

NORFOLK SOUTHERN CORP  
Form DEF 14A  
March 17, 2005

**OMB APPROVAL**

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

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the Securities**  
**Exchange Act of 1934 (Amendment No. \_\_ )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Norfolk Southern Corporation**

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(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**Notice and Proxy Statement**

**Annual Meeting of Stockholders**

**NORFOLK SOUTHERN CORPORATION**

**Three Commercial Place, Norfolk, Virginia 23510-2191**

**Notice of Annual Meeting**

**of Stockholders to be Held**

**on Thursday, May 12, 2005**

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The Annual Meeting of Stockholders of Norfolk Southern Corporation will be held at The Roper Performing Arts Center, 340 Granby Street, Norfolk, Virginia, on Thursday, May 12, 2005, at 10:00 A.M., Eastern Daylight Time, for the following purposes:

1. Election of four directors to the class whose term will expire in 2008.
2. Ratification of the appointment of KPMG LLP, independent registered public accounting firm, as auditors.
3. Approval of the Norfolk Southern Corporation Long-Term Incentive Plan, as amended, as more fully set forth in the accompanying Proxy Statement.
4. Approval of the Norfolk Southern Corporation Executive Management Incentive Plan, as amended, as more fully set forth in the accompany Proxy Statement.
5. Transaction of such other business as properly may come before the meeting.

Stockholders of record at the close of business on March 7, 2005, will be entitled to vote at the meeting.

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By order of the Board of Directors,  
DEZORA M. MARTIN,  
Corporate Secretary.

Dated: March 17, 2005

**If you do not expect to attend the meeting, you are urged to mark, date and sign the enclosed proxy card and return it in the accompanying envelope or to vote by telephone or Internet, as more particularly described on the enclosed proxy materials.**

Norfolk Southern Corporation

Three Commercial Place

Norfolk, Virginia 23510-2191

March 17, 2005

### PROXY STATEMENT

On March 17, 2005, we expect to begin mailing to you and other stockholders the proxy card, this proxy statement and the Corporation's Annual Report and its Form 10-K Report (the Annual Report and Form 10-K Report together, hereinafter, "annual report") for 2004, which contain important financial and narrative information. This Proxy Statement and the accompanying proxy card relate to the Board of Directors' solicitation of your proxy for use at the Annual Meeting of Stockholders to be held May 12, 2005 ( "2005 Annual Meeting" ). Only stockholders of record on March 7, 2005, are entitled to vote at the 2005 Annual Meeting. As of January 31, 2005, the Corporation had issued and outstanding 422,729,334 shares of Common Stock, of which 401,822,209 shares were entitled to one vote per share.

**As a convenience to you, you may vote by telephone or Internet. The enclosed proxy card describes how to use these services. Or, you may continue to vote by mail; if you properly mark, sign and date the enclosed proxy card and timely return it to The Bank of New York, the shares represented by that proxy card will be voted in accordance with its terms.**

**Any stockholder of record may revoke a signed and returned proxy card (or a proxy given by telephone or Internet) at any time before the proxy is voted by: (a) giving prior notice of revocation in any manner to the Corporation; (b) delivering a subsequent proxy by any means; or (c) attending the 2005 Annual Meeting and voting in person.**

If shares are held for you in street name as the beneficial owner through a broker, bank or other nominee, you may vote your shares by submitting voting instructions to your broker or nominee. Please refer to the voting instruction card included with these materials by your broker or nominee.

If shares are credited to your account in the Norfolk Southern Corporation Thoroughbred Retirement Investment Plan or the Thrift and Investment Plan, your proxy card serves as a voting instruction for the trustee of each Plan, Vanguard Fiduciary Trust Company. If you do not return your proxy card by May 9, 2005, the trustee will vote your shares for each item on the proxy card in the same proportion as the shares that are voted for that item by the other participants in the respective Plan.

The cost of soliciting these proxies will be paid by the Corporation, including the reimbursement, upon request, of brokerage firms, banks and other institutions, nominees and trustees for the reasonable expenses they incur to forward proxy materials to beneficial owners. Officers and other regular employees of the Corporation may solicit proxies by telephone, telegram, facsimile, electronic mail or personal interview; they receive no additional compensation for doing so. The Corporation has retained Innisfree M&A Incorporated to assist in the solicitation of proxies at an approximate cost of \$10,000 plus reasonable out-of-pocket expenses.

In accordance with Rule 14a-3(e)(1) promulgated by the Securities and Exchange Commission ( SEC ), multiple beneficial stockholders sharing an address may receive a single annual report and proxy statement, unless the intermediary or the Corporation has received contrary instructions from one or more of the stockholders. Upon oral or written request, the Corporation will promptly deliver a separate copy of the annual report or proxy statement to a stockholder at a shared address to which a single copy of the document was delivered. If you would like a separate copy of this Proxy Statement or the annual report for 2004, or if you wish to receive a separate annual report or proxy statement in the future, you may contact: Dezora M. Martin, Corporate Secretary, Norfolk Southern Corporation, Three Commercial Place, 13th Floor, Norfolk, Virginia 23510 (telephone 757-629-2680).

The Corporation does not currently plan to deliver a single annual report or proxy statement to multiple record stockholders sharing an address, however intermediaries may choose to do so. If that procedure is used for stockholders of record at a shared address, you may use the above contact to request delivery of a single document.

### **CONFIDENTIALITY**

We have put policies in place to safeguard the confidentiality of proxies and ballots. The Bank of New York, New York, N.Y., which has been retained at an estimated cost of \$7,200 plus out-of-pocket expenses to tabulate all proxies and ballots cast at the 2005 Annual Meeting, is bound contractually to maintain the confidentiality of the voting process. In addition, each Inspector of Election will have taken the oath required by Virginia law to execute duties faithfully and impartially.

Members of the Board of Directors and employees of the Corporation do not have access to proxies or ballots and therefore do not know how individual stockholders vote on any matter. However, when a stockholder writes a question or comment on a proxy card or ballot, or when there is need to determine the validity of a proxy or ballot, Management and/or its representatives may be involved in providing the answer to the question or in determining such validity.

### **BUSINESS TO BE CONDUCTED AT THE ANNUAL MEETING**

#### **FOR WHICH YOUR PROXY IS SOUGHT**

#### **1. ELECTION OF DIRECTORS**

At the 2005 Annual Meeting, the terms of four directors will expire: those of Gerald L. Baliles, Gene R. Carter, Charles W. Moorman, IV, and J. Paul Reason. At its meeting held on January 25, 2005, the Board of Directors amended the Bylaws of the Corporation to increase the number of directors from 10 to 11 and elected Charles W. Moorman, IV, to fill the resulting vacancy. Under Virginia law, the term of a director elected by the Board to fill a vacancy expires at the next stockholders meeting at which directors are elected.

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**Unless you instruct otherwise when you give us your proxy, it will be voted in favor of the election of Messrs. Baliles, Carter, Moorman and Reason as directors for three-year terms that expire in 2008.**

If any nominee becomes unable to serve, your proxy will be voted for a substitute nominee to be designated by the Board of Directors, or the Board of Directors will reduce the number of directors.

So that you have information concerning the independence of the process by which nominees and directors whose terms will continue after the 2005 Annual Meeting were selected, we confirm, as required by the SEC, that (1) there are no family relationships among any of the nominees or directors or among any of the nominees or directors and any officer and (2) there is no arrangement or understanding between any nominee or director and any other person pursuant to which the nominee or director was selected.

**Vote Required to Elect a Director:** Under Virginia law and under the Corporation's Restated Articles of Incorporation, directors are elected at a meeting, so long as a quorum for the meeting exists, by a plurality of the votes cast by the shares entitled to vote in the election. Shares voted to withhold authority or shares that are not voted, such as those held by a broker or other nominee who does not vote in person or by proxy, are not cast for this purpose.

**Nominees for terms expiring in 2008**

Gerald L. Baliles

Mr. Baliles, 64, Richmond, Va., has been a director since 1990. He has been a partner since 1990 in the law firm of Hunton & Williams, a business law firm with offices in several major U. S. cities and international offices in Singapore; Brussels, Belgium; Bangkok, Thailand; London, England; and Hong Kong, China.

(See information under the Certain Relationships and Related Transactions caption on page 33.)

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Gene R. Carter

Mr. Carter, 65, Alexandria, Va., has been a director since 1992. He has been Executive Director and Chief Executive Officer of the Association for Supervision and Curriculum Development, one of the world's largest international education associations, since March 2000, and previously was Executive Director of that organization.

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**Nominees for terms expiring in 2008**

Charles W. Moorman, IV	Mr. Moorman, 53, Virginia Beach, Va., has been a director since January 25, 2005. He has been President of the Corporation since October 2004. Prior thereto he served as Senior Vice President Corporate Planning and Services from December 2003 to October 2004, Senior Vice President Corporate Services from February 2003 to December 2003 and President Thoroughbred Technology and Telecommunications, Inc. from 1999 to November 2004.
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J. Paul Reason	Admiral Reason, 63, Norfolk, Va., has been a director since 2002. He has been President and Chief Operating Officer of Metro Machine Corporation, an employee-owned ship repair company, since 2000. He is a retired four-star Admiral and former Commander-in-Chief of the U.S. Atlantic Fleet. He is also a director of AMGEN, Inc., and Wal-Mart Stores, Inc.
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**Continuing Directors those whose terms expire in 2006**

David R. Goode	Mr. Goode, 64, Norfolk, Va., has been a director since 1992. He has been Chairman and Chief Executive Officer of the Corporation since October 2004, having previously been Chairman, President and Chief Executive Officer since 1992. He is also a director of Norfolk Southern Railway Company, Caterpillar, Inc., Delta Air Lines, Inc., Georgia-Pacific Corporation and Texas Instruments Incorporated.
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Steven F. Leer	Mr. Leer, 52, St. Louis, Mo., has been a director since 1999. He has been President and Chief Executive Officer of Arch Coal, Inc., a company engaged in coal mining and related businesses, since 1992. He is also a director of Arch Coal, Inc.
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**Continuing Directors those whose terms expire in 2006**

Harold W. Pote                      Mr. Pote, 58, New York, N.Y., has been a director since 1988. He has been Vice Chairman, Retail Financial Services of JPMorgan Chase & Co. since September 2004, having previously been Regional Banking Group Executive of J. P. Morgan Chase & Co., and prior thereto Managing Director for the Chase Manhattan Bank.

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**Continuing Directors those whose terms expire in 2007**

Alston D. Correll                      Mr. Correll, 63, Atlanta, Ga., has been a director since 2000. He has been Chairman and Chief Executive Officer of Georgia-Pacific Corporation, a manufacturer and distributor of tissue, pulp, paper, packaging, building products and related chemicals, since 1993 and President from 1991 to 2002. He is also a director of SunTrust Banks, Inc., SunTrust Bank, Atlanta, SunTrust Banks of Georgia, Inc. and Mirant Company.

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Landon Hilliard                      Mr. Hilliard, 65, New York, N.Y., has been a director since 1992. He has been a partner in Brown Brothers Harriman & Co., a private bank in New York City, since 1979. He is also a director of Owens-Corning Corporation, Western World Insurance Group, Inc. and Russell Reynolds Associates, Inc.

(See information under the Certain Relationships and Related Transactions caption on page 33.)

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Burton M. Joyce                      Mr. Joyce, 63, Penhook, Va., has been a director since 2003. He has been a director and Chairman of the Board of Directors of IPSCO, a leading steel producer, since 2000, having previously served as Vice Chairman, President and Chief Executive Officer of Terra Industries, Inc. He is also a director of Terra Nitrogen Company LP.

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**Continuing Directors those whose terms expire in 2007**

Jane Margaret O'Brien Ms. O'Brien, 51, St. Mary's City, Md., has been a director since 1994. She has been President of St. Mary's College of Maryland since 1996.

**2. RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

At a meeting held on January 24, 2005, the Audit Committee of the Board of Directors appointed the firm of KPMG LLP ( KPMG ), independent registered public accounting firm, to audit the books, records and accounts of the Corporation for the year ending December 31, 2005. This firm has acted as auditors for the Corporation (and for one of its predecessor companies, Norfolk and Western Railway Company) since 1969.

The Audit Committee requires that management obtain the prior approval of the Committee for all audit and permissible non-audit services to be provided by KPMG. The Committee considers and approves at each January meeting anticipated audit and permissible non-audit services to be provided by KPMG during the year and estimated fees. The Committee considers and pre-approves additional audit and permissible non-audit services and fees as needed at each meeting. The Committee has delegated authority to the Chair of the Audit Committee to pre-approve audit and permissible non-audit services between meetings of the Committee, provided that the Chair reports any such pre-approval to the Committee at its next meeting. The Audit Committee will not approve non-audit engagements that would violate rules of the Securities and Exchange Commission or impair the independence of KPMG. All services rendered by KPMG to the Corporation in 2004 were pre-approved in accordance with these procedures.

For the years ended December 31, 2004, and December 31, 2003, KPMG has billed the Corporation for the following services:

	<u>2004</u>	<u>2003</u>
Audit Fees <sup>1</sup>	\$ 2,462,000	\$ 1,446,000
Audit-Related Fees <sup>2</sup>	245,000	228,900
Tax Fees <sup>3</sup>	95,000	289,190
All Other Fees <sup>4</sup>	0	36,526

<sup>1</sup>Audit Fees include fees for professional services performed by KPMG for the audit of the annual financial statements for the Corporation and its subsidiaries, the audit of Conrail, the review of

financial statements included in the Company's 10-Q filings, services that are normally provided in connection with statutory and regulatory filings or engagements and, for 2004, the audit of internal control over financial reporting.

<sup>2</sup>Audit-Related Fees principally include fees for audit-related tax services, employee benefit plan audits, audits of subsidiaries and affiliates, agreed upon procedures related to the receivables securitization program and, for 2003, the examination of management's assumption on internal controls over financial reporting.

<sup>3</sup>Tax Fees consist principally of general tax advice pertaining to customary business matters and, for 2003, assistance with IRS interest claims.

<sup>4</sup>For 2003, All Other Fees consist principally of information technology projects and executive tax services.

The Audit Committee of the Board of Directors has considered and concluded that the provision of services other than audit services by KPMG is compatible with maintaining KPMG's independence.

Representatives of KPMG are expected to be present at the 2005 Annual Meeting with the opportunity to make a statement if they so desire and available to respond to appropriate questions.

The Audit Committee recommends, and the Board of Directors concurs, that shareholders vote for the proposal to ratify the selection of KPMG as the Corporation's independent registered public accounting firm for the year ending December 31, 2005, even though such stockholder approval is not legally required.

**Vote Required to Ratify Appointment:** Under Virginia law and under the Corporation's Restated Articles of Incorporation, actions such as the ratification of the appointment of auditors are approved, so long as a quorum for the meeting exists, if the number of votes cast favoring the action exceeds the number of votes cast opposing the action. Abstentions or shares that are not voted, such as those held by a broker or other nominee who does not vote in person or by proxy, are not cast for this purpose.

### **3. STOCKHOLDER APPROVAL OF LONG-TERM INCENTIVE PLAN, AS AMENDED ( AMENDED LTIP )**

Subject to stockholder approval at this meeting, the Board of Directors ( Board ) at its meeting on January 25, 2005, adopted certain amendments to the Norfolk Southern Corporation Long-Term Incentive Plan ( Amended LTIP ), as more fully described herein. Additional information is included under Equity Compensation Plan Information on page 38 of this Proxy Statement.

**A copy of the Amended LTIP has been filed on the EDGAR database of the Securities and Exchange Commission ( SEC ) as an appendix to this Proxy Statement. The EDGAR filing can be accessed at [www.sec.gov](http://www.sec.gov) or on the Corporation's web site, [www.nscorp.com](http://www.nscorp.com) in the Investors section under SEC Filings. In addition, stockholders who wish to request a paper copy of the Amended LTIP may contact: Dezora M. Martin, Corporate Secretary, Norfolk Southern Corporation, Three Commercial Place, Norfolk, Virginia 23510 (telephone 757-629-2680). The summary of the Amended LTIP set forth below describes only the material features**

**of the plan. The Amended LTIP is available to stockholders, as noted above, and stockholders should reference the plan document as needed for other plan provisions and to clarify any part of this summary. Capitalized terms, if any, used in the summary have the meanings attributed to them in the Amended LTIP.**

*Purpose of LTIP and Certain Recent Amendments Thereto*

Established on June 28, 1983, and last approved by the stockholders at their Annual Meeting on May 10, 2001, the Norfolk Southern Corporation Long-Term Incentive Plan ( LTIP ) was adopted to promote the success of the Corporation by providing an opportunity for officers and other key employees to acquire an ownership interest in the Corporation. On May 10, 2001, stockholders approved an amended plan which included the reservation for issuance of 30,000,000 shares of the Corporation s authorized but unissued Common Stock, with no more than 6 million of such additional shares to be awarded as Restricted Shares or Performance Shares. The market value of all shares underlying Awards (including shares available to support all future and outstanding Awards under LTIP) totaled \$1,818,736,411.80, based on the closing price of Norfolk Southern Common Stock on December 31, 2004. Additional information about LTIP is provided in the Joint Committee Report Concerning the 2004 Compensation of Certain Executive Officers, beginning on page 42 of this Proxy Statement, and under Equity Compensation Plan Information, beginning on page 38 of this Proxy Statement.

LTIP was last amended on January 25, 2005, subject to stockholder approval at this meeting, primarily (1) to increase to 8.5 million the limit on shares currently available for issuance as Restricted Shares and Performance Shares and to extend the increased limit to Restricted Stock Unit Shares (stockholders are not being asked to increase the total number of shares available for issuance under the Amended LTIP); (2) to provide participants with the opportunity for performance-based compensation, as defined in Code Section 162(m) of the Internal Revenue Code ( Code ) and applicable regulations thereunder; (3) to provide an expanded list of Performance Criteria from which the Compensation Committee may select in order to establish Performance Goals for certain Awards; (4) to provide for the award of Restricted Stock Units, settled in cash or shares of Common Stock; (5) to provide for the award of Stock Appreciation Rights on a stand alone basis to be settled in cash or shares of Common Stock; (6) to permit the Compensation Committee in its discretion to impose performance goals on the amount of Restricted Shares or Restricted Stock Units earned or to set a performance goal for early termination of the Restriction Period upon achievement of the specified goal; (7) to increase the minimum Restriction Period for Restricted Shares and Restricted Stock Units from two to three years; (8) to permit the Compensation Committee in its discretion to impose non-compete covenants or Share Retention Agreements on certain Awards and provide for tax absorption payments on Awards; and (9) to provide certain other revisions as described in this summary.

*(1) Shares of the Corporation s Common Stock Available For Issuance under the Amended LTIP*

Amended LTIP provides for the grant of Non-qualified Stock Options, Incentive Stock Options, Stock Appreciation Rights (settled in cash or in shares of Common Stock as Exercise Gain Shares), Restricted Shares, Restricted Stock Units (settled in cash or in shares of Common Stock as Restricted

Stock Unit Shares), and Performance Share Units (settled in cash or in shares of Common Stock as Performance Shares).

Under LTIP, as last approved by stockholders at their 2001 Annual Meeting, a total of 13,854,425 shares of the Corporation's authorized but unissued Common Stock remained available for future grants to officers and to key employees, of which 2,638,378 shares remained available to be awarded as Restricted Shares or Performance Shares, as of December 31, 2004. Under the Amended LTIP, no additional shares are authorized for issuance, but not more than 8.5 million of the shares remaining available for issuance on the date of stockholder approval can be awarded as Restricted Shares, Performance Shares or Restricted Stock Unit Shares. Stock Appreciation Rights to be settled in shares of Common Stock shall be counted in full against the number of shares available for award under the Amended LTIP, regardless of the number of shares issued upon settlement of the Stock Appreciation Right. Cash payments for Restricted Stock Units, Stock Appreciation Rights, and Performance Share Units, if any, will not be applied against the maximum number of shares available. Any shares of Common Stock subject to an Option, Restricted Stock Unit, or Performance Share Unit which are not issued prior to the expiration of the related Award will again be available for award under the Amended LTIP. Any shares of Common Stock subject to a Stock Appreciation Right to be settled in shares of Common Stock will again be available for award under the Amended LTIP after expiration or forfeiture of an Award.

No participant under the Amended LTIP may be awarded a grant in any one year, which, when added to any other grant of Options, Stock Appreciation Rights, Restricted Shares, Restricted Stock Units and Performance Shares in the same year, shall exceed 1,500,000 shares of Common Stock.

*(2) Awards Qualify as Performance-Based Compensation*

Code Section 162(m) may limit in any given year the Corporation's right to deduct all or a portion of the incentive compensation paid to the top five Covered Employees, as defined in Code Section 162(m). However, performance-based compensation, as defined in Code Section 162(m), is not subject to the limitation on deductibility. Stockholder approval of the Amended LTIP is intended to assure that the plan can provide participants with performance-based compensation, fully deductible under current tax laws rules and regulations, but the Corporation reserves the right to pay compensation under the Amended LTIP that does not qualify as performance-based compensation as circumstances may warrant.

*(3) Performance Criteria Applicable to Performance Share Units, Restricted Shares and Restricted Stock Units*

For Performance Share Units and, if applicable, Restricted Shares and/or Restricted Stock Units, the Committee must select from among the following Performance Criteria or any combination thereof, applied on a corporate, division or department level, set the Performance Goals and assign selected Performance Criteria Weighting Percentages to each selected criterion or combination thereof:

Earnings measures (including net income, earnings per share, income from continuing operations, income before income taxes, income from railway operations); return measures (including net income divided by total assets, return on shareholder equity, return on average

invested capital); cash flow measures (including operating cash flow, free cash flow); productivity measures (including total operating expense per thousand gross ton miles or revenue ton miles, total operating revenue per employee, total operating expense per employee, gross ton miles or revenue ton miles per employee, carloads per employee, revenue ton miles per mile of road operated, total operating expense per carload, revenue ton miles per carload, gross ton miles or revenue ton miles per train hour, percent of loaded-to-total car miles); fair market value of shares of the Corporation's Common Stock; revenue measures; expense measures; operating ratio measures; customer satisfaction measures; working capital measures; cost control measures; total shareholder return measures; and safety measures.

The Committee will determine the length of the Performance Period and/or Restriction Period, if applicable, over which the selected Performance Goals apply and the percentage of each Performance Share Unit, Restricted Share and/or Restricted Stock Unit grant, if applicable, that will be earned at specific predetermined levels of achievement within each performance criterion.

For Restricted Shares and Restricted Stock Units, the Committee will determine whether a Participant's entitlement to such award is subject to achievement of specified Performance Goal(s) and whether the Restriction Period is subject to early termination upon achievement of a specified Performance Goal(s). If an award of Restricted Shares or Restricted Stock Units is subject to the achievement of Performance Goals, or if the Restriction Period is subject to early termination upon achievement of Performance Goals, then the Committee will select the Performance Criteria, Performance Goal and Performance Criteria Weighting Percentage to be imposed over the Restriction Period or applied to accelerate the Restriction Period, as applicable.

For Performance Shares and for performance-based Restricted Shares and Restricted Stock Units, the Committee may review the individual performance of the chief executive officer and other Executive Officers and, in its discretion, reduce the number of shares or cash deliverable to such Executive Officer upon expiration of the Performance Period or Restriction Period by between 0% and 100%, based on the individual's performance. For Restricted Shares and Restricted Stock Units not subject to the achievement of Performance Goals, the Committee may review the individual performance of the chief executive officer and other Executive Officers and, in its discretion, adjust the number of shares or cash deliverable to such Executive Officer upon expiration of the Restriction Period by between 0% and 125%, based on the individual's performance. For all Participants who are not Executive Officers, the Corporation's chief executive officer may review the individual performance of a Participant and, in his discretion, adjust the number of shares or cash deliverable for Performance Shares, Restricted Shares or Restricted Stock Units to such participant upon expiration of the Performance Period or Restriction Period by between 0% and 125%, based on the individual's performance.

#### *Summary of the Important Features of the Amended LTIP*

#### **Administration**

The Amended LTIP can be administered by the Compensation Committee or any other committee of the Corporation's Board of Directors authorized to grant awards under the Amended LTIP and composed solely of two or more outside directors (as defined under Code Section 162(m) and applicable regulations thereunder). The Committee has the sole discretion, except as may be

delegated to the Corporation's chief executive officer as provided in this paragraph, to interpret the Amended LTIP; to select the officers, key employees and non-employee directors who shall participate in the Amended LTIP; to determine the type, size, terms and conditions of Awards under the Amended LTIP; to authorize the grant of such Awards; and to adopt, amend and rescind rules relating to the Amended LTIP. The Committee in its sole discretion may delegate authority to the Corporation's chief executive officer to select the officers and key employees who participate in the Amended LTIP (provided, however, that only the Committee shall grant Awards to the chief executive officer and Executive Officers); to determine the type, size, terms and conditions of Awards under the Amended LTIP; and to authorize the grant of such Awards.

Amended LTIP permits the Committee to authorize the exchange of a new Award for one that currently is outstanding only in the event of a merger or consolidation of the Corporation.

### **Eligibility**

Officers and other key employees of the Corporation or its subsidiaries residing in the United States or Canada and non-employee directors of the Corporation are eligible for selection by the Committee to participate in the Amended LTIP. As of February 1, 2005, there were 9 non-employee directors, 14 officers designated as executive officers ( Executive Officers ) by the Corporation's Board of Directors, and 331 officers (other than Executive Officers) and other key employees who would have been eligible for selection by the Committee to participate in the Amended LTIP.

### **Incentive Stock Options**

The Committee may authorize the grant of Incentive Stock Options, as defined under Internal Revenue Code Section 422, as amended, which are subject to the following terms and conditions: (1) the option price per share will be determined by the Committee but will not, in any event, be less than 100% of the Fair Market Value of the Common Stock on the date the Option is granted; (2) the terms of the Option will be fixed by the Committee but will not, in any event, exceed ten years from the date the Option is granted; (3) Options will not be transferable other than by will or the laws of descent and distribution; (4) Options will not be exercisable before one year after the date of grant, or such longer period as the Committee may determine; (5) the purchase price of Common Stock upon exercise of an Option will be paid in full to the Corporation at the time of the exercise of the Option in cash, or at the discretion of the Committee, by surrender to the Corporation of shares of previously acquired Common Stock which have been held by the Optionee for at least one year next preceding the date of exercise and which will be valued at Fair Market Value on the date of the Option exercise; and (6) an Option will expire upon the earliest of (i) the expiration of the term for which it was granted, (ii) except as otherwise provided by the Committee, 36 months after termination of an Optionee's employment due to Retirement, Disability or death (for the years 1994 to the present, the Committee has provided for expiration under this provision to be the remainder of the term for which the Option originally was granted), (iii) the last day of active service of an Optionee whose employment is terminated for any reason other than Retirement, Disability or death, (iv) the last day of employment of an Optionee who is granted a leave of absence if the Optionee's employment terminates at any time during or at the end of the leave of absence, or (v) in connection with the merger or consolidation of the Corporation, the grant of a new Award to replace the Option.



### **Non-qualified Stock Options**

The Committee may authorize the grant of Non-qualified Stock Options subject to the same terms, conditions and restrictions previously set forth for Incentive Stock Options.

### **Stock Appreciation Rights**

The Committee may grant a Stock Appreciation Right ( SAR ) in tandem with an Option, or portion thereof, or on a stand alone basis. If granted in connection with an Option, the SAR can be exercised at such times, to such extent, and by such persons as the Option to which it relates. If granted on a stand alone basis, the SAR can be exercised at such times, to such extent, and by such persons as shall be set forth in the SAR Agreement. The Committee may provide that the SAR will be settled in cash ( Cash-Settled SAR ) or in shares of the Corporation's Common Stock ( Stock-Settled SAR ).

If granted in tandem with an Option, each Stock-Settled SAR will entitle the Optionee to surrender to the Corporation, unexercised, the related Option, or any portion thereof, and to receive in exchange therefore Exercise Gain Shares equal to the number of shares of Common Stock that have an aggregate Fair Market Value on the exercise date equal to the amount by which the Fair Market Value of one share of Common Stock exceeds the option price per share of the related Option, multiplied by the number of shares covered by the related Option, or portion thereof, being surrendered. If granted on a stand alone basis, each Stock-Settled SAR will entitle the Participant to receive Exercise Gain Shares equal to the number of shares of Common Stock that have an aggregate Fair Market Value on the date of exercise equal to the amount by which the Fair Market Value of a share of Common Stock on the exercise date exceeds the Fair Market Value of a share of Common Stock on the date of grant multiplied by the number of Stock-Settled SARs surrendered for settlement.

Upon exercise of a Cash-Settled SAR granted on a stand alone basis, a Participant shall be entitled to receive cash equal to the value of the number of shares of Common Stock that have an aggregate Fair Market Value on the exercise date equal to the amount by which the Fair Market Value of a share of Common Stock on the exercise date exceeds the Fair Market Value on the grant date multiplied by the number of Cash-Settled SARs surrendered. Upon exercise of a Cash-Settled SAR granted in tandem with an Option, a Participant shall be entitled to receive cash equal to the value of the number of shares of Common Stock that have an aggregate Fair Market Value on the exercise date equal to the amount by which the Fair Market Value of a share of Common Stock on the date of exercise exceeds the Option price per share of the related option, multiplied by the number of shares covered by the related option, or portion thereof surrendered for settlement.

A SAR granted in connection with an Incentive Stock Option cannot, in any event, be exercised on any date on which the Fair Market Value of a share of Common Stock is less than or equal to the option price per share under the related Incentive Stock Option. A SAR shall expire upon the expiration of the related Option or on the date set forth in the SAR Agreement.

### **Restricted Shares and Restricted Stock Units**

The Committee may authorize the grant of Restricted Shares to a Participant. Under the Amended LTIP, such shares will be restricted for a period of not less than 36 months and not more



than 60 months, as determined by the Committee. During the Restriction Period, a Participant will be entitled to beneficial ownership of the Restricted Shares, including the right to receive dividends and the right to vote the shares, but will not be entitled to certificates representing the Restricted Shares or to sell, transfer, assign, pledge or otherwise dispose of the shares.

Under the Amended LTIP, the Committee also may authorize the grant of Restricted Stock Units to a Participant, payable in cash or in shares of Common Stock ( Restricted Stock Unit Shares ) at the end of the Restriction Period. Such units will be restricted for a period of not less than 36 months and not more than 60 months, as determined by the Committee. During the Restriction Period, a Participant will have no beneficial ownership interest in the Common Stock represented by the Units and have no right to vote the shares represented by the Units or to receive dividends (except for dividend equivalent payments which may be awarded by the Committee).

Restricted Shares and Restricted Stock Units will be forfeited immediately if the Participant leaves the continuous employment of the Corporation before the end of the Restriction Period, unless such Participant's employment is terminated by reason of Retirement, Disability or death. The Committee, in its sole discretion, may waive any or all restrictions with respect to Restricted Shares and Restricted Stock Units awarded under the Amended LTIP.

### **Performance Shares**

The Committee may authorize the grant of Performance Share Units ( PSUs ) which entitle the Participant to receive shares of Common Stock (Performance Shares) or cash or any combination of Performance Shares and cash, as may be determined from time to time in the sole discretion of the Committee, upon achievement of Performance Goals over the period of time designated by the Committee over which PSUs may be earned out (Performance Cycle). The Committee has the authority to select Performance Criteria, establish the Performance Goals for such criteria, to weight such criteria, and to determine the length of the Performance Period over which the selected Performance Goals shall apply (see *Performance Criteria Applicable to Performance Share Units, Restricted Shares and Restricted Stock Units* on page 9). If the Committee determines that such goals have been met, it will authorize the issuance of Performance Shares to the Participant subject to the provisions of any required Share Retention Agreement.

If a Participant's employment with the Corporation or a Subsidiary Company is terminated before the end of the Performance Cycle for any reason other than Retirement, Disability or death, the Participant shall forfeit all rights with respect to any PSUs that were being earned out during the Performance Cycle.

### **Share Retention Agreements**

The Committee may require as a condition of a grant, exercise, settlement or payment with respect to any Award under the Plan that the Participant and the Corporation enter into a Share Retention Agreement to provide that the certificate or certificates representing any Exercise Gain Shares, Performance Shares, Restricted Shares, or Restricted Stock Unit Shares when issued, will be held by the Corporation. Such shares generally cannot be sold, transferred, assigned, pledged,

conveyed or otherwise disposed of by the Participant for not less than 24 nor more than 60 months. The Committee, in its sole discretion, may waive any or all retention periods or other restrictions in a Share Retention Agreement.

Any retention period specified by a Share Retention Agreement ceases upon a Change in Control. Generally, a Change in Control occurs if: (a) any person becomes the beneficial owner of 20% or more of the Corporation's Common Stock, (b) the stockholders approve any consolidation or merger where the Corporation is not the surviving corporation or approve any sale or lease of substantially all the Corporation's assets, or (c) within any period of two consecutive years a majority of the directors of the Corporation changes and the new directors were not elected or nominated by at least two thirds of the directors then in office who were directors at the beginning of such period. If the expiration of a Share Retention Agreement occasioned by a Change in Control, as more particularly defined in the Amended LTIP, results in the imposition of an excise tax on a Participant, the Corporation will pay the tax.

### **Dividend Equivalent Payments**

The Committee may authorize, for any period that is equal to or less than the duration of the related grant of an Option, the immediate payment of dividend equivalents on one or more shares of Common Stock covered by the Option in an amount equal to, and commensurate with, dividends paid on the Corporation's Common Stock. Additionally, the Committee may authorize the immediate or deferred payment of dividend equivalents on some or all of the shares of Common Stock covered by Performance Shares Units and Restricted Stock Units. At the discretion of the Committee, dividend equivalents payable on Options or on Performance Share Units may be payable in cash or Common Stock and dividend equivalents payable on Restricted Stock Units may be paid in cash or converted to additional Restricted Stock Units.

### **Tax Absorption Payments**

The Committee, in its sole discretion, may authorize a cash payment at any time prior to or simultaneously with settlement or payment of an Award, either directly to the Participant or on the Participant's behalf, in an amount the Committee estimates to be equal (after taking into account any Federal and state income taxes that may be applicable to such cash payment) to any additional Federal and state income taxes that are imposed upon the Participant as a result of the issuance of any Exercise Gain Shares, Performance Shares, Restricted Shares or Restricted Stock Unit Shares that are subject to a Share Retention Agreement.

### **Non-Compete Covenants**

Under the Amended LTIP, the Committee may require as a condition of a grant, exercise, settlement or payment with respect to any Award under the Plan that the Award shall be subject to immediate forfeiture if the Participant engages in Competing Employment for a specified period of time following termination of employment.

## **Amendment or Termination**

The Board of Directors may at any time further amend the Amended LTIP provided that no change in any Awards previously granted to a Participant can be made which would impair the rights of a Participant without that Participant's consent and provided further that no alteration or amendment may be made without stockholder approval if such approval is necessary to comply with listing standards of the New York Stock Exchange, the requirements of any rule(s) promulgated under Section 16 of the Securities Exchange Act of 1934 or such other Federal or state laws or regulations as may be applicable.

## **Tax Status**

Under current Federal income tax laws, the principal Federal tax consequences to Participants and the Corporation of the grant and exercise of Incentive Stock Options and Non-qualified Stock Options, pursuant to the provisions of the Amended LTIP, are summarized below:

*Incentive Stock Options.* No income results to an Optionee upon the grant or exercise of an Incentive Stock Option, provided that (1) there is no disqualifying disposition of option stock within one year after the transfer of such option stock to the Optionee; and (2) the Optionee is an employee of the Corporation or a Subsidiary Company at all times during the period commencing on the date of grant and ending on the date three months (or twelve months in the case of an Optionee who is totally and permanently disabled) prior to the date of exercise. In the event of a disposition of option stock following the expiration of one year after the transfer of such stock to the Optionee, any gain or loss, equal to the difference between the amount realized upon such disposition and the option price, generally will be taxable as long-term capital gain or loss. In the event of a disqualifying disposition of option stock prior to the expiration of the one year holding period, the Optionee will recognize ordinary income equal to the excess of the Fair Market Value of the option stock at the time of exercise (or the amount realized upon such disposition, if less) over the option price. If the amount realized upon the disqualifying disposition exceeds the Fair Market Value of the option stock at the time of exercise, the excess will be taxable as short-term capital gain. If the amount realized upon the disqualifying disposition is less than the option price, the Optionee will not recognize the ordinary income and will recognize a short-term capital loss equal to the excess of the option price over the amount realized.

No deduction is allowable to the Corporation or any Subsidiary Company upon the grant or exercise of an Incentive Stock Option. In the event that an Optionee recognizes ordinary income as a result of a disqualifying disposition of the option stock, the Corporation or a Subsidiary Company generally will be entitled to a deduction in an amount equal to the ordinary income recognized by the Optionee.

*Non-qualified Stock Options.* No income is recognized upon the grant of a Non-qualified Stock Option to an Optionee. The Optionee recognizes ordinary income upon exercise of the Non-qualified Stock Option equal to the excess of the Fair Market Value of the option stock on the date of exercise over the option price.

The Corporation or a Subsidiary Company generally will be entitled to a deduction equal to the ordinary income recognized by the Participant in the same taxable year in which the Participant recognizes ordinary income with respect to Non-qualified Stock Options.

## Awards

As grants under the Amended LTIP are made solely in the discretion of the Compensation Committee, and, if properly delegated, the chief executive officer, neither the grants that will be made if stockholder approval is obtained nor grants that would have been made during the preceding fiscal year had the Amended LTIP been in effect are reasonably ascertainable.

### **THE BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* APPROVAL OF THE NORFOLK SOUTHERN CORPORATION LONG-TERM INCENTIVE PLAN, AS AMENDED.**

**Vote Required for Approval of the Amended LTIP:** Under Virginia law, and under the Corporation's Restated Articles of Incorporation and Bylaws, this proposal is approved, so long as a quorum for the proposal exists, if the votes cast favoring the action exceed the votes opposing the action. Abstentions or shares that are not voted, such as those held by a broker or other nominee who does not vote in person or by proxy, are not cast for this purpose.

#### **4. STOCKHOLDER APPROVAL OF NORFOLK SOUTHERN CORPORATION EXECUTIVE MANAGEMENT INCENTIVE PLAN, AS AMENDED ( AMENDED EMIP )**

Subject to stockholder approval at this meeting, the Board of Directors ( Board ) at its meeting on January 25, 2005, adopted certain amendments to the Norfolk Southern Corporation Executive Management Incentive Plan ( Amended EMIP ), as more fully described herein.

##### *Purpose of EMIP and Certain Recent Amendments Thereto*

Established on January 1, 1996, the Norfolk Southern Corporation Executive Management Incentive Plan ( EMIP ) was adopted to promote the success of the Corporation by providing an annual cash bonus opportunity to Board appointed officers with the rank of Vice President and above. On January 25, 2005, the Board approved the Amended EMIP, subject to stockholder approval at this meeting, primarily: (1) to provide an expanded list of performance criteria from which the Compensation Committee may select in order to establish performance goals for awards and (2) to qualify bonus payments under the Amended EMIP as performance-based compensation for purposes of Code Section 162(m).

##### *(1) Performance Criteria and Performance Goals*

Under EMIP, the Compensation Committee (the Committee ) annually established performance standards for two pre-established performance criteria for awards under EMIP: pre-tax net income and operating ratio. Under the Amended EMIP, the Committee has the authority to select from among the following performance criteria or any combination thereof:

Earnings measures (including net income, earnings per share, income from continuing operations, income before income taxes, income from railway operations); return measures (including net income divided by total assets, return on shareholder equity, return on average invested capital); cash flow measures (including operating cash flow, free cash flow); productivity measures (including

total operating expense per thousand gross ton miles or revenue ton miles,

total operating revenue per employee, total operating expense per employee, gross ton miles or revenue ton miles per employee, carloads per employee, revenue ton miles per mile of road operated, total operating expense per carload, revenue ton miles per carload, gross ton miles or revenue ton miles per train hour, percent of loaded-to-total car miles); fair market value of shares of the Corporation's Common Stock; revenue measures; expense measures; operating ratio measures; customer satisfaction measures; working capital measures; cost control measures; total shareholder return measures; and safety measures.

Amended EMIP gives the Committee discretion to apply performance criteria on a corporate, division or department level and to assign weights to each selected performance criterion or any combination thereof. Amended EMIP also provides that the Committee may establish performance goals for the performance criteria it selects either solely with respect to the Corporation's performance or by comparison to a published market or industry index.

*(2) Section 162(m) Amendments*

Code Section 162(m) may limit in any given year the Corporation's right to deduct all or a portion of the incentive compensation paid to the top five Covered Employees, as defined in Code Section 162(m). However, performance-based compensation as defined in Code Section 162(m) is not subject to the limitation on deductibility. Stockholder approval of the Amended EMIP is intended to assure that the plan can provide participants with performance-based compensation, fully deductible under current tax laws and regulations.

*(a) Cap on Awards to Any One Individual*

For bonuses paid under the Amended EMIP to qualify as performance-based compensation, the Code requires that the plan specify the maximum bonus that may be awarded to any one Participant. Under the Amended EMIP the annual bonus paid to any one participant may not exceed 0.3% of the Corporation's income from railway operations for the incentive year.

*(b) Plan Administration*

The Amended EMIP requires that the Committee authorized to administer and interpret the plan be comprised solely of two or more outside directors, as such term is defined in Code Section 162(m) and applicable regulations thereunder. For Awards under the Amended EMIP to qualify as performance-based compensation, the Committee authorized to select eligible officers for participation in the plan, select performance criteria and establish performance standards must be comprised solely of outside directors of the Corporation.

*Summary of Important Features of the Amended EMIP*

**Administration**



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The Amended EMIP can be administered by the Compensation Committee, or any other committee of the Corporation's Board of Directors authorized to grant awards under the plan and composed solely of two or more outside directors. The Committee has the sole discretion, subject to

certain limitations, to interpret the Amended EMIP; to select eligible officers for participation; to determine the bonus levels under the Amended EMIP; to select performance criteria from the list specified in the plan and weigh the selected performance criteria; to set performance goals; and to adopt, amend and rescind rules relating to the Amended EMIP.

### **Eligibility**

Board-elected officers at the level of Vice President and above are eligible to be selected by the Committee for participation in the plan. As of February 1, 2005, there were 37 Board-elected officers at the level of Vice President and above eligible to participate in the plan.

### **Establishment and Payment of Bonus Awards**

Within the first ninety (90) days of an incentive year, the Committee establishes incentive groups and sets the bonus level for each incentive group. The bonus level is set as a percentage of a participant's incentive-year salary. Each incentive year, the Committee selects one or more performance criteria and establishes performance goals for the selected criteria. At the end of each incentive year, the Committee certifies in writing the extent to which the established performance goals have been achieved for the incentive year and determines the Corporate Performance Factor based upon the Corporation's performance with respect to that incentive year's goals. A participant's bonus is equal to the Corporate Performance Factor for the incentive year multiplied by the applicable bonus level and by his or her salary for the incentive year.

In determining the Corporate Performance Factor, special charges and restructuring charges, and unusual or infrequent accounting adjustments which are significant, and restatements or reclassifications, all as determined in accordance with Generally Accepted Accounting Principles, which would have the effect of reducing the Corporate Performance Factor will be excluded, and which would have the effect of increasing the Corporate Performance Factor will be included, unless the Committee in its discretion determines otherwise.

Participants may elect to defer all or a portion of awards under Amended EMIP, and such deferral elections must be made at least six months prior to the end of the incentive year if the awards are intended to qualify as performance-based. In accordance with the prior election of a participant, bonus payments either will be paid 100% in cash or will be credited in increments of 25% to the Corporation's Executives' Deferred Compensation Plan, with the remainder, if any, paid in cash to the participant on or before March 2 of the year following the incentive year.

### **Individual Performance Adjustments**

EMIP currently provides that the Committee may review the performance of a participant and reduce his or her bonus payment by between 0% and 100%, based on performance. Amended EMIP continues to provide that the Committee may reduce the bonus payment of the top five Covered Employees between 0% and 100%, based on individual performance. For all other participants, the Amended EMIP provides that the chief executive officer may, at his discretion, increase or decrease the bonus award of any such participant between 0% and 125%.



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**Amendment or Termination**

The Board of Directors may at any time further amend or terminate the Amended EMIP, provided that no such amendment or termination may deprive a participant or beneficiary of any rights previously accrued. No such termination may be effective for the incentive year in which the Board took the necessary action to terminate the Amended EMIP.

**Benefits Under the Plan**

While the Amended EMIP will be effective the date the plan is approved by shareholders, certain provisions such as the selection of performance criteria must be made within ninety (90) days of the beginning of an incentive year and, as a result, will not be used by the Committee until the 2006 incentive year. Incentive year awards for 2005 will be made based on bonus levels, performance criteria and performance goals established before Amended EMIP is effective. Since the Board will not set the officers' 2006 base salaries until late 2005 and the Committee will not establish 2006 bonus opportunities, performance criteria and performance goals until early 2006, it is not possible to determine the dollar value of the incentive opportunity or the actual amount of incentive pay that will be available for the first full incentive year in which Amended EMIP is effective.

However, the Summary Compensation Table included in this Proxy Statement at page 34 indicates the amounts paid to Mr. Goode and the other four most highly compensated officers of the Corporation (the Named Executive Officers) based on 2004 incentive year results a year in which the full amount of each such officer's incentive opportunity was earned and the table below sets forth the maximum amount each Named Executive Officer and all other persons currently eligible to participate in EMIP could earn for 2005, assuming full achievement during 2005 of the standards set by the Committee under the existing EMIP.

**NEW PLAN BENEFITS\* TABLE**
**Norfolk Southern Corporation**
**Executive Management Incentive Plan**

**indicates maximum benefits that could be earned**

**in 2005 under the existing EMIP**

Name and Position	Dollar Amount**
D. R. Goode, Chairman and CEO	\$ 2,000,000
C. W. Moorman, President	\$ 975,000
L. I. Prillaman, Vice Chairman and CMO	\$ 718,750
S. C. Tobias, Vice Chairman and COO	\$ 718,750
H. C. Wolf, Vice Chairman and CFO	\$ 718,750
All other Executive Officers*** as a group	\$ 2,779,500
All other officers as a group	\$ 4,365,000

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\*The benefits included in this table are not new benefits, rather they are the maximum benefits that may be paid to officers under the existing EMIP, whether or not the Amended EMIP is approved by stockholders.

\*\*Dollar amounts are illustrative only and are based on participants' 2005 base salaries and their related maximum cash incentive opportunities. There can be no assurance what amount of bonus award, if any, actually will be made.

\*\*\*Includes officers, other than the officers listed individually in the table, who have been designated by the Board of Directors as executive officers for purposes of Section 16 of the Securities Exchange Act of 1934.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF THE NORFOLK SOUTHERN EXECUTIVE MANAGEMENT INCENTIVE PLAN, AS AMENDED.**

**Vote Required for Approval of the Amended EMIP:** Under Virginia law, and under the Corporation's Restated Articles of Incorporation and Bylaws, this proposal is approved, so long as a quorum for the proposal exists, if the votes cast favoring the action exceed the votes opposing the action. Abstentions or shares that are not voted, such as those held by a broker or other nominee who does not vote in person or by proxy, are not cast for this purpose.

**5. OTHER MATTERS**

The Board of Directors does not know of any matters to be presented at the 2005 Annual Meeting other than as noted in this paragraph and elsewhere in this Proxy Statement. If any proposal is properly brought before the 2005 Annual Meeting for a vote, the holders of proxies solicited hereby intend to exercise their discretionary authority to vote on such proposal in accordance with the judgment of the holders of such proxies.

**SUPPLEMENTAL INFORMATION**

**Applicable rules of the SEC require that we furnish you the following information relating to the oversight and management of the Corporation and to certain matters concerning its Board of Directors and executive officers.**

**BENEFICIAL OWNERSHIP OF STOCK**

Based solely upon information in the most recent Schedule 13G filings with the SEC, the following table sets forth information concerning the persons or groups known to the Corporation to be beneficial owners of more than five percent of the Corporation's Common Stock, its only class of voting securities.

<u>Title of Class</u>	<u>Name and Address of Beneficial Owners</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
Common Stock	AXA Financial, Inc.* 1290 Avenue of Americas	31,035,002**	7.8%**

New York, N.Y. 10104

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\*Filing jointly pursuant to a joint filing agreement are (a) AXA Financial, Inc., (b) three French mutual insurance companies as a group (AXA Assurances I.A.R.D. Mutuelle, AXA Assurances Vie Mutuelle, and AXA Courtage Assurance Mutuelle), (c) AXA and (d) their subsidiaries (all filers collectively called AXA Group ).

\*\*AXA Financial, Inc. reported in its Schedule 13G filing that AXA Group beneficially owned 7.8% of the Corporation's Common Stock as of December 31, 2004, and that as of that date it had sole voting power with respect to 14,105,266 such shares, shared voting power with respect to 4,221,268 such shares, sole investment power with respect to 31,026,127 such shares and shared investment power with respect to 8,875 such shares.

The following table sets forth as of January 28, 2005, the beneficial ownership of the Corporation's Common Stock for:

- (1) each director (including the Chief Executive Officer) and each nominee;
- (2) each of the other four most highly compensated officers, based on the sum of salary and incentive pay for 2004, from the group of officers designated by the Board of Directors as executive officers for purposes of Section 16 of the Securities Exchange Act of 1934 ( Executive Officers ); and
- (3) all directors and Executive Officers of the Corporation as a group.

Unless otherwise indicated by footnote to the data in the table, all such shares are held with sole voting and investment power, and no director or Executive Officer beneficially owns any equity securities of the Corporation or its subsidiaries other than the Corporation's Common Stock. No one director or Executive Officer owns as much as 1% of the total outstanding shares of the Corporation's Common Stock. All directors and Executive Officers as a group own 2.1% of the total outstanding shares of the Corporation's Common Stock.

Name	Shares of Common Stock	Name	Shares of Common Stock
Gerald L. Baliles	3,000 <sup>1</sup>	Charles W. Moorman, IV	410,483 <sup>3</sup>
Gene R. Carter	3,150 <sup>1</sup>	Jane Margaret O'Brien	3,000 <sup>1</sup>
Alston D. Correll	8,000 <sup>1</sup>	Harold W. Pote	4,721 <sup>1</sup>
David R. Goode	3,491,530 <sup>2</sup>	J. Paul Reason	3,150 <sup>1</sup>
Landon Hilliard	11,000 <sup>1</sup>	L. I. Prillaman	965,457 <sup>4</sup>
Burton M. Joyce	5,000 <sup>1</sup>	Stephen C. Tobias	1,100,000 <sup>5</sup>
Steven F. Leer	4,200 <sup>1</sup>	Henry C. Wolf	955,995 <sup>6</sup>
23 Directors and Executive Officers as a group (including the persons named above)			9,376,927 <sup>7</sup>

<sup>1</sup>Includes a one-time grant of 3,000 shares to each non-employee director on January 1, 1994, or when that director was first elected to the Board thereafter. These grants are made pursuant to the Directors' Restricted Stock Plan; the director may vote these shares, but has no investment power over them until they are distributed (see information under the Board of Directors' caption on page 24). Also includes 1,573 shares over which Mr. Pote, 1,200 shares over which Mr. Leer, 100 shares over which Mr. Carter, and 100 shares over which Mr. Reason share voting and investment power with another individual. Includes 50 shares in which Mr. Carter disclaims beneficial ownership.

<sup>2</sup>Includes 13,090 shares credited to Mr. Goode's account in the Corporation's Thrift and Investment Plan; 77,429 performance shares and option exercise gain shares held by the Corporation under share retention agreements pursuant to the Corporation's Long-Term Incentive Plan over which Mr. Goode possesses voting power but has no investment power until the shares are distributed;



2,780,000 shares subject to stock options granted pursuant to the Corporation's Long-Term Incentive Plan with respect to which Mr. Goode has the right to acquire beneficial ownership within 60 days; 258,000 restricted shares awarded to Mr. Goode pursuant to the Corporation's Long-Term Incentive Plan over which Mr. Goode possesses voting power but has no investment power until the restriction period lapses; and 942 shares over which Mr. Goode shares voting and investment power.

<sup>3</sup>Includes 1,896 shares credited to Mr. Moorman's account in the Corporation's Thrift and Investment Plan; 8,907 performance shares and option exercise gain shares held by the Corporation under share retention agreements pursuant to the Corporation's Long-Term Incentive Plan over which Mr. Moorman possesses voting power but has no investment power until the shares are distributed; 305,000 shares subject to stock options granted pursuant to the Corporation's Long-Term Incentive Plan with respect to which Mr. Moorman has the right to acquire beneficial ownership within 60 days; 75,000 restricted shares awarded to Mr. Moorman pursuant to the Corporation's Long-Term Incentive Plan over which Mr. Moorman possesses voting power but has no investment power until the restriction period lapses; and 80 shares over which Mr. Moorman shares voting and investment power.

<sup>4</sup>Includes 27,117 shares credited to Mr. Prillaman's account in the Corporation's Thrift and Investment Plan; 22,136 performance shares and option exercise gain shares held by the Corporation under share retention agreements pursuant to the Corporation's Long-Term Incentive Plan over which Mr. Prillaman possesses voting power but has no investment power until the shares are distributed; 701,904 shares subject to stock options granted pursuant to the Corporation's Long-Term Incentive Plan with respect to which Mr. Prillaman has the right to acquire beneficial ownership within 60 days; and 102,000 restricted shares awarded to Mr. Prillaman pursuant to the Corporation's Long-Term Incentive Plan over which Mr. Prillaman possesses voting power but has no investment power until the restriction period lapses.

<sup>5</sup>Includes 17,143 shares credited to Mr. Tobias' account in the Corporation's Thrift and Investment Plan; 22,962 performance shares and option exercise gain shares held by the Corporation under share retention agreements pursuant to the Corporation's Long-Term Incentive Plan over which Mr. Tobias possesses voting power but has no investment power until the shares are distributed; 852,000 shares subject to stock options granted pursuant to the Corporation's Long-Term Incentive Plan with respect to which Mr. Tobias has the right to acquire beneficial ownership within 60 days; 102,000 restricted shares awarded to Mr. Tobias pursuant to the Corporation's Long-Term Incentive Plan over which Mr. Tobias possesses voting power but has no investment power until the restriction period lapses; and 10,326 shares over which Mr. Tobias shares voting and investment power.

<sup>6</sup>Includes 12,860 shares credited to Mr. Wolf's account in the Corporation's Thrift and Investment Plan; 21,812 performance shares and option exercise gain shares held by the Corporation under share retention agreements pursuant to the Corporation's Long-Term Incentive Plan over which Mr. Wolf possesses voting power but has no investment power until the shares are distributed; 735,904 shares subject to stock options granted pursuant to the Corporation's Long-Term Incentive Plan with respect to which Mr. Wolf has the right to acquire beneficial ownership within 60 days; and 102,000 restricted shares awarded to Mr. Wolf pursuant to the Corporation's Long-Term Incentive Plan over which Mr. Wolf possesses voting power but has no investment power until the restriction period lapses.

<sup>7</sup>Includes 117,519 shares credited to Executive Officers' individual accounts under the Corporation's Thrift and Investment Plan. Also includes: 194,599 performance shares and option exercise gain shares held by the Corporation for such officers under share retention agreements pursuant to the Corporation's Long-Term Incentive Plan over which the officer possesses voting power but has no investment power until the shares are distributed; 7,304,241 shares subject to stock

options granted to Executive Officers pursuant to the Corporation's Long-Term Incentive Plan with respect to which the optionee has the right to acquire beneficial ownership within 60 days; 920,880 restricted shares awarded to Executive Officers pursuant to the Corporation's Long-Term Incentive Plan over which they possess voting power but no investment power until the restriction period lapses; and 11,498 shares over which Executive Officers share voting and investment power. Also includes 1,006 shares in which Executive Officers disclaim beneficial ownership.

The following table sets forth as of January 28, 2005, the number of Stock Units held by each non-management director under the Outside Directors' Deferred Stock Unit Program and NS Stock Units held by those non-management directors who have made elections under the Directors' Deferred Fee Plan to defer all or a portion of compensation into phantom units whose value is measured by the market value of shares of the Corporation's Common Stock (together, Stock Units). A more detailed discussion of director compensation can be found beginning on page 26. A Stock Unit represents the economic equivalent of a share of Common Stock and serves to align the directors' individual financial interests with the interests of the Corporation's stockholders, since the value of the directors' holdings fluctuates with the price of the Corporation's Common Stock. Stock Units ultimately are settled in cash.

Name	Number of Stock Units <sup>1</sup>	Shares of Common Stock <sup>2</sup>	Total Number of Stock Units and Shares of Common Stock
Gerald L. Bailes	34,970	3,000	37,970
Gene R. Carter	34,941	3,150	38,091
Alston D. Correll	33,969	8,000	41,969
Landon Hilliard	32,929	11,000	43,929
Burton M. Joyce	11,246	5,000	16,246
Steven F. Leer	37,483	4,200	41,683
Jane Margaret O'Brien	36,027	3,000	39,027
Harold W. Pote	40,586	4,721	45,307
J. Paul Reason	16,330	3,150	19,480

<sup>1</sup>Includes (a) the grant in each of the years 1996 through 2005 of Stock Units to each non-employee director and (b) the crediting, effective June 1, 1996, of Stock Units representing the actuarially determined present value of the retirement benefit that all non-employee directors serving on the date of the 1996 Annual Meeting of Stockholders agreed to forego. Stock Units are credited to a separate memorandum account maintained for each director and are administered in accordance with the Corporation's Outside Directors' Deferred Stock Unit Program (see information under the Board of Directors' caption on page 24. Where applicable, also includes NS Stock Units credited to the accounts of directors who have elected under the Directors' Deferred Fee Plan to defer all or a portion of compensation into phantom units whose value is measured by the market value of shares of the Corporation's Common Stock, but which ultimately will be settled in cash, not in shares of Common Stock. NS Stock Units have been available under the Directors' Deferred Fee Plan as a hypothetical investment option since January 1, 2001.

<sup>2</sup>Figures in this column are based on the Beneficial Ownership table, on page 21.

## **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16 of the Securities Exchange Act of 1934 requires the Corporation's directors and Executive Officers and any persons beneficially owning more than 10 percent of a class of the Corporation's stock to file certain reports of beneficial ownership and changes in beneficial ownership (Forms 3, 4 and 5) with the SEC and the New York Stock Exchange. One amended Form 4 for an executive officer, Henry D. Light, was not timely filed in 2004 due to an administrative error. A Form 4 filed in December 2003 to report the exercise of a stock option by Mr. Light failed to report the associated cash payment of dividend equivalents accumulated as deferred stock units pursuant to that option. The error was corrected in an amended Form 4 in 2004. Based solely on its review of copies of Forms 3, 4 and 5 available to it, or written representations that no Forms 5 were required, the Corporation believes that all required Forms concerning 2004 beneficial ownership, other than the above, were filed on time by all directors and Executive Officers.

## **BOARD OF DIRECTORS**

### **Composition and Attendance**

On January 31, 2005, the Board of Directors of the Corporation consisted of eleven members. The Board is divided into three classes. The members of each class are elected for a term of three years, and at the conclusion of this year's Annual Meeting each class, provided its members are duly elected, will contain as nearly as possible an equal number of directors, as required by the Corporation's Restated Articles of Incorporation. The Board met seven times in 2004. Each director attended not less than 75% of the aggregate number of meetings of the Board and meetings of all committees on which such director served.

### **Corporate Governance**

The Board of Directors has adopted Corporate Governance Guidelines which, among other matters, require that the non-management members of the Board (the outside directors) meet at least twice a year without members of management present. The Chair of the Governance and Nominating Committee, currently Mr. Hilliard, has been designated to preside at such meetings of the outside directors. A method for contacting the outside directors of the Corporation is described in the Corporate Governance Guidelines, located on the Corporation's website at [www.nscorp.com](http://www.nscorp.com) in the Investors section under Corporate Governance.

The Corporate Governance Guidelines also describe the Board's policy with respect to director attendance at the Annual Meeting of Stockholders. It is the expectation of the Board that each director will make every effort to attend the Annual Meeting of Stockholders. All of the Corporation's then current directors attended the 2004 Annual Meeting of Stockholders.

The Board has approved and adopted charters for each of its committees. In addition, the Board has adopted a Code of Ethics that applies to all directors, officers and employees of the Corporation and a Code of Ethical Conduct for Senior Financial Officers that applies to certain financial officers. Each of these documents is available on the Corporation's web site at [www.nscorp.com](http://www.nscorp.com) in the

Investors section under Corporate Governance. Any shareholder may request a copy of the Corporate Governance Guidelines, Code of Ethics, or Code of Ethical Conduct for Senior Financial Officers by contacting: Dezora M. Martin, Corporate Secretary, Norfolk Southern Corporation, Three Commercial Place, 13th Floor, Norfolk, Virginia 23510 (telephone 757-629-2680).

### Director Independence

As required by the New York Stock Exchange, the Board of Directors has considered whether individual directors are independent. A director is considered independent if the Board determines that the director has no material relationship with the Corporation (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Corporation). The Board makes such determinations after full deliberation, considering all relevant facts and circumstances. To aid in its evaluation of director independence, the Board has adopted categorical independence standards. An individual director is independent, unless the Board determines otherwise, if, during the last three years, none of the following relationships has existed between the Corporation and such director:

- the director is an employee, or an immediate family member of the director is an Executive Officer, of the Corporation or any of its consolidated subsidiaries;
- the director or an immediate family member of the director receives more than \$100,000 in direct compensation from the Corporation or any of its consolidated subsidiaries, other than director and committee fees and deferred compensation for prior service (provided such deferred compensation is not contingent in any way on continued service);
- the director is affiliated with or employed by, or an immediate family member of the director is affiliated with or employed in a professional capacity by, a present or former internal or external auditor of the Corporation or any of its consolidated subsidiaries;
- the director or an immediate family member is employed as an executive officer of another company where one of the Corporation's Executive Officers serves as a director and sits on that company's compensation committee;
- the director is an executive officer or employee, or an immediate family member of the director is an executive officer, of a company that makes payments to, or receives payments from, the Corporation or any of its consolidated subsidiaries for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues;
- the director is an executive officer or compensated employee, or an immediate family member of the director is an executive officer, of a charitable organization that receives donations from the Corporation, any of its consolidated subsidiaries or the Norfolk Southern Foundation in an amount which, in any single fiscal year, exceeds the greater of \$1 million or 2% of such charitable organization's donations.

For purposes of these categorical standards, immediate family member has the definition set forth in the New York Stock Exchange's Listing Standards, as amended from time to time.

The Board has determined that all current directors (including nominees) other than Mr. Goode and Mr. Moorman satisfy the above categorical standards and qualify as independent directors of the Corporation. Mr. Goode serves as Chairman and Chief Executive Officer of the Corporation and Mr. Moorman serves as President of the Corporation and therefore neither is an independent director.

### **Retirement Policy**

Under the Corporation's Governance Guidelines, a director must retire effective the date of the annual meeting that next follows the date of that director's 72nd birthday; if a director's 72nd birthday coincides with the date of the annual meeting, that director retires effective that date.

### **Compensation**

*Retainer and Fees:* In 2004, each member of the Board of Directors, other than Mr. Goode, received an annual retainer for services of \$32,000 and a quarterly fee of \$9,000 for serving on at least two committees, plus expenses in connection with attendance at such meetings. Mr. Goode and Mr. Moorman receive no compensation for Board service.

*Directors' Deferred Fee Plan:* A director may elect to defer receipt of all or a portion of compensation. Amounts deferred are credited to a separate memorandum account maintained in the name of each participating director. Amounts deferred prior to January 1, 2001, earn a fixed rate of interest, which is credited to the account at the beginning of each quarter. In general, the interest rate is determined on the basis of the director's age at the time of the deferral: under age 45, 7%; age 45-54, 10%; age 55-60, 11%; and over age 60, 12%. The total amount so credited for amounts deferred prior to January 1, 2001, (including interest earned thereon) is distributed in ten annual installments beginning in the year following the year in which the participant ceases to be a director.

Amounts deferred on or after January 1, 2001, are credited with variable earnings and/or losses based on the performance of hypothetical investment options selected by the director. The hypothetical investment options include NS Stock Units and various mutual funds as crediting indices. NS Stock Units are phantom units whose value is measured by the market value of shares of the Corporation's Common Stock, but the units ultimately will be settled in cash, not in shares of Common Stock. Amounts deferred on or after January 1, 2001, will be distributed in accordance with the director's elected distribution option in one lump sum or a stream of annual cash payments over 5, 10, or 15 years. During 2004, eight directors participated in the Directors' Deferred Fee Plan.

The Corporation's commitment to accrue and pay interest and/or earnings on amounts deferred is facilitated by the purchase of corporate-owned life insurance with the directors as insureds under the policies. If the Board of Directors determines at any time that changes in the law affect the Corporation's ability to recover the cost of providing the benefits payable under this Plan, the Board, in its discretion, may reduce the interest and/or earnings on deferrals to a rate not less than one half the rate otherwise provided for in the Plan.

*Directors' Restricted Stock Plan:* Each non-employee director receives a grant of 3,000 shares of Restricted Stock upon election to the Board. Restricted Stock is registered in the name of the



director, who has all rights of ownership (including the right to vote the shares and receive dividends); however, Restricted Stock may not be sold, pledged or otherwise encumbered during a restriction period which (a) begins when the Restricted Stock is granted and (b) ends on the earlier of (i) the date the director dies or (ii) six months after the director becomes disabled or retires.

*Outside Directors Deferred Stock Unit Program:* Each non-employee director was granted 4,000 Stock Units effective January 28, 2005. It is anticipated that, from time to time, non-employee directors may be granted additional Stock Units in an amount sufficient to assure that their total annual compensation for services is competitive.

Stock Units in each director's memorandum account are credited with dividends as paid on the Corporation's Common Stock, and the amount credited is converted into additional Stock Units, including fractions thereof, based on the mean of the high and low trading prices of the Corporation's Common Stock on the dividend payment date.

Upon leaving the Board, a director will receive in cash (either in a lump sum or in ten annual installments, in accordance with an election made by each director), an amount determined by reference to the mean of the high and low trading prices of the Corporation's Common Stock on specified dates. The amount of a lump-sum payment is determined on the basis of the mean of the high and low trading prices of the Corporation's Common Stock on the last business day of the month following the director's cessation of service. The amount of installment payments is determined annually by reference to the mean of the high and low trading prices on the third business day following the first public announcement of earnings for the preceding year. During the ten-year period over which installments are paid, Stock Units in the memorandum account at any time that have not been paid in cash will be credited with dividends as paid on the Corporation's Common Stock.

*Directors Charitable Award Program:* Each director is entitled to nominate one or more tax-exempt institutions to receive up to \$500,000 (payable by the Corporation in five equal annual installments following the director's death). Directors are entitled to designate up to \$100,000 per year of service until the \$500,000 cap is reached. Another \$500,000 will be paid by the Corporation to the Norfolk Southern Foundation in the director's name following the director's death.

The Directors Charitable Award Program supports, in part, the Corporation's long-standing commitment to contribute to educational, cultural and other appropriate charitable institutions and to encourage others to do the same. It is funded, and its costs are expected to be recovered, through corporate-owned life insurance on the directors.

Because the Corporation makes the charitable contributions (and is entitled to the related deduction) and is the owner and the beneficiary of the life insurance policies, directors derive no direct financial benefit from this Program. Amounts the Norfolk Southern Foundation receives under this Program may reduce what the Corporation otherwise would contribute from general corporate resources to support the Foundation's activities.

## Committees

Each year, not later than at its Organization Meeting that usually follows the Annual Meeting of Stockholders, the Board of Directors appoints members of committees. In May 2004, the Board appointed members to the Executive Committee, the Governance and Nominating Committee, the Finance Committee, the Audit Committee, the Compensation Committee, and the Performance-Based Compensation Committee. Effective January 1, 2005, the Board dissolved the Performance-Based Compensation Committee and adopted changes to committee duties, charters and composition. Committee charters are available on the Corporation's website, [www.nscorp.com](http://www.nscorp.com), in the Investors section under Corporate Governance. The charters of each of the committees require that the committee evaluate its performance at least annually, considering such issues as the effectiveness of the committee, its size and composition, the quality of information and presentations given by management, the suitability of its duties and such other issues as the committee deems appropriate.

The **Executive Committee** met three times in 2004; at year-end, its members were David R. Goode, Chair, Gerald L. Baliles, Gene R. Carter, Landon Hilliard and Jane Margaret O'Brien. Harold W. Pote became a member and Chair of the Committee effective January 1, 2005. This Committee:

- when the Board is not in session and except as otherwise provided by law, has and may exercise all the authority of the Board, including the authority to declare a quarterly dividend upon the Common Stock of the Corporation at the rate of the quarterly dividend most recently declared by the Board.

All actions taken by the Committee are reported to the Board at its meeting next following such action and are subject to revision or alteration by the Board.

The Executive Committee is governed by a written charter last adopted by the Board effective January 1, 2005.

The **Governance and Nominating Committee** met five times in 2004; at year-end its members were Landon Hilliard, Chair, Gerald L. Baliles, Alston D. Correll, Steven F. Leer and Harold W. Pote (appointed May 2004). All members of the Governance and Nominating Committee are independent (see Director Independence on page 25). During 2004, this Committee:

- recommended to the Board qualified individuals to be nominated either as additional members of the Board or to fill any vacancy occurring in the Board;
- recommended to the Board qualified individuals to be elected as officers of the Corporation;
- recommended the adoption of and any amendments to Corporate Governance Guidelines for the Corporation; and
- monitored corporate governance trends and practices and made recommendations to the Board concerning corporate governance issues.

Effective January 1, 2005, the Board revised the duties of the Governance and Nominating Committee to include three new responsibilities. Effective January 1, 2005, this Committee also:



- oversees the Corporation's charitable giving;
- monitors the Corporation's relations with stockholders; and
- monitors legislative developments relevant to the Corporation and oversees efforts to affect legislation and other public policy.

The Governance and Nominating Committee is governed by a written charter last adopted by the Board effective January 1, 2005.

As described in the Corporate Governance Guidelines, the Governance and Nominating Committee considers potential candidates to be nominated for election as directors, whether recommended by a shareholder, director, member of management or consultant retained for that purpose, and recommends nominees to the Board. The Committee reviews the current biography of the potential candidate and additional information provided by the individual or group which recommended the candidate for consideration. The Committee fully considers the qualifications of all candidates and recommends the nomination of individuals who, in the Committee's judgment, will best serve the long-term interests of all shareholders. In the judgment of the Committee and the Board, all nominees recommended by the Governance and Nominating Committee should, at a minimum:

- be of high ethical character and have personal and professional reputations consistent with the image and reputation of the Corporation;
- have experience as senior executives of public companies or leaders of large organizations, including charitable and governmental organizations, or have other experience at a strategy or policy setting level that would be beneficial to the Corporation;
- be able to represent all shareholders of the Corporation in an objective and impartial manner; and
- have time available to devote to Board activities.

It is the intent of the Governance and Nominating Committee and the Board that at least one director on the Board will qualify as an audit committee financial expert, as such term is defined in regulations of the Securities and Exchange Commission.

The Corporation paid a fee to a third-party director search firm retained by the Governance and Nominating Committee during 2004 to identify, evaluate and recommend potential candidates for election to the Board of Directors.

The Governance and Nominating Committee will consider director candidates recommended by shareholders. Any such recommendation should include biographical information on the candidate including all positions held as an employee, officer, partner, director or ten percent owner of all organizations, whether for profit or not-for-profit, and other relevant experience, a description of any relationship between the candidate and the recommending shareholder, a statement requesting that the Board consider nominating the individual for election as a director, written consent of the proposed candidate to being named as a nominee and proof of the recommending shareholder's stock ownership. Recommendations must be in writing and addressed to the Chair of the Governance and Nominating Committee, c/o Corporate Secretary, Norfolk Southern Corporation, Three Commercial Place, Norfolk, Virginia 23510-9219. So that the Committee will have adequate time to consider all candidates, **shareholder recommendations must be received no later than**

**November 17, 2005, in order to be considered for nomination for election at the 2006 Annual Meeting of Stockholders.** As an alternative to recommending a candidate for the Committee's consideration, a shareholder may directly nominate an individual for election as director. Unless required by regulations of the Securities and Exchange Commission, shareholder nominees will not appear in the Corporation's proxy statement or on the proxy card for the annual meeting. **Shareholders wishing to nominate an individual for election as a director at an annual meeting must comply with specific Bylaw provisions, which are available on the Corporation's website, [www.nscorp.com](http://www.nscorp.com), in the Investors section under Corporate Governance.**

The **Finance Committee** met six times in 2004; at year-end, its members were Gerald L. Baliles, Chair, Alston D. Correll, Steven F. Leer and J. Paul Reason. George D. Johnson was a member of the Committee until May 13, 2004. Landon Hilliard became a member of the Committee effective January 1, 2005. This Committee:

- develops guidelines and oversees implementation of policies concerning the Corporation's capital structure;
- makes recommendations to the Board concerning an annual investment policy for the assets of the pension fund of the Corporation's retirement plan and the engagement of firms of investment managers to manage designated portions of such assets within the framework of the investment policy; and
- develops a process for reviewing the performance of the investment managers, receiving and reviewing reports on the investment performance and actuarial valuations of the pension fund and transmitting to the Board material information with regard thereto.

The Finance Committee is governed by a written charter last adopted by the Board effective January 1, 2005.

The **Audit Committee** met eight times in 2004; at year-end its members were Jane Margaret O'Brien, Chair, Gene R. Carter, Burton M. Joyce (appointed January 2004) and J. Paul Reason. Harold W. Pote and George D. Johnson were members of the Committee until May 13, 2004. The Board has determined that all current members of the Audit Committee are independent (see Director Independence on page 25) and satisfy any additional requirements for service on an audit committee, as defined by the applicable rules of the New York Stock Exchange and the Securities and Exchange Commission, and no member of the Committee serves on more than three public company audit committees. While other members of the Audit Committee may also qualify, the Board has determined that Burton M. Joyce, who is a member of the Audit Committee, qualifies as an audit committee financial expert, as such term is defined by rules of the Securities and Exchange Commission. This Committee:

- assists Board oversight of the accuracy and integrity of the Corporation's financial statements, financial reporting process and internal control systems;
- has sole authority to engage the independent registered public accountants (subject to shareholder ratification), based on an assessment of their qualifications and independence, and pre-approves all services associated with their engagement;
- evaluates the efforts and effectiveness of the Corporation's independent registered public accounting firm and Internal Audit Department, including their independence and professionalism;

- facilitates communication among the Board, the independent registered public accounting firm, the Corporation's financial and senior management, and its Internal Audit Department;
- assists Board oversight of the Corporation's compliance with applicable legal and regulatory requirements; and
- prepares the Audit Committee Report that Securities and Exchange Commission rules require be included in the Corporation's annual proxy statement.

The Audit Committee is governed by a written charter adopted by the Committee and last approved by the Board on November 25, 2003. The Audit Committee last reviewed and reassessed the adequacy of the charter, with no changes being recommended, on November 22, 2004.

### **Audit Committee Report**

The Audit Committee of the Board of Directors ( Committee ) has reviewed and discussed with management the Corporation's audited financial statements for the year ended December 31, 2004.

The Committee has discussed with KPMG LLP, the independent registered public accounting firm for the Corporation, the matters required to be discussed by Statement on Auditing Standards 61, Communications with Audit Committees, as amended.

The Committee also has received and reviewed the written independence affirmation and disclosures from KPMG LLP and has discussed with KPMG LLP their independence.

Based on the review and discussions referred to above, the Committee recommended to the Board of Directors that the financial statements referred to above be included in the Corporation's Annual Report for the year ended December 31, 2004, on Form 10-K filed with the Securities and Exchange Commission.

Jane Margaret O'Brien, *Chair*

Gene R. Carter, *Member*

Burton M. Joyce, *Member*

J. Paul Reason, *Member*

**The Compensation Committee** met six times in 2004; at year-end, its members were Gene R. Carter, Chair, Landon Hilliard, Burton M. Joyce, Jane Margaret O'Brien and Harold W. Pote. Effective January 1, 2005, the Board appointed Gene R. Carter, Chair, Burton M. Joyce, Jane Margaret O'Brien and Harold W. Pote as the members of the Committee. All members of the Compensation Committee are independent (see Director Independence on page 25). During 2004, this Committee:

- considered and made recommendations to the Board concerning the Corporation's executive compensation program, including recommended compensation for directors and annual salaries for those officers whose salaries are fixed by the Board;
- reviewed and approved corporate goals and objectives relevant to the Chief Executive Officer's compensation and considered and recommended to the independent members of the Board the compensation of the Chief Executive Officer based on an evaluation of the Chief Executive Officer's performance relative to those corporate goals and objectives;

- considered and made recommendations to the Board concerning the adoption and administration of any management incentive bonus plan, deferred compensation plan or other similar plan of the Corporation, including personnel eligible to participate and the method of calculating bonuses, deferred compensation amounts or awards under any such plan; and
- produced a joint Compensation Committee report with the Performance-Based Compensation Committee on executive compensation as required by the Securities and Exchange Commission to be included in the Corporation's annual proxy statement or annual report on Form 10-K.

Effective January 1, 2005, the Compensation Committee assumed the duties of the former Performance-Based Compensation Committee as well as certain duties related to administration of the Corporation's defined benefit retirement plans, formerly duties of the Finance Committee. In addition to the duties described above, effective January 1, 2005, this Committee also:

- considers and makes recommendations to the Board of Directors concerning the adoption and administration of any long-term incentive plan or other similar plan of the Corporation, including personnel eligible to participate and the method of calculating awards under any such plan;
- oversees the employee retirement or investment plans and other qualified plans of the Corporation intended to provide retirement or post-retirement benefits; and
- makes any other compensation decisions for which it is desirable to achieve the protections afforded by Section 162(m) of the Internal Revenue Code or by other laws or regulations that may be or become relevant in this area and in which only disinterested directors may participate.

The Compensation Committee is governed by a written charter last adopted by the Board effective January 1, 2005.

The **Performance-Based Compensation Committee** met four times in 2004; at year-end, its members were Gene R. Carter, Chair, Burton M. Joyce, Jane Margaret O'Brien and Harold W. Pote. The Performance-Based Compensation Committee was dissolved by the Board effective January 1, 2005. During 2004, this Committee:

- made awards and took other actions under the Long-Term Incentive Plan of Norfolk Southern Corporation and Participating Subsidiaries;
- made any other compensation decisions for which it was desirable to achieve the protections afforded by Section 162(m) of the Internal Revenue Code, Rule 16b-3 of the Securities Exchange Act of 1934 or other laws or regulations that may be or become relevant in this area and in which only disinterested directors may participate; and
- produced a joint Compensation Committee report with the Compensation Committee on executive compensation as required by the Securities and Exchange Commission to be included in the Corporation's annual proxy statement or annual report on Form 10-K.

### **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

In 2004, the Corporation paid the law firm of Hunton & Williams, in which Mr. Baliles is a partner, for legal services. These fees were less than 0.1% of the gross revenues of Hunton & Williams for 2004.

The Corporation maintains various banking relationships with Brown Brothers Harriman & Co. ( Brown Brothers ), in which Mr. Hilliard is a partner, on bases that are consistent with normal financial and banking practices. All transactions are entered into in the ordinary course of business on substantially the same terms as those prevailing at the time for comparable transactions with other banks. Brown Brothers was paid fees for managing a portion of the assets of the Corporation's pension fund and fees for brokerage and custodial services rendered to the Norfolk Southern Foundation in 2004. The total fees paid by the Corporation to Brown Brothers in 2004 were less than 0.1% of the gross revenues of Brown Brothers for fiscal year 2004.

### **COMPENSATION COMMITTEES INTERLOCKS AND INSIDER PARTICIPATION**

The members of the Compensation Committee during 2004 were Mr. Carter, Chair, Mr. Hilliard, Mr. Joyce, Ms. O'Brien and Mr. Pote. The members of the Performance-Based Compensation Committee during 2004 were Mr. Carter, Chair, Mr. Joyce, Ms. O'Brien and Mr. Pote. Other than Mr. Hilliard's relationship with Brown Brothers (see above), there were no reportable business relationships between the Corporation and such individuals.

### **EXECUTIVE COMPENSATION**

#### **Summary of Cash and Certain Other Compensation**

The following table sets forth the cash compensation paid, as well as certain other compensation accrued or paid, to the Chief Executive Officer and to each of the other four most highly compensated Executive Officers of the Corporation in 2004 (together, the Named Executive Officers), for service in all capacities to the Corporation and its subsidiaries by the Named Executive Officers in the fiscal years ending December 31, 2004, 2003, and 2002.

## SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			
		Salary <sup>1</sup> (\$)	Bonus <sup>1</sup> (\$)	Other Annual Compensation <sup>2</sup> (\$)	Awards		Payouts	
					Restricted Stock Awards <sup>3</sup> (\$)	Securities Underlying Options <sup>4</sup> (#)	LTIP Payouts <sup>5</sup> (\$)	All Other Compensation <sup>6</sup> (\$)
David R. Goode Chairman and Chief Executive Officer	2004	1,000,000	2,000,000	587,901 <sup>7</sup>	3,568,000	160,000	2,740,788	151,125
	2003	1,000,000	1,672,000	493,484 <sup>7</sup>	3,142,400	310,000	1,458,605	159,528
	2002	970,833	883,944	932,322 <sup>7</sup>	0	650,000	1,069,170	47,030
Charles W. Moorman President	2004	368,750	238,260	17,981	334,500	30,000	328,895	9,596
	2003	285,000	141,040	15,423	392,800	30,000	182,326	10,532
	2002	273,333	151,593	161,848	0	80,000	133,646	19,406
L. I. Prillaman Vice Chairman and Chief Marketing Officer	2004	575,000	718,750	83,451	1,115,000	50,000	877,052	59,924
	2003	525,000	548,625	75,366	982,000	80,000	364,651	48,882
	2002	481,250	292,119	287,313	0	200,000	267,293	28,027
Stephen C. Tobias Vice Chairman and Chief Operating Officer	2004	575,000	718,750	201,177	1,115,000	50,000	877,052	55,746
	2003	575,000	600,875	191,804	982,000	80,000	364,651	65,031
	2002	545,833	331,321	376,761	0	200,000	267,293	32,135
Henry C. Wolf Vice Chairman and Chief Financial Officer	2004	575,000	718,750	239,598	1,115,000	50,000	877,052	79,869
	2003	575,000	600,875	228,895	982,000	80,000	364,651	84,680
	2002	545,833	331,321	407,412	0	200,000	267,293	35,631

<sup>1</sup>Includes portion of any salary or bonus award elected to be received on a deferred basis.

<sup>2</sup>Includes amounts reimbursed for the payment of taxes on personal benefits. Also includes the amount by which the interest accrued on salary and bonuses deferred under the Officers' Deferred Compensation Plan exceeds 120% of the applicable Federal long-term rate provided under Section 1274(d) of the Internal Revenue Code; for 2004, these amounts were: for Mr. Goode, \$207,500; Mr. Moorman, \$3,540; Mr. Prillaman, \$32,511; Mr. Tobias, \$147,637; and Mr. Wolf, \$168,012. Includes tax absorption payments in 2003 and 2004 for payments made on behalf of the listed individuals for executive life insurance policies. Includes awards paid in 2002 under the NS Stock Unit Plan.

<sup>3</sup>Includes the value of Restricted Shares awarded pursuant to the Long-Term Incentive Plan based on the closing price of Common Stock on the dates of grant, February 3, 2003 and January 30, 2004. During the three-year restriction period, the holder of Restricted Shares receives any dividends paid on Common Stock. Also includes the value of Restricted Stock Units awarded pursuant to the Restricted Stock Unit Plan based on the closing price of Common Stock on the dates of grant, February 3, 2003 and January 30, 2004. During the three-year restriction period, the holder of a Restricted Stock Unit will receive a cash payment equivalent to any dividend paid on Common Stock. As of December 31, 2004, the aggregate value of all Restricted Shares held was: for Mr. Goode, \$6,948,480; Mr. Moorman, \$759,990; Mr. Prillaman, \$2,171,400; Mr. Tobias, \$2,171,400; and Mr. Wolf, \$2,171,400. As of December 31, 2004, the aggregate value of all Restricted Stock Units held was: for Mr. Goode, \$4,632,320; Mr. Moorman, \$506,660; Mr. Prillaman, \$1,447,600; Mr. Tobias, \$1,447,600; and Mr. Wolf, \$1,447,600.

<sup>4</sup>Options were granted without tandem Stock Appreciation Rights.

<sup>5</sup>Represents the value of the earn out pursuant to the performance share feature of the Corporation's Long-Term Incentive Plan for periods ended December 31, 2004, 2003 and 2002 (for





2004, performance shares were earned for achievements in the three-year period 2002-2004; for 2003, performance shares were earned for achievements in the three-year period 2001-2003; and for 2002, for achievements in the three-year period 2000-2002).

<sup>6</sup>Includes for 2004 (i) contributions of \$6,150 to the Corporation's 401(k) plan on behalf of each of the Named Executive Officers and (ii) total premiums paid on behalf of each of the Named Executive Officers on individually-owned executive life insurance policies (converted from former split dollar life insurance policies): for Mr. Goode, \$144,975; Mr. Moorman, \$3,446; Mr. Prillaman, \$53,774; Mr. Tobias, \$49,596; and Mr. Wolf, \$73,719.

<sup>7</sup>Includes personal use, as directed by resolution of the Board of Directors, of the Corporation's aircraft valued at \$169,516 for 2004; \$108,532 for 2003; and \$143,456 for 2002 calculated on the basis of the aggregate incremental cost of such use to the Corporation. Aggregate incremental cost is calculated as the average weighted cost of fuel, crew hotels and meals, aircraft maintenance and other variable costs.

### Long-Term Incentive Plan

The Corporation's Long-Term Incentive Plan, as last approved by stockholders in 2001, provides for the award of Incentive Stock Options, Non-qualified Stock Options, Stock Appreciation Rights, Restricted Shares and Performance Share Units to directors, officers and other key employees of both the Corporation and certain of its subsidiaries.

The Performance-Based Compensation Committee of the Board of Directors ( Committee ) administered the Plan in 2004 and had sole discretion, subject to certain limitations, to interpret the Plan; to select Plan participants; to determine the type, size, terms and conditions of awards under the Plan; to authorize the grant of such awards; and to adopt, amend and rescind rules relating to the Plan. Beginning January 1, 2005, the Compensation Committee of the Board of Directors administers the Plan. Except for capital adjustments such as a stock split, the option price may not be decreased after the option is granted, nor may any outstanding option be modified or replaced through cancellation if the effect would be to reduce the price of the option, unless such repricing, modification or replacement is approved by the Corporation's stockholders.

### Stock Options

The following table sets forth certain information concerning the grant in 2004 of stock options under the Long-Term Incentive Plan to each Named Executive Officer:

#### Option/SAR\* Grants in Last Fiscal Year

Name	Individual Grants		Grant Date
	Number of Securities Underlying	% of Total Options	Value

Options	Granted to Employees in Fiscal Year
Granted <sup>1</sup>	<hr/>
<hr/> (#)	