WILEY JOHN & SONS, INC.
Form SC 13G/A
February 08, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934

(Amendment No. 5)*

JOHN WILEY & SONS, INC.

(Name of Issuer)

Class A Common Stock, par value $1.00 per share

(Title of Class of Securities)

968223206

(CUSIP Number)

December 31, 2016

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[X] Rule 13d 1(b)

[ ] Rule 13d 1(c)

[ ] Rule 13d 1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial

filing on this form with respect to the subject class of securities, and for any

subsequent amendment containing information which would alter the disclosures provided in

a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be

"filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or

otherwise subject to the liabilities of that section of the Act but shall be subject to

all other provisions of the Act (however, see the Notes).

1. NAMES OF REPORTING PERSONS.

Franklin Resources, Inc.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)

(b) X

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5. SOLE VOTING POWER

(See Item 4)

6. SHARED VOTING POWER

(See Item 4)

7. SOLE DISPOSITIVE POWER

(See Item 4)

8. SHARED DISPOSITIVE POWER

(See Item 4)

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

5,010,674

10. CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES
CERTAIN SHARES [ ]

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

10.4%

12. TYPE OF REPORTING PERSON

HC, CO (See Item 4)

1. NAMES OF REPORTING PERSONS.

Charles B. Johnson

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)

(b) X

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

USA

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5. SOLE VOTING POWER

(See Item 4)

6. SHARED VOTING POWER

(See Item 4)

7. SOLE DISPOSITIVE POWER

(See Item 4)

8. SHARED DISPOSITIVE POWER

(See Item 4)

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

5,010,674

10. CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES
CERTAIN SHARES [ ]

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

10.4%

12. TYPE OF REPORTING PERSON

HC, IN (See Item 4)

1. NAMES OF REPORTING PERSONS.

Rupert H. Johnson, Jr.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)

(b) X

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

USA

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5. SOLE VOTING POWER

(See Item 4)

6. SHARED VOTING POWER

(See Item 4)

7. SOLE DISPOSITIVE POWER

(See Item 4)

8. SHARED DISPOSITIVE POWER

(See Item 4)

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

5,010,674

10. CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES
CERTAIN SHARES [ ]

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

10.4%

12. TYPE OF REPORTING PERSON

HC, IN (See Item 4)

1. NAMES OF REPORTING PERSONS.

Franklin Advisory Services, LLC

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)

(b) X

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5. SOLE VOTING POWER

5,010,674

6. SHARED VOTING POWER

0

7. SOLE DISPOSITIVE POWER

5,010,674

8. SHARED DISPOSITIVE POWER

0

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

5,010,674

10. CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES
CERTAIN SHARES [ ]

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

10.4%

12. TYPE OF REPORTING PERSON

IA, OO (See Item 4)

Item 1.

(a) Name of Issuer

JOHN WILEY & SONS, INC.

(b) Address of Issuer's Principal Executive Offices

111 River Street,

Hoboken, NJ 07030

Item 2.

(a) Name of Person Filing

(i): Franklin Resources, Inc.

(ii): Charles B. Johnson

(iii): Rupert H. Johnson, Jr.

(iv): Franklin Advisory Services, LLC

(b) Address of Principal Business Office or, if none, Residence

(i), (ii), and (iii):

One Franklin Parkway

San Mateo, CA 94403 1906

(iv): 55 Challenger Road, Suite 501

Ridgefield Park, NJ 07660

(c) Citizenship

(i): Delaware

(ii) and (iii): USA

(iv): Delaware

(d) Title of Class of Securities

Class A Common Stock, par value $1.00 per share

(e) CUSIP Number

968223206

Item 3. If this statement is filed pursuant to §§240.13d 1(b) or 240.13d 2(b) or (c),

check whether the person filing is a:

(a) [ ] Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).

(b) [ ] Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).

(c) [ ] Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c).

(d) [ ] Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C 80a 8).

(e) [X] An investment adviser in accordance with §240.13d 1(b)(1)(ii)(E);

(f) [ ] An employee benefit plan or endowment fund in accordance with §240.13d 1(b)(1)(ii)(F);

(g) [X] A parent holding company or control person in accordance with

§240.13d 1(b)(1)(ii)(G);

(h) [ ] A savings associations as defined in Section 3(b) of the Federal Deposit

Insurance Act (12 U.S.C. 1813);

(i) [ ] A church plan that is excluded from the definition of an investment

company under section 3(c)(14) of the Investment Company Act of 1940 (15

U.S.C. 80a 3);

(j) [ ] A non U.S. institution in accordance with §240.13d 1(b)(ii)(J);

(k) [ ] Group, in accordance with §240.13d 1(b)(1)(ii)(K).

If filing as a non U.S. institution in accordance with §240.13d 1(b)(1)(ii) (J).

please specify the type of institution:

Item 4. Ownership

The securities reported herein are beneficially owned by one or more open or

closed end investment companies or other managed accounts that are investment

management clients of investment managers that are direct and indirect subsidiaries (each, an “Investment Management Subsidiary” and, collectively, the “Investment Management Subsidiaries”) of Franklin Resources Inc. (“FRI”), including the Investment Management Subsidiaries listed in this Item 4. When an investment management contract (including a sub advisory agreement) delegates to an Investment Management Subsidiary investment discretion or voting power over the securities held in the investment advisory accounts that are subject to that agreement, FRI treats the Investment Management Subsidiary as having sole investment discretion or voting authority, as the case may be, unless the agreement specifies otherwise. Accordingly, each Investment Management Subsidiary reports on Schedule 13G that it has sole investment discretion and voting authority over the securities covered by any such investment management agreement, unless otherwise noted in this Item 4. As a result, for purposes of Rule 13d 3 under the Act, the Investment Management Subsidiaries listed in this Item 4 may be deemed to be the beneficial owners of the securities reported in this Schedule 13G.

Beneficial ownership by Investment Management Subsidiaries and other FRI affiliates is being reported in conformity with the guidelines articulated by the SEC staff in Release No. 34 39538 (January 12, 1998) relating to organizations, such as FRI, where related entities exercise voting and investment powers over the securities being reported independently from each other. The voting and investment powers held by Franklin Mutual Advisers, LLC ("FMA"), an indirect wholly owned Investment Management Subsidiary, are exercised independently from FRI and from all other Investment Management Subsidiaries (FRI, its affiliates and the Investment Management Subsidiaries other than FMA are collectively, "FRI affiliates"). Furthermore, internal policies and procedures of FMA and FRI establish informational barriers that prevent the flow between FMA and the FRI affiliates of information that relates to the voting and investment powers over the securities owned by their respective management clients. Consequently, FMA and FRI affiliates report the securities over which they hold investment and voting power separately from each other for purposes of Section 13 of the Act.

Charles B. Johnson and Rupert H. Johnson, Jr. (the "Principal Shareholders") each own in excess of 10% of the outstanding common stock of FRI and are the principal stockholders of FRI. FRI and the Principal Shareholders may be deemed to be, for purposes of Rule 13d 3 under the Act, the beneficial owners of securities held by persons and entities for whom or for which FRI subsidiaries provide investment management services. The number of shares that may be deemed to be beneficially owned and the percentage of the class of which such shares are a part are reported in Items 9 and 11 of the cover pages for FRI and each of the Principal Shareholders. FRI, the Principal Shareholders and each of the Investment Management Subsidiaries disclaim any pecuniary interest in any of the such securities. In addition, the filing of this Schedule 13G on behalf of the Principal Shareholders, FRI and the FRI affiliates, as applicable, should not be construed as an admission that any of them is, and each of them disclaims that it is, the beneficial owner, as defined in Rule 13d 3, of any of the securities reported in this Schedule 13G.

FRI, the Principal Shareholders, and each of the Investment Management Subsidiaries believe that they are not a "group" within the meaning of Rule 13d 5 under the Act and

that they are not otherwise required to attribute to each other the beneficial

ownership of the securities held by any of them or by any persons or entities for whom

or for which the Investment Management Subsidiaries provide investment management

services.

(a) Amount beneficially owned:

5,010,674

(b) Percent of class:

10.4%

(c) Number of shares as to which the person has:

(i) Sole power to vote or to direct the vote

Franklin Resources, Inc.:	0
Charles B. Johnson:	0
Rupert H. Johnson, Jr.:	0

Franklin Advisory Services, LLC: 5,010,674

(ii) Shared power to vote or to direct the vote

0

(iii) Sole power to dispose or to direct the disposition of

Franklin Resources, Inc.:	0
Charles B. Johnson:	0
Rupert H. Johnson, Jr.:	0
Franklin Advisory Services, LLC:	5,010,674

(iv) Shared power to dispose or to direct the disposition of

0

Item 5. Ownership of Five Percent or Less of a Class

If this statement is being filed to report the fact that as of the date

hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following [ ].

Item 6. Ownership of More than Five Percent on Behalf of Another Person

The clients of the Investment Management Subsidiaries, including investment companies registered under the Investment Company Act of 1940 and other managed accounts, have the right to receive or power to direct the receipt of dividends from, and the proceeds from the sale of, the securities reported herein.

Franklin Rising Dividends Fund, a series of Franklin Managed Trust, an investment company registered under the Investment Company Act of 1940, has an interest in 4,412,048 shares, or 9.1%, of the class of securities reported herein.

Item 7. Identification and Classification of the Subsidiary Which Acquired the

&nottom" width="19%">

September 28,
December 29,

2007
2006

ASSETS

Current Assets:

Cash and Cash Equivalents	**$ 660**	$ 461
Short-term Investments	**576**	439
Accounts Receivable, net of allowance for doubtful accounts of $76 and $82, respectively	**1,173**	1,174
Materials and Supplies	**244**	204
Deferred Income Taxes	**229**	251
Other Current Assets	**98**	143
Total Current Assets	**2,980**	2,672
Properties	**28,569**	27,715
Accumulated Depreciation	**(7,141)**	(6,792)
Properties - Net	**21,428**	20,923
Investment in Conrail (Note 14)	**624**	607
Affiliates and Other Companies	**355**	336
Other Long-term Assets		

		218
		591
Total Assets	**$**	**25,605**
	$	5,129

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:		
Accounts Payable	**$**	**1,002**
		974
Labor and Fringe Benefits Payable		**480**
		495
Casualty, Environmental and Other Reserves (Note 5)		**241**
		253
Current Maturities of Long-term Debt		**230**
		592
Short-term Debt		**5**
		8
Income and Other Taxes Payable		**109**
		114
Other Current Liabilities		**101**
		86
Total Current Liabilities		**2,168**
		2,522
Casualty, Environmental and Other Reserves (Note 5)		**666**
		668
Long-term Debt (Note 7)		**6,678**

		5,362
Deferred Income Taxes	**5,931**	6,110
Other Long-term Liabilities	**1,385**	1,525
Total Liabilities	**16,828**	16,187
Shareholders' Equity:		
Common Stock, $1 Par Value	**420**	438
Other Capital	**471**	1,469
Retained Earnings (Note 4)	**8,262**	7,427
Accumulated Other Comprehensive Loss	**(376)**	(392)
Total Shareholders' Equity	**8,777**	8,942
Total Liabilities and Shareholders' Equity	**$ 25,605**	$ 25,129

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

CSX CORPORATION
ITEM 1: FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENTS *(Unaudited)*
(Dollars in Millions)

	Nine Months	
	2007	2006
OPERATING ACTIVITIES		
Net Earnings	**$ 971**	$ 963
Adjustments to Reconcile Net Earnings to Net Cash Provided:		
Depreciation	**666**	648
Deferred Income Taxes	**154**	46
Non-cash Discontinued Operations (Note 4)	**(110)**	-
Gain on Insurance Recoveries (Note 8)	**(19)**	(141)
Insurance Proceeds (Note 8)	**10**	104
Other Operating Activities	**15**	(63)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	**(17)**	(133)
Other Current Assets	**(54)**	73
Accounts Payable	**64**	51
Income and Other Taxes Payable	**153**	(61)
Other Current Liabilities	**(15)**	(120)
Net Cash Provided by Operating Activities	**1,818**	1,367
INVESTING ACTIVITIES		
Property Additions	**(1,195)**	(1,204)
Insurance Proceeds (Note 8)	**12**	130
Purchases of Short-term Investments	**(2,035)**	(1,023)
Proceeds from Sales of Short-term Investments	**1,914**	1,072
Other Investing Activities	**(9)**	(9)
Net Cash Used in Investing Activities	**(1,313)**	(1,034)
FINANCING ACTIVITIES		
Short-term Debt - Net	**(3)**	12
Long-term Debt Issued (Note 7)	**2,000**	473
Long-term Debt Repaid	**(712)**	(499)
Dividends Paid	**(170)**	(101)
Stock Options Exercised (Note 3)	**144**	237
Shares Repurchased (Note 1)	**(1,609)**	(422)
Other Financing Activities	**44**	46
Net Cash Used in Financing Activities	**(306)**	(254)
Net Increase in Cash and Cash Equivalents	**199**	79
CASH AND CASH EQUIVALENTS		

Cash and Cash Equivalents at Beginning of Period		**461**		309
Cash and Cash Equivalents at End of Period	**$**	**660**	$	388

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. Significant Accounting Policies

Background

CSX Corporation ("CSX" and together with its subsidiaries, the "Company"), based in Jacksonville, Florida, is one of the nation's leading transportation companies. Surface Transportation, which includes the Company's rail and intermodal businesses, provides rail-based transportation services including traditional rail service and the transport of intermodal containers and trailers.

CSX's principal operating company, CSX Transportation, Inc. ("CSXT"), provides a crucial link to the transportation supply chain through its 21,000 mile rail network, which serves every major population center in 23 states east of the Mississippi River, the District of Columbia and the Canadian provinces of Ontario and Quebec. CSX Intermodal, Inc. ("Intermodal"), one of the nation's largest coast-to-coast intermodal transportation providers, is a stand-alone, integrated company linking customers to railroads via trucks and terminals.

CSX's other holdings include CSX Hotels, Inc., a resort doing business as The Greenbrier, located in White Sulphur Springs, West Virginia, and CSX Real Property, Inc., an organization responsible for real estate sales, leasing, acquisition and management and development activities.

Basis of Presentation

In the opinion of management, the accompanying consolidated financial statements of CSX contain all normal, recurring adjustments necessary to fairly present the following:

- Consolidated Balance Sheets at September 28, 2007 and December 29, 2006;
- Consolidated Income Statements for the quarters and nine months ended September 28, 2007 and September 29, 2006; and
- Consolidated Cash Flow Statements for the nine months ended September 28, 2007 and September 29, 2006.

Certain prior-year data have been reclassified to conform to the 2007 presentation.

Table of Contents

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. Significant Accounting Policies, continued

Pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"), certain information and disclosures normally included in the notes to the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted from these interim financial statements. CSX suggests that these financial statements be read in conjunction with the audited financial statements and the notes included in CSX's most recent Annual Report on Form 10-K, prior Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K.

Fiscal Year

CSX follows a 52/53 week fiscal reporting calendar with the last day of each reporting period ending on a Friday:

- The third fiscal quarters of 2007 and 2006 consisted of 13 weeks ending on September 28, 2007 and September 29, 2006, respectively.

- The nine month periods of 2007 and 2006 consisted of 39 weeks ending on September 28, 2007 and September 29, 2006, respectively.

Except as otherwise specified, references to "third quarter(s)" or "nine months" indicate CSX's fiscal periods ending September 28, 2007 or September 29, 2006, and comparisons are to the corresponding period of the prior year.

Other Items – Share Repurchases

Currently, CSX has the authority to purchase up to $3 billion of its outstanding common stock. CSX intends to complete the $3 billion repurchase program by the end of 2008. The timing, method, amount of repurchase transactions and the source of funds to effect any repurchase will be determined by the Company's management based on its evaluation of market conditions, share price and other factors. While it is not management's intention, the program may be suspended or discontinued at any time.

Total share repurchases under all publicly announced plans was as follows:

	Third Quarters		Nine Months	
(In Millions)	**2007**	2006	**2007**	2006
Number of Shares Repurchased	**21**	9	**38**	13
Value of Shares Repurchased	**$ 882**	$ 272	**$ 1,609**	$ 422

Table of Contents

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 2. Earnings Per Share

The following table sets forth the computation of basic earnings per share and earnings per share, assuming dilution:

	Third Quarters		Nine Months	
	2007	2006	**2007**	2006
Numerator (Millions):				
Earnings from Continuing Operations	**$ 297**	$ 328	**$ 861**	$ 963
Interest Expense on Convertible Debt - Net of Tax	**-**	1	**2**	3
Net Earnings from Continuing Operations, If-Converted	**297**	329	**863**	966
Discontinued Operations - Net of Tax	**110**	-	**110**	-
Net Earnings, If-Converted	**407**	329	**973**	966
Interest Expense on Convertible Debt - Net of Tax	**-**	(1)	**(2)**	(3)
Net Earnings	**$ 407**	$ 328	**$ 971**	$ 963
Denominator (Thousands):				
Average Common Shares Outstanding	**432,529**	440,088	**436,265**	441,088
Convertible Debt	**6,547**	19,456	**13,238**	19,456
Stock Options *(a)*	**4,722**	5,708	**5,171**	5,985
Other Potentially Dilutive Common Shares	**1,750**	389	**1,208**	208
Average Common Shares Outstanding, Assuming Dilution	**445,548**	465,641	**455,882**	466,737
Basic Earnings Per Share:				
Income from Continuing Operations	**$ 0.69**	$ 0.75	**$ 1.98**	$ 2.18
Discontinued Operations	**0.25**	-	**0.25**	-
Net Earnings	**$ 0.94**	$ 0.75	**$ 2.23**	$ 2.18
Earnings Per Share, Assuming Dilution:				
Income from Continuing Operations	**$ 0.67**	$ 0.71	**$ 1.89**	$ 2.07
Discontinued Operations	**0.24**	-	**0.24**	-
Net Earnings	**$ 0.91**	$ 0.71	**$ 2.13**	$ 2.07

(a) In calculating diluted earnings per share, SFAS 128, Earnings per Share requires the Company to include the potential shares that would be outstanding if all outstanding stock options were exercised offset by shares the Company could repurchase using all the proceeds from these hypothetical exercises. This number is different from outstanding stock options, which is included in Note 3, Share-Based Compensation.

Basic earnings per share is based upon the weighted-average number of common shares outstanding. Earnings per share, assuming dilution, is based on the weighted-average number of common shares outstanding adjusted for the effect of the following types of potentially dilutive common shares:

- convertible debt,

- employee stock options, and
- other equity awards, which include unvested restricted stock and long-term incentive awards.

8

Table of Contents

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 2. Earnings Per Share, continued

Emerging Issues Task Force (EITF) 04-8, *The Effect of Contingently Convertible Debt on Diluted Earnings Per Share*, required CSX to include additional shares in the computation of earnings per share, assuming dilution. The amount included in diluted earnings per share represents the number of shares that would be issued if all of CSX's convertible debentures were converted into CSX common stock.

When convertible debentures are converted into CSX common stock, the newly-issued shares are included in the calculation of both basic and diluted earnings per share. During third quarter and nine months of 2007, $37 million and $374 million of face value convertible debentures were converted into 1 million and 13 million shares of CSX common stock, respectively. No material conversions occurred during 2006. At September 2007, $174 million face value remained outstanding convertible into 6 million shares.

Stock options are excluded from the computation of earnings per share, assuming dilution, when option exercise prices are greater than the average market price of the common shares during the period. In 2007, all stock options were dilutive. Therefore, no stock options were excluded from the calculation.

Table of Contents

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 3. Share-Based Compensation

CSX share-based compensation plans primarily include long-term incentive plans, restricted stock awards, stock options and stock plans for Directors. CSX has not granted stock options since 2003. Awards granted under the various plans are determined and approved by the Compensation Committee of the Board of Directors or, in certain circumstances, by the Chief Executive Officer for awards to management employees other than senior executives. The Governance Committee of the Board of Directors approves awards granted to the Company's non-management Directors.

In May 2007, performance units were granted to certain layers of management under a new Long-term Incentive Plan adopted under the CSX Omnibus Incentive Plan. This plan provides for a three-year cycle ending in fiscal year 2009. Similar to the two existing plans, the key financial target is Surface Transportation operating ratio, which is defined as annual operating expenses divided by revenue of the Company's rail and intermodal businesses and is calculated excluding certain non-recurring items. Grants were made in performance units and are payable in CSX common stock. The payout range for the majority of participants will be between 0% and 200% of the original grant, with each unit being equivalent to one share of CSX stock. The payout for certain senior executive officers is subject to a 20% increase or decrease based upon certain additional pre-established financial targets. This could result in a maximum payout of 240% of the original grant. However, any payout to certain senior executive officers is also subject to a reduction of up to 30% at the discretion of the Compensation Committee of the Board of Directors based upon Company performance against certain CSX strategic initiatives.

Total pre-tax expense associated with share-based compensation and its related income tax benefit was as follows:

	Third Quarters		Nine Months	
(Dollars in Millions)	**2007**	2006	**2007**	2006
Share-Based Compensation Expense[(a)]	**$ 14**	$ 11	**$ 45**	$ 23
Income Tax Benefit	**5**	4	**17**	8

(a) Share-based compensation expense for nine months 2007 primarily included amounts incurred from the two long-term incentive programs approved in May 2006 and the long-term incentive program that was approved in May 2007. Overall, share-based compensation expense increased for nine months 2007 due to the timing of when the 2006 plans were approved and the addition of the 2007 plan.

The following table provides information about stock options exercised:

	Third Quarters		Nine Months	
(In Thousands)	**2007**	2006	**2007**	2006
Number of Stock Options Exercised	**732**	692	**7,206**	10,988

As of September 2007, CSX had approximately 12 million stock options outstanding.

Table of Contents

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 4. Income Taxes

CSX and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. The Company has substantially concluded all U.S. federal income tax examinations for years through 2003 and substantially all other income tax matters have been concluded for years through 1998. Federal income tax returns for 2004 through 2006 are currently under examination.

In the third quarter of 2007, the Internal Revenue Service completed its review of the Company's pre-filing agreement, which is an early review of specific transactions. The Company recorded an income tax benefit of $110 million in the third quarter of 2007, primarily associated with the resolution of income tax matters related to former activities of the container shipping and marine service businesses. This third quarter benefit is recorded as discontinued operations as the Company no longer operates in these businesses. This benefit is associated with tax basis adjustments, foreign dividends and foreign tax credits from operations over a multi-year period.

CSX adopted FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"), at the beginning of fiscal year 2007. As a result of the implementation, the Company recognized a $34 million decrease to reserves for uncertain tax positions. This decrease has two components of which amounts directly related to CSX were $31 million and unconsolidated subsidiaries accounted for under the equity method of accounting were $3 million. This decrease was recorded as a cumulative effect adjustment to the beginning balance of retained earnings on the Balance Sheet.

At the beginning of 2007, CSX had approximately $207 million of total gross unrecognized tax benefits after adjustment for the $34 million decrease to reserves mentioned above. Of this total, $197 million (net of the federal benefit on state issues) represented the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in any future periods.

As of the end of the third quarter 2007, CSX had approximately $60 million of total gross unrecognized tax benefits. Of this total, $50 million (net of federal benefit on state issues) represented the amount of unrecognized tax benefits that, if recognized, would favorably impact the effective income tax rate. The decrease in unrecognized tax benefits primarily related to the discontinued operations benefit of $110 million. The Company estimates that approximately $15 million of the unrecognized tax benefits for various state and federal income tax matters will be resolved over the next 12 months.

Table of Contents

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 4. Income Taxes, continued

CSX's continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense. As of the beginning of 2007, the Company had $52 million accrued for interest and $0 accrued for penalties. At the end of the third quarter 2007, the Company had $26 million accrued for interest and $0 accrued for penalties. The decrease for interest is primarily related to the income tax benefit recorded as discontinued operations in the third quarter of 2007.

NOTE 5. Casualty, Environmental and Other Reserves

Casualty, environmental and other reserves were determined to be critical accounting estimates due to the need for significant management judgments. They are provided for in the Consolidated Balance Sheets as follows:

(Dollars in Millions)	**September 28, 2007**			December 29, 2006		
	Current	**Long-term**	**Total**	Current	Long-term	Total
Casualty	**$ 142**	**$ 490**	**$ 632**	$ 172	$ 465	$ 637
Separation	**16**	**93**	**109**	20	100	120
Environmental	**51**	**26**	**77**	26	45	71
Other	**32**	**57**	**89**	35	58	93
Total	**$ 241**	**$ 666**	**$ 907**	$ 253	$ 668	$ 921

Details with respect to each type of reserve are described below. Actual settlements and claims received could differ. The final outcome of these matters cannot be predicted with certainty. Considering the legal defenses available, the liabilities that have been recorded and other factors, it is the opinion of management that none of these items, when finally resolved, will have a material effect on the Company's results of operations, financial condition or liquidity. However, should a number of these items occur in the same period, they could have a material effect on the results of operations, financial condition or liquidity in a particular quarter or fiscal year.

Casualty

Casualty reserves represent accruals for personal injury and occupational claims. Currently, no individual claim is expected to exceed the Company's self-insured retention amount. To the extent the value of an individual claim exceeds the self-insured retention amount, CSX would present the liability on a gross basis with a corresponding receivable for insurance recoveries. Personal injury and occupational claims are presented on a gross basis and in accordance with Statement of Financial Accounting Standards ("SFAS") 5, *Accounting for Contingencies*.

Table of Contents

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 5. Casualty, Environmental and Other Reserves, continued

These reserves fluctuate with estimates provided by independent third parties reviewed by management, offset by the timing of individual payments. Most of the claims were related to CSXT.

Personal Injury

Personal injury reserves represent liabilities for employee work-related and third party injuries. Work-related injuries for CSXT employees are primarily subject to the Federal Employers' Liability Act ("FELA"). In addition to FELA liabilities, employees of other CSX subsidiaries are covered by various state workers' compensation laws, the Federal Longshore and Harbor Worker's Compensation Program or the Maritime Jones Act.

CSXT retains an independent actuarial firm to assist management in assessing the likely cost of personal injury claims and cases. An analysis is performed by the independent actuarial firm semi-annually and is reviewed by management. The methodology used by the actuary includes a development factor to reflect growth or reduction in the value of these personal injury claims. It is based largely on CSXT's historical claims and settlement experience. Actual results may vary from estimates due to the type and severity of the injury, costs of medical treatments, and uncertainties in litigation.

Based on management's review of its semi-annual actuarial analysis performed by an independent actuarial firm, personal injury reserves were reduced by $30 million during second quarter 2007. This reduction is due to a trend of significant decreases in the number and severity of work-related injuries for CSXT employees since 2003 and was included as a reduction to Materials, Supplies and Other in the Consolidated Income Statements.

Occupational

Occupational claims arise from allegations of exposures to certain materials in the workplace, such as asbestos, solvents (which include soaps and chemicals) and diesel fuels or allegations of chronic physical injuries resulting from work conditions, such as repetitive stress injuries, carpal tunnel syndrome and hearing loss.

The Company retains a third party specialist with extensive experience in performing asbestos and other occupational studies to assist management in assessing the value of the Company's claims and cases. The analysis is performed by the specialist semi-annually and is reviewed by management. The methodology used by the specialist includes an estimate of future anticipated claims based on the Company's trends in average historical claim filing rates, future anticipated dismissal rates and settlement rates.

Table of Contents

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 5. Casualty, Environmental and Other Reserves, continued

Separation

Separation liabilities provide for the estimated costs of implementing workforce reductions, improvements in productivity and certain other cost reductions at the Company's major transportation units since 1991. These liabilities are expected to be paid out over the next 15 to 20 years from general corporate funds and may fluctuate depending on the timing of payments and associated taxes.

Environmental

The Company is a party to various proceedings related to environmental issues, including administrative and judicial proceedings, involving private parties and regulatory agencies. The Company has been identified as a potentially responsible party at approximately 244 environmentally impaired sites. Many of those are, or may be, subject to remedial action under the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, or CERCLA, also known as the Superfund law, or similar state statutes. Most of these proceedings arose from environmental conditions on properties used for ongoing or discontinued railroad operations. However, a number of these proceedings are based on allegations that the Company, or its predecessors, sent hazardous substances to facilities owned or operated by others for treatment or disposal. In addition, some of the Company's land holdings were leased to others for commercial or industrial uses that may have resulted in releases of hazardous substances or other regulated materials onto the property and could give rise to proceedings against the Company.

In accordance with Statement of Position 96-1, *Environmental Remediation Liabilities,* the Company reviews its role with respect to each site identified at least once a quarter. Based on the review process, the Company has recorded amounts to cover anticipated contingent future environmental remediation costs with respect to each site to the extent such costs are estimable and probable. The recorded liabilities for estimated future environmental costs are undiscounted and include amounts representing the Company's estimate of unasserted claims, which the Company believes to be immaterial. The liability includes future costs for remediation and restoration of sites as well as any significant ongoing monitoring costs, but excludes any anticipated insurance recoveries.

Table of Contents

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 5. Casualty, Environmental and Other Reserves, continued

Currently, the Company does not possess sufficient information to reasonably estimate the amounts of additional liabilities, if any, on some sites until completion of future environmental studies. In addition, conditions that are currently unknown could, at any given location, result in exposure, the amount and materiality of which cannot presently be reliably estimated. Based upon information currently available, however, the Company believes its environmental reserves are adequate to fund remedial actions to comply with present laws and regulations and that the ultimate liability for these matters, if any, will not materially affect its overall results of operations, financial condition or liquidity.

Other

Other reserves include liabilities for various claims, such as longshoremen disability claims, freight claims and claims for property, automobile and general liability. These liabilities are accrued at the estimable and probable amount in accordance with SFAS 5.

NOTE 6. Commitments and Contingencies

Purchase Commitments

CSXT has a commitment under a long-term maintenance program that currently covers 43% of CSXT's fleet of locomotives. The agreement is based upon the maintenance cycle for each locomotive. Under CSXT's current obligations, the agreement will expire no earlier than 2028 and may last until 2031 depending on the timing of when certain locomotives are placed in service. The costs expected to be incurred throughout the duration of the agreement fluctuate as locomotives are placed into, or removed from, service or as required maintenance schedules are adjusted. CSXT may terminate the agreement at its option after 2012, though such action would trigger certain liquidated damages provisions.

The following table summarizes CSXT's payments under the long-term maintenance program:

	Third Quarters		**Nine Months**	
(Dollars in Millions)	**2007**	2006	**2007**	2006
Amounts Paid	**$ 57**	$ 47	**$ 158**	$ 136

15

Table of Contents

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 6. Commitments and Contingencies, continued

Insurance

The Company maintains numerous insurance programs, most notably for third-party casualty liability and for Company property damage and business interruption with substantial limits. A specific amount of risk ($25 million per occurrence) is retained by the Company on each of the casualty and non-catastrophic property programs. The Company retains $50 million of risk per occurrence for its catastrophic property coverage. For information on insurance issues resulting from the effects of Hurricane Katrina on the Company's operations and assets, see Note 8, Hurricane Katrina.

Guarantees

CSX and its subsidiaries are contingently liable, individually and jointly with others, as guarantors of approximately $75 million in obligations principally relating to leased equipment, vessels and joint facilities used by the Company in its current and former business operations. Utilizing the Company's guarantee for these obligations allows the obligor to take advantage of lower interest rates and obtain other favorable terms. Guarantees are contingent commitments issued by the Company that could require CSX or one of its affiliates to make payment to or to perform certain actions for the beneficiary of the guarantee based on another entity's failure to perform.

At the end of third quarter 2007, the Company's guarantees primarily related to the following:

- Guarantee of approximately $64 million of obligations of a former subsidiary, CSX Energy, in connection with a sale-leaseback transaction. CSX is, in turn, indemnified by several subsequent owners of the subsidiary against payments made with respect to this guarantee. Management does not expect that the Company will be required to make any payments under this guarantee for which CSX will not be reimbursed. CSX's obligation under this guarantee will be completed in 2012.

- Guarantee of approximately $11 million of lease commitments assumed by A.P. Moller-Maersk ("Maersk") for which CSX is contingently liable. CSX believes Maersk will fulfill its contractual commitments with respect to such lease commitments, and CSX will have no further liabilities for those obligations. CSX's obligation under this guarantee will be completed in 2011.

Table of Contents

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 6. Commitments and Contingencies, continued

As of third quarter 2007, the Company has not recognized any liabilities in its financial statements in connection with any guarantee arrangements. The maximum amount of future payments the Company could be required to make under these guarantees is the amount of the guarantees themselves.

Fuel Surcharge Antitrust Litigation

Since May 2007, at least 26 putative class action suits have been brought in various federal district courts against CSXT and the four other U.S.-based Class I railroads. The lawsuits contain substantially similar allegations to the effect that the defendants' fuel surcharge practices relating to contract and unregulated traffic resulted from an illegal conspiracy in violation of antitrust laws. The suits seek unquantified treble damages allegedly sustained by purported class members, attorneys' fees and other relief. All but three of the lawsuits purport to be filed on behalf of a class of shippers that allegedly purchased rail freight transportation services from the defendants through the use of contracts or through other means exempt from rate regulation during defined periods commencing as early as June 2003 and were assessed fuel surcharges. Three of the lawsuits purport to be on behalf of indirect purchasers of rail services.

In July 2007, CSXT received a grand jury subpoena from the New Jersey Office of the Attorney General seeking information related to the same fuel surcharges that are the subject of the purported class actions. It is possible that additional federal or state agencies could initiate investigations into similar matters.

CSXT believes that its fuel surcharge practices are lawful. Accordingly, CSXT intends to vigorously defend itself against the purported class actions, which it believes are without merit. CSXT cannot predict the outcome of the putative class action lawsuits, which are in their preliminary stages, or of any government investigations, charges, or additional litigation that may be filed in the future. Penalties for violating antitrust laws can be severe, involving both potential criminal and civil liability. CSXT is unable to assess at this time the possible financial impact of this litigation. CSXT has not accrued any liability for an adverse outcome in the litigation. If a material adverse outcome were to occur and be sustained, it could have a material adverse impact on the Company's results of operations, financial condition and liquidity.