	8,100,073	4,800,008	15,500,000	2,071,385	962,932	33,434,398	
James A. Rasulo Senior Executive Vice President and Chief Financial Officer	2013	1,649,231	3,118,894	2,039,996	3,850,000		37,912	10,696,033	
	2012	1,487,500	3,010,525	1,800,010	4,075,000	1,791,533	32,548	12,197,116	
	2011	1,436,538	2,936,333	1,740,007	3,750,000	1,190,059	21,205	11,074,142	
Alan N. Braverman Senior Executive Vice President, General Counsel and Secretary	2013	1,284,769	1,590,028	1,040,008	2,950,000		58,632	6,923,437	
	2012	1,230,000	1,672,514	1,000,003	3,370,000	970,913	56,328	8,299,758	
	2011	1,186,538	1,620,086	960,004	3,100,000	853,475	73,102	7,793,205	
Kevin A. Mayer Executive Vice President, Corporate Strategy and Business Development	2013	866,785	1,400,869	719,998	1,275,000		31,738	4,294,390	
	2012	763,552	1,010,249	604,001	1,307,000	486,821	35,517	4,207,140	
	2011	740,894	1,019,278	604,005	1,207,000	313,052	20,085	3,904,314	
M. Jayne Parker Executive Vice President and Chief Human Resources Officer	2013	687,308	856,177	560,005	990,000		40,425	3,133,915	
	2012	643,750	936,625	560,005	1,105,000	705,057	38,680	3,989,117	
	2011	625,000	911,337	540,002	1,010,000	441,259	38,205	3,565,803	

¹ Stock awards for each fiscal year include awards subject to performance conditions that were valued based on the probability that performance targets will be achieved. Assuming the highest level of performance conditions are achieved, the grant date stock award values would be as follows:

Fiscal Year	Mr. Iger	Mr. Rasulo	Mr. Braverman	Mr. Mayer	Ms. Parker
2013	\$12,717,432	\$3,825,080	\$1,950,046	\$1,650,121	\$1,050,035
2012	11,625,000	3,375,028	1,875,015	1,132,566	1,050,028
2011	9,000,082	3,262,593	1,800,096	1,132,531	1,012,597

² As described more fully under "Change in Pension Value and Nonqualified Deferred Compensation Earnings" below, the changes in pension value in fiscal 2011 and fiscal 2012 were driven largely by changes in the discount rate applied to calculate the present value of future pension payments. In fiscal 2013, an increase in the discount rate caused the change in the pension value to be negative for each of the named executive officers. The changes in pension value were \$(531,988), \$(309,208), \$(164,742), \$(138,062) and \$(49,723) for Mr. Iger, Mr. Rasulo, Mr. Braverman, Mr. Mayer and Ms. Parker, respectively.

Salary. This column sets forth the base salary earned during each fiscal year, none of which was deferred.

Stock Awards. This column sets forth the grant date fair value of the restricted stock unit awards granted to the named executive officers during each fiscal year as part of the Company's long-term incentive compensation program. The grant date fair value of these awards was calculated by multiplying the number of units awarded by the average of the high and low trading price of the

Company's common stock on the grant date, subject to valuation adjustments for restricted stock unit awards subject to performance-based vesting conditions other than the test to assure deductibility under Section 162(m) of the Internal Revenue Code. The valuation adjustments, which reflect the fact that the number of shares received on vesting varies based on the level of

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performance achieved, were determined using a Monte Carlo simulation that determines the probability that the performance targets will be achieved. The grant date fair

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value of the restricted stock unit awards granted during fiscal 2013 is also included in the Fiscal 2013 Grants of Plan Based Awards table on page 37.

Option Awards. This column sets forth the grant date fair value of options to purchase shares of the Company's common stock granted to the named executive officers during each fiscal year. The grant-date fair value of these options was calculated using the binomial option pricing model. The assumptions used in estimating the fair value of these options are set forth in footnote 12 to the Company's Audited Financial Statements for fiscal 2013. The grant date fair value of the options granted during fiscal 2013 is also included in the Fiscal 2013 Grants of Plan Based Awards table on page 37.

Non-Equity Incentive Plan Compensation. This column sets forth the amount of compensation earned by the named executive officers under the Company's annual performance-based bonus program during each fiscal year. A description of the Company's annual performance-based bonus program is included in the discussion of *2013 Total Direct Compensation* in the *Executive Compensation Program Structure* section, and the determination of performance-based bonuses for fiscal 2013 is described in the *2013 Compensation Decisions* section, of the *Compensation Discussion and Analysis*, beginning on page 19.

Change in Pension Value and Nonqualified Deferred Compensation Earnings. This column reflects the aggregate change in the actuarial present value of each named executive officer's accumulated benefits under all defined benefit plans, including supplemental plans, during each fiscal year. The amounts reported in this column vary with a number of factors, including the discount rate applied to determine the value of future payment streams. As a result of a reduction in prevailing interest rates in the credit markets since late 2008, the discount rate used pursuant to pension accounting rules to calculate the present value of future payments decreased from 4.75% for fiscal 2011 to 3.85% for fiscal 2012 driving the substantial increases in the present value of future payments reported for fiscal 2011 and fiscal 2012. The discount rate increased in fiscal 2013, which drove the decline for that year noted in the footnote to the table. Neither the increase nor the decrease in pension value resulting from changes in the discount rate results in any increase or decrease in benefits payable to participants under the plan.

None of the named executive officers was credited with earnings on deferred compensation other than Mr. Iger, whose earnings on deferred compensation, which are disclosed below under *Deferred Compensation*, were not payable at above market rates and therefore are not reported in this column.

All Other Compensation. This column sets forth all of the compensation for each fiscal year that we could not properly report in any other column of the table, including:

- the incremental cost to the Company of perquisites and other personal benefits;
- the amount of Company contributions to employee savings plans;
- the dollar value of insurance premiums paid by the Company with respect to excess liability insurance for the named executive officers; and
- the dollar amount of matching charitable contributions made to charities pursuant to the Company's charitable gift matching program, which is available to all regular US employees with at least one year of service.

The dollar amount of matching charitable contributions was \$15,000, \$16,000, \$2,000 and \$11,500 for Mr. Iger, Mr. Rasulo, Mr. Braverman and Mr. Mayer, respectively.

In accordance with the SEC's interpretations of its rules, this column also sets forth the incremental cost to the Company of certain items that are provided to the named executive officers for business purposes but which may not be considered integrally related to his or her duties.

The following table sets forth the incremental cost to the Company of each perquisite and other personal benefit that exceeded the greater of \$25,000 or 10% of the total amount of perquisites and personal benefits for a named executive officer in fiscal 2013.

	Personal Air				Total
	Travel	Security	Other		
Robert A. Iger	\$332,808	\$584,075	\$30,730		\$947,613
James A. Rasulo			15,801		15,801

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Alan N. Braverman			50,721	50,721
Kevin A. Mayer			14,745	14,745
M. Jayne Parker			34,556	34,556

The incremental cost to the Company of the items specified above was determined as follows:

- Personal air travel: the actual catering costs, landing and ramp fees, fuel costs and lodging costs incurred by flight crew plus a per hour charge based on the average hourly maintenance costs for the aircraft during the year for flights that were purely personal in nature, and a pro rata portion of catering costs where personal guests accompanied a named executive officer on flights that were business in nature. Where a personal flight coincided with the

repositioning of an aircraft following a business flight, only the incremental costs of the flight compared to an immediate repositioning of the aircraft are included. As noted on page 24, above, Mr. Iger is required for security reasons to use corporate aircraft for all of his personal travel.

- Security: the actual costs incurred by the Company for providing security equipment and services.

The Other column in the table above includes, to the extent a named executive officer elected to receive any of these benefits, the incremental cost to the Company of the vehicle benefit, personal air travel where the cost to the

Company was less than \$25,000, reimbursement of up to \$450 for health club membership or exercise equipment and reimbursement of expenses for financial consulting.

The named executive officers also were eligible to receive the other benefits described in *the Compensation Discussion and Analysis* under the discussion of *Benefits and Perquisites* in the *Compensation Program Elements* section, which involved no incremental cost to the Company or are offered through group life, health or medical reimbursement plans that are available generally to all of the Company's salaried employees.

Fiscal 2013 Grants of Plan Based Awards Table

The following table provides information concerning the range of awards available to the named executive officers under the Company's annual performance-based bonus program for fiscal 2013 and information concerning the option grants and restricted stock unit awards made to the named executive officers during fiscal 2013. Additional information regarding the amounts reported in each column follows the table.

	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Awards: Number of Underlying Securities Options	Exercise or Base Price of Option Awards	Grant Date Closing Price of Shares Underlying Options	Da V Sto
		Threshold	Target	Maximum	Threshold	Target	Maximum				
Robert A. Iger	1/16/13										
	1/16/13				82,650	165,301	247,951	685,550	\$51.29	\$51.53	\$8.4
		\$4,200,000	\$12,000,000	\$24,000,000							8.8
James A. Rasulo	1/16/13							164,954	\$51.29	\$51.53	\$2.0
(A)	1/16/13					29,831					1.5
(B)	1/16/13				14,915	29,831	44,746				1.5
		\$1,190,000	\$3,400,000	\$6,800,000							
Alan N. Braverman	1/16/13							84,095	\$51.29	\$51.53	\$1.0
(A)	1/16/13					15,208					7
(B)	1/16/13				7,604	15,208	22,812				8
		\$910,000	\$2,600,000	\$5,200,000							
Kevin A. Mayer	1/16/13							58,219	\$51.29	\$51.53	\$7
(A)	1/16/13					10,529					5
(B)	1/16/13				5,264	10,529	15,793				5
(C)	3/5/13					5,335					3
		\$393,750	\$1,125,000	\$2,250,000							
M. Jayne Parker	1/16/13							45,282	\$51.29	\$51.53	\$5
(A)	1/16/13					8,189					4
(B)	1/16/13				4,094	8,189	12,283				4

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\$306,250 \$875,000 \$1,750,000

- ¹ Stock awards for fiscal 2013 subject to performance conditions in addition to the test to assure deductibility under Section 162(m) were valued based on the probability that performance targets will be achieved. Assuming the highest level of performance conditions are achieved, the grant date fair values for performance-based stock awards made in fiscal 2013 would be \$12,717,432, \$2,295,048, \$1,170,027, \$810,049 and \$630,021 for Mr. Iger, Mr. Rasulo, Mr. Braverman, Mr. Mayer and Ms. Parker, respectively.

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Grant date. The Compensation Committee made the annual grant of stock options and restricted stock unit awards for fiscal 2013 on January 16, 2013, and made an additional award to Mr. Mayer on March 5, 2013. The Compensation Committee approved awards under the annual performance-based bonus program on December 3, 2013.

Estimated Possible Payouts Under Non-equity Incentive Plan Awards. As described in the Compensation Discussion and Analysis, the Compensation Committee sets the target bonus opportunity for the named executive officers at the beginning of the fiscal year under the Company's annual performance-based bonus program and the Amended and Restated 2002 Executive Performance Plan, and the actual bonuses for the named executive officers may, except in special circumstances such as unusual challenges or extraordinary successes, range from 35% to 200% of the target level based on the Compensation Committee's evaluation of financial and other performance factors for the fiscal year. The bonus amount may be zero, if actual performance is below the specified threshold level (including the Section 162(m) test), or less than the calculated amounts if the Compensation Committee otherwise decides to reduce the bonus. As addressed in the discussion of 2013 Compensation Decisions in the *Compensation Discussion and Analysis*, the employment agreements of Mr. Iger, Mr. Rasulo, Mr. Braverman, Mr. Mayer and Ms. Parker require that the target bonus opportunity used to calculate the bonus opportunity (but not the actual bonus awarded) be at least the amount specified in each agreement. This column shows the range of potential bonus payments for each named executive officer from the threshold to the maximum based on the target range set at the beginning of the fiscal year. The actual bonus amounts received for fiscal 2013 are set forth in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

Estimated Future Payouts Under Equity Incentive Plan Awards. This column sets forth the number of restricted stock units awarded to the named executive officers during fiscal 2013 that are subject to the test to assure eligibility for deduction under Section 162(m) and/or to performance tests as described below. These include units awarded to each of the named executive officers as part of the annual grant in January 2013. Each of Mr. Iger's awards is subject to both the test to assure eligibility under Section 162(m) and the performance tests described below. The units in row A (and in the case of Mr. Mayer, Row C) for each of the other named executive

officers are subject to the test to assure eligibility under Section 162(m) and the units in row B are subject to this test as well as the performance tests described below.

The vesting dates for all of the outstanding restricted stock unit awards held by the named executive officers as of the end of fiscal 2013 are set forth in the Fiscal 2013 Outstanding Equity Awards at Fiscal Year-end table below.

All units subject to only the Section 162(m) test (Row A and in the case of Mr. Mayer, Row C) vest if that test is met (plus any shares received as dividend equivalents prior to vesting), and none of the units vest if the test is not met. This amount is shown in the target column for Row A and in the case of Mr. Mayer, Row C.

In the case of units subject to the performance tests in addition to the Section 162(m) test (all of Mr. Iger's units and the units in Row B for other named executive officers), none of the units vest if the Section 162(m) test is not met and units vest as follows if the Section 162(m) test is met.

Half of the units are subject to a total shareholder return test and half of the units are subject to an earnings per share test. For each half:

- None of the units related to a measure vest if the Company's total shareholder return or earnings per share, respectively, is below the 25th percentile of the S&P 500 for that measure.
- If the Company's total shareholder return or earnings per share, respectively, is at or above the 25th percentile of the S&P 500 for the related measure, the number of units related to that measure that vest will vary from 50% of the target number related to that measure (at the 25th percentile) to 150% of the target number related to that measure (at or above the 75th percentile) (in each case, plus dividend equivalent units)

For example, for the one-half of the grant subject to an earnings per share test, and the other half separately subject to a total shareholder return test, the total number of shares vesting would equal:

- the number in the threshold column if the Company is at the 25th percentile for each test;
- the number in the target column if the Company is at the 50th percentile for each test; and

- the number in the maximum column if the Company at or exceeds the 75th percentile for each test (in each case, plus dividend equivalent units).

When dividends are distributed to shareholders, dividend equivalents are credited in an amount equal to the dollar amount of dividends on the number of units held on the dividend record date divided by the fair market value of the Company's shares of common stock on the dividend distribution date. Dividend equivalents vest only when, if and to the extent that the underlying units vest.

All Other Option Awards: Number of Securities Underlying Options. This column sets forth the options to purchase shares of the Company's common stock granted to the named executive officers as part of the annual grant in January 2013. The vesting dates for these options are set forth in the Fiscal 2013 Outstanding Equity Awards at Fiscal Year-End table below. These options are scheduled to expire ten years after the date of grant.

Exercise or Base Price of Option Awards; Grant Date Closing Price of Shares Underlying Options. These columns set forth the exercise price for each option grant and the closing price of the Company's common stock on the date of grant. The exercise price is equal to the average of the high and low trading price on the grant date, which may be higher or lower than the closing price on the grant date.

Grant Date Fair Value of Stock and Option Awards. This column sets forth the grant date fair value of the stock and option awards granted during fiscal 2013 calculated in accordance with applicable accounting requirements. The grant date fair value of all restricted stock unit awards and options is determined as described on pages 35 and 36, above.

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Fiscal 2013 Outstanding Equity Awards at Fiscal Year-End Table

The following table provides information concerning outstanding unexercised options and unvested restricted stock unit awards held by the named executive officers as of September 28, 2013. Additional information regarding the amounts reported in each column follows the table.

	Option Awards					Stock Awards	
	Number of Securities Underlying Unexercised Options					Equity Incentive Plan Awards	
	Grant Date	Exercisable	Unexercisable	Option Exercise Price	Option Expiration Date	Number of Unearned Units That Have Not Vested	Market Value of Unearned Units That Have Not Vested
Robert A. Iger	1/14/2009	480,000		\$20.81	1/14/2016		
	1/13/2010	349,183	116,395(A)	31.12	1/13/2020	27,913(B)	\$1,819,648
	1/26/2011	218,839	218,840(C)	39.65	1/26/2021	187,216(D)	12,204,617
	1/18/2012	183,019	549,060(E)	38.75	1/18/2022	304,559(F)	19,854,174
	1/16/2013		685,550(G)	51.29	1/16/2023	247,952(H)	16,163,958
James A. Rasulo	1/13/2010	133,325	44,442(A)	\$31.12	1/13/2020	10,658(B)	\$694,795
	1/26/2011	79,329	79,330(C)	39.65	1/26/2021	67,866(D)	4,424,209
	1/18/2012	42,508	127,524(E)	38.75	1/18/2022	79,579(I)	5,187,728
	1/16/2013		164,954(G)	51.29	1/16/2023	74,578(J)	4,861,707
	1/13/2010	69,837	23,279(A)	\$31.12	1/13/2020	5,583(B)	\$363,956
Alan N. Braverman	1/13/2010					26,433(K)	1,723,149
	1/26/2011	43,768	43,768(C)	39.65	1/26/2021	37,446(D)	2,441,082
	1/18/2012	23,615	70,847(E)	38.75	1/18/2022	44,211(I)	2,882,093
	1/16/2013		84,095(G)	51.29	1/16/2023	38,020(J)	2,478,524
Kevin A. Mayer	1/13/2010		17,989(A)	\$31.12	1/13/2020	4,314(B)	\$281,230
	1/26/2011		27,538(C)	39.65	1/26/2021	23,559(D)	1,535,801
	1/18/2012	14,263	42,792(E)	38.75	1/18/2022	26,704(I)	1,740,832
	1/16/2013		58,219(G)	51.29	1/16/2023	26,323(J)	1,715,964
	3/5/2013					5,335(L)	347,789
M. Jayne Parker	1/9/2008	7,579		\$29.90	1/9/2015		
	1/14/2009	17,143		20.81	1/14/2016		
	1/13/2010	38,093	12,698(A)	31.12	1/13/2020	3,045(B)	\$198,504
	1/26/2011	24,619	24,620(C)	39.65	1/26/2021	21,064(D)	1,373,145
	1/18/2012	13,224	39,675(E)	38.75	1/18/2022	24,759(I)	1,614,010
	1/16/2013		45,282(G)	51.29	1/16/2023	20,473(J)	1,334,602

Number of Securities Underlying Unexercised Options: Exercisable and Unexercisable. These columns set forth, for each named executive officer and for each grant made to the officer, the number of shares of the Company's common stock that can be acquired upon exercise of outstanding options. The vesting schedule for each option with unexercisable shares is shown under *Vesting Schedule*, below with options identified by the letter following the number of shares underlying options that are unexercisable. The vesting of options held by

the named executive officers may be accelerated in the circumstances described under *Potential Payments and Rights on Termination or Change in Control*, below.

Number; Market Value of Unearned Units That Have Not Vested. These columns set forth the maximum number and market value, respectively, of shares of the Company's common stock underlying each restricted stock unit award held by each named executive officer that is subject to performance-based vesting conditions

and/or the test to assure eligibility for deduction pursuant to Section 162(m), except that the number of units and market value for units granted January 26, 2011 are the actual amount that vested based on the satisfaction of the related performance test on December 26, 2013 (excluding dividend equivalent units accruing after September 28, 2013). The number of shares includes dividend equivalent units that have accrued for dividends payable through September 28, 2013. The market value is equal to the number of shares underlying the units multiplied by the closing market price of the Company's common stock on Friday, September 27, 2013, the last trading day of the Company's fiscal year. The vesting schedule and performance tests and/or the test to assure eligibility under Section 162(m) are shown in *Vesting Schedule*, below.

Vesting Schedule. The options reported above that are not yet exercisable and restricted stock unit awards that have not yet vested are scheduled to become exercisable and vest as set forth below.

(A) Options granted January 13, 2010, the remaining unexercisable options became exercisable on January 13, 2014.

(B) Restricted stock units granted January 13, 2010. The remaining units vested on January 13, 2014.

(C) Options granted January 26, 2011: One half of the remaining unexercisable options are scheduled to become exercisable on each of January 26, 2014 and 2015.

(D) Restricted stock units granted January 26, 2011 subject to performance tests. Approximately 13% of the remaining units are scheduled to vest on January 26, 2014 and 13% are scheduled to vest on January 26, 2015, subject to determination that the test to assure eligibility under Section 162(m) was satisfied. Approximately 75% of the units remaining are scheduled to vest on January 26, 2014, subject to satisfaction of a total shareholder return or earnings per share test, with the number of units vesting depending on the level at which the tests are satisfied. The amount shown is the maximum number of units that could vest.

(E) Options granted January 18, 2012: One-third of the remaining unexercisable options became exercisable on January 18, 2014, and one-third are scheduled to become exercisable on each of January 18, 2015 and 2016.

(F) Restricted stock units granted January 18, 2012: The units are scheduled to vest on January 18, 2015 subject to determination that the test to assure eligibility under Section 162(m) was satisfied and also subject to satisfaction of a total shareholder return and earnings per share test, with the number of units vesting depending on the level at which the tests are satisfied. The amount shown is the maximum number of units that could vest.

(G) Options granted January 16, 2013: One-fourth of the remaining unexercisable options became exercisable on January 16, 2014 and one-fourth are scheduled to become exercisable on each of January 16, 2015, 2016 and 2017.

(H) Restricted stock units granted January 16, 2013: The units are scheduled to vest on January 16, 2016 subject to determination that the test to assure eligibility under Section 162(m) was satisfied and also subject to satisfaction of a total shareholder return and earnings per share test, with the number of units vesting depending on the level at which the tests are satisfied. The amount shown is the maximum number of units that could vest.

(I) Restricted stock units granted January 18, 2012 subject to performance tests. Approximately 11% of the remaining units vested on January 18, 2014, and 11% vest on each of January 18, 2015 and 2016, in each case subject to determination that the test to assure eligibility under Section 162(m) was satisfied. Approximately 67% of the units remaining vest January 18, 2015 subject to determination that the test to assure eligibility under Section 162(m) was satisfied and also subject to satisfaction of a total shareholder return and earnings per share test, with the number of units vesting depending on the level at which the tests are satisfied. The amount shown is the maximum number of units that could vest.

(J) Restricted stock units granted January 16, 2013 subject to performance tests. 10% of the remaining units vested on January 16, 2014, and 10% vest on each of January 16, 2015, 2016 and 2017, in each case subject to determination that the test to assure eligibility under Section 162(m) was satisfied. 60% of the remaining units vest January 16, 2016 subject to determination that the test to assure eligibility under Section 162(m) was satisfied and also subject to satisfaction of a total shareholder return and earnings per share test, with the number of units vesting depending on the level at which the tests are satisfied. The amount shown is the maximum number of units that could vest.

(K) Restricted stock units awarded to Mr. Braverman on January 13, 2010 pursuant to his employment agreement in connection with his assumption of new responsibilities. The remaining units vested on January 13, 2014.

(L) Restricted stock units awarded to Mr. Mayer on March 5, 2013. 25% of the units are scheduled to vest on each of March 5, 2014, 2015, 2016 and 2017, subject to the test to assure eligibility under Section 162(m).

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Fiscal 2013 Option Exercises and Stock Vested Table

The following table provides information concerning the exercise of options and vesting of restricted stock unit awards held by the named executive officers during fiscal 2013.

	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
Robert A. Iger	2,000,000	\$55,584,600	330,930	\$16,841,835
James A. Rasulo	217,264	9,161,547	117,760	6,008,676
Alan N. Braverman	201,545	8,318,822	128,926	6,458,273
Kevin A. Mayer	101,635	2,826,557	54,955	2,797,559
M. Jayne Parker	13,200	276,906	29,268	1,496,756

The value realized on the exercise of options is equal to the amount per share at which the named executive officer sold shares acquired on exercise (all of which occurred on the date of exercise) minus the exercise price of the option times the number of shares acquired on exercise of the options. The value realized on the vesting

of stock awards is equal to the closing market price of the Company's common stock on the date of vesting times the number of shares acquired upon vesting. The number of shares and value realized on vesting includes shares that were withheld at the time of vesting to satisfy tax withholding requirements.

Equity Compensation Plans

The following table summarizes information, as of September 28, 2013, relating to equity compensation plans of the Company pursuant to which grants of options, restricted stock, restricted stock units or other rights to acquire shares of the Company's common stock may be granted from time to time.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders ¹	62,747,656 ^{2,3}	\$37.06 ⁴	112,917,820 ^{3,5}
Equity compensation plans not approved by security holders			
Total	62,747,656 ^{2,3}	\$37.06 ⁴	112,917,820 ^{3,5}

¹ These plans are the Company's 2011 Stock Incentive Plan, The Walt Disney Company/Pixar 1995 Stock Plan, and The Walt Disney Company/Pixar 2004 Equity Incentive Plan (Disney/Pixar Plans were assumed by the Company in connection with the acquisition of Pixar).

² Includes an aggregate of 21,621,208 restricted stock units and performance-based restricted stock units. Also includes options to purchase an aggregate of 4,971,537 shares, at a weighted average exercise price of \$26.70 and 191,096 restricted stock units, in each case granted under plans assumed by the Company in connection with the acquisition of Pixar, which plans were approved by the shareholders of Pixar prior to the Company's acquisition.

³ Assumes shares issued upon vesting of performance based units vest at 100% of target number of units. Actual number of shares issued on vesting of performance units could be zero to 150% of the target number of units.

⁴ Weighted average exercise price of outstanding options; excludes restricted stock units and performance-based restricted stock units.

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Includes 566,019 securities available for future issuance under plans assumed by the Company in connection with the acquisition of Pixar, which plans were approved by the shareholders of Pixar prior to the Company's acquisition. Assumes all awards are made in the form of options. Each award of one restricted stock unit under the 2011 Stock Incentive Plan reduces the number of shares available under the plan by two, so the number of securities available for issuance will be smaller to the extent awards are made as restricted stock units.

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Pension Benefits

The Company maintains a tax-qualified, noncontributory retirement plan, called the Disney Salaried Pension Plan D (formerly known as the Disney Salaried Retirement Plan), for salaried employees who commenced employment before January 1, 2012 and who have completed one year of service. Benefits are based on a percentage of total average monthly compensation multiplied by years of credited service. For service years after 2012, average monthly compensation includes overtime, commission and regular bonus and is calculated based on the highest five consecutive years of compensation during the ten-year period prior to termination or retirement, whichever is earlier. For service years prior to 2012, average monthly compensation considers only base salary, benefits were based on a somewhat higher percentage of average monthly compensation, and benefits included a flat dollar amount based solely on years and hours of service. Retirement benefits are non-forfeitable after three years of vesting service (five years of vesting service prior to 2012) or at age 65 after one year of service. Actuarially reduced benefits are paid to participants whose benefits are non-forfeitable and who retire before age 65 but on or after age 55.

In calendar year 2013, the maximum compensation limit under a tax-qualified plan was \$255,000 and the maximum annual benefit that may be accrued under a tax-qualified defined benefit plan was \$205,000. To provide additional retirement benefits for key salaried employees, the Company maintains a supplemental nonqualified, unfunded plan, the Amended and Restated Key Plan, which provides retirement benefits in excess of the compensation limitations and maximum benefit accruals under tax-qualified plans. Under this plan, benefits are calculated in the same manner as under the Disney Salaried Pension Plan D, including the differences in benefit determination for years before and after January 1, 2012, described above, except as follows:

- starting on January 1, 2017, average annual compensation used for calculating benefits under the plans for any participant will be capped at the greater

of \$1,000,000 and the participant's average annual compensation determined as of January 1, 2017;

- benefits for named executive officers are limited to the amount the executive officer would have received had the plan in effect prior to its January 1, 2012 amendment continued without change; and
- deferred amounts of base salary for years prior to 2006 and equity compensation paid in lieu of bonus are recognized for purposes of determining applicable retirement benefits.

Company employees (including two of the named executive officers) who transferred to the Company from ABC, Inc. after the Company's acquisition of ABC are also eligible to receive benefits under the Disney Salaried Pension Plan A (formerly known as the ABC, Inc. Retirement Plan) and a Benefits Equalization Plan which, like the Amended and Restated Key Plan, provides eligible participants retirement benefits in excess of the compensation limits and maximum benefit accruals that apply to tax-qualified plans. A term of the 1995 purchase agreement between ABC, Inc. and the Company provides that employees transferring employment to coverage under a Disney pension plan will receive an additional benefit under Disney plans equal to (a) the amount the employee would receive under the Disney pension plans if all of his or her ABC service were counted under the Disney pension less (b) the combined benefits he or she receives under the ABC plan (for service prior to the transfer) and the Disney plan (for service after the transfer). Both Mr. Iger and Mr. Braverman transferred from ABC, and each receives a pension benefit under the Disney plans to bring his total benefit up to the amount he would have received if all his years of service had been credited under the Disney plans. (The effect of these benefits is reflected in the present value of benefits under the Disney plans in the table below.)

As of the end of fiscal 2013, Mr. Iger and Mr. Rasulo were eligible for early retirement and Mr. Braverman was eligible for retirement. The early retirement reduction is 50% at age 55, decreasing to 0% at age 65.

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Fiscal 2013 Pension Benefits Table

The following table sets forth the present value of the accumulated pension benefits that each named executive officer is eligible to receive under each of the plans described above.

Name	Plan Name	Number of Years of Credited Service at Fiscal Year End	Present Value of Accumulated Benefit at Fiscal Year End
Robert A. Iger	Disney Salaried Pension Plan D	14	\$943,448
	Disney Amended and Restated Key Plan	14	7,364,110
	Disney Salaried Pension Plan A	25	934,257
	Benefit Equalization Plan of ABC, Inc.	25	7,375,954
	Total		\$16,617,769
James A. Rasulo	Disney Salaried Pension Plan D	28	\$1,146,917
	Disney Amended and Restated Key Plan	28	5,380,463
	Total		\$6,527,380
Alan N. Braverman	Disney Salaried Pension Plan D	11	\$886,021
	Disney Amended and Restated Key Plan	11	2,883,595
	Disney Salaried Pension Plan A	9	250,684
	Benefit Equalization Plan of ABC, Inc.	9	1,397,628
	Total		\$5,417,928
Kevin A. Mayer	Disney Salaried Pension Plan D	16	\$482,260
	Disney Amended and Restated Key Plan	16	987,874
	Total		\$1,470,134
M. Jayne Parker	Disney Salaried Pension Plan D	25	\$827,552
	Disney Amended and Restated Key Plan	25	1,075,270
	Total		\$1,902,822

These present values assume that each named executive officer retires at age 65 for purposes of the Disney Salaried Pension Plan D and the Amended and Restated Key Plan and age 62 for purposes of the Disney Salaried Pension Plan A, and the Amended and Restated Benefit Equalization Plan of ABC, Inc. Age 65 is the normal retirement age under each of the plans and is also the age at which unreduced benefits are payable, except the earliest age at which unreduced benefits are payable under the ABC plans is age 62 for service years prior to 2012. The values also assume straight life-annuity payment for an unmarried participant. Participants may elect other actuarially reduced forms of payment, such as joint and survivor benefits and payment of benefits for a period certain irrespective of the death of the participant. The present values were calculated using the 5.00% discount rate assumption set forth in footnote 10 to the Company's Audited Financial Statements for fiscal 2013 and using actuarial factors including RP2000 white collar combined mortality table projected 20 years for males and females. The present values reported in the table are not available as lump sum payment under the plans.

Fiscal 2013 Nonqualified Deferred Compensation Table

The Company does not currently permit the deferral of current compensation of any named executive officer on a basis that is not tax qualified, but from 2000 through 2005, \$500,000 per year of Mr. Iger's annual base salary was deferred. The following table sets forth the earnings on the deferred amount in fiscal 2013 and the aggregate balance of Mr. Iger's deferral account, including accumulated earnings, as of September 28, 2013.

Aggregate Earnings in Last Fiscal Year	Aggregate Balance at Last Fiscal Year End
\$42,225	\$3,930,967

Mr. Iger's employment agreement provides that the deferred compensation will be paid, together with interest at the applicable federal rate for mid-term treasuries, reset annually, no later than 30 days after he is no longer

subject to the provisions of Section 162(m) of the Internal Revenue Code (or at such later date as is necessary to avoid the imposition of an additional tax on Mr. Iger under Section 409A of the Internal Revenue Code). The interest rate is adjusted annually in March and the weighted average interest rate for fiscal 2013 was 1.09%. There were no additions during the fiscal year to the deferred amount by either the Company or Mr. Iger other than these earnings and no withdrawals during the fiscal year. Because the earnings accrued during fiscal 2013 and previous fiscal years were not above market or preferential, these amounts are not reported in the Fiscal 2013 Summary Compensation Table.

Potential Payments and Rights on Termination or Change in Control

Our named executive officers may receive compensation in connection with termination of their employment. This compensation is payable pursuant to (a) the terms of compensation plans applicable by their terms to all participating employees and (b) the terms of employment agreements with each of our named executive officers.

The termination provisions serve a variety of purposes including: providing the benefits of equity incentive plans to the executive and his or her family in case of death or disability; defining when the executive may be terminated with cause and receive no further compensation; and clearly defining rights in the event of a termination in other circumstances.

The termination provisions are designed to further align the executives' interests with long-term shareholder growth because bonus payments and equity awards are in most cases subject to the same performance measures that apply if there had been no termination. (The performance measures do not apply to vesting of restricted stock unit awards when termination is due to death or disability, and the test to assure deductibility under Section 162(m) does not apply if it is not necessary to preserve deductibility.)

The availability, nature and amount of compensation on termination differ depending on whether employment terminates because of:

- death or disability;
- the Company's termination of the executive pursuant to the Company's termination right or the executive's decision to terminate because of action the Company takes or fails to take;
- the Company's termination of the executive for cause; or
- expiration of an employment agreement, retirement or other voluntary termination.

The compensation that each of our named executive officers may receive under each of these termination circumstances is described below.

It is important to note that the amounts of compensation set forth below are based on the specific assumptions noted and do not predict the actual compensation that our named executive officers would receive. Actual compensation received would be a function of a number of factors that are unknowable at this time, including: the date of the executive's termination of employment; the executive's base salary at the time of termination; the executive's age and service with the Company at the time of termination; and, because many elements of the compensation are performance-based pursuant to the Company's compensation philosophy described in *Compensation Discussion and Analysis*, above, the future performance of the Company. Moreover, the option and restricted stock unit acceleration amounts in case of a termination without cause or by the executive for good reason assume immediate acceleration, which is not the case in the absence of a change in control. Rather, options and units continue to vest over time (and subject to applicable performance conditions). In addition, although the descriptions and amounts below are based on existing agreements, in connection with a particular termination of employment the Company and the named executive officer may mutually agree on severance terms that vary from those provided in his or her pre-existing agreement.

In each of the circumstances described below, our named executive officers are eligible to receive earned, unpaid salary through the date of termination and benefits that are unconditionally accrued as of the date of termination pursuant to policies applicable to all employees. In Mr. Iger's case, this includes the deferred salary and interest earned on these deferred amounts as described under *Deferred Compensation*, above. This earned compensation is not described or quantified below because these amounts represent earned, vested benefits that are not contingent on the termination of employment, but we do describe and quantify benefits that continue beyond the date of termination that are in addition to those provided for in the applicable benefit plans. The executive's accrued benefits include the pension benefits described under *Pension Benefits*, above, which become payable to all

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participants who have reached retirement age. Because they have reached retirement age under the plans, Mr. Iger, Mr. Rasulo and Mr. Braverman each would have been eligible to receive these early retirement benefits if their employment had terminated at the end of fiscal 2013. Because the pension benefits available to

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Mr. Iger, Mr. Rasulo and Mr. Braverman upon termination do not differ from those described above under *Pension Benefits* except in ways that are equally applicable to all salaried employees, the nature and amount of their pension benefits are not described or quantified below.

Death and Disability

The employment agreement of each named executive officer provides for payment of any unpaid bonus for any fiscal year that had been completed at the time of the executive's death or termination of employment due to disability. The amount of the bonus will be determined by the Compensation Committee using the same criteria used for determining a bonus as if the executive remained employed.

In addition to the compensation and rights in employment agreements, the Amended and Restated 2011 Stock Incentive Plan (which we refer to as the 2011 Plan) and award agreements thereunder, provide that all options awarded to a participant (including the named executive officers) become fully exercisable upon the death or disability of the participant and remain exercisable for 18 months in the case of death and 12 months (or 18 months in the case of participants who are eligible for immediate retirement benefits) in the case of disability, and all restricted stock units awarded to the participant under the 2011 Plan will, to the extent the units had not previously been forfeited, fully vest and become payable upon the death or disability of the participant.

The following table sets forth the value of the estimated payments and benefits each of our named executive officers would have received under our compensation plans and their employment agreements if their employment had terminated at the close of business on the last day of fiscal 2013 as a result of death or disability. The value of option acceleration is equal to the difference between the \$65.19 closing market price of shares of the Company's common stock on September 27, 2013 (the last trading day in fiscal 2013) and the weighted average exercise price of options with an exercise price less than the market price times the number of shares subject to such options that would accelerate as a result of termination. The value of restricted stock unit acceleration is equal to the \$65.19 closing market price of shares of the Company's common stock on September 27, 2013 multiplied by the number of units that would accelerate as a result of termination, which, for performance-based units, is equal to the target number of units.

	Cash Payment ¹	Option Acceleration	Restricted Stock Unit Acceleration
Robert A. Iger	\$13,570,000	\$32,502,698	\$34,609,533
James A. Rasulo	3,850,000	8,913,646	11,809,020
Alan N. Braverman	2,950,000	4,797,783	8,054,946
Kevin A. Mayer	1,275,000	3,154,363	4,459,218
M. Jayne Parker	990,000	2,654,312	3,513,255

¹ This amount is equal to the bonus awarded to the named executive officers with respect to fiscal 2013 and set forth in the Non-Equity Incentive Plan Compensation column of the Fiscal 2013 Summary Compensation Table.

Termination Pursuant to Company Termination Right or by Executive for Good Reason

Each named executive officer's employment agreement provides that he or she will receive a bonus for any fiscal year that had been completed at the time of his or her termination of employment if his or her employment is terminated by the Company pursuant to the Company's termination right (as described below) or by the named executive officer with good reason (as described below). The amount of the bonus will be determined by the Compensation Committee using the same criteria used for determining a bonus if the executive remained employed.

In addition, each named executive officer's employment agreement provides that he or she will receive the following compensation and rights conditioned on his or her executing a mutual release of liability and (except in the case of Mr. Iger) agreeing to provide the Company with consulting services for a period of six months after his or her termination (or, if less, for the remaining term of his or her employment agreement):

- A lump sum payment to be made six months and one day after termination equal to the base salary the named executive officer would have earned had he or she remained employed during the term of his or her consulting agreement or, in the case of Mr. Iger, equal to the base salary he would have earned had he remained employed until the original scheduled expiration date of his employment agreement.

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- In the case of the named executive officers other than Mr. Iger, if the consulting agreement was not terminated as a result of his or her material breach of the consulting agreement, a further lump sum payment to be made six months and one day after termination of employment equal to the base salary the named executive officer would have earned had he or she remained employed after the termination of his or her consulting agreement and until the original scheduled expiration date of his or her employment agreement.

- A bonus for the year in which he or she is terminated equal to a pro-rata portion of a target bonus amount determined in accordance with his or her employment agreement.
- All options that had vested as of the termination date or were scheduled to vest no later than three months after the original scheduled expiration date of his or her employment agreement will remain or become exercisable as though the named executive officer were employed until the original scheduled expiration date of his or her employment agreement. The options will remain exercisable until the earlier of (a) the scheduled expiration date of the options and (b) three months (or in the case of Mr. Iger, Mr. Rasulo and Mr. Braverman, 18 months, as provided in the Company's equity compensation plans for any person who would be eligible for immediate retirement benefits) after the original scheduled expiration date of his or her employment agreement. In addition, as is true for all employees, options awarded after December 2009 (and at least one year before termination) will continue to vest (and remain exercisable) until the earlier of the expiration date of the option and three years (five years for options granted after March 2011) after the scheduled expiration date of the employment agreement if the officer would be over 60 years of age and have more than 10 years of service as of the original expiration date of their employment agreement. In addition, if Mr. Iger's employment is terminated after April 1, 2015, any options granted to him less than one year prior to the date of termination will continue to vest and remain exercisable until the expiration date of the option.
- All restricted stock units that were scheduled to vest prior to the original scheduled expiration date of a named executive officer's employment agreement will vest as though he or she were employed until the original scheduled expiration date of the employment agreement to the extent applicable performance tests are met (but any test to assure deductibility of compensation under Section 162(m) will be waived for any units scheduled to vest after the fiscal year in which the termination of employment occurs unless application of the test is necessary to preserve deductibility). As is true for all employees, restricted stock units awarded after December 2009 (and at least one year before retirement) will continue to vest through the end of the vesting schedule to the extent applicable performance criteria are met if the officer would be over 60 years of age and have more than 10 years of service as of the original expiration date of their employment agreement. In addition, if Mr. Iger's employment is terminated after April 1, 2015, any restricted stock units awarded to him less

than one year prior to the date of termination will continue to vest according to their original terms to the extent applicable performance criteria are met.

The Company has the right to terminate the named executive officer's employment subject to payment of the foregoing compensation in its sole, absolute and unfettered discretion for any reason or no reason whatsoever. A termination for cause does not constitute an exercise of this right and would be subject to the compensation provisions described below under *Termination for Cause*.

A named executive officer can terminate his or her employment for good reason following notice to the Company within three months of his or her having actual notice of the occurrence of any of the following events (except that the Company will have 30 days after receipt of the notice to cure the conduct specified in the notice):

- (i) a reduction in the named executive officer's base salary, annual target bonus opportunity or (where applicable) annual target long-term incentive award opportunity;
- (ii) the removal of the named executive officer from his or her position (including in the case of Mr. Iger, the failure to elect or reelect him as a member of the Board of Directors or his removal from the position of Chairman);
- (iii) a material reduction in his or her duties and responsibilities (other than, in the case of Mr. Iger, as contemplated in his employment agreement);
- (iv) the assignment to him or her of duties that are materially inconsistent with his or her position or duties or that materially impair his or her ability to function in his or her office;
- (v) relocation of his or her principal office to a location that is more than 50 miles outside of the greater Los Angeles area and, in the case of Mr. Iger, that is also more than 50 miles from Manhattan; or
- (vi) a material breach of any material provision of his or her employment agreement by the Company.

A named executive officer (or any employee holding equity awards) can also terminate for good reason after a change in control (as defined in the 2011 Plan) if, within 12 months following the change in control, a triggering event occurs, and in that case the 2011 Plan provides that any outstanding options, restricted stock units, performance-based restricted stock units or other plan awards will generally become fully vested and, in certain cases, paid to the plan participant. A triggering event is defined to include:

(a) a termination of employment by the Company other than for death, disability or cause; or (b) a termination of employment

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by the participant following a reduction in position, pay or other constructive termination. Under the 2011 Plan cause has the same meaning as in the named executive officer's employment agreement, as defined below under Termination for Cause, or, if there is no employment agreement or the named executive officer would have greater rights under the following definition, cause means conviction for or pleading to a felony under state or Federal law, willful gross misconduct or material breach of an agreement with the Company with respect to confidentiality, noncompetition, non-solicitation or a similar restrictive covenant. Any such payments that become subject to the excess parachute tax rules may be reduced in certain circumstances.

Each named executive officer's employment agreement specifies that any compensation resulting from subsequent employment will not be offset against amounts described above.

The following table quantifies benefits each of our named executive officers would have received if their employment had been terminated at the end of fiscal 2013 by the Company pursuant to its termination right or by the executive with good reason.

The option valuation amount is (a) the difference between the \$65.19 closing market price of shares of the Company's common stock on September 27, 2013 and the weighted average exercise price of options with an exercise price less than the market price times (b) the number of options with in-the-money exercise prices that would become exercisable despite the termination. The restricted stock unit valuation amount is the \$65.19 closing market price on September 27, 2013 times the target number of units that could vest. However, as described above, options do not become immediately exercisable and restricted stock units do not immediately vest (and would eventually vest only to the extent applicable performance conditions are met) absent a change in control. The actual value realized from the exercise of the options and the vesting of restricted stock units may therefore be more or less than the amount shown below depending on changes in the market price of the Company's common stock and the satisfaction of applicable performance tests.

	Cash Payment ¹	Option Valuation	Restricted Stock Unit Valuation
Robert A. Iger			
No change in control	\$20,445,000	\$32,502,698	\$34,609,533
Change in control	20,445,000	32,502,698	34,609,533
James A. Rasulo			
No change in control	\$6,116,667	\$6,730,793	\$8,353,097
Change in control	6,116,667	8,913,646	11,809,020
Alan N. Braverman			
No change in control ²	\$6,425,000	\$4,797,783	\$8,054,946
Change in control	6,425,000	4,797,783	8,054,946
Kevin A. Mayer			
No change in control	\$4,275,000	\$3,154,363	\$4,373,204
Change in control	4,275,000	3,154,363	4,459,218
M. Jayne Parker			
No change in control	\$3,323,333	\$2,654,312	\$3,513,255
Change in control	3,323,333	2,654,312	3,513,255

¹ This amount is equal to the bonus awarded to the named executive officers with respect to fiscal 2013 and set forth in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table, plus the lump sum payments based on salary through the end of the employment term as described above.

² In the case of Mr. Braverman, the amount is based on his new employment agreement, effective October 1, 2013, which was after the close of the fiscal year on September 28, 2013. Under his prior employment agreement, the cash payment would have been \$2,950,000, and under a termination without a change in control, option acceleration would be \$4,520,269 and RSU acceleration would be \$7,809,755.

Termination for Cause

Each named executive officer's employment agreement provides that, if his or her employment is terminated by the Company for cause, he or she will only be eligible to receive the compensation earned and benefits vested through the date of termination, including any rights he or she may have under his or her indemnification agreement with the Company or the equity plans of the Company.

Termination for Cause is defined in Mr. Iger's employment agreement as termination by the Company due to (i) conviction of a felony or the entering of a plea of nolo contendere to a felony charge; (ii) gross neglect, willful malfeasance or willful gross misconduct in connection with his employment which has had a material adverse effect on the business of the Company and its subsidiaries, unless he reasonably believed in good faith

that such act or non-act was in, or not opposed to, the best interests of the Company; (iii) his substantial and continual refusal to perform his duties, responsibilities or obligations under the agreement that continues after receipt of written notice identifying the duties, responsibilities or obligations not being performed; (iv) a violation that is not timely cured of any Company policy that is generally applicable to all employees or all officers of the Company that he knows or reasonably should know could reasonably be expected to result in a material adverse effect on the Company; (v) any failure (that is not timely cured) to cooperate, if requested by the Board, with any investigation or inquiry into his or the Company's business practices, whether internal or external; or (vi) any material breach that is not timely cured of covenants relating to non-competition during the term of employment and protection of the Company's confidential information.

Termination for Cause is defined in Mr. Rasulo's, Mr. Braverman's, Mr. Mayer's, and Ms. Parker's employment agreement as termination by the Company due to gross negligence, gross misconduct, willful nonfeasance or willful material breach of the agreement by the executive unless, if the Company determines that the conduct or cause is curable, such conduct or cause is timely cured by the executive.

Expiration of Employment Term; Retirement

Each of the named executive officers is eligible to receive earned, unpaid salary and unconditionally vested accrued benefits if his or her employment terminates at the expiration of his or her employment agreement or he or she otherwise retires, but except as described below they are not contractually entitled to any additional

compensation in this circumstance. If Mr. Iger retires at June 30, 2016, which is the stated expiration date of his employment agreement, he will be entitled to receive his full target bonus award of \$12 million for the then current fiscal year, subject only to the satisfaction of the performance objectives applicable to assure that the bonus is deductible for federal income tax purposes as performance-based compensation.

Unless a longer period applies to options granted after December 2009, a named executive officer who is eligible to receive retirement benefits immediately following his or her termination of employment may exercise any then vested and outstanding options until the earlier of 18 months following such termination or until their original expiration date. Options and restricted stock units awarded after December 2009 (and awarded at least one year before retirement), subject to the attainment of any applicable performance conditions, continue to vest for three years (five years in the case of options awarded after March 2011) after retirement (and options remain exercisable until the earlier of three or five years after retirement and the original expiration date) if the named executive officer was age 60 or greater and had at least ten years of service at the date of retirement, except that this rule does not apply for certain employees outside the United States. In addition, if he retires at June 30, 2016, which is the stated expiration date of his employment agreement, all options and restricted stock units awarded to Mr. Iger after October 2, 2011 will, subject to the satisfaction of applicable performance criteria, continue to vest and in the case of options remain exercisable following his retirement according to their original vesting schedule and expiration date.

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Audit-Related Matters

Audit Committee Report

The charter of the Audit Committee of the Board specifies that the purpose of the Committee is to assist the Board in its oversight of:

- the integrity of the Company's financial statements;
- the adequacy of the Company's system of internal controls;
- the Company's compliance with legal and regulatory requirements;
- the qualifications and independence of the Company's independent registered public accountants; and
- the performance of the Company's independent registered public accountants and of the Company's internal audit function.

In carrying out these responsibilities, the Audit Committee, among other things:

- monitors preparation of quarterly and annual financial reports by the Company's management;
- supervises the relationship between the Company and its independent registered public accountants, including: having direct responsibility for their appointment, compensation and retention; reviewing the scope of their audit services; approving audit and non-audit services; and confirming the independence of the independent registered public accountants; and
- oversees management's implementation and maintenance of effective systems of internal and disclosure controls, including review of the Company's policies relating to legal and regulatory compliance, ethics and conflicts of interests and review of the Company's internal auditing program.

The Committee met eight times during fiscal 2013. The Committee schedules its meetings with a view to ensuring that it devotes appropriate attention to all of its tasks. The Committee's meetings include, whenever appropriate, executive sessions in which the Committee meets separately with the Company's independent registered public accountants, the Company's internal auditors, the Company's chief financial officer and the Company's general counsel.

As part of its oversight of the Company's financial statements, the Committee reviews and discusses with both management and the Company's independent registered public accountants all annual and quarterly financial statements prior to their issuance. During

fiscal 2013, management advised the Committee that each set of financial statements reviewed had been prepared in accordance with generally accepted accounting principles, and management reviewed significant accounting and disclosure issues with the Committee. These reviews included discussion with the independent registered public accountants of matters required to be discussed pursuant to *Public Company Accounting Oversight Board AU 380 (Communication With Audit Committees)*, including the quality of the Company's accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The Committee also discussed with PricewaterhouseCoopers LLP matters relating to its independence, including a review of audit and non-audit fees and the written disclosures and letter from PricewaterhouseCoopers LLP to the Committee pursuant to applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountants' communications with the Audit Committee concerning independence.

In addition, the Committee reviewed key initiatives and programs aimed at maintaining the effectiveness of the Company's internal and disclosure control structure. As part of this process, the Committee continued to monitor the scope and adequacy of the Company's internal auditing program, reviewing internal audit department staffing levels and steps taken to maintain the effectiveness of internal procedures and controls.

Taking all of these reviews and discussions into account, the undersigned Committee members recommended to the Board that the Board approve the inclusion of the Company's audited financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended September 28, 2013, for filing with the Securities and Exchange Commission.

Members of the Audit Committee

Monica C. Lozano
Robert W. Matschullat (Chair)
Orin C. Smith

Policy for Approval of Audit and Permitted Non-audit Services

All audit, audit-related, tax and other services were pre-approved by the Audit Committee, which concluded that the provision of such services by PricewaterhouseCoopers LLP was compatible with the maintenance of that firm's independence in the conduct of its auditing functions. The Audit Committee's Outside Auditor Independence Policy provides for pre-approval of specifically described audit, audit-related, tax and other services by the Committee on an annual basis, but individual engagements anticipated to exceed pre-established thresholds must be separately

approved. The policy also requires specific approval by the Committee if total fees for audit-related, tax and other services would exceed total fees for audit services in any fiscal year. The policy authorizes the Committee to delegate to one or more of its members pre-approval authority with respect to permitted services, and the Committee has delegated to the Chairman of the Committee the authority to pre-approve services in certain circumstances.

Auditor Fees and Services

The following table presents fees for professional services rendered by PricewaterhouseCoopers LLP for the audit of the Company's annual financial statements and internal control over financial reporting for fiscal 2013 and fiscal 2012, together with fees for audit-related, tax and other services rendered by PricewaterhouseCoopers LLP during fiscal 2013 and fiscal 2012. Audit-related services consisted principally of audits of employee benefit plans and other entities related to the Company and other attest projects. Tax services consisted principally of planning and advisory services, tax compliance (primarily international returns), and sales and use tax recovery assistance. Other services consisted of attestation reports on social, environmental and cultural disclosure required by law or regulation.

	Fiscal 2013	Fiscal 2012
	(in millions)	
Audit fees	\$19.6	\$19.3
Audit-related fees	2.3	2.0
Tax fees	4.1	4.0
All other fees	0.1	—

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Items to Be Voted On

Election of Directors

The current term of office of all of the Company's Directors expires at the 2014 Annual Meeting. The Board proposes that all of the currently serving Directors (other than Ms. Estrin, who has not been renominated pursuant to the tenure policy in the Company's *Corporate Governance Guidelines*) be re-elected for a term of one year and until their successors are duly elected and qualified. Mr. Dorsey was initially identified as a potential Director by a third-party search firm and recommended for nomination by the Governance and Nominating Committee. Each of the nominees has consented to serve if elected. If any of them becomes unavailable to serve as a Director before the 2014 Annual Meeting, the Board may designate a substitute nominee. In that case, the persons named as proxies will vote for the substitute nominee designated by the Board.

Directors are elected by a majority of votes cast unless the election is contested, in which case Directors are elected by a plurality of votes cast. A majority of votes cast means that the number of shares voted for a Director exceeds the number of votes cast against the Director; abstentions are not counted either for or against. If an

incumbent Director in an uncontested election does not receive a majority of votes cast for his or her election, the Director is required to submit a letter of resignation to the Board of Directors for consideration by the Governance and Nominating Committee. The Governance and Nominating Committee is required to promptly assess the appropriateness of such nominee continuing to serve as a Director and recommend to the Board the action to be taken with respect to the tendered resignation. The Board is required to determine whether to accept or reject the resignation, or what other action should be taken, within 90 days of the date of the certification of election results.

Brokers holding shares beneficially owned by their clients do not have the ability to cast votes with respect to the election of Directors unless they have received instructions from the beneficial owner of the shares. [It is therefore important that you provide instructions to your broker if your shares are held by a broker so that your vote with respect to Directors is counted.](#)

The Board recommends a vote FOR each of the persons nominated by the Board.

Susan E. Arnold, 59, has been an operating executive of The Carlyle Group, an equity investment firm, since September 2013. She retired as President Global Business Units of Procter & Gamble in 2009, a position she had held since 2007. Prior to 2009, she was Vice Chair of P&G Beauty and Health from 2006, Vice Chair of P&G Beauty from 2004 and President Global Personal Beauty Care and Global Feminine Care from 2002. She has been a director of McDonalds Corporation since 2008. Ms. Arnold has been a Director of the Company since 2007.

Ms. Arnold contributes to the mix of experience and qualifications the Board seeks to maintain primarily through her experience as an executive of Procter & Gamble and her other public company board experience. At Procter & Gamble, Ms. Arnold was a senior executive responsible for major consumer brands in a large, complex retailing and global brand management company. As a result of this experience, Ms. Arnold brings to our Board in-depth knowledge of brand management and marketing, environmental sustainability, product development, international consumer markets, finance and executive management, including executive compensation and management leadership.

John S. Chen, 58, has been Executive Chair and Interim Chief Executive Officer of Blackberry, Ltd., a maker of mobile devices, since November, 2013, and is a Senior Advisor of Silver Lake, a private investment firm. Mr. Chen was Chairman and Chief Executive Officer of Sybase Inc., a software developer and a wholly-owned subsidiary of

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SAP AG from July 2010 through November 1, 2012. Prior to SAP's acquisition of Sybase in July 2010, Mr. Chen had been Chairman of the Board, Chief Executive Officer and President of Sybase, Inc., since November 1998. From February 1998 through November 1998, he served as co-Chief Executive Officer of Sybase. Mr. Chen has been a director of Wells Fargo & Company since 2006 and a Director of the Company since 2004.

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Mr. Chen contributes to the mix of experience and qualifications the Board seeks to maintain primarily through his experience as a leader of a variety of technology businesses, his experience doing business in Asia and his other public company board experience. In his roles at Blackberry, Sybase and other technology companies, Mr. Chen has been responsible for overseeing and managing executive teams and a sizeable work force engaged in high technology development, production and marketing. Mr. Chen has also interacted regularly with businesses and governments in Asia in connection with these businesses. As a result of this experience, Mr. Chen brings to our Board an understanding of the rapidly changing technological landscape and intense familiarity with all issues involved in managing technology businesses and particularly with businesses and governmental practices in Asia.

Jack Dorsey, 37, has served as the Chairman of the Board of Directors of Twitter, Inc., a developer and provider of mobile communication applications, since 2008 and as Co-Founder and Chief Executive Officer of Square, Inc., a provider of payment processing services, since 2009. Mr. Dorsey served as President and Chief Executive Officer of Twitter from 2007 to 2008 and has been a director of Twitter since 2007.

Mr. Dorsey contributes to the mix of experience and qualifications the Board seeks primarily through his experience at Twitter, Inc. and Square, Inc., where he has extensive experience in the development of consumer-facing technology, particularly widely-distributed mobile and social applications, and the management of technology-oriented businesses.

Robert A. Iger, 62, has served as Chairman and Chief Executive Officer since March 2012. Prior to that time, he served as President and Chief Executive Officer of the Company since 2005, having previously served as President and Chief Operating Officer since 2000 and as President of Walt Disney International and Chairman of the ABC Group from 1999 to 2000. From 1974 to 1998, Mr. Iger held a series of increasingly responsible positions at ABC, Inc. and its predecessor Capital Cities/ABC, Inc., culminating in service as President of the ABC Network Television Group from 1993 to 1994 and President and Chief Operating Officer of ABC, Inc. from 1994 to 1999. He is a member of the Board of Directors of Apple, Inc., the Lincoln Center for the Performing Arts in New York City and the National September 11 Memorial & Museum. Mr. Iger has been a Director of the Company since 2000. The Company has agreed in Mr. Iger's employment agreement to nominate him for re-election as a member of the Board and as Chairman of the Board at the expiration of each term of office during the term of the agreement, and he has agreed to continue to serve on the Board if elected.

Mr. Iger contributes to the mix of experience and qualifications the Board seeks to maintain primarily through his position as Chairman and Chief Executive Officer of the Company and his long experience with the business of the Company. As Chairman and Chief Executive Officer and as a result of the experience he gained in nearly 40 years at ABC and Disney, Mr. Iger has an intimate knowledge of all aspects of the Company's business and close working relationships with all of the Company's senior executives.

Fred H. Langhammer, 70, is Chairman, Global Affairs, of The Estée Lauder Companies Inc., a manufacturer and marketer of cosmetics products. Prior to being named Chairman, Global Affairs, Mr. Langhammer was Chief Executive Officer of The Estée Lauder Companies Inc. from 2000 to 2004, President from 1995 to 2004 and Chief Operating Officer from 1985 through 1999. Mr. Langhammer joined The Estée Lauder Companies in 1975 as President of its operations in Japan. In 1982, he was appointed Managing Director of its operations in Germany. He has been a director of Central European Media Enterprises, Ltd., since 2009 and was also a director of The Shinsei Bank Limited from 2005 to 2009 and a director of AIG from 2006 to 2008. Mr. Langhammer has been a Director of the Company since 2005.

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Mr. Langhammer contributes to the mix of experience and qualifications the Board seeks to maintain primarily through his experience at Estée Lauder, a complex worldwide branded consumer products business, and his experience with business outside the United States. In addition to serving in Estée Lauder's Japan and Germany operations and on the Board of Shinsei Bank, a Japan-based commercial bank, Mr. Langhammer served as general manager of the Japan operations of a British trading company. He also serves as Chairman Emeritus of the American Institute for Contemporary German Studies at Johns Hopkins University and he is a senior fellow of the Foreign Policy Association and a member of the Trilateral Commission. As a result of this experience, Mr. Langhammer brings to our Board an understanding of growth strategies in worldwide branded businesses, specific knowledge of Asian and European markets, and extensive familiarity with all aspects of managing and providing leadership to a complex business organization.

Aylwin B. Lewis, 59, has served as President and Chief Executive Officer of Potbelly Sandwich Works since 2008. Prior to that, Mr. Lewis was President and Chief Executive Officer of Sears Holdings Corporation, a nationwide retailer, from 2005 to 2008. Prior to being named Chief Executive Officer of Sears, Mr. Lewis was President of Sears Holdings and Chief Executive Officer of Kmart and Sears Retail following Sears' acquisition of Kmart Holding Corporation in 2005. Prior to that acquisition, Mr. Lewis had been President and Chief Executive Officer of Kmart since 2004. Prior to that, Mr. Lewis was Chief Multibranding and Operating Officer of YUM! Brands, Inc., a franchisor and licensor of quick service restaurants including KFC, Long John Silvers, Pizza Hut, Taco Bell and A&W, from 2003 until 2004, Chief Operating Officer of YUM! Brands from 2000 until 2003 and Chief Operating Officer of Pizza Hut from 1996. Mr. Lewis served on the Board of Directors of Sears Holding Corp. from 2005 through 2008, on the Board of Directors of Kmart from 2004 through 2008 and on the Board of Directors of Potbelly Sandwich Works since 2008. Mr. Lewis has been a director of Starwood Hotels & Resorts Worldwide since January 1, 2013. Mr. Lewis has been a Director of the Company since 2004.

Mr. Lewis contributes to the mix of experience and qualifications the Board seeks to maintain primarily through his experience in various positions at Yum! Brands, Kmart, Sears and Potbelly Sandwich Works. At Yum! Brands, Mr. Lewis was responsible for marketing and branding of consumer-facing products and services in the quick-serve food industry, and at Kmart and Sears he was responsible for all aspects of complex, worldwide businesses offering consumer products. At Potbelly Sandwich Works, Mr. Lewis's responsibilities include developing and implementing the company's growth strategy. As a result of this experience, Mr. Lewis brings to our Board knowledge of consumer branding strategy and tactics, management and leadership of complex worldwide retail and service businesses, and insights into promoting growth strategies for new consumer-facing businesses.

Monica C. Lozano, 57, is Chief Executive Officer and Chair of the Board of Impremedia, LLC, a leading Hispanic news and information company with outlets in Los Angeles, New York, Chicago and other U.S. cities. In addition, Ms. Lozano is a trustee of the University of Southern California. She has been a director of Bank of America Corporation since 2006 and is a director of the Rockefeller and Weingart Foundations. Ms. Lozano has been a Director of the Company since 2000.

Ms. Lozano contributes to the mix of experience and qualifications the Board seeks to maintain primarily through her experience managing Impremedia's media businesses, her other public company board experience and her service on a variety of non-profit boards and advisory groups. In addition to the board service described above, Ms. Lozano was a member of the President's Council on Jobs and Competitiveness and the Council on Foreign Relations, and has served on the boards of the Union Bank

of California, First Interstate Bank of California, Tenet Healthcare Corp., the National Council of La Raza (where she served as chair of the board) and the California HealthCare Foundation, among others. Through this experience, Ms. Lozano brings to our Board a wide-ranging knowledge of cultural and consumer trends, particularly in the Hispanic community, and an understanding of corporate governance practices and practice in overseeing the management of complex public businesses.

Robert W. Matschullat, 66, a private equity investor, served from 1995 until 2000 as Vice Chairman of the board of directors and Chief Financial Officer of The Seagram Company Ltd., a global company with entertainment and beverage operations. Prior to joining Seagram, Mr. Matschullat was head of worldwide investment banking for Morgan Stanley & Co. Incorporated, a securities and investment firm, and was on the Morgan Stanley Group board of directors. He is Lead Director of The Clorox Company, where he was Interim Chairman of the Board and Interim Chief Executive Officer from March to October 2006. Mr. Matschullat is a director and Chairman of the Board of Visa Inc. Mr. Matschullat has been a Director of the Company since 2002.

Mr. Matschullat contributes to the mix of experience and qualifications the Board seeks to maintain primarily through his experience at Seagram and Morgan Stanley, his expertise in financial management and his other public company board experience. At Seagram, Mr. Matschullat was responsible for the financial function of the firm as well as serving on Seagram's board of directors. At Morgan Stanley, he was engaged in an active investment banking practice, as well as serving as Head of Worldwide Investment Banking and on the board of directors of the firm. As a result of this experience, Mr. Matschullat brings to our Board expertise in a wide range of financial and accounting matters, practical knowledge of executive management of complex, worldwide businesses including those engaged in the entertainment field, and knowledge of board level oversight as both a director and interim leader of a worldwide consumer products business.

Sheryl Sandberg, 44, has served as the Chief Operating Officer of Facebook, Inc., an online social networking company, since 2008. From 2001 to 2008, Ms. Sandberg was the Vice President of Global Online Sales and Operations for Google Inc., an Internet search engine company. Ms. Sandberg also is a former Chief of Staff of the United States Treasury Department and previously served as a management consultant with McKinsey & Company and as an economist with The World Bank. Ms. Sandberg served as a director of Starbucks Corp. from 2009 to 2012. She also serves on a number of nonprofit boards including Women for Women International, and V-Day. She served as a director of eHealth, Inc. from 2006 to 2008 and as a director of Facebook since June 2012. She has been a Director of the Company since 2010.

Ms. Sandberg contributes to the mix of experience and qualifications the Board seeks to maintain primarily through her experience at Google, Facebook, McKinsey & Company and in government service. At Facebook, Ms. Sandberg oversees Facebook's business operations, including sales, marketing, business development, legal, human resources, public policy and communications, and at Google she was responsible for the development and management of Google's online sales channels for advertising and publishing and operations for consumer products worldwide. At McKinsey, she advised businesses on growth strategies. In addition to her service in a senior position at the United States Treasury, Ms. Sandberg served at the World Bank. As a result of this experience, Ms. Sandberg brings to our Board expertise in the online world, considerable knowledge of international finance and business and a deep understanding of consumer behavior.

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Orin C. Smith, 71, is retired and was President and Chief Executive Officer of Starbucks Corporation from 2000 to 2005. He joined Starbucks as Vice President and Chief Financial Officer in 1990, became President and Chief Operating Officer in 1994, and became a director of Starbucks in 1996. Prior to joining Starbucks, Mr. Smith spent a total of 14 years with Deloitte & Touche. Mr. Smith has been a director of Nike, Inc. since 2004 and served on the Board of Washington Mutual, Inc. from 2005 to March 2012. He also serves on the Board of Directors of Conservation International and the University of Washington Board of Regents. Mr. Smith has been a Director of the Company since 2006 and has served as independent Lead Director since 2012.

Mr. Smith contributes to the mix of experience and qualifications the Board seeks to maintain primarily through his experience at Starbucks, Deloitte & Touche, his other public company board experience and his service on not for profit boards. At Starbucks, Mr. Smith was first responsible for the financial function and then, as president, chief operating officer, chief executive officer and a member of the board of directors, for all aspects of managing and leading Starbucks' business offering branded products and services worldwide. Through his service on the board of Conservation International, Mr. Smith has experience with a range of environmental and sustainability issues. As a result of this experience, Mr. Smith brings to our Board practical knowledge of management and leadership of complex worldwide consumer products businesses, expertise in financial matters and insights into international labor standards, environmental, sustainability and other corporate responsibility issues.

Ratification of Appointment of Independent Registered Public Accountants

The Audit Committee of the Board has appointed PricewaterhouseCoopers LLP as the Company's independent registered public accountants for the fiscal year ending September 27, 2014. Services provided to the Company and its subsidiaries by PricewaterhouseCoopers LLP in fiscal 2013 are described under *Audit-Related Matters Auditor Fees and Services*, above.

We are asking our shareholders to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accountants. Although ratification is not required by our Bylaws or otherwise, the Board is submitting the selection of PricewaterhouseCoopers LLP to our shareholders for ratification as a matter of good corporate practice.

Representatives of PricewaterhouseCoopers LLP will be present at the annual meeting to respond to appropriate questions and to make such statements as they may desire.

The affirmative vote of the holders of a majority of shares represented in person or by proxy and entitled to vote on this item will be required for approval. Abstentions will be counted as represented and entitled to vote and will therefore have the effect of a negative vote.

The Board recommends that shareholders vote FOR ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accountants for fiscal 2014.

In the event shareholders do not ratify the appointment, the appointment will be reconsidered by the Audit Committee and the Board. Even if the selection is ratified, the Audit Committee in its discretion may select a different registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and our shareholders.

Advisory Vote on Executive Compensation

As we do each year, and as required by Section 14A of the Securities Exchange Act, we are seeking advisory shareholder approval of the compensation of named executive officers as disclosed in the section of this proxy statement titled *Executive Compensation*. Shareholders are being asked to vote on the following advisory resolution:

Resolved, that the shareholders advise that they approve the compensation of the Company's named executive officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission (which disclosure shall include the Compensation Discussion and Analysis, the compensation tables, and any related material).

The compensation of our executive officers is based on a design that aims to align pay with both the attainment of annual operational and financial goals, which the Compensation Committee establishes, and sustained long-term value creation. The design of our compensation

program is detailed in the *Compensation Discussion and Analysis* section of this proxy statement, and the decisions made by the Compensation Committee under that program for fiscal 2013 are summarized in the *Proxy Statement Summary* beginning on page 1 and described in detail in *Compensation Discussion and Analysis* beginning on page 19. Shareholders should read these sections before deciding how to vote on this proposal.

Although the vote is non-binding, the Board of Directors and the Compensation Committee will review the voting results in connection with their ongoing evaluation of the Company's compensation program. Broker non-votes (as described under *Information About Voting and the Meeting* - *Voting*) are not entitled to vote on these proposals and will not be counted in evaluating the results of the vote.

The Board of Directors recommends a vote FOR advisory approval of the resolution set forth above.

Approval of Amendment to the Restated Certificate of Incorporation

The Board of Directors recommends that shareholders approve an amendment to the Company's Restated Certificate of Incorporation that will provide stockholders the right to call a special meeting of stockholders. Currently, the Company's Restated Certificate of Incorporation and Restated Bylaws provide that only the Board of Directors, the Chairman of the Board of Directors or the President may call a special stockholder meeting. The amendment to the Restated Certificate of Incorporation would also require the Company to hold a special meeting if requested in proper form by stockholders who have continuously held as stockholders of record for at least one year a net long position in shares representing at least 25% of the outstanding shares.

The Board of Directors believes that shareholders should have the right to call a special meeting, provided that the meeting is proposed by shareholders who have a true economic interest in a significant percentage of our shares and have held that interest for at least one year. The Company's By-Laws already permit stockholders to propose business at the annual meeting. Therefore, the Board believes special meetings should only be called to consider extraordinary events that are of interest to a broad shareholder base and that need immediate attention prior to the next annual meeting. For every special meeting, the Company is required to incur

significant expenses including legal, printing and mailing expenses, as well as other costs normally associated with holding a stockholder meeting. In addition, preparation for a meeting, especially one that involves issues of the urgency that would necessitate a special meeting, requires significant attention of the Company's directors, officers and employees, diverting their attention from the operations of the Company's business.

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The Board of Directors believes that a 25% threshold strikes an appropriate balance in terms of enhancing shareholder rights while protecting against the risk that a small minority of shareholders could trigger the expense and distraction of a special meeting to pursue matters that are not widely viewed as requiring immediate attention. The one-year holding and net long position requirements similarly protect against a meeting being called by shareholders whose interests are transitory or are otherwise not aligned with other shareholders' interests in the long-term economic prospects of the Company. A stockholder's net long position is generally defined as the amount of common stock in which the stockholder holds a positive (also known as "long") economic interest, reduced by the amount of common stock in which the stockholder holds a negative (also known as "short") economic interest.

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The Board therefore recommends that Article VI of the Restated Certificate be amended to read as set forth in Annex A. If the proposed amendment is adopted, the Board of Directors will adopt amendments to the Restated Bylaws to implement the special meeting right, which will include provisions defining a net long position and setting forth requirements as to: the form of request for the meeting; the information required to be furnished by shareholders in connection with a request; the timing of a request; the means of withdrawing a request; the date a meeting is to be held pursuant to a request; and the appropriate scope of business at any meeting held pursuant to a request.

The affirmative vote of a majority of the number of shares of common stock outstanding on the record date for the Annual Meeting will be required for approval of this proposal. Abstentions will have the effect of a negative vote on this proposal. Broker non-votes (as described under *Information About Voting and the Meeting* *Voting*) will not be considered entitled to vote on this proposal and will have the effect of a negative vote on this proposal.

The Board of Directors has determined that this amendment is advisable and recommends that you vote FOR this proposal, and if you properly submit your proxy it will be voted for this proposal unless you specify otherwise.

Shareholder Proposals

The Company has been notified that two shareholders of the Company intend to present proposals for consideration at the annual meeting. The shareholders making these proposals have presented the proposals and supporting statements set forth below, and we are presenting the proposals and the supporting statements as they were submitted to us. While we take issue with certain of the statements contained in the proposals and the supporting statements, we have limited our response to the most important points and have not attempted to address all the statements with which we disagree. The address and stock ownership of the proponents will be furnished by the Company's Secretary to any person, orally or in writing as requested, promptly upon receipt of any oral or written request.

The affirmative vote of the holders of a majority of shares represented in person or by proxy and entitled to vote on the proposal will be required for approval of the proposals. Abstentions will be counted as represented and entitled to vote and will have the effect of a negative vote on the proposals. Broker non-votes (as described under *Information About Voting and the Meeting* *Voting*) will not be considered entitled to vote on these proposals and will not be counted in determining the number of shares necessary for approval of the proposal. The shareholder proposals will be voted on at the annual meeting only if properly presented by or on behalf of the proponents.

Proposal 1 Proxy Access

Legal & General Investment Management (on behalf of its client Hermes Equity Ownership Services), Connecticut Retirement Plans and Trust Funds, and California State Teachers Retirement System as co-sponsors have notified the Company that they intend to present the following proposal for consideration at the annual meeting:

RESOLVED: The shareholders of The Walt Disney Company (*Disney*) ask the board of directors to amend the bylaws to adopt a *proxy access* procedure whereby *Disney* shall include in any proxy materials prepared for a shareholder meeting at which directors are to be elected the name, the Disclosure and the Statement (as defined herein) of any person nominated for election to the board of directors by a shareholder or group thereof (the *Nominator*) that meets the criteria appearing below, and *Disney* shall allow shareholders to vote on such nominee on *Disney*'s proxy card.

The number of shareholder-nominated candidates in proxy materials shall not exceed 20% of the number of directors then serving. This bylaw should provide that a *Nominator* must:

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- (a) have beneficially owned 3% or more of Disney s outstanding common stock continuously for at least three years before submitting the nomination;
- (b) give Disney written notice within the time period identified in Disney s bylaws of information that the bylaws and rules of the Securities & Exchange Commission require about (i) the nominee, including his or her consent to being named in the proxy materials and to serving, if elected; and (ii) the Nominator, including proof of ownership of the required shares (the Disclosure); and

- (c) certify that (i) it will assume liability stemming from any legal violation arising out of its communications with Disney shareholders, including the Disclosure and Statement; (ii) it will comply with all applicable laws if it uses soliciting material other than Disney's proxy materials; and (iii) to the best of its knowledge, the required shares were acquired in the ordinary course of business and not to change or influence control at Disney.

The Nominator may submit with the Disclosure a statement not exceeding 500 words in support of the nominee (the Statement). The board of directors shall adopt procedures for timely resolving disputes over whether notice of a nomination was timely, whether the Disclosure and Statement satisfy the bylaws and any applicable federal regulations, and the priority to be given to multiple nominations exceeding the 20% limit.

SUPPORTING STATEMENT: We believe Disney should adopt proxy access whereby shareholders can more easily promote independent director candidates to enhance accountability to shareholders.

Reasons we advocate enhanced accountability include:

- The Board's re-combining the roles of CEO and Chairman, while guaranteeing Chairmanship to a single individual through 2016. Furthermore, following the CEO's employment contract extension, the staggered transition period originally cited to rationalize recombination was eliminated, thus rendering the initial justification irrelevant.
- Notable unaddressed concerns about executive pay, witness 2013's 42% vote *against* Disney's compensation practices after the prior year's 43% *against* vote.
- A similar proposal requesting proxy access for holders of 3% of Disney shares received 40% support in 2013.

Shareholders adopted similar proposals at several companies last year and management proposals to amend the bylaws at several other companies.

We recommend you vote FOR this proposal.

Board Recommendation

The Board recommends that you vote against this proposal. In the absence of a mandatory proxy access right at all companies, we believe proxy access should only be implemented where there is a demonstrable need for shareholders to make changes in the boardroom. That is not the case at Disney.

The Company's current governance structure protects shareholder rights, ensures board accountability and meets current best practice standards. Proxy access is unnecessary at Disney because:

- [We have several mechanisms that protect shareholder rights](#). These include annual director elections, majority vote standard for uncontested director elections, a board comprised of 90% independent directors, a strong independent lead director, no poison pill and (if the proposal to amend our Certificate of Incorporation is adopted) shareholder rights to call special meetings.
- [We have a robust process for identifying and recommending director nominees](#) to ensure that we have the right mix of skills, experiences and backgrounds on the Board.
- [Our shareholders already have the opportunity to bring director candidates to the attention of the board](#). The Governance and Nominating Committee considers all director candidates proposed by shareholders. In addition, our bylaws include a well-defined process for shareholders to nominate directors.
- [We regularly engage in dialogue with our shareholders](#) and are committed to ensuring their views are represented in the boardroom. Indeed, our Lead Director's responsibilities include direct communication with major shareholders. In the last fiscal year, our independent Directors met with many of our largest shareholders.

The proponents' suggestion that accountability at Disney is deficient is unfounded and incorrect. Proponents cite three areas in which the Board has allegedly failed to be responsive to shareholders, but in each case shareholders have in fact *supported* the Board's position in these areas. On the other hand, the rigor of our current governance structure is evidenced by Board responsiveness to shareholder input in a variety of matters, including the following:

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- The Board declassified elections of Directors; each Director has stood for election annually since 1999.
- In 2007, in response to a shareholder proposal, the Board adopted majority voting in uncontested Director elections.
- In response to recent shareholder proposals (some before they were formally submitted), the Board and its Committees:
 - adopted a Bylaw imposing conditions on the repurchase of shares from significant shareholders;
 - adopted a Bylaw requiring either a shareholder vote or annual board review of any shareholder rights plans;

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- eliminated certain benefits payable to survivors of executives following the executive's death;
- adopted annual disclosure of the Company's political contributions; and
- submitted a proposal at this meeting to amend the Certificate of Incorporation to give shareholders the right to call a special shareholder meeting.

The Board is acutely focused on delivering long term value to shareholders, to engaging with investors to ensure their voices are heard in the boardroom and to a governance structure that is highly protective of shareholders' rights. As a result, proxy access does not deliver advantages that

outweigh its potential disadvantages, which we detailed in our response to this proposal in last year's proxy statement and include disruption, expense, distraction, politicization of director elections and bypassing current protections. Disney's traditional nomination structure serves investors well. Investors should protect that structure and avoid the disadvantages associated with a model that is not needed here.

Accordingly, the Board recommends that you vote AGAINST this proposal, and if the proposal is presented your proxy will be voted against this proposal unless you specify otherwise.

Proposal 2 Limit Accelerated Executive Pay

William Steiner has notified the Company that he intends to present the following proposal for consideration at the annual meeting:

Limit Accelerated Executive Pay Proposal 2

Resolved: Shareholders ask our board of directors to adopt a policy that in the event of a change in control (as defined under any applicable employment agreement, equity incentive plan or other plan), there shall be no acceleration of vesting of any equity award granted to any senior executive, provided, however, that our board's Compensation Committee may provide in an applicable grant or purchase agreement that any unvested award will vest on a partial, *pro rata* basis up to the time of the senior executive's termination, with such qualifications for an award as the Committee may determine.

For purposes of this Policy, "equity award" means an award granted under an equity incentive plan as defined in Item 402 of the SEC's Regulation S-K, which addresses executive pay. This resolution shall be implemented so as not affect any contractual rights in existence on the date this proposal is adopted.

The vesting of equity pay over a period of time is intended to promote long-term improvements in performance. The link between executive pay and long-term performance can be severed if such pay is made on an accelerated schedule.

This proposal should also be more favorably evaluated due to the deficiencies in our company's corporate governance as reported in 2013.

GMI Ratings, an independent investment research firm rated our company D in governance and F in executive pay. Robert Iger received \$40 million CEO pay was extreme relative to Disney's peers. Our CEO pension was also excessive relative to peers. Disney paid long-term

incentives to our CEO for below-median performance compared to peers. Unvested equity pay would not lapse if our CEO were terminated. Disney did not link environmental or social performance to its executive incentive pay.

Directors Aylwin Lewis, Fred Langhammer, John Chen and Susan Arnold received more than 10% in negative votes. Aylwin Lewis and Orin Smith were negatively flagged by GMI due to their directorships at companies that filed for bankruptcy: Halliburton and Washington Mutual respectively. We did not have an Independent Lead Director. There was not one non-executive director who had general expertise in risk management.

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GMI said Disney came under investigation, or had been subject to fine, settlement or conviction for engaging in anti-competitive behavior, such as price fixing, bid rigging or monopolistic practices and had been subject to fine, settlement or conviction for Foreign Corrupt Practices Act, or other bribery or corruption violations.

There were consumer privacy violations and Disney had a workplace safety event. Disney was not a UN Global Compact signatory and had not implemented OSHAS 18001 as its occupational health and safety management system.

There was a potential stock dilution of 10%. Disney had a higher shareholder class action litigation risk than 94% of all rated companies. There were related-party transactions.

Returning to the core topic of this proposal from the context of our clearly improvable corporate governance, please vote to protect shareholder value:

Limit Accelerated Executive Pay Proposal 2

Board Recommendation

The Board recommends that you vote against this proposal. It believes that the current structure of equity awards, which calls for acceleration only if there is both a change in control and termination of the executive, appropriately aligns the interests of executives and shareholders and should be retained. Moreover, the proposal would position the Company outside the corporate mainstream on this issue, putting the Company at a competitive disadvantage in competing for executive talent.

The current structure of equity awards appropriately aligns the interests of executives and shareholders and should not be changed

The Company's Amended and Restated 2011 Stock Incentive Plan (the 2011 Plan) provides for acceleration of equity awards following a change in control in limited circumstances. Awards are accelerated only if, within 12 months of the change in control:

- a participant's employment is terminated by the Company for a reason other than death, disability or cause, or
- the participant terminates his or her employment within 60 days of specified events such as a reduction in position or compensation or a request that the participant relocate by more than 50 miles.

The Board believes that acceleration of awards in these circumstances correctly aligns the interests of participants with the interests of shareholders in the context of a change in control. A change in control creates uncertainty surrounding the plans of new ownership and whether, through loss of employment, employees will forfeit their ability to realize value from unvested equity awards. The risk of that loss creates an undesirable set of disincentives for the employees in connection with the consideration, negotiation and implementation of a transaction that would lead to a change-in-control. The current plan eliminates that disincentive by providing for acceleration in the event of termination of employment, and hence maintains a proper alignment with the interests of shareholders.

The current structure aligns with shareholder interest for a second reason: participants who fear that they will lose all or a portion of their awards would have less incentive to remain with the Company if a change in control is imminent. The prospect of losing valued Company employees in connection with a change in control could reduce the value of the Company to an acquirer and could thus reduce the amount current shareholders would realize in the transaction. By assuring participants that they will realize the full value of their equity awards if

their employment is terminated following a change in control, the current acceleration provisions maintain the proper alignment of the interests of participants and shareholders.

The alignment of our change-in-control acceleration provisions with stockholder interests is evidenced by the 73% approval of the 2011 Plan when it was presented to shareholders in 2011 and the 83% approval of an amendment of the 2011 Plan in 2012.

The Proposal places the Company at a disadvantage in competing for executive talent

The acceleration of vesting upon a change in control is standard practice among public companies generally and in particular within our industry. According to a recent study of 160 public companies drawn from the S&P 500, over 80% of the companies provided for accelerated vesting of equity awards upon either a change in control or a change in control followed by termination. (Key Findings: 2011-2012 Study of Executive Change in Control Arrangements by Meridian Compensation Partners LLC.) Among our general industry peers, over 60% accelerate all options and restricted stock units (and just under 60% accelerate all performance-based restricted stock units) in connection with a change in control termination. Acceleration upon a change in control followed by a termination event is thus well within the mainstream. On the other hand, the pro-rata vesting requested by the proposal was not even mentioned in the recent study and is found at only three of our general industry peers.

Adoption of pro-rata vesting would place the Company at a disadvantage in the competition for executive talent by eroding the value to participants of their equity compensation. With pro-rata vesting, a portion of each equity award would be at risk of forfeiture in the event of a change in control. Participants would thus face a risk of loss that would make each award less valuable. The Committee strongly believes that the structure of our equity compensation should be consistent across all participants, so the proposed change would reduce the value of equity compensation for all of the nearly 4,800 participants in the plan. Compensating each of these participants for the loss of value in their awards would entail significant costs, which could be avoided only by risking the loss of valuable employees to competitors. On the other hand, the costs of acceleration on a change-in-control termination are incurred only if there is actually a change in control and only for those employees who actually are terminated. The proposal therefore places the Company at a competitive disadvantage with respect to many employees in order to save costs that are only

speculative at best and may only be incurred with respect to a relative few.

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The supporting statement for the Proposal includes irrelevant, false and misleading statements

Aside from the merits of the proposal, the Board believes it is necessary to set the record straight with respect to certain statements made in the supporting statement for the proposal. The supporting statement consists largely of general complaints about alleged deficiencies in corporate governance that do not relate to the specific advantages or disadvantages of accelerated vesting of equity awards following a change in control. With the exception of one paragraph, the alleged deficiencies do not even relate to executive compensation generally.

The Board takes matters of corporate governance seriously, and continuously monitors emerging best practices and adopts measures where it determines that they are in best interest of shareholders. The Company's governance practices include: majority election of directors; a Board 90% of whose members are independent; independence standards that exceed regulatory requirements and exchange guidelines; and a strong independent lead director when the Board believes that combination of the roles of the Chairman and Chief Executive Officer is in the best interests of shareholders.

Moreover, a number of the statements in the supporting statement are demonstrably false or misleading. Most obviously:

- Contrary to the statements in the proposal, the Company has had either an independent lead director or an independent chairman of the board at all times since the Board first appointed an independent chairman nearly 10 years ago.
- Contrary to the statements in the proposal, the Company has not been subject to any fine, settlement or conviction under the Foreign Corrupt Practices Act or any other bribery or corruption laws at any time in at least the past five years.
- There is no known basis for the statement in the proposal that the Company is at a high risk for shareholder class action litigation.

While the Board does not believe that any of the alleged deficiencies have any bearing on the merits of the proposal, it wishes to ensure that shareholders are not misled by these statements.

For the reasons set forth above, the Board recommends that you vote AGAINST this proposal, and if the proposal is presented your proxy will be voted against this proposal unless you specify otherwise.

Other Matters

Management is not aware of any other matters that will be presented at the Annual Meeting, and Company Bylaws do not allow proposals to be presented at the meeting unless they were properly presented to the Company prior

to December 6, 2013. However, if any other question that requires a vote is properly presented at the meeting, the proxy holders will vote as recommended by the Board or, if no recommendation is given, in their own discretion.

Information About Voting and the Meeting

Shares Outstanding

Shareholders owning Disney common stock at the close of business on January 17, 2014, (the record date) may vote at the 2014 Annual Meeting and any postponements or adjournments of the meeting. On

that date, 1,749,857,284 shares of common stock were outstanding. Each share is entitled to one vote on each matter considered at the meeting.

Voting

How to Vote. Shareholders have a choice of voting over the Internet, by telephone or by using a traditional proxy card.

- To vote by Internet, go to www.ProxyVote.com and follow the instructions there. You will need the 12 digit number included on your proxy card, voter instruction form or notice.
- To vote by telephone, registered shareholders should dial 1-800-690-6903 and follow the instructions. Beneficial holders should dial the phone number listed on your voter instruction form. You will need the 12 digit number included on your proxy card, voter instruction form or notice.
- If you received a notice and wish to vote by traditional proxy card, you can receive a full set of materials at no charge through one of the following methods:

1) by internet: www.ProxyVote.com

2) by Phone: 1-800-579-1639

3) by email: sendmaterial@proxyvote.com (your email should contain the 12 digit number in the subject line).

Deadline for Voting. The deadline for voting by telephone or electronically is 11:59 p.m., Eastern Time, on March 17, 2014. If you are a registered shareholder and attend the meeting, you may deliver your completed proxy card in person. Street name shareholders who wish to vote at the meeting will need to obtain a proxy form from the institution that holds their shares.

Proxies Submitted but not Voted. If you properly sign and return your proxy card or complete your proxy via the telephone or Internet, your shares will be voted as you direct. If you sign and return your proxy but do not specify how you want your shares voted, they will be voted FOR the election of all nominees for Director as set forth under *Election of Directors*, FOR the ratification of the appointment of the independent registered public

accountants, FOR the advisory vote on executive compensation, FOR the amendment to the Restated Certificate of Incorporation, and AGAINST each of the shareholder proposals.

Revocation of Proxies. You may revoke your proxy and change your vote at any time before the close of balloting at the Annual Meeting by submitting a written notice to the Secretary, by submitting a later dated and properly executed proxy (including by means of a telephone or Internet vote) or by voting in person at the Annual Meeting.

Confirmation of Voting. Beginning March 3, 2014 through May 18, 2014, you may confirm your vote beginning twenty-four hours after your vote is received, whether it was cast by proxy card, electronically or telephonically. To obtain vote confirmation, log onto www.proxyvote.com using the 12 digit number (located on your notice or proxy card). If you hold your shares through a bank or brokerage account, the ability to confirm your vote may be affected by the rules of your bank or broker and the confirmation will not confirm whether your bank or broker allocated the correct number of shares to you.

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Plan Participants. If you participate in the Disney Savings and Investment Plan or the Disney Hourly Savings and Investment Plan, you may give voting instructions as to the number of shares of common stock you hold in the plan as of the record date. You may provide voting instructions to Fidelity Management Trust Company by voting online or by completing and returning a proxy card if you received one. If you hold shares other than through these plans and you vote electronically, voting instructions you give with respect to your other shares will be applied to Disney stock credited to your accounts in a savings and investment plan unless you request a separate control number with respect to each account. To receive separate control numbers, please call 1-855-449-0994.

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The Walt Disney Company Notice of 2014 Annual Meeting and Proxy Statement 63

The trustee will vote your shares in accordance with your duly executed instructions received by March 13, 2014. If you do not send instructions, an independent fiduciary has been selected to determine how to vote all shares for which the trustee does not receive valid and timely instructions from participants. You may revoke previously given voting instructions by March 13, 2014, by either revising your instructions on line or by submitting to the trustee either a written notice of revocation or a properly completed and signed proxy card bearing a later date. Your voting instructions will be kept confidential by the trustee.

Broker Voting. Under New York Stock Exchange Rules, the proposal to approve the appointment of independent auditors is considered a discretionary item. This means that brokerage firms may vote in their discretion on this matter on behalf of clients who have not furnished voting instructions at least 10 days before the date of the meeting. In contrast, the election of Directors, the advisory

vote on executive compensation, the amendment of the Restated Certificate of Incorporation and the shareholder proposals are non-discretionary items. This means brokerage firms that have not received voting instructions from their clients on these proposals may not vote on them. These so-called broker non-votes will be included in the calculation of the number of votes considered to be present at the meeting for purposes of determining a quorum, but will not be considered in determining the number of votes necessary for approval and will have no effect on the outcome of the vote for Directors, the advisory vote on executive compensation, the amendment of the Restated Certificate of Incorporation and the shareholder proposals.

Results of Voting. We will post preliminary results of voting at the meeting on our Investor Relations website promptly after the meeting and file results with the Securities and Exchange Commission as required by applicable rules.

Attendance at the Meeting

If you plan to attend the meeting, you must be a holder of Company shares as of the Record Date of January 17, 2014, and obtain an admission ticket in advance. Tickets will be available to registered and beneficial owners and to one guest accompanying each registered or beneficial owner. You can print your own tickets and you must bring them to the meeting to gain access. Tickets can be printed by accessing Shareholder Meeting Registration at www.proxyvote.com and following the instructions provided (you will need the 12 digit number included on your proxy card, voter instruction form or notice).

If you are unable to print your tickets, please call Broadridge at (855) 449-0994 for assistance.

Requests for admission tickets will be processed in the order in which they are received and must be requested no later than March 11, 2014. Please note that seating is limited and requests for tickets will be accepted on a first-come, first-served basis.

On the day of the meeting, each shareholder will be required to present a valid picture identification such as a driver's license or passport with their admission ticket and you may be denied admission if you do not. Seating will begin at 9:00 a.m. and the meeting will begin at 10:00 a.m. Cameras (including cell phones with photographic capabilities), recording devices and other electronic devices will not be permitted at the meeting. You will be required to enter through a security check point before being granted access to the meeting.

You can obtain directions to the meeting by visiting www.disney.com/annualmeeting2014 or by calling Broadridge at (855) 449-0994.

Other Information

Stock Ownership

Based on a review of filings with the Securities and Exchange Commission and review of shareholders of record, the Company has determined that the following person holds more than 5% of the outstanding shares of Disney common stock.

Name and Address of Beneficial Owner	Shares	Percent of Class
Laurene Powell Jobs Trust* c/o Howson & Simon LLP 101 Ygnacio Valley Road Walnut Creek, CA 94596	130,613,785	7.5%

* Shares are held in trusts for the benefit of the sole trustee of the beneficial owner and family members of the sole trustee of the beneficial owner.

The following table shows the amount of Disney common stock beneficially owned (unless otherwise indicated) by our current Directors, nominees and named executive officers and by Directors, nominees and executive officers as a group. Except as otherwise indicated, all information is as of January 17, 2014.

Name	Shares ^{1,2}	Stock Units ³	Shares Acquirable Within 60 Days ⁴	Percent of Class
Susan E. Arnold	15,314	11,985	22,503	*
Alan N. Braverman	237,571		265,137	*
John S. Chen	26,558	19,624	40,503	*
Jack Dorsey	22	76		*
Judith L. Estrin	67,585	5,560	46,503	*
Robert A. Iger	1,259,104		1,976,979	*
Fred H. Langhammer	39,411	19,701	20,733	*
Aylwin B. Lewis	21,854	21,963	46,503	*
Monica C. Lozano	25,747	26,841	46,503	*
Robert W. Matschullat	21,311	37,322	40,503	*
Kevin A. Mayer	4,030		82,055	*
M. Jayne Parker	16,111		171,638	*
James A. Rasulo	154,804		492,031	*
Sheryl Sandberg	6,823	9,565		*
Orin C. Smith	19,959	5,560	34,503	*
All Directors and executive officers as a group (16 persons)	2,003,138	158,195	3,487,748	*

* Less than 1% of outstanding shares.

¹ The number of shares shown includes shares that are individually or jointly owned, as well as shares over which the individual has either sole or shared investment or voting authority. Some Directors and executive officers disclaim beneficial ownership of some of the shares included in the table, as indicated below:

- Mr. Chen 1,377 shares held for the benefit of children;
- Ms. Estrin 12,000 shares held in trust;
- Mr. Iger 64,356 shares held in trusts and by spouse;
- Ms. Lozano 57 shares held for the benefit of a child; and
- Mr. Mayer 65 shares held for the benefit of members of his family.

All Directors and executive officers as a group disclaim beneficial ownership of a total of 77,855 shares.

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For executive officers, the number of shares listed includes interests in shares held in Company savings and investment plans as of January 17, 2014: Mr. Iger 18,944 shares; Mr. Rasulo 23,253 shares; Mr. Braverman 10,330 shares; Ms. Parker 12,949 shares; and all executive officers as a group 68,817 shares.

- ³ Reflects the number of stock units credited as of January 17, 2014 to the account of each non-employee Director participating in the Company's Amended and Restated 1997 Non-Employee Directors Stock and Deferred Compensation Plan. These units are payable solely in shares of Company common stock as described under *Director Compensation*, but do not have current voting or investment power. Excludes unvested restricted stock units awarded to executives under the Company's Amended and Restated 2002 Executive Performance Plan which vest on a performance basis and other restricted stock units awarded to executives that have not vested under their vesting schedules.
- ⁴ Reflects the number of shares that could be purchased by exercise of options exercisable at January 17, 2014, or within 60 days thereafter under the Company's stock option plans and the number of shares underlying restricted stock units that are not subject to outstanding performance conditions and vest within 60 days of January 17, 2014. The number of performance units vesting depends on the level at which performance tests are satisfied and the amount shown reflects the maximum number of units that could vest.

Continues on next page 4

Section 16(a) Beneficial Ownership Reporting Compliance

Based upon a review of filings with the Securities and Exchange Commission and written representations that no other reports were required, we believe that all of our Directors and executive officers complied during fiscal 2013 with the reporting requirements of Section 16(a)

of the Securities Exchange Act of 1934, except that a report for Mr. Woodford was filed one day late because of technical difficulties in the electronic transmission of the report.

Electronic Availability of Proxy Statement and Annual Report

As permitted by Securities and Exchange Commission rules, we are making this proxy statement and our annual report available to shareholders electronically via the Internet on the Company's website at www.disney.com/investors. On January 24, 2014, we began mailing to our shareholders a notice containing instructions on how to access this proxy statement and our annual report and how to vote online. If you received that notice, you will not receive a printed copy of the proxy materials unless you request it by following the instructions for requesting such materials contained on the notice or set forth in the following paragraph.

If you received a paper copy of this proxy statement by mail and you wish to receive a notice of availability of next year's proxy statement either in paper form or electronically via e-mail, you can elect to receive a paper notice of availability by mail or an e-mail message that will provide a link to these documents on our

website. By opting to receive the notice of availability and accessing your proxy materials online, you will save the Company the cost of producing and mailing documents to you, reduce the amount of mail you receive and help preserve environmental resources. Registered shareholders may elect to receive electronic proxy and annual report access or a paper notice of availability for future annual meetings by registering online at <http://shareholder.broadridge.com/disneyinvestor>. If you received electronic or paper notice of availability of these proxy materials and wish to receive paper delivery of a full set of future proxy materials, you may do so at www.proxyvote.com. Beneficial or street name shareholders who wish to elect one of these options may also do so at <http://thewaltdisneycompany.com/investors/financial-information/electronic-delivery>. In either case, you will need the 12 digit number included on your voter instruction form or notice.

Mailings to Multiple Shareholders at the Same Address

The Company is required to provide an annual report and proxy statement or notice of availability of these materials to all shareholders of record. If you have more than one account in your name or at the same address as other shareholders, the Company or your broker may discontinue mailings of multiple copies. If you wish to receive separate mailings for multiple accounts at the same address, you should mark the box labeled "No" next to "Householding Election" on your proxy card. If you are voting by telephone or the Internet and you wish to receive multiple copies, you may notify us at the address and phone number at the end of the following paragraph if you are a shareholder of record or notify your broker if you hold through a broker.

Once you have received notice from your broker or us that they or we will discontinue sending multiple copies

to the same address, you will receive only one copy until you are notified otherwise or until you revoke your consent. If you received only one copy of this proxy statement and the annual report or notice of availability of these materials and wish to receive a separate copy for each shareholder at your household, or if, at any time, you wish to resume receiving separate proxy statements

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or annual reports or notices of availability, or if you are receiving multiple statements and reports and wish to receive only one, please notify your broker if your shares are held in a brokerage account or us if you hold registered shares. You can notify us by sending a written request to The Walt Disney Company, c/o Broadridge Householding Department, 51 Mercedes Way, Edgewood, NY 11717 or by calling Broadridge at (800) 542-1061, and we will promptly deliver additional materials as requested.

Proxy Solicitation Costs

The proxies being solicited hereby are being solicited by the Board of Directors of the Company. The cost of soliciting proxies in the enclosed form will be borne by the Company. We have retained Phoenix Advisory Partners, LLC, 110 Wall Street, New York, New York 10005, to aid in the solicitation. For these and related advisory services, we will pay Phoenix a fee of \$35,000 and reimburse them for certain out-of-pocket disbursements

and expenses. Officers and regular employees of the Company may, but without compensation other than their regular compensation, solicit proxies by further mailing or personal conversations, or by telephone, facsimile or electronic means. We will, upon request, reimburse brokerage firms and others for their reasonable expenses in forwarding solicitation material to the beneficial owners of stock.

A Annex A - Amendment to the Certificate of Incorporation

ARTICLE VI OF THE CERTIFICATE OF INCORPORATION OF THE COMPANY AS PROPOSED TO BE AMENDED

SPECIAL MEETINGS OF STOCKHOLDERS

A special meeting of the stockholders of the Corporation may be called only by (i) the Board of Directors, (ii) the Chairman of the Board of Directors or, (iii) the Chief Executive Officer, and, subject to the applicable provisions of the Bylaws of the Corporation, shall be called by the Secretary of the Corporation at the written request in proper form of one or more stockholders who have continuously held as stockholders of record a net long position in shares of Common Stock representing in the aggregate at least twenty-five percent (25%) of the outstanding shares of Common Stock for at least one year prior to the date such request is delivered to the Secretary. Special meetings of the stockholders of the Corporation may not be called by any other person or persons.

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B Annex B - Reconciliation of Non-GAAP Measures

This proxy statement includes aggregate segment operating income and earnings per share excluding certain items, which are important financial measures for the Company but are not financial measures defined by Generally Accepted Accounting Principles (GAAP). These measures should be reviewed in conjunction with the relevant GAAP financial measures and are not presented as an alternative measure of net income or earnings per share as determined in accordance with GAAP. Aggregate segment operating income and earnings per share excluding certain items as we have calculated them may not be comparable to similarly titled measures reported by other companies.

The Company evaluates the performance of its operating segments based on segment operating income, and management uses aggregate segment operating income as a measure of the performance of operating businesses separate from non-operating factors. The Company believes that information about aggregate segment operating income assists investors by allowing them to evaluate changes in the operating results of the Company's portfolio of businesses separate from non-operational factors that affect net income, thus providing separate insight into both operations and the other factors that affect reported results. A reconciliation of segment operating income to net income is as follows (dollars in millions):

	Year Ended		
	9/28/2013	9/29/2012	10/1/2011
Segment operating income	\$10,724	\$9,964	\$8,825
Corporate & unallocated shared expenses	(531)	(474)	(459)
Restructuring and impairment charges	(214)	(100)	(55)
Other income/(expense), net	(69)	239	75
Net interest expense	(235)	(369)	(343)
Hulu equity redemption charge ⁽¹⁾	(55)		
Income before income taxes	\$9,620	\$9,260	\$8,043
Income taxes	(2,984)	(3,087)	(2,785)
Net income	\$6,636	\$6,173	(5,258)
Net income attributable to noncontrolling interests	(500)	(491)	(451)
Net income attributable to Disney	\$6,136	\$5,682	\$4,807

(1) Our share of expense associated with an equity redemption at Hulu LLC (see footnote 3 to the Company's Audited Financial Statements for fiscal 2013)

The Company uses earnings per share excluding certain items to evaluate the performance of the Company's operations exclusive of certain items that impact the comparability of results from period to period. The Company believes that information about earnings per share exclusive of these impacts is useful to investors, particularly where the impact of the excluded items is significant in relation to reported earnings, because the measure allows for comparability between periods of the operating performance of the Company's business and allows investors to evaluate the impact of these items separately from the impact of the operations of the business. A reconciliation of earnings per share to earnings per share excluding certain items is as follows:

	Year Ended		
	9/28/2013	9/29/2012	10/1/2011
Diluted EPS as reported	\$3.38	\$3.13	\$2.52
Exclude:			
Favorable tax adjustments related to pre-tax earnings in prior years	(0.06)		
Tax benefit from prior-year foreign earnings indefinitely reinvested outside the United States	(0.06)		
Restructuring and impairment charges ⁽¹⁾	0.07	0.03	
Other income/(expense), net ⁽²⁾	0.03	(0.09)	0.02
Hulu equity redemption charge	0.02		
Diluted EPS excluding certain items ⁽³⁾	\$3.39	\$3.07	\$2.54

(1) See footnote 17 to the Company's Audited Financial Statements for fiscal 2013

(2) Fiscal 2013 includes a charge related to the Celador litigation (\$321 million), partially offset by gains on the sale of our 50% interest in ESPN STAR Sports and various businesses (\$252 million). Fiscal 2012 includes a non-cash gain recorded in connection with the acquisition of a controlling interest in UTV Software Communications Limited (\$184 million) and the recovery of a receivable from Lehman Brothers that was written off in 2008 as a result of the Lehman bankruptcy (\$79 million), partially offset by a net charge related to the refinancing of Disneyland Paris borrowings (\$24 million). Fiscal 2011 includes gains on the sale of businesses (\$75 million)

(3) May not equal to the sum of rows due to rounding

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Your Vote is Important

Please be sure to vote your proxy:

1. Visit www.proxyvote.com and enter the control number found on the enclosed proxy card or notice of annual meeting.
 2. Dial 1-800-690-6903 from a touch-tone telephone and enter the control number found on the enclosed proxy card or notice of annual meeting.
 3. If you received a proxy card, complete the proxy card with your vote, sign, and return in the enclosed postage paid envelope.
***Please note that if you do not vote your proxy your shares will not be represented at the meeting unless you attend in person to vote.**
-

Your Vote is Important

Please be sure to vote your proxy:

1. Visit www.proxyvote.com and enter the control number found on the enclosed form.
 2. Dial the phone number provided on the enclosed form from a touch-tone telephone and enter the control number found on the same form.
 3. If you received a Voter Instruction Form, complete the form with your vote, sign, and return in the enclosed postage paid envelope.
***Please note that if you do not vote your shares your broker will not be able to vote your shares for you and your shares will not be represented at the meeting.**
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