

NORFOLK SOUTHERN CORP
Form DEF 14A
March 21, 2008
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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

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Norfolk Southern Corporation

(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:

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

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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:

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

(3) Filing Party:

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Notice and Proxy Statement

Annual Meeting of Stockholders

NORFOLK SOUTHERN CORPORATION

Three Commercial Place, Norfolk, Virginia 23510

Notice of Annual Meeting

of Stockholders to be Held

on Thursday, May 8, 2008

We will hold our Annual Meeting of Stockholders at the Kaufman Theatre, Chrysler Museum of Art, 245 West Olney Road, Norfolk, Virginia 23510, on Thursday, May 8, 2008, 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 2011.
2. Ratification of the appointment of KPMG LLP, independent registered public accounting firm, as our independent auditors for 2008.
3. Transaction of such other business as properly may come before the meeting.

Only stockholders of record as of the close of business on March 3, 2008 will be entitled to notice of and to vote at the meeting.

By order of the Board of Directors,
HOWARD D. McFADDEN
Corporate Secretary

Dated: March 21, 2008

If you do not expect to attend the meeting, we urge you to provide your proxy by marking, dating and signing the enclosed proxy card and returning it in the accompanying envelope, or by submitting your proxy over the telephone or the Internet as more particularly described on the enclosed proxy card. You may revoke your proxy at any time before your shares are voted by following the procedures described in the accompanying proxy statement.

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Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510

March 21, 2008

PROXY STATEMENT

This proxy statement and the accompanying proxy card relate to the Board of Directors' solicitation of your proxy for use at our Annual Meeting of Stockholders to be held on May 8, 2008. We began mailing to you and other stockholders this proxy statement and the accompanying proxy card beginning approximately March 21, 2008, in order to furnish information relating to the business to be transacted at the 2008 Annual Meeting. We also included a copy of our 2007 Annual Report and its Form 10-K (referred to together herein as the "annual report") in the mailing for informational purposes; the annual report is not a part of the proxy solicitation materials.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 8, 2008

Pursuant to new rules promulgated by the Securities and Exchange Commission (SEC), we have elected to provide access to our proxy materials both by sending you this full set of proxy materials, including a proxy card, and by notifying you of the availability of our proxy materials on the Internet. **In accordance with new SEC rules, you may access our proxy statement and annual report at <http://bnymellon.mobular.net/bnymellon/nsc>, which does not have cookies that identify visitors to the site.** The notice of annual meeting and proxy card are also available at that web site. In addition, this proxy statement and our annual report are available on our web site at www.nscorp.com.

INFORMATION ABOUT VOTING

Only stockholders of record as of the close of business on March 3, 2008, are entitled to notice of and to vote at the 2008 Annual Meeting. As of the March 3, 2008, record date, 396,531,269 shares of our common stock were issued and outstanding. Of those shares, 375,867,598 shares were owned by stockholders entitled to one vote per share. The remaining 20,663,671 shares were held by our wholly owned subsidiaries, which are not entitled to vote those shares under Virginia law.

As a convenience, you may vote by telephone or the Internet in the manner described on the enclosed proxy card. Or, you may vote by mail by marking, dating and signing the enclosed proxy card and returning it to The Bank of New York. Alternatively, you may vote in person at the 2008 Annual Meeting.

To obtain directions to be able to attend the meeting and vote in person, you may contact: Howard D. McFadden, Corporate Secretary, Norfolk Southern Corporation, Three Commercial Place, 13th Floor, Norfolk, Virginia 23510-9219 (telephone 757-823-5567).

If you are the beneficial owner of any shares held in street name by a broker, bank or other nominee record holder, you may vote your shares by submitting your voting instructions to that entity. Please refer to the voting instruction card that your broker, bank or other nominee record holder

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included with these materials. Your shares may be voted if they are held in street name, even if you do not provide the record holder with voting instructions; brokers, banks and other nominee record holders have the authority under New York Stock Exchange rules to vote shares for which their customers do not provide voting instructions on certain routine matters.

The election of directors and the ratification of the selection of KPMG LLP as our independent registered public accounting firm are considered routine matters for which brokers, banks and other nominee record holders may vote shares they hold in street name, even in the absence of voting instructions from the beneficial owner.

If shares are credited to your account in the Norfolk Southern Corporation Thoroughbred Retirement Investment Plan or the Thrift and Investment Plan, your proxy submitted in the form of a proxy card or over the telephone or Internet serves as voting instructions for the trustee of the plans, Vanguard Fiduciary Trust Company. If you do not submit your proxy by May 2, 2008, the trustee of these plans 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.

Any stockholder of record may revoke a previously submitted proxy at any time before the shares are voted by: (a) giving written notice of revocation to our Corporate Secretary; (b) submitting subsequent voting instructions over the telephone or the Internet; (c) delivering a validly completed proxy card bearing a later date; or (d) attending the 2008 Annual Meeting and voting in person.

The presence, either in person or by proxy, of the holders of a majority of the outstanding shares of our common stock entitled to vote at the 2008 Annual Meeting is necessary to constitute a quorum. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum.

We will pay the cost of preparing proxy materials and soliciting proxies, including the reimbursement, upon request, of trustees, brokerage firms, banks and other nominee record holders for the reasonable expenses they incur to forward proxy materials to beneficial owners. Our officers and other regular employees may solicit proxies by telephone, facsimile, electronic mail or personal interview; they receive no additional compensation for doing so. We have retained Innisfree M&A Incorporated to assist in the solicitation of proxies at an anticipated approximate cost of \$10,000 plus reasonable out-of-pocket expenses.

We currently plan to deliver multiple annual reports and proxy statements to multiple record stockholders sharing an address, but intermediaries may choose to deliver a single copy of one or both of these documents. Upon request, we 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 2007 annual report now or in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you may contact: Howard D. McFadden, Corporate Secretary, Norfolk Southern Corporation, Three Commercial Place, 13th Floor, Norfolk, Virginia 23510-9219 (telephone 757-823-5567).

CONFIDENTIALITY

We have policies in place to safeguard the confidentiality of proxies and ballots. The Bank of New York, New York, N.Y., which we have retained at an estimated cost of \$7,200.00 plus out-of-pocket expenses to tabulate all proxies and ballots cast at the 2008

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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.

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None of our employees or members of our Board of Directors have access to completed 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 or ballot, or when there is a need to determine the validity of a proxy or ballot, our management and/or their representatives may be involved in providing the answer to the question or in determining such validity.

PROPOSALS REQUIRING YOUR VOTE

ITEM 1: ELECTION OF DIRECTORS

At the 2008 Annual Meeting, the terms of four directors will expire: those of Gerald L. Baliles, Gene R. Carter, Karen N. Horn and J. Paul Reason. At its meeting held on January 22, 2008, the Board of Directors amended our Bylaws to decrease the number of directors from ten to nine to eliminate the vacancy created by the resignation of Jane Margaret O'Brien on January 31, 2008. The Board of Directors further amended our Bylaws at its meeting on February 22, 2008, to increase the numbers of directors from nine to ten and elected Karen N. Horn to fill the resulting vacancy at the recommendation of the Governance and Nominating Committee. 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.

Unless you instruct otherwise when you give us your proxy, it will be voted in favor of the election of Ms. Horn and Messrs. Baliles, Carter and Reason as directors for three-year terms that begin at the 2008 Annual Meeting and continue until the 2011 annual meeting of stockholders or until the election and qualification of their respective successors or their earlier removal or resignation.

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.

One nominee for election at this meeting, Karen N. Horn, previously has not been elected by the stockholders of Norfolk Southern. Ms. Horn was recommended by a third-party director search firm retained by the Governance and Nominating Committee during 2007. Norfolk Southern paid a fee to the firm on behalf of the Governance and Nominating Committee to identify, evaluate and recommend potential candidates for election to the Board of Directors.

So that you have information concerning the independence of the process by which our Board of Directors selected the nominees and directors whose terms will continue after the 2008 Annual Meeting, 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 our 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 be voted in the election. Shares voted to withhold authority, abstentions, or shares that are not voted are not counted as cast for this purpose. However, pursuant to our Corporate Governance Guidelines, in uncontested elections of directors, such as this election, any nominee for director who receives a greater number of withhold votes than votes for his or her election must tender his or her

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resignation to the Board of Directors for consideration by our Governance and Nominating Committee. Abstentions or shares that are not voted are not counted for purposes of this majority voting policy. You should note that brokers, banks and other nominee record holders have the authority to vote their customers' shares in the election of directors even if they do not receive instructions as to how to vote in the election.

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Nominees for terms expiring in 2011

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| Gerald L. Baliles | Mr. Baliles, 67, Charlottesville, Va., has been a director since 1990. He has been Director of the Miller Center of Public Affairs at the University of Virginia since April 2006. Mr. Baliles was a partner in the law firm of Hunton & Williams, a business law firm with offices in several major U. S. cities and international offices, from 1990 until his retirement in March 2006. He is former Governor and Attorney General of Virginia. |
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| Gene R. Carter | Mr. Carter, 68, Spotsylvania, 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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|---------------|---|
| Karen N. Horn | Ms. Horn, 64, Lyme, Ct., has been a director since February 22, 2008. Ms. Horn has been a partner with Brock Capital Group since 2003. Ms. Horn served as president of Private Client Services and managing director of Marsh, Inc., a subsidiary of MMC, from 1999 until her retirement in 2003. Prior to joining Marsh, she was senior managing director and head of international private banking, Bankers Trust Company; chair and chief executive officer of Bank One, Cleveland, N.A.; president of the Federal Reserve Bank of Cleveland; treasurer of Bell Telephone Company of Pennsylvania; and vice president of First National Bank of Boston. Ms. Horn serves as director of T. Rowe Price Mutual Funds; The U.S. Russia Investment Fund, a presidential appointment; Simon Property Group, Inc.; Eli Lilly and Company; and Fannie Mae. |
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| J. Paul Reason | Admiral Reason, 66, Chesapeake Beach, Md., has been a director since 2002. He was Vice Chairman and Director beginning in 2005, and Chief Operating Officer beginning in 2000, of Metro Machine Corporation, an employee-owned ship repair company, until his retirement in September 2006. He is a retired four-star Admiral and former Commander-in-Chief of the U.S. Atlantic Fleet, having served more than 34 years on active duty in the U.S. Navy. He is a member of the Naval Studies Board at the National Academy of Sciences, Vice Chair of the Board of Directors for the Oak Ridge Associated Universities Foundation, Chairman of the Board of Directors for the United States Navy Memorial Foundation, and member of the National War Powers Commission. He is also a director of Amgen Inc. and Todd Shipyards Corporation. |
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Continuing Directors those whose terms expire in 2009

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| Daniel A. Carp | Mr. Carp, 59, Naples, Fla., has been a director since 2006. He formerly served as Chairman of the Board and Chief Executive Officer of Eastman Kodak Company from 2000 to 2005, having previously served as President and Chief Operating Officer and as a director of Eastman Kodak. He retired from Kodak at the end of 2005. He is non-executive Chairman of Delta Air Lines, Inc. and is also a director of Texas Instruments Incorporated and Liz Claiborne, Inc. |
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| | |
|----------------|--|
| Steven F. Leer | Mr. Leer, 55, St. Louis, Mo., has been a director since 1999. He has been Chief Executive Officer and a director of Arch Coal, Inc., a company engaged in coal mining and related businesses, since 1992, and became Chairman of the Board in December 2006. He is also a director of USG Corporation. |
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|------------------------|---|
| Charles W. Moorman, IV | Mr. Moorman, 56, Virginia Beach, Va., has been a director since 2005. He has been Chairman of Norfolk Southern since February 2006 Chief Executive Officer since November 2005 and President 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. |
|------------------------|---|

Table of Contents**Continuing Directors those whose terms expire in 2010**

Alston D. Correll Mr. Correll, 66, Atlanta, Ga., has been a director since 2000. He has been Chairman of Atlanta Equity Investors, LLC since September 2007. He retired as Chairman and Chief Executive Officer of Georgia-Pacific Corporation, a manufacturer and distributor of tissue, pulp, paper, packaging, building products and related chemicals, in January 2006, a position he had held since 1993. He is also a director of SunTrust Banks, Inc., SunTrust Bank, SunTrust Banks of Georgia, Inc. and Mirant Corporation.

Landon Hilliard Mr. Hilliard, 68, Oyster Bay Cove, N.Y., has been a director since 1992. He has been a partner of Brown Brothers Harriman & Co., a private bank in New York City, since 1979. He is also a director of Owens Corning, Western World Insurance Group Inc. and Russell Reynolds Associates, Inc.

Burton M. Joyce Mr. Joyce, 66, South Pasadena, Fla., has been a director since 2003. He joined the Board of Directors of IPSCO Inc., a leading steel producer, in 1992, and served as Chairman from 2000 to 2007. Mr. Joyce previously served as Vice Chairman, President and Chief Executive Officer of Terra Industries, Inc. He is also a director of Hercules Incorporated.

ITEM 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

At a meeting held on January 21, 2008, the Audit Committee of the Board of Directors appointed the firm of KPMG LLP (KPMG), independent registered public accounting firm, to perform for 2008 the integrated audit of our consolidated financial statements and internal control over financial reporting. KPMG and its predecessors have acted as our auditors (and for one of our predecessor companies, Norfolk and Western Railway Company) since 1969.

For the years ended December 31, 2007, and December 31, 2006, KPMG billed us for the following services:

| | 2007 | 2006 |
|---------------------------------|--------------|--------------|
| Audit Fees ¹ | \$ 2,134,000 | \$ 2,179,900 |
| Audit-Related Fees ² | \$ 152,950 | \$ 139,500 |
| Tax Fees ³ | 0 | \$ 27,200 |
| All Other Fees | 0 | 0 |

¹Audit Fees include fees for professional services performed by KPMG for the audit of our annual financial statements and internal control over financial reporting (integrated audit), the review of financial statements included in our 10-Q filings, and services that are normally provided in connection with statutory and regulatory filings or engagements.

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²Audit-Related Fees principally include fees for audit-related tax services, employee benefit plan audits and audits of subsidiaries and affiliates.

³Tax Fees consisted principally of general tax advice pertaining to customary business matters.

The Audit Committee requires that management obtain the prior approval of the Audit Committee for all audit and permissible non-audit services to be provided. KPMG rendered only audit and audit-related services to us in 2007, and the Audit Committee adopted a general practice beginning in 2007 to engage KPMG to provide only audit and audit-related services. The Audit Committee considers and approves at each January meeting anticipated services to be provided during the year, as well as the projected fees for those services. The Audit Committee considers and pre-approves additional services and fees as needed at each meeting. The Audit Committee has delegated authority to its Chair to pre-approve services between meetings, provided that the Chair reports any such pre-approval to the Audit Committee at its next meeting. The Audit Committee will not approve non-audit engagements that would violate SEC rules or impair the independence of KPMG. All services rendered to us by KPMG in 2007 and 2006 were pre-approved in accordance with these procedures.

Representatives of KPMG are expected to be present at the 2008 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 stockholders vote for the proposal to ratify the selection of KPMG as our independent registered public accounting firm for the year ending December 31, 2008, even though such stockholder approval is not legally required.

Vote Required to Ratify Appointment: Under Virginia law and under our 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 are not cast for this purpose. You should note that brokers, banks and other nominee record holders have the authority to vote their customers shares on the ratification of the appointment of KPMG as our independent registered public accounting firm even if they do not receive instructions as to how to vote on the matter.

ITEM 3: OTHER MATTERS

The Board of Directors does not know of any other matters to be presented at the 2008 Annual Meeting, other than as noted elsewhere in this proxy statement. If any other proposal is properly brought before the 2008 Annual Meeting for a vote, the holders of proxies solicited hereby intend to exercise their discretionary authority and vote on any such proposal as they deem appropriate.

SUPPLEMENTAL INFORMATION

Applicable SEC rules require that we furnish you the following information relating to the oversight and management of Norfolk Southern and to certain matters concerning our Board of Directors and officers who are designated by our Board of Directors as

executive officers for purposes of the Securities Exchange Act of 1934 (Executive Officers).

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To our knowledge, no person beneficially owns more than 5% of our common stock.

The following table shows, as of February 22, 2008, the beneficial ownership of our common stock for:

- (1) each director and each nominee;
- (2) our principal executive officer, each individual serving as our principal financial officer during 2007, and each of the other three most highly compensated Executive Officers, based on total compensation for 2007 (collectively, the Named Executive Officers); and
- (3) all directors and Executive Officers 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 Norfolk Southern equity securities other than our common stock. No one director or Executive Officer owns as much as 1% of the total outstanding shares of our common stock. All directors and Executive Officers as a group own approximately .82% of the total outstanding shares of our common stock.

| Name | Shares of Common Stock | Name | Shares of Common Stock |
|--|---------------------------|------------------------|---------------------------|
| Gerald L. Baliles | 45,941 ¹ | Charles W. Moonman, IV | 496,197 ² |
| Daniel A. Carp | 12,237 ¹ | J. Paul Reason | 29,549 ¹ |
| Gene R. Carter | 46,788 ¹ | Stephen C. Tobias | 595,431 ³ |
| Alston D. Correll | 38,671 ¹ | Henry C. Wolf | 502,394 ⁴ |
| Landon Hilliard | 57,383 ¹ | Mark D. Manion | 248,278 ⁵ |
| Karen N. Horn | 3,000 ¹ | Donald W. Seale | 310,381 ⁶ |
| Burton M. Joyce | 22,590 ¹ | James A. Squires | 95,544 ⁷ |
| Steven F. Leer | 40,759 ¹ | | |
| 20 directors and Executive Officers as a group (including the persons named above) | | | 3,229,216 ⁸ |

¹Includes 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 were 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 10). The amounts reported include restricted stock units awarded to directors pursuant to the Long-Term Incentive Plan as follows: Mr. Baliles, 42,941; Mr. Carp, 9,157; Mr. Carter, 43,638; Mr. Correll, 30,671; Mr. Hilliard, 43,638; Mr. Joyce, 17,590; Mr. Leer, 36,559; and Mr. Reason, 26,257. These restricted stock units will be settled in stock. While the directors have neither voting power nor investment power over the shares underlying these restricted stock units, the directors are entitled to receive the shares immediately upon leaving the Board. See below under Narrative to Non-Employee Director Compensation Table Outside Directors Deferred Stock Unit Program for more information regarding these restricted stock units. Also includes 5,000 shares over which Mr. Correll, 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 as to which Mr. Carter disclaims beneficial ownership.

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²Includes 2,266 shares credited to Mr. Moorman's account in our Thrift and Investment Plan; 313,538 shares subject to stock options granted pursuant to our Long-Term Incentive Plan with respect to which Mr. Moorman has the right to acquire beneficial ownership within 60 days; 91,500 restricted shares awarded to Mr. Moorman pursuant to our Long-Term Incentive Plan over which

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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.

³Includes 18,749 shares credited to Mr. Tobias' account in our Thrift and Investment Plan; 332,461 shares subject to stock options granted pursuant to our Long-Term Incentive Plan with respect to which Mr. Tobias has the right to acquire beneficial ownership within 60 days; and 57,000 restricted shares awarded to Mr. Tobias pursuant to our Long-Term Incentive Plan over which Mr. Tobias possesses voting power but has no investment power until the restriction period lapses.

⁴Includes 285,459 shares subject to stock options granted pursuant to our Long-Term Incentive Plan with respect to which Mr. Wolf has the right to acquire beneficial ownership within 60 days; and 36,700 restricted shares awarded to Mr. Wolf pursuant to our Long-Term Incentive Plan over which Mr. Wolf possesses voting power but has no investment power until the restriction period lapses.

⁵Includes 5,271 shares credited to Mr. Manion's account in our Thrift and Investment Plan; 177,462 shares subject to stock options granted pursuant to our Long-Term Incentive Plan with respect to which Mr. Manion has the right to acquire beneficial ownership within 60 days; and 34,600 restricted shares awarded to Mr. Manion pursuant to our Long-Term Incentive Plan over which Mr. Manion possesses voting power but has no investment power until the restriction period lapses.

⁶Includes 2,772 shares credited to Mr. Seale's account in our Thrift and Investment Plan; 192,462 shares subject to stock options granted pursuant to our Long-Term Incentive Plan with respect to which Mr. Seale has the right to acquire beneficial ownership within 60 days; and 34,600 restricted shares awarded to Mr. Seale pursuant to our Long-Term Incentive Plan over which Mr. Seale possesses voting power but has no investment power until the restriction period lapses.

⁷Includes 121 shares credited to Mr. Squires' account in our Thrift and Investment Plan; 68,546 shares subject to stock options granted pursuant to our Long-Term Incentive Plan with respect to which Mr. Squires has the right to acquire beneficial ownership within 60 days; and 8,800 restricted shares awarded to Mr. Squires pursuant to our Long-Term Incentive Plan over which Mr. Squires possesses voting power but has no investment power until the restriction period lapses.

⁸Includes 52,784 shares credited to Executive Officers' individual accounts under our Thrift and Investment Plan. Also includes: 1,792,298 shares subject to stock options granted to Executive Officers pursuant to our Long-Term Incentive Plan with respect to which the optionee has the right to acquire beneficial ownership within 60 days; 351,660 restricted shares awarded to Executive Officers pursuant to our Long-Term Incentive Plan over which they possess voting power but no investment power until the restriction period lapses; and 230 shares over which Executive Officers share voting and investment power.

The following table shows, as of February 22, 2008, the number of NS stock units credited to those non-employee directors who have made elections under the Directors' Deferred Fee Plan to defer all or a portion of compensation and have elected to invest such amounts in phantom units of our common stock, as well as the shares of common stock (and units to be settled in shares of common stock) beneficially owned. A more detailed discussion of director compensation can be found beginning on page 13. A stock unit represents the economic equivalent of a share of our common stock and serves to align the directors' individual financial interests with the interests of our stockholders because the value of the directors' holdings fluctuates with the price of our common stock. These stock units ultimately are settled in cash. In January 2008, all stock units awarded to the non-employee directors under the Outside Directors' Deferred Stock Unit Program were terminated, and replacement grants of an equivalent number of

restricted stock units were made under the Long-Term Incentive Plan. The awards made under the Long-Term Incentive Plan will be settled in stock and are included in the beneficial ownership table on page 8.

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| Name | Total Number | | |
|--------------------|--------------------------|--------------------------|--------------------------|
| | Number of | | of NS Stock Units |
| | NS Stock | Shares | and Shares |
| | Units¹ | Beneficially | Beneficially |
| | | Owned² | Owned |
| Gerald L. Baliiles | 3,931 | 45,941 | 49,872 |
| Daniel A. Carp | 3,606 | 12,237 | 15,843 |
| Gene R. Carter | 4,614 | 46,788 | 51,402 |
| Alston D. Correll | 19,539 | 38,671 | 58,210 |
| Landon Hilliard | 0 | 57,383 | 57,383 |
| Karen N. Horn | 0 | 3,000 | 3,000 |
| Burton M. Joyce | 5,147 | 22,590 | 27,737 |
| Steven F. Leer | 17,330 | 40,759 | 58,089 |
| J. Paul Reason | 0 | 29,549 | 29,549 |

¹Represents NS stock units credited to the accounts of non-employee directors who have elected under the Directors' Deferred Fee Plan to defer all or a portion of compensation and have elected to invest such amounts in phantom units whose value is measured by the market value of shares of our 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.

²Figures in this column are based on the beneficial ownership that appears on page 8.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16 of the Securities Exchange Act of 1934 requires our directors and Executive Officers and any persons beneficially owning more than 10 percent of a class of our stock to file reports of beneficial ownership and changes in beneficial ownership (Forms 3, 4 and 5) with the SEC. Based solely on our review of copies of Forms 3, 4 and 5 available to us, or written representations that no Forms 5 were required, we believe that all required Forms concerning 2007 beneficial ownership were filed on time by all directors and Executive Officers other than an option exercise by Mr. Squires which was not timely reported due to an administrative error and which was reported promptly on a Form 4 after the oversight was discovered.

BOARD OF DIRECTORS**Composition and Attendance**

On February 22, 2008, our Board of Directors consisted of ten 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 our Restated Articles of Incorporation. The Board met six times in 2007. 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 that, among other matters, require that the non-employee members of the Board (the outside directors) meet at least twice a year without members of management present. The Lead Director, currently Mr. Hilliard, has been designated to preside at such meetings of the outside directors. Stockholders and other interested parties who wish to contact the outside directors may do so by contacting the Lead Director, c/o Corporate Secretary, Norfolk Southern Corporation, Three Commercial Place, 13th Floor, Norfolk, Virginia 23510-9219. All communications directed to the Lead Director at this address will be forwarded to him. Any communication clearly marked CONFIDENTIAL will not be opened by the Corporate Secretary before it is forwarded to the Lead Director.

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The Corporate Governance Guidelines also describe the Board's policy with respect to director attendance at the Annual Meeting of Stockholders, which is that, to the extent possible, each director is expected to attend the Annual Meeting of Stockholders. All of our current directors attended the 2007 Annual Meeting of Stockholders.

The Board has approved and adopted The Thoroughbred Code of Ethics that applies to all directors, officers and employees of Norfolk Southern, and a Code of Ethical Conduct for Senior Financial Officers that applies to specified financial officers. These documents, as well as the Corporate Governance Guidelines, are available on our website at www.nscorp.com in the Investors section under Corporate Governance. Any stockholder may request printed copies of the Corporate Governance Guidelines, The Thoroughbred Code of Ethics or Code of Ethical Conduct for Senior Financial Officers by contacting: Howard D. McFadden, Corporate Secretary, Norfolk Southern Corporation, Three Commercial Place, 13th Floor, Norfolk, Virginia 23510-9219 (telephone 757-823-5567).

The Corporate Governance Guidelines require that in an uncontested election of directors, any nominee for director who receives a greater number of withhold votes than for votes for his or her election will promptly tender his or her resignation to the Chairman of the Board of Directors following certification of the stockholder vote, and such resignation will be irrevocable. The Governance and Nominating Committee of the Board of Directors will promptly consider the resignation and recommend to the Board of Directors whether to accept or reject the tendered resignation. The Board of Directors will act on the Committee's recommendation within 90 days after the annual meeting of stockholders. Any director who tenders his or her resignation pursuant to this guideline will not participate in the Governance and Nominating Committee's recommendation or Board of Directors consideration regarding whether or not to accept the tendered resignation. If the resignation is accepted, the Governance and Nominating Committee will recommend to the Board whether to fill the vacancy or reduce the size of the Board. For a description of factors that will be considered in determining whether to accept or reject a tendered resignation, see the full text of our Corporate Governance Guidelines. We will publicly disclose the Board of Directors' decision within four business days, including a full explanation of the process by which the decision was reached and, if applicable, the reasons why the Board rejected the director's resignation.

In November 2007, the Board of Directors approved an amendment to the Corporate Governance Guidelines to enhance the share ownership guidelines for officers and directors of Norfolk Southern. For more information, see the discussion in the Compensation Discussion and Analysis on page 31 or the full text of the Corporate Governance Guidelines, which are available on our website.

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 Norfolk Southern (directly or as a partner, stockholder or officer of an organization that has a relationship with Norfolk Southern). The Board makes these 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 Norfolk Southern and the director:

- the director is an employee, or an immediate family member of the director is an Executive Officer, of Norfolk Southern or any of our consolidated subsidiaries;
-

the director or an immediate family member of the director receives more than \$100,000 in direct compensation from Norfolk Southern or any of our consolidated subsidiaries, other

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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 Norfolk Southern or any of our consolidated subsidiaries;
- the director or an immediate family member is employed as an executive officer of another company where one of our 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, Norfolk Southern or any of our 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; and
- 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 Norfolk Southern, any of our 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. These standards, as set forth in this proxy statement, are available on our website at www.nscorp.com in the "Investors" section under "Corporate Governance."

The Board has determined that all current directors (including nominees) other than Mr. Moorman satisfy the above categorical standards and qualify as independent directors of Norfolk Southern. The Board also determined that Ms. O'Brien, who served on our Board until January 31, 2008, satisfied such standards and qualified as an independent director. Mr. Moorman serves as our Chairman, Chief Executive Officer and President and, therefore, is not an independent director. In making the foregoing independence determinations, our Board of Directors considered each of the following transactions, relationships and arrangements we had with members of our Board, none of which exceeded our categorical independence standards or were sufficiently material as to require disclosure under Item 404(a) of Regulation S-K:

- We provided transportation services to, and received coal royalty and rental payments from, Arch Coal, Inc. in the ordinary course of business during fiscal 2007. Mr. Leer is Chairman of the Board and the Chief Executive Officer of Arch Coal.
- We paid banking fees to Brown Brothers Harriman & Co. in the ordinary course of business during fiscal 2007. Mr. Hilliard is a partner of Brown Brothers.
- We have a matching gifts program under which we match any gift of up to \$35,000 made by any of our full-time employees and directors during a year. In 2007, we matched gifts made by certain directors and Executive Officers to charitable and educational institutions, one of which was St. Mary's College of Maryland, which employed Ms. O'Brien, a former member of our Board of Directors.

Table of Contents**Retirement Policy**

Under our Governance Guidelines, a director must retire effective as of the date of the annual meeting that falls on or next follows the date of that director's 72nd birthday.

Compensation**2007 Non-Employee Director Compensation Table¹**

| Name (a) | Fees Earned or Paid in Cash ² (\$) (b) | Stock Awards ³ (\$) (c) | Option Awards (\$) (d) | Non-Equity Incentive Plan Compensa- tion (\$) (e) | Change in | All Other Compensation (\$) ⁵ (g) | Total (\$) (h) |
|-----------------------|--|---|---------------------------------|---|--|---|----------------------|
| | | | | | Pension Value and Nonqualified Deferred Compensation Earnings ⁴ (f) | | |
| Gerald L. Baliles | 90,000 | 156,889 | 0 | 0 | 0 | 15,892 | 262,781 |
| Daniel A. Carp | 90,000 | 151,798 | 0 | 0 | 0 | 6,543 | 248,341 |
| Gene R. Carter | 90,000 | 156,994 | 0 | 0 | 5,500 | 6,543 | 259,037 |
| Alston D. Correll | 90,000 | 155,040 | 0 | 0 | 1,394 | 6,543 | 252,977 |
| Landon Hilliard | 90,000 | 156,994 | 0 | 0 | 58,984 | 31,543 | 337,521 |
| Burton M. Joyce | 90,000 | 153,069 | 0 | 0 | 0 | 6,543 | 249,612 |
| Steven F. Leer | 90,000 | 155,927 | 0 | 0 | 4,694 | 18,618 | 269,239 |
| Jane Margaret O'Brien | 90,000 | 156,628 | 0 | 0 | 8,640 | 7,168 | 262,436 |
| J. Paul Reason | 90,000 | 154,375 | 0 | 0 | 0 | 6,543 | 250,918 |

¹Mr. Moorman received no compensation for Board or committee service in 2007 and will not receive compensation for Board or committee service in 2008. Therefore, neither this table nor the narrative which follows contain compensation information for Mr. Moorman. For compensation information for Mr. Moorman, see "Executive Compensation" on page 21 of this proxy statement.

²Includes amounts elected to be received on a deferred basis pursuant to the Directors' Deferred Fee Plan. For a discussion of this plan, as well as our other director compensation plans, see the narrative discussion below.

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³Of these amounts, \$151,320 represents the value as of December 31, 2007, of the 3,000 stock units granted to each director on January 25, 2007 pursuant to our Outside Directors' Deferred Stock Unit Program and which value is equal to the amounts we recognized for financial reporting purposes for such awards during 2007. The full grant date fair value of each such award was \$148,665. The remaining amounts for each director represent the dollar amounts recognized for financial statement reporting purposes in 2007 related to appreciation on awards of stock units made prior to 2007. As of December 31, 2007, the directors held stock units in the following amounts: Mr. Baliles, 39,941; Mr. Carp, 6,157; Mr. Carter, 40,638; Mr. Correll, 27,671; Mr. Hilliard, 40,638; Mr. Joyce, 14,590; Mr. Leer, 33,559; Ms. O'Brien, 38,213; and Mr. Reason, 23,257. In January 2008, all of these stock units were terminated and replacement grants of an equivalent number of restricted stock units were made under the Long-Term Incentive Plan. See below under Narrative to Non-Employee Director Compensation Table Outside Directors' Deferred Stock Unit Program for more information regarding these restricted stock units.

⁴Represents the amounts by which 2007 interest accrued on fees deferred prior to 2001 by the non-employee directors under the Directors' Deferred Fee Plan exceeded 120% of the applicable Federal long-term rate provided in Section 1274(d) of the Internal Revenue Code.

⁵Includes (i) each director's proportional cost of NS-owned life insurance policies used to fund the Directors' Charitable Award Program and (ii) the dollar amount, if any, we contributed to charitable

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organizations on behalf of directors pursuant to our matching gifts program. For further discussion of the Directors Charitable Award Program, see the narrative discussion below.

Narrative to Non-Employee Director Compensation Table

Below is a discussion of the material factors necessary to an understanding of the compensation disclosed in the above table.

Retainer and Fees. In 2007, each member of the Board of Directors received a quarterly retainer for services of \$12,500 and a quarterly fee of \$10,000 for serving on at least two committees, plus expenses incurred in connection with attendance at such meetings.

Directors Deferred Fee Plan. A director may elect to defer receipt of all or a portion of the director's compensation. Amounts deferred are credited to a separate memorandum account maintained in the name of each participating director. Amounts deferred before January 1, 2001, earn a fixed rate of interest, which is credited to the account at the beginning of each quarter. In general, the fixed 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%. Amounts set forth in the table above represent the extent to which these rates exceed 120% of the applicable federal long-term rate. The total amount so credited for amounts deferred before 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 our common stock, but the units ultimately will be settled in cash, not in shares of our 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. Six directors elected in 2006 to defer compensation that would have been payable in 2007 into the Directors Deferred Fee Plan.

Our 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 our ability to recover the cost of providing the benefits payable under the Directors Deferred Fee 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 Directors Deferred Fee 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. In the event a non-employee director does not retire in accordance with the terms of the plan, these shares will be forfeited.

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Outside Directors Deferred Stock Unit Program. Each non-employee director was granted 3,000 stock units effective January 25, 2007. A stock unit represents the economic equivalent of one share of our common stock. On January 22, 2008, the Board of Directors approved amendments to

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the Outside Directors' Deferred Stock Unit Program that (i) require that all outstanding stock units issued under the Outside Directors' Deferred Stock Unit Program be terminated and that each non-employee director receive a replacement grant of an equivalent number of restricted stock units issued under the Long-Term Incentive Plan and (ii) provide that all future awards under the Outside Directors' Deferred Stock Unit Program will be issued under the Long-Term Incentive Plan.

Pursuant to these amendments to the Outside Directors' Deferred Stock Unit Program, on January 24, 2008, all stock units awarded to the non-employee directors under the Outside Directors' Deferred Stock Unit Program were terminated, and replacement grants of an equivalent number of restricted stock units were made under the Long-Term Incentive Plan. Each restricted stock unit represents the economic equivalent of one share of our common stock, but will be settled in shares of our common stock rather than cash. These restricted stock units are credited to a separate memorandum account maintained for each director and are administered in accordance with the Long-Term Incentive Plan. Stock units in each director's memorandum account are credited with dividend equivalents as dividends are paid on our common stock, and the amount credited is converted into additional restricted stock units, including fractions thereof, based on the mean of the high and low trading prices of our common stock on the dividend payment date. We anticipate that, from time to time, non-employee directors will be granted additional restricted stock units in an amount sufficient to assure that their total annual compensation for services is competitive.

Upon leaving the Board, a director will receive the value of the restricted stock units in this memorandum account in shares of our common stock either in a lump sum distribution or in ten annual distributions, in accordance with an election made by each director. During the ten-year period over which distributions are made, restricted stock units in the memorandum account at any time that have not been distributed will be credited with dividend equivalents as dividends are paid on our common stock. Any fraction of a restricted stock unit remaining in the director's memorandum account following the lump sum distribution or the final distribution will be paid to the director in cash.

Directors' Charitable Award Program. Each director is entitled to nominate up to five tax-exempt institutions to receive, in the aggregate, up to \$500,000 from Norfolk Southern 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. Following the director's death, we will distribute the donations in five equal annual installments.

The Directors' Charitable Award Program supports, in part, our long-standing commitment to contribute to educational, cultural and other appropriate charitable institutions and to encourage others to do the same. We fund the charitable contributions made under the Program with proceeds from life insurance policies we have purchased on the Board members' lives. We are the owner and beneficiary of these policies, and the directors have no rights to any policy benefits. Upon Board members' deaths, we receive life insurance death benefits free of income tax, which provide a source from which we can be reimbursed for donations made under the Program. Our cost of the life insurance premiums under the Program is partially offset by tax deductions we take from making the charitable contributions. Each director's proportional share of the pre-tax cost of maintaining these policies during 2007 is included in the above table under "All Other Compensation."

Because we make the charitable contributions (and are entitled to the related deduction) and are the owner and the beneficiary of the life insurance policies, directors derive no direct financial benefit from this program. In the event the proceeds from any of these policies exceed the donations we are required to make under the Program, we contribute the excess proceeds to the Norfolk Southern Foundation. Amounts the Norfolk Southern Foundation receives under this program may reduce what we otherwise would contribute from general corporate resources to support the Foundation's activities.

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Directors Physical Examinations. Each non-employee director is entitled to reimbursement for a physical examination, up to \$10,000 per calendar year. Some of our directors were reimbursed for physical examinations during 2007, but because the cost of these physicals, together with other perquisites or other personal benefits, did not exceed \$10,000 for any non-employee director, these amounts do not appear in the 2007 Director Compensation Table. The CEO and certain other Executive Officers also are eligible for such reimbursement. See pages 30 and 33 of the Executive Compensation section of this proxy statement.

Committees

Each year, not later than at its organizational meeting that usually follows the Annual Meeting of Stockholders, the Board of Directors appoints members to its committees. In May 2007, the Board appointed members to the Executive Committee, the Governance and Nominating Committee, the Finance Committee, the Audit Committee and the Compensation Committee. The charter of each of the committees, approved by the Board of Directors, requires that it evaluate its performance at least annually, considering such issues as its effectiveness, 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. Copies of these committee charters are available on our website, www.nscorp.com, in the Investors section under Corporate Governance. Any stockholder may request printed copies of one or more of the committee charters by contacting: Howard D. McFadden, Corporate Secretary, Norfolk Southern Corporation, Three Commercial Place, 13th Floor, Norfolk, Virginia 23510-9219 (telephone 757-823-5567).

The **Executive Committee** met twice in 2007; its current members are Charles W. Moorman, Chair, Gerald L. Baliles, Gene R. Carter and Landon Hilliard. When the Board is not in session, and except as otherwise provided by law, the Executive Committee has and may exercise all the authority of the Board, including the authority to declare a quarterly dividend on our common stock at the rate of the quarterly dividend most recently declared by the Board. All actions taken by the Executive 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 six times in 2007; its current members are Landon Hilliard, Chair, Gerald L. Baliles, Alston D. Correll, Karen N. Horn and Steven F. Leer. All members of the Governance and Nominating Committee are independent (see information under Director Independence on page 11). The Governance and Nominating Committee is governed by a written charter last adopted by the Board effective January 1, 2005. This committee's duties include:

- recommending to the Board qualified individuals to be nominated either as additional members of the Board or to fill any vacancy on the Board;
- recommending to the Board qualified individuals to be elected as our officers;
- recommending the adoption of and any amendments to our Corporate Governance Guidelines;
- monitoring legislative developments relevant to us and overseeing efforts to affect legislation and other public policy;
- overseeing our charitable giving;

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- monitoring our relations with stockholders; and
- monitoring corporate governance trends and practices and making recommendations to the Board of Directors concerning corporate governance issues.

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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 stockholder, director, member of management or consultant retained for that purpose, and recommends nominees to the Board. The Governance and Nominating Committee reviews the current biography of the potential candidate and additional information provided by the individual or group that recommended the candidate for consideration. The Governance and Nominating Committee fully considers the qualifications of all candidates and recommends the nomination of individuals who, in the Governance and Nominating Committee's judgment, will best serve the long-term interests of all stockholders. In the judgment of the Governance and Nominating Committee and the Board, all director 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 our image and reputation;
- 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 us;
- be able to represent all of our stockholders 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 that term is defined in regulations of the SEC.

The Governance and Nominating Committee will consider director candidates recommended by stockholders. 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 stockholder;
- 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 stockholder's stock ownership.

Recommendations by stockholders 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, 13th Floor, Norfolk, Virginia 23510-9219. So that the Governance and Nominating Committee will have adequate time to consider all candidates, **stockholder recommendations must be received no later than November 21, 2008 in order to be considered for nomination for election at the 2009 Annual Meeting of Stockholders.**

A stockholder may directly nominate an individual for election as director instead of (or in addition to) recommending a candidate for the Governance and Nominating Committee's consideration. Unless required by SEC regulations, stockholder nominees will not appear in our proxy statement or on the proxy card for the annual meeting. **Stockholders wishing to nominate an individual for election as a director at an annual meeting must comply with specific Bylaw provisions, which are available on our website, www.nscorp.com, in the Investors section under Corporate Governance.**

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The **Finance Committee** met five times in 2007; its current members are Gerald L. Baliles, Chair, Landon Hilliard, Karen N. Horn, Steven F. Leer and J. Paul Reason. The Finance Committee is governed by a written charter last adopted by the Board effective January 22, 2008. This committee's duties include:

- developing guidelines and overseeing implementation of policies concerning our capital structure;
- reviewing and evaluating tax and treasury matters and financial returns of our transactions; and
- making recommendations to the Board concerning an annual investment policy for the assets of the pension fund of our retirement plan and the engagement of investment management firms to manage designated portions of such assets within the framework of the investment policy, including reviewing the performance of the investment managers, receiving and reviewing reports on the investment performance and actuarial valuations of the pension fund and transmitting the results of such reviews to the Board.

The **Compensation Committee** met eight times in 2007; its current members are Alston D. Correll, Chair, Daniel A. Carp, Gene R. Carter and Burton M. Joyce. All members of the Compensation Committee are independent (see information under "Director Independence" on page 11). The Compensation Committee is governed by a written charter last adopted by the Board effective November 21, 2006. This committee's duties include:

- considering and making recommendations to the Board concerning our executive compensation programs, including recommended compensation for directors and annual salaries for those officers whose salaries are fixed by the Board;
- reviewing and approving corporate goals and objectives relevant to the Chief Executive Officer's compensation and considering and recommending 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;
- considering and making recommendations to the Board concerning the adoption and administration of any management incentive bonus plan, deferred compensation plan or other similar plan, including personnel eligible to participate and the method of calculating bonuses, deferred compensation amounts or awards under any such plan;
- overseeing our employee retirement or investment plans and other qualified plans intended to provide retirement or post-retirement benefits;
- making 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;
- overseeing disclosures under the Compensation Discussion and Analysis (CD&A) on executive compensation as required by the SEC to be included in the annual proxy statement or annual report on Form 10-K and producing a Compensation Committee Report indicating that it has reviewed and discussed the CD&A with management and whether the CD&A should be included in the annual proxy statement; and

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- considering and making recommendations to the Board of Directors concerning the adoption and administration of any long-term incentive plan or other similar plan, including personnel eligible to participate and the method of calculating awards under any such plan.

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The Compensation Committee makes all salary recommendations to the independent members of the Board of Directors for the Chief Executive Officer and, based on the Chief Executive Officer's individual performance evaluations, to the Board of Directors for all other Board-elected officers. The Compensation Committee also makes all director compensation recommendations to the full Board of Directors. Annual and long-term incentive compensation for all Executive Officers is determined by the Compensation Committee. In setting such compensation for the directors and the Chief Executive Officer during 2007, the Compensation Committee considered the recommendations of the Executive Vice President-Administration.

The Compensation Committee has engaged Towers Perrin to assist it in making compensation recommendations and decisions and otherwise fulfilling its duties under its charter. The Compensation Committee annually requests that Towers Perrin assess our compensation and employee benefit arrangements, particularly those relevant to our directors and Executive Officers, and advise it whether any changes would be recommended in order to ensure that our compensation arrangements with our directors and Executive Officers are appropriate. The Compensation Committee expects that the assessment include comparisons of our existing compensation arrangements to those of the other Class I railroads and American corporations of comparable size. During the Compensation Committee's 2007 review of the directors', the Chief Executive Officer's and other management's compensation levels, the Compensation Committee considered the advice it received from Towers Perrin; however, the Compensation Committee was responsible for making final recommendations to the Board and decisions as to the form and amount of our compensation programs.

The **Audit Committee** met eight times in 2007; its current members are Gene R. Carter, Chair, Daniel A. Carp, Burton M. Joyce and J. Paul Reason. Jane Margaret O'Brien resigned from the Board effective January 31, 2008. The Board has determined that all current members of the Audit Committee are independent (see information under Director Independence on page 11) and satisfy all additional requirements for service on an audit committee, as defined by the applicable rules of the New York Stock Exchange and the SEC, and no member of the Audit 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 that term is defined by SEC rules.

The Audit Committee is governed by a written charter last adopted by the Board effective November 21, 2006. This committee's duties include:

- assisting Board oversight of the accuracy and integrity of our financial statements, financial reporting process and internal control systems;
- engaging an independent registered public accounting firm (subject to stockholder ratification) based on an assessment of their qualifications and independence, and pre-approving all fees associated with their engagement;
- evaluating the efforts and effectiveness of our independent registered public accounting firm and Internal Audit Department, including their independence and professionalism;
- facilitating communication among the Board, the independent registered public accounting firm, our financial and senior management and our Internal Audit Department;
- assisting Board oversight of our compliance with applicable legal and regulatory requirements; and

- preparing the Audit Committee Report that SEC rules require be included in our annual proxy statement.

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AUDIT COMMITTEE REPORT

Before our Annual Report on Form 10-K for the year ended December 31, 2007 was filed with the SEC, the Audit Committee of the Board of Directors reviewed and discussed with management our audited financial statements for the year ended December 31, 2007.

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

The Audit Committee also has received from KPMG LLP and reviewed the written independence affirmation and disclosures fulfilling the requirements of the New York Stock Exchange and Independence Standards Board Standard No. 1, and has discussed with KPMG LLP their independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the financial statements referred to above be included in our Annual Report on Form 10-K for the year ended December 31, 2007, filed with the SEC.

2007 Members of the Audit Committee

Gene R. Carter, *Chair**

Daniel A. Carp, *Member*

Burton M. Joyce, *Member*

J. Paul Reason, *Member*

Jane Margaret O'Brien (*former Chair*)**

* Appointed Chair effective February 1, 2008.

** Resigned from the Board effective January 31, 2008.

TRANSACTIONS WITH RELATED PERSONS

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We may occasionally participate in transactions with certain related persons. Related persons include our Executive Officers, directors, 5% or more beneficial owners of our common stock, immediate family members of these persons, and entities in which one of these persons has a direct or indirect material interest. We refer to transactions with these related persons as related person transactions. On November 21, 2006, we adopted a written policy to prohibit related person transactions unless they are determined to be in Norfolk Southern's best interests. Under this policy, the Audit Committee is responsible for the review and approval of each related person transaction exceeding \$120,000. In instances where it is not practicable or desirable to wait until the next meeting of the Audit Committee for review of a related person transaction, the Chair of the Audit Committee possesses delegated authority to act between Audit Committee meetings. The Audit Committee, or the Chair, considers all relevant factors when determining whether to approve a related person transaction including, without limitation, whether the proposed transaction is on terms and made under circumstances that are at least as favorable to Norfolk Southern as would be available in comparable transactions with or involving unaffiliated third parties. Among other relevant factors, they consider the following:

- the size of the transaction and the amount of consideration payable to the related person(s);
- the nature of the interest of the applicable director, director nominee, Executive Officer, or 5% stockholder, in the transaction; and

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- whether we have developed an appropriate plan to monitor or otherwise manage the potential for a conflict of interest.

The Chair must report any action taken pursuant to this delegated authority to the Audit Committee at its next meeting. In addition, at the Audit Committee's first meeting of each fiscal year, it reviews all previously approved related person transactions that remain ongoing and have a remaining term or remaining amounts payable to or receivable from us of more than \$120,000. Based on all relevant facts and circumstances, taking into consideration our contractual obligations, the Audit Committee determines whether it is in our and our stockholders' best interest to continue, modify or terminate the related person transaction.

We had no related person transactions during our fiscal year ended December 31, 2007.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation Committee during 2007 were Mr. Carter, Chair, Mr. Carp, Mr. Correll, Mr. Joyce, and Ms. O'Brien. Ms. O'Brien's service as a member of the Compensation Committee ended May 10, 2007. None of the foregoing members has ever been employed by Norfolk Southern, and no such member had, during our last fiscal year, any relationship with us requiring disclosure under Item 404 of Regulation S-K or under the Compensation Committee Interlocks disclosure requirements of Item 407(e)(4) of Regulation S-K.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Objectives of Compensation Program

Norfolk Southern's primary objective with respect to executive compensation is to design compensation programs which will align executives' compensation with our overall business strategies, attract and retain highly qualified executives and provide incentives that drive stockholder value. The Compensation Committee of our Board of Directors (which we will refer to as the Committee) is responsible for developing and maintaining appropriate compensation programs for our Executive Officers, including our Named Executive Officers.

In order to enhance the Committee's ability to carry out these responsibilities effectively, as well as ensure that Norfolk Southern maintains strong links between executive pay and performance, the Committee:

- Reviews management recommendations to the Committee with respect to compensation decisions.

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- Reviews the Chief Executive Officer's individual performance evaluations for executive officers and discusses such performance assessments with the Chief Executive Officer on an annual basis and recommends any adjustments to the Board of Directors for approval.
- Has retained Towers Perrin as an outside compensation consultant.

Management Recommendations

The Chief Executive Officer and the Executive Vice President-Administration provide recommendations to the Committee on any adjustments to compensation for the Executive Officers, other than the Chief Executive Officer, and other officers elected by the Board of Directors based on each individual's performance, level of responsibility and time in position. In addition, the Chief Executive Officer and Executive Vice President-Administration provide recommendations to the

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Committee on adjustments to compensation to address retention needs, performance goals and internal pay equity. The Executive Vice President-Administration makes recommendations to the Committee on any adjustments to compensation for the Chief Executive Officer, and the Chief Executive Officer is not present when the Committee makes decisions on his compensation package.

Use of Compensation Consultant

Towers Perrin provides requested reports and information to the Committee and attends Committee meetings at the Committee's request. For 2007, the Committee engaged Towers Perrin to (1) conduct a market pay assessment of Norfolk Southern's compensation levels relative to both the competitive market and Norfolk Southern's compensation philosophy, including identifying and reviewing market benchmark positions and compensation comparison data, (2) assist Norfolk Southern with the development of long-term incentive grant guidelines for the officer and management groups, based on Towers Perrin's competitive pay assessment and long-term incentive competitive market data, (3) conduct an assessment of Norfolk Southern's non-employee directors' compensation package relative to competitive market practices, and (4) review emerging trends and issues in executive compensation with the Committee and discuss the implications for Norfolk Southern. In conducting the market pay assessment, Towers Perrin reviews with the Committee parameters for the selection of peer group companies (i.e., companies within a specified revenue range) and compiles compensation data for the peer group. The Committee uses this information as a starting point for its compensation decisions.

Towers Perrin provides additional work for Norfolk Southern, and the Chair of the Compensation Committee must approve Towers Perrin's performance of any such additional work. For 2007, these additional services performed for Norfolk Southern included Norfolk Southern's portion of an annual rail industry salary survey and quarterly actuarial studies to aid Norfolk Southern in valuing its employee personal injury liability. Total fees paid for all additional work was in aggregate approximately equal to fees paid for compensation consulting.

Compensation Policies

In setting compensation for the Executive Officers, the Committee:

- Considers comparative market data, gathered by its compensation consultant, from peer group companies of comparable size in revenues and other U.S. Class I railroads as a guideline. In aggregate, the Committee targets approximately the 65th percentile for Executive Officers' total direct compensation (i.e., total cash compensation plus the expected value of long-term incentive awards), the 50th percentile for Executive Officers' base salaries and between the 50th and 75th percentile when performance merits for total cash compensation (i.e., salary and annual bonus) compared to the Peer Group Companies (see Appendix).
- Considers prior salary levels, targeted bonus opportunities and the value of long-term incentive awards at the time the awards were made.
- Does not consider amounts realized from prior performance-based or stock-based compensation awards, regardless of whether such amounts realized may have resulted in a higher payout than targeted or a lower payout than targeted. Since the nature and purpose of performance-based and stock-based compensation is to tie executives' compensation to

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future performance, the Committee believes that considering amounts realized from prior compensation awards in making current compensation decisions is inconsistent with such purpose.

The Committee monitors the continuing appropriateness of the peer group. Peer group companies are selected to provide an indication of compensation levels for the industry and for

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comparable sized companies on the basis of revenue. For 2007, the peer group included a Rail Industry Peer Group consisting of the other North American Class I railroads and a General Industry Peer Group consisting of companies having \$6 to \$10 billion in revenues (which the Committee considered to be companies of comparable size in revenues). In making comparisons to these peer group companies, a comparison is made to the Rail Industry Peer Group and a separate comparison is made to the General Industry Peer Group. These two comparisons are averaged together to approximate a comparison to both groups, and this process is referred to as a comparison to the Peer Group Companies. These peer group companies are listed in the Appendix to this proxy statement. Due to the continuing growth of Norfolk Southern, the Committee expanded the General Industry Peer Group of companies having comparable size in revenues to companies having from \$6 to \$15 billion in revenues for 2008.

The Committee applies its executive compensation policies consistently to all Named Executive Officers, and the application of these policies produces differing amounts of compensation for executives at different management levels within the company. In setting the Chief Executive Officer's compensation, the Committee applies the policies described above and, in particular, strives to balance comparative market data for chief executive officers of peer group companies and other U.S. Class I railroads with its goal to provide meaningful incentive opportunities earned on the basis of performance which contributes to delivering stockholder returns. In considering comparative market data for the Chief Executive Officer, the Committee also considers time in position and targets a lower percentile to reflect the fact that Mr. Moorman has served as Chief Executive Officer for a relatively short period of time. In addition, the Committee looks at executives at the vice chairman and executive vice president levels and considers the appropriate compensation differential between these levels. Because the Chief Executive Officer's job carries the highest level of responsibility and has the greatest ability to drive shareholder value, his total compensation contains a higher variable or at-risk component than that of other executives.

Compensation Components

Overview

Norfolk Southern's executive compensation programs are designed so that, at target levels of performance, total direct compensation for Executive Officers is in approximately the 65th percentile in aggregate as compared to the Peer Group Companies. Total direct compensation consists of salary, annual bonus and long-term incentives. In establishing compensation for the different executive levels, the Committee strives to provide internal pay equity across each level so that executives occupying positions at a similar level and having a similar level of responsibility, such as Executive Vice Presidents, receive similar total direct compensation. While the Committee may adjust compensation for an individual executive based on individual performance, the Committee determined in 2007 that the performance of all Named Executive Officers met or exceeded its expectations and therefore did not make any adjustments to compensation on the basis of individual performance.

The Committee considers what proportion of total direct compensation should be paid annually as base salary, as total cash compensation (salary plus bonus) and as long-term compensation. The Committee targets approximately the 50th percentile as compared to the Peer Group Companies as a guideline in establishing base salaries (see the discussion under Salaries) and targets between the 50th and 75th percentile when performance merits compared to the Peer Group Companies for the portion paid annually as total cash compensation. In 2007, the average portion of total direct compensation awarded as cash compensation was approximately 30% for Executive Officers.

For 2007, Mr. Moorman's base salary fell at the 28th percentile as compared to the aggregate for Peer Group Companies because his time in position is relatively short and his total direct

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compensation consists of a higher proportion of compensation which is at risk (i.e., bonus, options and performance shares). Base salary for Mr. Tobias and Mr. Wolf fell at the 63rd percentile as compared to the aggregate for Peer Group Companies to acknowledge their higher level of responsibility in assisting the Chairman in his duties. Base salaries for Mr. Manion and Mr. Seale fell at the 47th percentile as compared to the aggregate for Peer Group Companies. Mr. Squires' base salary (at the time of his promotion to chief financial officer) fell at the 25th percentile as compared to the aggregate for Peer Group Companies because his time in position is relatively short in light of his promotion to chief financial officer during the year. For Mr. Moorman, total cash compensation fell at the 25th percentile as compared to the aggregate for Peer Group Companies because his time in position is relatively short. Total cash compensation for Mr. Tobias and Mr. Wolf fell at the 53rd percentile as compared to the aggregate for Peer Group Companies. Total cash compensation for Mr. Manion and Mr. Seale fell at the 46th percentile as compared to the aggregate for Peer Group Companies, and Mr. Squires' total cash compensation fell at the 25th percentile because his time in position is relatively short. For Mr. Tobias, Mr. Wolf, Mr. Manion and Mr. Seale, the Committee considered total cash compensation to be within a reasonable range of the targeted 50th to 75th parameter.

The Committee also considers where total direct compensation valued at the time of the award falls within the targeted 65th parameter. This comparison is based on salary for the upcoming year, an estimated 50% earn-out for the bonus and performance share units awarded for the upcoming year, a binomial model valuation for options and an estimated fair market value for restricted stock units. For Mr. Moorman, his total direct compensation awarded for the upcoming year fell at the 48th percentile as compared to the aggregate for Peer Group Companies, which was below the targeted percentile for total direct compensation because his time in the position is relatively short. For Mr. Tobias and Mr. Wolf, their total direct compensation awarded for the upcoming year fell at the 62nd percentile as compared to the aggregate for Peer Group Companies. Mr. Manion's and Mr. Seale's total direct compensation fell at the 71st and Mr. Squires' fell at the 25th percentile, all as compared to the aggregate for Peer Group Companies. Mr. Squires' total direct compensation was below the targeted parameter because his time in position is relatively short and he was not serving as chief financial officer at the time the long-term incentive award was made for 2007. For Mr. Tobias, Mr. Wolf, Mr. Manion and Mr. Seale, the Committee considered their compensation to be within a reasonable range of the targeted 65th parameter.

The greater the level of an executive's responsibility, the higher the proportion of his or her compensation which is at risk. For the at-risk portion of total direct compensation, the Committee awarded Executive Officers 15-25% as an annual incentive in the form of an annual bonus and 75-85% as long-term incentive compensation (options and performance shares). Each of these components is described below. The establishment of short-term at-risk compensation (i.e., bonus) is based in part on the total cash compensation target, and the establishment of long-term at-risk compensation is based in part on the total direct compensation target; this allocation is not directly based on a target against comparative market data for the amount of short-term compensation and long-term compensation which is at risk. In addition, the Committee considers market practices, internal pay equity and our objective to attract and retain highly qualified executives in establishing short-term at-risk and long-term at-risk compensation. This allocation is re-evaluated annually.

The Committee further considers the portion of total direct compensation which is to be awarded as long-term compensation (including both the fixed and the at-risk portions) and how the long-term piece of compensation should be allocated between options, performance shares, restricted shares and restricted stock units. This allocation is based on general market practices, compensation trends, governance practices and business issues facing Norfolk Southern. In making this determination, the Committee takes into account the potential dilutive effect of stock-based awards and the burn rate of such awards, including guidance on these measures from proxy advisory services, and further

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considers the purpose behind each element of long-term compensation and how the allocation among these elements will contribute to its overall compensation policies. The Committee does not target comparative market data in making this allocation decision. For 2007, the Committee increased the percentage of long-term compensation awarded as performance shares and options and decreased the percentage awarded as restricted shares and restricted stock units to increase the focus on performance.

Salaries

Norfolk Southern targets approximately the 50th percentile as compared to Peer Group Companies as a guideline in establishing Executive Officers' base salaries. However, Norfolk Southern may provide for base salaries above the median if, in the Committee's view, a particular executive's performance exceeded expectations; if an executive takes on additional responsibilities; or under other special circumstances. Base salaries are reviewed annually, and adjusted from time to time to realign salaries with market levels after taking into account individual performance and experience.

Annual Bonus

Each of our Executive Officers participates in Norfolk Southern's Executive Management Incentive Plan (EMIP), which is designed to compensate executives based on achievement of annual corporate performance goals. Norfolk Southern targets between the 50th and 75th percentile when performance merits as compared to the Peer Group Companies for Executive Officers' base salaries plus bonuses.

Under EMIP, each participant has an opportunity to earn a bonus amount that is contingent upon achieving the relevant performance goals. The performance goals for 2007 were based on pre-tax net income and operating ratio because Norfolk Southern believes that use of such metrics promotes operating efficiency and thereby enhances stockholder value. The Committee raised the performance goals for 2007 to further drive performance.

For 2007, the Committee set the following threshold, target and maximum payouts:

- threshold payout of 30% at \$1.9 billion pre-tax net income and an operating ratio equal to or above 74%,
- a targeted payout of 66% for pre-tax net income of \$2.401 billion and operating ratio of 71.6% and
- a maximum payout of 100% if Norfolk Southern achieved either
 - a pre-tax net income equal to or in excess of \$2.4 billion with an operating ratio of 70.3% or lower, or
 - an operating ratio equal to or lower than 71.1% with pre-tax net income at or in excess of \$2.5 billion for the year.

If Norfolk Southern's performance for 2007 had equaled its performance for 2006, the bonus payout for 2007 would have been at 52.6%. In 2007, Norfolk Southern's performance resulted in a 53.9% bonus payout.

Long-Term Incentive Awards

Norfolk Southern believes that the most effective means to encourage long-term performance by our Executive Officers is to create an ownership culture. This philosophy is implemented through the granting of equity-based awards that vest based on continued employment and other long-term

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awards which vest on achievement of pre-determined performance goals. For long-term incentive awards in 2007, the Committee provided approximately 40% of the total award value as options, 15% as restricted stock units and 45% as performance shares (assuming a 50% earn-out of performance share units granted). This allocation was changed from the allocation for awards for 2006 (approximately 25% of the total award value as options, 50% as restricted shares and 25% as performance shares) to increase the focus on performance and lessen the focus on retention. In addition, Norfolk Southern required executives to enter into an agreement not to engage in competing employment as a condition to receiving the 2007 award.

Stock Options. Norfolk Southern believes that use of options provides it with the ability to retain key employees and at the same time increase stockholder value since the value of the options is only realized if Norfolk Southern's stock price increases from the date on which the options are granted. For 2007, the Committee increased the option vesting period from one year to three years to further encourage retention of key employees. With the exception of employees hired in connection with the Conrail transaction in 1999, since 1989, Norfolk Southern has granted stock options annually at the regularly-scheduled January meeting of the Committee. The Committee approves all options grants and sets the option price based on a long-standing pricing practice. Under this long-standing practice, the Board of Directors approves year-end financial results at its January meeting, and Norfolk Southern typically releases such results the following day. Also at the January meeting, the Committee sets the exercise price for the options as the fair market value of Norfolk Southern's common stock on the first day of the upcoming window period during which executives are permitted to trade in Norfolk Southern's securities and following the release of Norfolk Southern's financial results (the effective date), thereby establishing a prospective effective date to price the options. Until 2007, options were priced at the fair market value of Norfolk Southern's common stock on the effective date of the grant, based on the average of the high and low price. For the 2007 award, options were priced on the effective date of the grant at the higher of (i) the closing price or (ii) the average of the high and low price on the effective date of the grant.

Performance Shares. Norfolk Southern uses performance shares to reward the achievement of performance goals over a three-year period. For performance shares, vesting of 1/3 of the shares is based on Return on Average Invested Capital, which Norfolk Southern believes is an indicator important to stockholders of a capital-intensive company such as Norfolk Southern. Vesting of an additional one-third of the shares is based on total stockholder return as compared to the S&P 500 and the remaining 1/3 is based on operating ratio, all over a three-year performance period. Each 1/3 of performance shares granted vests independently of the other 2/3 and their respective performance metrics. Norfolk Southern believes that the use of the three metrics described above promotes the enhancement of stockholder value and efficient utilization of corporate assets.

In setting the performance targets for the 2007-2009 cycle, the Committee considered the performance targets for the 2006-2008 and the 2005-2007 cycles and the earn-out percentages for prior years' performance share awards. The Committee raised the performance targets for Operating Ratio and Return on Average Invested Capital for the 2007-2009 cycle to motivate executives to seek improvements in these areas and retained the same performance targets for Total Shareholder Return because they continue to provide appropriate goals for this metric.

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For the 2007-2009 performance cycle, the performance criteria and resulting earn-out percentages are as follows:

| | | |
|---------------------------------|----------------------------|---|
| 2007-2009 Cycle | | |
| Total Stockholder Return | | |
| (TSR) vs. S&P 500 | | |
| | Three-Year Average | Percentage of Performance Share Units Earned Out |
| | TSR vs. S&P 500 | |
| 90th percentile and above | | 100% |
| 80th | | 90% |
| 70th | | 85% |
| 60th | | 80% |
| 50th | | 75% |
| 40th | | 50% |
| 30th | | 30% |
| 25 th and below | | 0% |

| | | |
|-----------------------------------|---------------------------|---|
| 2007-2009 Cycle | | |
| Return on Average | | |
| Invested Capital (ROAIC) | | |
| | Three-Year Average | Percentage of Performance Share Units Earned Out |
| | ROAIC | |
| 20% and above | | 100% |
| 19% | | 90% |
| 18% | | 80% |
| 17% | | 70% |
| 16% | | 60% |
| 15% | | 50% |
| 14% | | 40% |
| 13% | | 20% |
| Below 13% | | 0% |

2007-2009 Cycle
Operating Ratio (OpR)

| Three-Year NS | Percentage of Performance |
|----------------------|----------------------------------|
| Average OpR | Share Units |
| Earned Out | |
| 68% or below | 100% |
| 73% | 75% |
| 78% | 50% |
| 83% | 25% |
| Above 83% | 0% |

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For the 2006-2008 performance cycle, the performance criteria and resulting earn-out percentages are as follows:

| | | |
|---------------------------------|----------------------------|---|
| 2006-2008 Cycle | | |
| Total Stockholder Return | | |
| (TSR) vs. S&P 500 | | |
| | Three-Year Average | Percentage of Performance Share Units Earned Out |
| | TSR vs. S&P 500 | |
| | 90th percentile and above | 100% |
| | 80th | 90% |
| | 70th | 85% |
| | 60th | 80% |
| | 50th | 75% |
| | 40th | 50% |
| | 30th | 30% |
| | 25th and below | 0% |

| | | |
|-----------------------------------|---------------------------|---|
| 2006-2008 Cycle | | |
| Return on Average | | |
| Invested Capital (ROAIC) | | |
| | Three-Year Average | Percentage of Performance Share Units Earned Out |
| | ROAIC | |
| | 19% and above | 100% |
| | 18% | 90% |
| | 17% | 80% |
| | 16% | 70% |
| | 15% | 60% |
| | 14% | 50% |
| | 13% | 40% |
| | 12% | 30% |
| | 11% | 20% |
| | 10% | 10% |
| | Below 10% | 0% |

| | |
|--------------------------------|--|
| 2006-2008 Cycle | |
| Operating Ratio (OpR) | |
| Three-Year NS | |

| Average OpR | Percentage of Performance |
|--------------------|----------------------------------|
| | Share Units |
| | Earned Out |
| 70% or below | 100% |
| 75% | 75% |
| 80% | 50% |
| 85% | 25% |
| Above 85% | 0% |

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For the 2005-2007 performance cycle, the performance criteria and resulting earn-out percentages are as follows:

| 2005-2007 Cycle | | |
|---------------------------|--|---------------|
| Total Stockholder Return | | |
| (TSR) vs. S&P 500 | | Percentage of |
| Three-Year | | Performance |
| Average TSR | | Share Units |
| vs. S&P 500 | | Earned |
| 90th percentile and above | | 100% |
| 80th | | 90% |
| 70th | | 85% |
| 60th | | 80% |
| 50th | | 75% |
| 40th | | 50% |
| 30th | | 30% |
| 25th and below | | 0% |

| 2005-2007 Cycle | | |
|----------------------------|--|---------------|
| Return on Average Invested | | |
| Capital (ROAIC) | | Percentage of |
| Three-Year | | Performance |
| Average | | Share Units |
| ROAIC | | Earned |
| 19% and above | | 100% |
| 18% | | 90% |
| 17% | | 80% |
| 16% | | 70% |
| 15% | | 60% |
| 14% | | 50% |
| 13% | | 40% |
| 12% | | 30% |
| 11% | | 20% |
| 10% | | 10% |
| Below 10% | | 0% |

| 2005-2007 Cycle | | |
|-------------------------|--|---------------|
| Operating Ratio (OpR) | | |
| Three-Year | | Percentage of |

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| NS Average | Performance |
|--------------|-------------|
| OpR | Share Units |
| | Earned |
| 70% or below | 100% |
| 75% | 75% |
| 80% | 50% |
| 85% | 25% |
| Above 85% | 0% |

For the 2007-2009 performance shares, Norfolk Southern used a 50% earn-out assumption to value the award for market comparison purposes. Over the past ten years, the earn-out has averaged 56%, ranging from 87% to 14% based on performance for the applicable performance cycle.

Restricted Shares. Norfolk Southern believes that the use of time-based restricted shares serves as a key retention tool for keeping valued members of management. For 2007, Norfolk Southern granted restricted stock units which vest on the fifth anniversary of the date of grant, and the units are not forfeited upon retirement, disability or death.

Retirement Plans and Programs

Norfolk Southern believes that its Retirement Plan and Supplemental Benefit Plan provide it with the ability to retain key employees over a longer period. Norfolk Southern sponsors a qualified defined benefit pension plan that provides a benefit based on age, service and a percentage of final average compensation. Norfolk Southern also sponsors a non-qualified supplemental benefit plan that provides a retirement benefit for salary that is deferred, restores the retirement benefit for amounts in excess of the Internal Revenue Code limitations for tax-qualified retirement plans and provides enhanced retirement benefits for certain executives. In addition to supporting the goal to retain key employees, Norfolk Southern believes that the supplemental benefit plan also recognizes, rewards and encourages contributions by its key employees and maintains internal equity by ensuring that benefit levels are based on compensation levels that reflect the relative value of each participant.

During 2007, Norfolk Southern entered into a retirement agreement with Mr. Wolf in recognition of his outstanding contributions as Chief Financial Officer of Norfolk Southern. The retirement agreement

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provides one additional year of creditable service and an additional equity award of 30,000 restricted stock units. In exchange for these retirement benefits, Mr. Wolf agreed not to engage in competing employment. In addition, Norfolk Southern waived certain restrictions on restricted shares and restricted stock units granted to Mr. Wolf in 2005 to accelerate the vesting of these equity awards.

Other Benefits and Perquisites

Norfolk Southern provides the Executive Officers with certain health and welfare benefits as well as certain other perquisites which Norfolk Southern believes are necessary to retain Executive Officers and to enhance their productivity. The value of perquisites is considered as part of the total compensation package when other elements are evaluated.

Norfolk Southern's Board of Directors has directed and requires each of the Chairman, President and Chief Executive Officer, his family and guests when appropriate, to use Norfolk Southern's aircraft whenever reasonably possible for air travel. Norfolk Southern believes that such use of the corporate aircraft promotes its best interests by ensuring the immediate availability of this officer and by providing a prompt, efficient means of travel and in view of the need for security in such travel. For the same reasons, Norfolk Southern's Board of Directors has determined that the Chairman, President and Chief Executive Officer may authorize employees and their guests to use the corporate aircraft for purposes which further the business interests of Norfolk Southern and when the aircraft is not otherwise needed for business use. Such use by other employees and their guests is infrequent. Other perquisites include company cars, executive physicals, club memberships and dues, personal use of company facilities and tax preparation services. In addition, tax gross-up payments are provided on company cars and personal use of corporate aircraft if the aircraft is moving for business purposes; if the aircraft is not otherwise moving for business purposes, tax gross-up payments are not provided. Beginning in 2008, Norfolk Southern discontinued the provision of company cars and club dues (except for the chief marketing officer, who is reimbursed for club dues on memberships which further the business interests of Norfolk Southern) as perquisites for the Chairman, President and Chief Executive Officer, the Vice Chairman and the Executive Vice Presidents and provided a compensation adjustment in lieu of these perquisites.

Norfolk Southern believes that the benefits and perquisites described above are appropriate to remain competitive compared to other companies and to promote retention of these officers.

Impact of the Tax Treatment of Awards on Norfolk Southern's Compensation Policies

Norfolk Southern's executive compensation program has been carefully considered in light of the applicable tax rules. Accordingly, Norfolk Southern amended the Long-Term Incentive Plan in 2005 with stockholder approval to permit the grant of performance-based compensation that meets the requirements of Section 162(m) and amended the Executive Management Incentive Plan to permit the continued grant of Section 162(m) qualifying performance-based compensation under that Plan. However, Norfolk Southern believes that tax-deductibility is but one factor to be considered in fashioning an appropriate compensation package for executives. Norfolk Southern reserves and will continue to exercise its discretion in this area so as to serve the best interests of Norfolk Southern and its stockholders.

Change-in-Control Agreements

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Norfolk Southern entered into change-in-control agreements during 1996 at a time of consolidation in the rail industry. The agreements were intended to provide certain economic protections to executives in the event of a termination of employment following a change-in-control of Norfolk Southern and to keep management intact and focused on the best interests of Norfolk Southern during uncertain times. Benefits will not be paid under the agreements unless both a

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change in control occurs and the executive's employment is terminated or constructively terminated following the change in control. We believe this "double trigger" maximizes stockholder value because this structure would prevent an unintended windfall to management in the event of a change in control that does not result in the termination (or constructive termination) of employment of management. In 2002, the Board of Directors agreed to abide by a stockholder approved proposal that future severance agreements with senior executives that exceed 2.99 times the sum of the executive's base salary plus bonus require stockholder approval. During 2006, Norfolk Southern, with assistance from outside compensation consultants, evaluated the existing change-in-control agreements. Based on the review conducted by the consultant, Norfolk Southern determined that the agreements were comparable in value to change-in-control agreements provided by similarly-sized companies.

Share Ownership Guidelines

Norfolk Southern's Board of Directors amended its Corporate Governance Guidelines in November 2007 to increase the ownership guidelines for shares of Norfolk Southern stock. Under the revised guidelines, the Chairman, President and Chief Executive Officer is expected to hold at least five times the value of his annual salary in stock. The Vice Chairman and Executive Vice Presidents are expected to hold at least three times the value of their annual salary in stock, and Senior Vice Presidents and Vice Presidents are expected to hold at least one times their annual salary in stock. Norfolk Southern common stock and stock equivalents held in Norfolk Southern's 401(k) plan, dividend reinvestment plan and through share retention agreements are counted toward this requirement, but unexercised stock options or unvested equity awards do not count. Officers may acquire such holdings over a five-year period.

Pledging; Hedging

All Executive Officers of Norfolk Southern are required to clear any transaction involving its common stock with Norfolk Southern's Corporate Secretary prior to engaging in the transaction. Certain Executive Officers maintain securities accounts at brokerage firms, and the positions held in such accounts, which may from time to time include shares of Norfolk Southern common stock, may be pledged as collateral security for the repayment of any debit balances in the accounts. None of Norfolk Southern's Executive Officers have otherwise pledged or hedged Norfolk Southern's securities.

Policies and Decisions Regarding the Adjustment or Recovery of Awards

While Norfolk Southern does not anticipate there would ever be circumstances where a restatement of earnings upon which incentive plan award decisions were based would occur, should such an unlikely event take place, Norfolk Southern, in evaluating such circumstances, would have discretion to take all actions necessary to protect the interests of stockholders up to and including actions to recover such incentive awards.

Table of Contents**Compensation Tables****Summary Compensation Table**

The following table shows the total compensation awarded to, earned by or paid to each Named Executive Officer during 2006 and 2007 for service in all capacities to Norfolk Southern and our subsidiaries for the fiscal years ended December 31, 2006 and December 31, 2007.

| Name and Principal Position (a) | Year (b) | Salary ¹ (\$) (c) | Bonus (\$) (d) | Stock Awards ² (\$) (e) | Option Awards ² (\$) (f) | Non- Equity Incentive Plan Compen- sation ¹ (\$) (g) | Change in | All Other Compen- sation ⁴ (\$) (i) | Total (\$) (j) |
|---|-------------|------------------------------------|----------------------|---|--|--|---|---|----------------------|
| | | | | | | | Non- Equity Incentive Plan Compen- sation ¹ Earnings ³ (\$) (h) | | |
| Charles W. Moorman, IV Chairman, President and Chief Executive Officer | 2007 | 800,000 | 0 | 8,260,466 | 2,560,818 | 862,400 | 1,931,544 | 153,570 | 14,568,798 |
| | 2006 | 750,000 | 0 | 7,579,458 | 926,932 | 1,312,500 | 1,392,064 | 92,188 | 12,053,142 |
| S. C. Tobias Vice Chairman and Chief Operating Officer | 2007 | 600,000 | 0 | 3,336,849 | 991,000 | 436,590 | 513,297 | 189,305 | 6,067,041 |
| | 2006 | 600,000 | 0 | 5,089,640 | 404,100 | 810,000 | 979,440 | 130,401 | 8,013,581 |
| H. C. Wolf Former Vice Chairman and Chief Financial Officer | 2007 | 300,000 | 0 | 4,408,808 | 991,000 | 218,295 | 927,722 | 1,743,363 | 8,589,188 |
| | 2006 | 600,000 | 0 | 5,089,640 | 404,100 | 810,000 | 1,145,743 | 63,867 | 8,113,350 |
| M. D. Manion Executive Vice President-Operations | 2007 | 425,000 | 0 | 3,083,835 | 696,098 | 286,344 | 651,882 | 68,776 | 5,211,935 |
| | 2006 | 400,000 | 0 | 1,776,913 | 247,182 | 460,000 | 539,396 | 77,517 | 3,501,008 |
| D. W. Seale Executive Vice President and Chief Marketing Officer | 2007 | 425,000 | 0 | 2,953,325 | 696,098 | 286,344 | 543,247 | 100,440 | 5,004,454 |
| | 2006 | 400,000 | 0 | 1,971,683 | 247,182 | 460,000 | 288,140 | 58,115 | 3,425,120 |
| J. A. Squires Executive Vice President-Finance and Chief Financial Officer ⁵ | 2007 | 315,000 | 0 | 531,880 | 74,171 | 202,630 | 106,261 | 59,138 | 1,289,080 |

¹Represents salary and non-equity incentive plan compensation earned during 2006 and 2007 received on a current or deferred basis.

²Represents the dollar amounts recognized for financial statement reporting purposes for the applicable year in accordance with FAS 123R for: (i) awards made during the applicable year and (ii) awards made in prior years but for which we recognized compensation cost during the applicable year. For discussions of the relevant assumptions made in calculating these amounts, see note 11 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, and note 11 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006. For the grant date fair value of only those awards granted to the Named Executive Officers in 2007, see the Grants of Plan-Based Awards Table on page 34.

³Of these amounts for 2007, the following represent the aggregate change in the actuarial present value of the Named Executive Officers' accumulated benefits under our Retirement Plan and Supplemental Benefit Plan during 2007: Mr. Moorman, \$1,924,360, Mr. Tobias, \$297,421, Mr. Wolf, \$680,872, Mr. Manion, \$627,154, Mr. Seale, \$508,034 and Mr. Squires \$106,261. The remainder of the amounts shown in this column for 2007 represent the amounts by which 2007 interest accrued on salary and bonuses deferred by them under the Officers' Deferred Compensation Plan exceeded 120% of the applicable Federal long-term rate provided in Section 1274(d) of the Internal Revenue Code.

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Of these amounts for 2006, the following represent the aggregate change in the actuarial present value of the Named Executive Officers' accumulated benefits under our Retirement Plan and Supplemental Benefit Plan during 2006: Mr. Moorman, \$1,385,533, Mr. Tobias, \$789,257, Mr. Wolf, \$928,703, Mr. Manion, \$517,271 and Mr. Seale, \$256,305. The remainder of the amounts shown in this column for 2006 represent the amounts by which 2006 interest accrued on salary and bonuses deferred by them under the Officers' Deferred Compensation Plan exceeded 120% of the applicable Federal long-term rate provided in Section 1274(d) of the Internal Revenue Code.

⁴For each Named Executive Officer, the amount for 2007 includes (i) perquisites as set forth in the table below, (ii) amounts reimbursed for the payment of taxes on personal benefits as follows: for Mr. Moorman, \$41,199, Mr. Tobias, \$23,266, Mr. Wolf, \$24,920, Mr. Manion, \$17,196, Mr. Seale, \$31,786, and Mr. Squires, \$13,192, (iii) contributions to our Thrift and Investment Plan, and (iv) premiums paid on individually owned executive life insurance policies as follows: for Mr. Moorman, \$17,335, Mr. Tobias, \$15,269, Mr. Wolf, \$11,168, Mr. Manion, \$9,779, Mr. Seale, \$6,608 and Mr. Squires, \$7,198. For the following Named Executive Officers, also includes amounts we contributed to charitable organizations on their behalf pursuant to our matching gifts program as follows: for Mr. Moorman, \$31,700, Mr. Tobias, \$70,000, Mr. Wolf, \$38,082, Mr. Seale, \$21,498, and Mr. Squires, \$18,500. For Mr. Moorman, also includes his proportional cost of NS-owned life insurance policies used to fund the Directors' Charitable Award Program. For Mr. Wolf, also includes the FAS 123R grant date fair value of 30,000 restricted stock units granted to him upon his retirement.

Perquisites for our Named Executive Officers during 2007 consisted of the following:

| | Tax | | | | | | | Total |
|---------------|-------------|-----------|------------|-----------|------------|-------------|------------|--------|
| | Preparation | | | | | | | |
| | Use of | and | Use of | Use of | | Club Dues | Retirement | |
| | Corporate | Financial | Corporate | Corporate | Annual | and | Gifts & | |
| Aircraft | Planning | Auto | Facilities | Physicals | Membership | Memorabilia | | |
| (\$) | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) | |
| C. W. Moorman | 23,300 | 10,552 | 11,392 | 0 | 4,800 | 0 | 0 | 50,044 |
| S. C. Tobias | 61,523 | 0 | 11,912 | 585 | 0 | 0 | 0 | 74,020 |
| H. C. Wolf | 6,021 | 1,900 | 7,489 | 0 | 0 | 61,933* | 8,000 | 85,343 |
| M. D. Manion | 2,356 | 2,000 | 9,865 | 983 | 4,800 | 15,047 | 0 | 35,051 |
| D. W. Seale | 0 | 2,000 | 12,574 | 0 | 4,800 | 14,424 | 0 | 33,798 |
| J. A. Squires | 0 | 0 | 8,698 | 0 | 4,800 | 0 | 0 | 13,498 |

All perquisites are valued on the basis of aggregate incremental cost to us. With regard to personal use of company aircraft, aggregate incremental cost is calculated as the weighted-average cost of fuel, crew hotels and meals, aircraft maintenance and other variable costs. Use of corporate aircraft includes use by the Named Executive Officers and their spouses and other family members, as permitted by resolution of the Board of Directors.

*For Mr. Wolf, includes golf club memberships of \$61,000 retained upon retirement, which represents the current cost to join the golf clubs; however, the memberships were obtained many years ago for business purposes and no additional cost was incurred

for Mr. Wolf to retain them upon retirement.

⁵Mr. Squires became our principal financial officer effective July 1, 2007.

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| Name | Grant Date | Committee Action Date ¹ | Estimated Possible Payouts Under Non-Equity Incentive Plan Awards ² | | | Estimated Future Payouts Under Equity Incentive Plan Awards ³ | | | All Other Stock Awards: | All Other Option Awards: | Exercise or Base Price of Option Awards ⁶ | Grant Date Fair Value of Stock and Option Awards ⁷ |
|---------------|------------|------------------------------------|--|-----------|-----------|--|--------|---------|---|--|--|---|
| | | | Threshold | Target | Maximum | Threshold | Target | Maximum | Number of Shares of Stock or Units ⁴ | Number of Securities Underlying Options ⁵ | | |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) | (l) | |
| C. W. Moorman | 01/23/07 | 01/23/07 | 480,000 | 1,056,000 | 1,600,000 | | | | | | | |
| | 01/25/07 | 01/23/07 | | | | 19,250 | 62,500 | 125,000 | | | | 6,194,375 |
| | 01/25/07 | 01/23/07 | | | | | | | 25,000 | | | 1,238,875 |
| | 01/25/07 | 01/23/07 | | | | | | | | 125,000 | 49.555 | 2,477,500 |
| S. C. Tobias | 01/23/07 | 01/23/07 | 243,000 | 534,000 | 810,000 | | | | | | | |
| | 01/25/07 | 01/23/07 | | | | 7,700 | 25,000 | 50,000 | | | | 2,477,750 |
| | 01/25/07 | 01/23/07 | | | | | | | 10,000 | | | 495,550 |
| | 01/25/07 | 01/23/07 | | | | | | | | 50,000 | 49.555 | 991,000 |
| H. C. Wolf | 01/23/07 | 01/23/07 | 121,500 | 267,300 | 405,000 | | | | | | | |
| | 01/25/07 | 01/23/07 | | | | 7,700 | 25,000 | 50,000 | | | | 2,477,750 |
| | 01/25/07 | 01/23/07 | | | | | | | 10,000 | | | 495,550 |
| | 01/25/07 | 01/23/07 | | | | | | | | 50,000 | 49.555 | 991,000 |
| | 06/29/07 | 05/10/07 | | | | | | | 30,000 | | | 1,577,100 |
| M. D. Manion | 01/23/07 | 01/23/07 | 159,375 | 350,625 | 531,250 | | | | | | | |
| | 01/25/07 | 01/23/07 | | | | | | | | | | |