FARO TECHNOLOGIES INC
Form DEF 14A
April 13, 2004

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant |X|

Filed by a Party other than the Registrant |_|

Check the appropriate box:

|_| Preliminary Proxy Statement
|X| Definitive Proxy Statement
|_| Definitive Additional Materials
|_| Soliciting Material Pursuant toss.240.14a-12

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

FARO TECHNOLOGIES, INC.
(Name of Registrant as Specified In Its Charter)

_____
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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|_| Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

FARO TECHNOLOGIES, INC.

125 Technology Park
Lake Mary, Florida 32746

NOTICE OF 2004 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 11, 2004

To our shareholders:

You are cordially invited to attend the 2004 Annual Meeting of Shareholders of FARO Technologies, Inc. on Tuesday, May 11, 2004, at 10:00 a.m. Eastern time at our headquarters, 125 Technology Park, Lake Mary, Florida. At the meeting, the shareholders will vote on the following matters:

1. The election of two directors, each to serve for a term of three years.

2. The approval of the adoption of the 2004 Equity Incentive Plan.

3. Any other business that may properly come before the meeting.

Holders of record of FARO common stock at the close of business on March 17, 2004, are entitled to vote at the meeting.

Your vote is important, no matter how many shares you own, and we urge you to submit your proxy as soon as possible. Even if you plan to attend the annual meeting, please complete, date and sign the proxy card and mail it as soon as you can in the envelope we have provided. If you attend the annual meeting, then you may revoke your proxy and vote your shares in person if you would like.

Thank you for your continued support.

By Order of the Board of Directors

April 12, 2004

/s/ GREGORY A. FRASER, Ph.D.

GREGORY A. FRASER, Ph.D.
Executive Vice President, Chief Financial Officer, and Secretary

FARO TECHNOLOGIES, INC.

125 Technology Park
Lake Mary, Florida 32746

PROXY STATEMENT FOR
2004 ANNUAL MEETING OF SHAREHOLDERS

This Proxy Statement is furnished in connection with the solicitation of the accompanying proxy on behalf of the Board of Directors of FARO Technologies, Inc. (the "Company") for use at the 2004 Annual Meeting of Shareholders to be held on Monday, May 11, 2004 at 10:00 a.m., Eastern time, at the Company's headquarters, 125 Technology Park, Lake Mary, Florida, and at any adjournment or postponement of Annual Meeting. The Company's telephone number at that address is (407) 333-9911.

This Proxy Statement and the accompanying proxy, together with the Company's Annual Report to Shareholders, were first sent to shareholders entitled to vote at the Annual Meeting on or about April 12, 2004.

ABOUT THE MEETING

What is the purpose of the Annual Meeting?

At the Annual Meeting, shareholders will act upon matters described in the notice of meeting contained in this Proxy Statement, including the election of directors and the approval of the Company's 2004 Incentive Stock Plan. In addition, members of management will report on the Company's 2003 performance and, once the business of the Annual Meeting is concluded, respond to questions raised by shareholders as time permits.

Who is entitled to vote?

Only holders of the Company's Common Stock outstanding as of the close of business on March 17, 2004 (the "Record Date") will be entitled to vote at the Annual Meeting. Each shareholder is entitled to one vote for each share of Common Stock he or she held on the Record Date.

Who can attend the Annual Meeting?

All shareholders, or individuals holding their duly appointed proxies, may attend the Annual Meeting. Appointing a proxy in response to this solicitation will not affect a shareholder's right to attend the Annual Meeting and to vote in person. Please note that if you hold your shares in "street name" (in other words, through a broker, bank, or other nominee), you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the Record Date to gain admittance to the Annual Meeting.

What constitutes a quorum?

A majority of the 13,532,283 shares of Common Stock outstanding on the Record Date must be represented, in person or by proxy, to provide a quorum at the Annual Meeting. If you vote, your shares will be part of the quorum. Shares represented by proxy cards either marked "ABSTAIN" or returned without voting instructions are counted as present for the purpose of determining whether the quorum requirement is satisfied. Also, in those instances where shares are held by brokers who have returned a proxy but are prohibited from exercising

discretionary authority for beneficial owners who have not given voting instructions ("broker nonvotes"), those shares will be counted as present for quorum purposes. Broker nonvotes will not be counted as votes for or against any proposal.

What is the effect of not voting?

It will depend on how your share ownership is registered. If you own shares as a registered holder and do not vote, your unvoted shares will not be represented at the meeting and will not count toward the quorum requirement. If a quorum is obtained, your unvoted shares will not affect whether a proposal is approved or rejected.

If you own shares in street name and do not vote, your broker may represent your shares at the meeting for purposes of obtaining a quorum. In the absence of your voting instructions, your broker may or may not vote your shares in its discretion depending on the proposals before the meeting. Your broker may vote your shares in its discretion on routine matters such as proposal 1, the election of directors. Regarding proposal 2, the approval of the 2004 Incentive Stock Plan, which is not a routine matter, your broker may not vote your shares without instructions from you., Broker nonvote shares are counted toward the quorum requirement. Any shares not voted, whether due to abstentions or because they constitute broker nonvotes, will not affect the election of directors or the determination of whether the 2004 Incentive Stock Plan is approved or rejected. Once a share is represented at the Annual Meeting, it will be deemed present for quorum purposes throughout the Annual Meeting (including any adjournment or postponement of that meeting unless a new record date is or must be set for such adjournment or postponement).

How do I vote?

Shareholders who own shares registered directly with the Company's transfer agent on the close of business on March 17, 2004 can appoint a proxy by mailing their signed proxy card in the enclosed envelope. Street name holders may vote by telephone or the Internet if their bank or broker makes those methods available, in which case the bank or broker will enclose the instructions with the Proxy Statement. The telephone and Internet voting procedures are designed to authenticate shareholders' identities, to allow shareholders to give their voting instructions and to confirm that the shareholders' instructions have been properly recorded.

Can I change my vote after I return my proxy card?

Yes. Even after you have submitted your proxy, you can change your vote at any time before the proxy is exercised by appointing a new proxy or by providing written notice to the Secretary of the Company and voting in person at the Annual Meeting. Presence at the Annual Meeting of a Shareholder who has appointed a proxy does not in itself revoke a proxy. Unless so revoked, the shares represented by proxies received by the Board will be voted at the Annual Meeting. When a shareholder specifies a choice by means of the proxy, then the shares will be voted in accordance with such specifications.

What am I voting on?

You are voting on two proposals:

1. Election of two directors for a term of three years, with the following as the Board's nominees:

- Norman Schipper
- John Caldwell

2. Approval of the 2004 Incentive Stock Plan

What are the Board's recommendations?

The Board recommends a vote:

- for election of the nominated slate of directors (see Item 1)
- for approval of the 2004 Incentive Stock Plan (see Item 2)

If you sign and return your proxy card, unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of the Board

Why are we voting on a new benefit plan?

The Company has used its existing stock option plans conservatively to provide equity incentive awards to employees. However, the Company has only 12,854 shares remaining under its current stock option plans for stock-based incentive awards.

To provide competitive incentive awards to employees, a new share authorization is necessary. To allow for additional stock option awards as well as awards of other types of stock-based incentive awards, the Board adopted the 2004 Plan on March 8, 2004. The 2004 Plan became effective on that date subject to shareholder approval at the Annual Meeting. The Securities and Exchange Commission ("SEC") and the NASDAQ National Market ("Nasdaq") require shareholder approval of equity-based compensation plans.

What vote is required to approve each proposal?

The two nominees for director receiving the greatest number of votes will be elected. Provided a quorum is present, the approval of the 2004 Incentive Stock Plan requires an affirmative vote of the majority of votes cast by the shareholders.

Are there any other items that are to be discussed during the Annual Meeting?

No. The Company is not aware of any other matters that you will be asked to vote on at the Annual Meeting. If other matters are properly brought before the Annual Meeting, the Board or proxy holders will use their discretion on these matters as they may arise.

Who will count the vote?

American Stock Transfer & Trust Co. will count the vote and will serve as the inspector of the election.

Who pays to prepare, mail, and solicit the proxies?

Proxies may be solicited by personal meeting, Internet, advertisement, telephone, and facsimile machine, as well as by use of the mails. Solicitations may be made by directors, officers, and other employees of the Company, as well

as the Company's investor relations firm, none of whom will receive additional compensation for such solicitations. The cost of soliciting proxies will be borne by the Company. It is anticipated that banks, brokerage houses, and other custodians, nominees or fiduciaries will be requested to forward soliciting materials to their principals and to obtain authorization for the execution of proxies and that they will be reimbursed by the Company for their out-of-pocket expenses incurred in providing those services. All expenses of solicitation of proxies will be borne by the Company.

Delivery of Proxy Materials to Households

Pursuant to SEC rules, services that deliver the Company's communications to shareholders that hold their stock through a bank, broker, or other holder of record may deliver to multiple shareholders sharing the same address a single copy of the Company's annual report to shareholders and this proxy statement. Upon written or oral request, the Company will promptly deliver a separate copy of the annual report to shareholders and this proxy statement to any shareholder at a shared address to which a single copy of each document was delivered. Shareholders may notify the Company of their requests by calling or by sending a written request addressed to the Company, Attention: Secretary, 125 Technology Park, Lake Mary, Florida, 32746.

Where can I find Corporate Governance materials for FARO Technologies?

The Code of Ethics and the Charters for the Audit, Operational Audit, and Compensation Committees of the Company's Board of Directors are published on the Corporate Governance page of the Company's website at www.faro.com. The Company is not including the information contained on or available through its website as a part of, or incorporating such information by reference into, this proxy statement.

PROPOSAL 1

ELECTION OF DIRECTORS

The Board of Directors recommends the following nominees for election as directors and recommends that each shareholder vote "FOR" the nominees.

The Board of Directors is divided into three classes, with one class of directors elected each year for a three-year term. The Board currently consists of seven members: two with terms that expire at the Annual Meeting, two with terms that expire at the 2005 annual meeting of shareholders, and three with terms that expire at the 2006 annual meeting of shareholders. Accordingly, two directors will be elected at the Annual Meeting to serve until their terms expire at the 2007 Annual Meeting of Shareholders (in each case, until their respective successors are elected and qualified).

The nominees named below have advised the Company that they will serve if elected. In the event any such nominee is unable or unwilling to serve as a director if elected, the persons designated as proxies will cast votes for such other person in their discretion as a substitute nominee. The Board of Directors has no reason to believe that any of the nominees named below will be unable, or if elected, will decline to serve.

The two nominees for director named below currently are directors of the Company and are proposed to be elected at the Annual Meeting to serve until the 2007 annual meeting of shareholders. The remaining five directors will continue to serve as members of the Board for terms as set forth below. Directors are

elected by a plurality of the votes cast (assuming a quorum is present at the Annual Meeting), meaning that the two nominees receiving the highest number of affirmative votes of the votes represented at the Annual Meeting will be elected as directors. Proxies solicited by the Board will be voted "FOR" the following nominees unless a shareholder specifies otherwise.

The names, ages, and principal occupations for at least the past five years of each of the directors and nominees and the names of any other public companies of which each is presently serving as a director are set forth below:

Nominees for Election at the Annual Meeting

Name	Age	Director Since	Term Expires
Norman Schipper, Q.C. Compensation Committee	73	1982	2004
John Caldwell Audit (Chair), Compensation, and Operational Audit Committees	54	2002	2004

Norman Schipper, Q.C. has been a director of the Company since its inception in 1982. From 1962 until his mandatory retirement as Partner on December 31, 1997, Mr. Schipper was a Partner in the Toronto office of the law firm of Goodmans, LLP. Since 1998, Mr. Schipper has been Of Counsel to the firm.

John E. Caldwell has been a director of the Company since 2002. Mr. Caldwell is Chairman of the Board and Interim President and Chief Executive Officer of SMTC Corporation, a publicly held electronics manufacturing services company whose shares are traded on the Nasdaq National Market under the symbol SMTX and on the Toronto Stock Exchange under the symbol SMX. Mr. Caldwell has served as a director of SMTC since March 2003 and as Interim President and Chief Executive Officer of SMTC since October 2003. Mr. Caldwell previously was the Chairman of the Restructuring Committee of the Board of Mosaic Group Inc., a marketing services provider, from October 2002 to September 2003. Mr. Caldwell was a consultant to Geac Computer Corporation Limited, a computer software company, from December 2001 to October 2002 and was President and Chief Executive Officer of GEAC from October 2000 to December 2001. Mr. Caldwell served in several roles with CAE Inc., a flight simulation and training services company, from January 1988 to October 1999, including President and Chief Executive Officer from June 1993 to October 1999. He was also a past Executive Vice President with Carling O'Keefe Breweries of Canada Limited and Audit Senior with PriceWaterhouseCoopers LLP. Currently, he also serves on the board of directors of ATI Technologies Inc., Cognos Inc., Sleeman Breweries SMTC Corporation and Stelco Inc.

Directors Whose Terms Will Continue After the Annual Meeting

Name	Age	Director Since	Term Expires
Simon Raab, Ph.D.	51	1982	2006
Hubert d'Amours Audit and Compensation Committees	65	1990	2006

Andre Julien Operational Audit and Compensation Committees	60	1986	2006
Gregory A. Fraser, Ph.D.	49	1982	2005
Stephen R. Cole Audit and Compensation Committees	52	2000	2005

Simon Raab, Ph.D is a co-founder of the Company and has served as the Chairman of the Board and Chief Executive Officer of the Company since its inception in 1982, and as President of the Company since 1986. Mr. Raab holds a Ph.D. in Mechanical Engineering from McGill University, Montreal, Canada, a Masters of Engineering Physics from Cornell University and a Bachelor of Science in Physics with a minor in Biophysics from the University of Waterloo, Canada.

Hubert d'Amours has been a director of the Company since 1990. Since 1990, Mr. D'Amours has served as President of Montroyal Capital, Inc. and Capimont, Inc., two venture capital investment firms in Montreal, Canada. Mr. d'Amours also serves as a director of a number of privately held companies.

Andre Julien has been a director of the Company since 1986. Mr. Julien currently is President of Chemirco Chemicals, Inc., a privately held company in Toronto, Canada. Mr. Julien formerly served as President of LAB Pharmacological Research International, a privately held company in Montreal Canada. From 1969 until 1994, Mr. Julien was President and owner of Chateau Paints, Inc., a privately held coatings and paint manufacturer in Montreal, Canada. Mr. Julien is also a director of Eterna Trust, a privately held company in Quebec City, Canada, and Goodfellow Lumber, Inc., a public company in Montreal, Canada.

Gregory A. Fraser, Ph.D. is a co-founder of the Company and has served as a director and the Secretary and Treasurer of the Company since its inception in 1982. Mr. Fraser has been an Executive Vice President of the Company since 1997and serves as the Company's principal financial officer. Mr. Fraser holds a Ph.D. in Mechanical Engineering from McGill University, Montreal, Canada, a Masters of Theoretical and Applied Mechanics from Northwestern University and a Bachelor of Science and Bachelor of Mechanical Engineering from Northwestern University.

Stephen R. Cole has been a director of the company since 2002. Mr. Cole is a Fellow of Institute of Chartered Accountants of Ontario, Canada. Since 1975, Mr. Cole has been President and Founding Partner of Cole & Partners, a Toronto, Canada based mergers and acquisition and corporate finance advisory service company.

PROPOSAL 2

APPROVAL OF THE 2004 EQUITY INCENTIVE PLAN

The Company is seeking shareholder approval of the FARO Technologies, Inc. 2004 Incentive Stock Plan (the "2004 Plan"). THE BOARD RECOMMENDS A VOTE "FOR" APPROVAL OF THE 2004 PLAN.

The Board adopted the 2004 Plan on March 8, 2004, subject to shareholder approval. The following summary description of the 2004 Plan is qualified in its entirety by reference to the full text of the 2004 Plan, which is attached to this Proxy Statement as Appendix B. Executed proxies in the accompanying form will be voted at the Annual Meeting in favor of approving the 2004 Plan.

Summary of Proposal. Two critical objectives of the Company's compensation strategy are to reward employees for shareholder value creation and to align the interests of shareholders and employees. Stock-based incentive awards are a critical

component of the Company's compensation strategy to achieve these two objectives. In addition, stock-based incentives provide a valuable tool to attract and retain key employees.

The current 1997 Stock Option Plan (the "1997 Plan") has been used conservatively by the Company to provide equity incentive awards to employees since the Company's initial public offering. However, as of the date of this Proxy Statement, only 123,081 shares are available for awards under the 1997 Plan. To provide competitive incentive awards to employees, a new stock-based incentive plan is necessary.

Although the Company believes the current compensation program provides competitive opportunities and provides a valuable way to align the interests of employees and shareholders, the Company also recognizes that the external environment for compensation continues to change. Among other things, stock options are likely to require an accounting expense beginning in 2005. Thus, the Company will be re-evaluating its compensation strategy and programs during 2004 to ensure they continue to provide a competitive opportunity in a way that best maximizes value to shareholders. The 2004 Plan is designed with maximum flexibility to grant stock options, stock appreciation rights, performance-based equity awards, restricted stock or other equity vehicles (each, an "Award"), while maintaining limits to ensure shareholder dilution levels continue to be comparable to other technology companies.

Administration. The 2004 Plan will be administered by the Compensation Committee of the Board of Directors (the "Committee"). The Committee has full authority to interpret and administer the 2004 Plan to carry out the provisions and purposes of the 2004 Plan. The Committee has the authority to determine those persons eligible to receive Awards and to establish the terms and conditions of any Awards.

Eligibility. Any employee of the Company or any of its subsidiaries, including any executive officer or employee-director of the Company, and any non-employee director of the Company is eligible to be granted awards by the Committee under the 2004 Plan. Approximately 340 persons are currently eligible to participate in the 2004 Plan. The number of eligible participants may increase over time based upon future growth of the Company.

Types of Awards. The 2004 Plan provides for grants of stock options, stock appreciation rights, performance awards, restricted stock, and restricted stock units, whether granted singly or in combination, pursuant to which shares of Common Stock, cash, or other property may be delivered to the Award recipient.

Options. An option is the right to purchase shares of Common Stock at a future date at a specified exercise price. Options granted under the 2004 Plan to employees may be either incentive stock options ("ISOs") or non-qualified stock options. The per share exercise price will be determined by the Committee, provided that the exercise price is not less than the fair market value of the underlying shares of Common Stock on the date of grant. The Committee determines the date after which options may be exercised in whole or in part and the date on which each option expires, which cannot be more than ten years from the date of grant. The exercise price of an option may be paid in cash or, subject to such conditions or prohibitions as may be set by the Committee, by delivering shares of Common Stock or a combination of cash and stock. Subject to the discretion of the Committee, a participant may elect to have the Company withhold shares of Common Stock otherwise issuable to the participant upon the exercise of an option for purposes of paying withholding amounts relating to

income or other taxes incurred by reason of the exercise.

Stock Appreciation Rights. A stock appreciation right is a contractual right granted to the participant to receive, either in cash or shares of Common Stock, an amount equal to the appreciation of one share of Common Stock from the date of grant. The grant price of a stock appreciation right under the 2004 Plan may not be less than the fair market value of a share of Common Stock on the date of grant. Stock appreciation rights may be granted as freestanding Awards, or in tandem with other types of Awards. Unless otherwise determined by the Committee, if a stock appreciation right is granted in relation to an option, the terms and conditions applicable to the stock appreciation right will be identical to the terms and conditions applicable to the option. A stock appreciation right granted in relation to an option may only be exercised upon surrender of the right to exercise such option for an equivalent number of shares. Likewise, an option granted in relation to a stock appreciation right may only be exercised upon surrender of the right to exercise such stock appreciation right for an equivalent number of shares.

Restricted Stock. A restricted stock award is an award typically for a fixed number of shares of Common Stock that is subject to a risk of forfeiture or restrictions. The Committee will specify the terms for the risk of forfeiture, including the passage of time or achieving specified performance objectives, or both, and any other restrictions (for example, restrictions on transfer) imposed on the shares.

Restricted Stock Units. A restricted stock unit is a right to receive payment that is subject to vesting restrictions. The Committee will specify the conditions on vesting, including the passage of time or specified performance objectives, or both.

Payment will be calculated in relation to a unit that is equal in value to the fair market value of one or more shares of Common Stock.

Performance Shares. A performance share is a right to receive shares of Common Stock to the extent that performance goals set by the Committee are met during a specified performance period.

Performance Units. A performance unit is a right to receive payment valued in relation to a unit that is equal in value to the fair market value of one or more shares of Common Stock, to the extent that performance goals set by the Committee are met during a specified performance period.

Under the terms of the 2004 Plan, the Committee may select from various performance goals for performance shares and performance units, including return on equity, return on investment, return on net assets, shareholder value added, earnings from operations, pre-tax profits, net earnings, net earnings per share, working capital as a percent of net sales, net cash provided by operating activities, market price for the Common Stock and total shareholder return. In conjunction with selecting the applicable performance goal or goals, the Committee will also fix the relevant performance level or levels (e.g., a 15% return on equity) which must be achieved with respect to the goal or goals in order for the performance shares to be earned by the employee. The performance goals selected by the Committee under the 2004 Plan may, to the extent applicable, relate to a specific division or subsidiary of the Company or apply on a Company-wide basis.

Shares Subject to the Plan and Other Limitations of Awards. The total number of shares of Common Stock available for grants of Awards under the 2004

Plan is 1,750,000. To the extent that any shares of Common Stock subject to an Award are not issued because the Award expires without having been exercised, is cancelled, terminated, forfeited or is settled without the issuance of Common Stock (including, but not limited to, shares tendered to exercise outstanding options, shares tendered or withheld for taxes on Awards or shares issued in connection with a restricted stock or restricted unit award that are subsequently forfeited), such shares will be available again for grants of Awards under the 2004 Plan.

No participant may receive in a calendar year:

1. options and/or stock appreciation rights with respect to more than 150,000 shares of Common Stock;

2. restricted stock and/or restricted stock units relating to more than 105,000 shares of Common Stock; or

3. performance shares and/or performance units for more than 105,000 shares of Common Stock.

Adjustments. If any dividend or other distribution, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of shares of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase shares of Common Stock or other securities of the Company, or other similar corporate transaction or event affects the shares of Common Stock so that an adjustment is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the 2004 Plan, then the Committee will generally have the authority to, in such manner as it deems equitable, adjust (a) the number and type of shares subject to the 2004 Plan and which thereafter may be made the subject of awards, (b) the number and type of shares subject to outstanding awards, and (c) the grant, purchase or exercise price with respect to any award, or may make provision for a cash payment to the holder of an outstanding award.

Limits on Transferability. Except as otherwise provided by the Committee, no award granted under the 2004 Plan (other than an award of restricted stock on which the restrictions have lapsed) may be assigned, sold, transferred or encumbered by any participant, otherwise than by will, by designation of a beneficiary, or by the laws of descent and distribution. Except as otherwise provided by the Committee, each award will be exercisable during the participant's lifetime only by such participant or, if permissible under applicable law, by the participant's guardian or legal representative.

Amendment and Termination. The Board may amend, suspend or terminate the 2004 Plan at any time, except that no such action may adversely affect any award granted and then outstanding thereunder without the approval of the respective participant. The 2004 Plan further provides that shareholder approval of any amendment thereto must also be obtained: (a) if such amendment (i) increases the number of shares with respect to which awards may be made under the 2004 Plan (other than increases resulting from the adjustments described above), (ii) expands the class of persons eligible to participate under the 2004 Plan, or (iii) otherwise increases in any material respect the benefits payable under the 2004 Plan; or (b) if otherwise required by (i) the Internal Revenue Code or any rules promulgated thereunder (in order to allow for ISOs to be granted thereunder) or (ii) the quotation or listing requirements of the exchange or market on which the Common Stock is then traded (in order to maintain the trading of the Common Stock on such exchange or market).

Withholding. Not later than the date as of which an amount first becomes includible in the gross income of a employee for federal income tax purposes with respect to any award under the 2004 Plan, the employee will be required to pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Committee, withholding obligations arising with respect to awards under the 2004 Plan may be settled with shares of Common Stock (other than shares of restricted stock), including shares of Common Stock that are part of, or are received upon exercise of, the award that gives rise to the withholding requirement. The obligations of the Company under the 2004 Plan are conditional on such payment or arrangements, and the Company and any affiliate will, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the employee. The Committee may establish such procedures as it deems appropriate for the settling of withholding obligations with shares of Common Stock.

Certain Federal Income Tax Consequences

Stock Options. The grant of a stock option under the 2004 Plan creates no income tax consequences to the employee or the non-employee director or the Company. A employee or a non-employee director who is granted a non-qualified stock option will generally recognize ordinary income at the time of exercise in an amount equal to the excess of the fair market value of the Common Stock at such time over the exercise price. The Company will be entitled to a deduction in the same amount and at the same time as ordinary income is recognized by the employee or the non-employee director. A subsequent disposition of the Common Stock will give rise to capital gain or loss to the extent the amount realized from the sale differs from the tax basis, i.e., the fair market value of the Common Stock on the date of exercise. This capital gain or loss will be a long-term capital gain or loss if the Common Stock has been held for more than one year from the date of exercise.

In general, a employee will recognize no income or gain as a result of exercise of an ISO (except that the alternative minimum tax may apply). Except as described below, any gain or loss realized by the employee on the disposition of the Common Stock acquired pursuant to the exercise of an ISO will be treated as a long-term capital gain or loss and no deduction will be allowed to the Company. If the employee fails to hold the shares of Common Stock acquired pursuant to the exercise of an ISO for at least two years from the date of grant of the ISO and one year from the date of exercise, the employee will recognize ordinary income at the time of the disposition equal to the lesser of (a) the gain realized on the disposition or (b) the excess of the fair market value of the shares of Common Stock on the date of exercise over the exercise price. The Company will be entitled to a deduction in the same amount and at the same time as ordinary income is recognized by the employee. Any additional gain realized by the employee over the fair market value at the time of exercise will be treated as a capital gain. This capital gain will be a long-term capital gain if the Common Stock has been held for more than one year from the date of exercise.

Stock Appreciation Rights. The grant of an SAR will create no income tax consequences for the employee or the Company. Upon exercise of an SAR, the employee will recognize ordinary income equal to the amount of any cash and the fair market value of any shares of Common Stock or other property received, except that if the employee receives an option or shares of restricted stock upon exercise of an SAR, recognition of income may be deferred in accordance with the rules applicable to such other awards. The Company will be entitled to a deduction in the same amount and at the same time as income is recognized by the employee.

Restricted Stock. A employee will not recognize income at the time an

award of restricted stock is made under the 2004 Plan, unless the election described below is made. A employee who has not made such an election will recognize ordinary income at the time the restrictions on the stock lapse in an amount equal to the fair market value of the restricted stock at such time reduced by any amount paid for the restricted stock. The Company will generally be entitled to a corresponding deduction in the same amount and at the same time as the employee recognizes income. Any otherwise taxable disposition of the restricted stock after the time the restrictions lapse will generally result in capital gain or loss (long-term or short-term depending upon the length of time the restricted stock is held after the time the restrictions lapse). Dividends paid in cash and received by a participant prior to the time the restrictions lapse will constitute ordinary income to the participant in the year paid. The Company will be entitled to a corresponding deduction for such dividends. Any dividends paid in stock will be treated as an award of additional restricted stock subject to the tax treatment described herein.

A employee may, within 30 days after the date of the award of restricted stock, elect to recognize ordinary income as of the date of the award in an amount equal to the fair market value of such restricted stock on the date of the award reduced by any amount paid for the restricted stock. The Company will be entitled to a corresponding deduction in the same amount and at the same time as the employee recognizes income. If the election is made, any cash dividends received with respect to the restricted stock will be treated as dividend income to the employee in the year of payment and will not be deductible by the Company. Any otherwise taxable disposition of the restricted stock (other than by forfeiture) will result in capital gain or loss (long-term or short-term depending on the holding period). If the employee who has made an election subsequently forfeits the restricted stock, the

employee will not be entitled to deduct any loss. In addition, the Company would then be required to include as ordinary income the amount of the deduction it originally claimed with respect to such shares.

Performance Shares. The grant of performance shares will create no income tax consequences for the employee or the Company. Upon the receipt of shares of Common Stock at the end of the applicable performance period, the employee will recognize ordinary income equal to the fair market value of the shares of Common Stock received, except that if the employee receives shares of restricted stock in payment of performance shares, recognition of income may be deferred in accordance with the rules applicable to such restricted stock. In addition, the employee will recognize ordinary income equal to the dividend equivalents paid on performance shares prior to or at the end of the performance period. The Company will be entitled to a deduction in the same amount and at the same time as income is recognized by the employee.

Vote Required. The affirmative vote of the holders of a majority of the shares of Common Stock represented and voted at the Annual Meeting (assuming a quorum is present) is required to approve the 2004 Plan. Any shares not voted at the Annual Meeting (whether as a result of broker non-votes, abstentions or otherwise) with respect to the 2004 Plan will have no impact on the vote.

THE BOARD RECOMMENDS A VOTE "FOR" APPROVAL OF THE 2004 PLAN.

BOARD OF DIRECTORS

Board Meetings and Independence

Seven meetings of the Board were held during 2003. In all the meetings, more than 75% of the members attended the meetings of the Board and the committees thereof of which they are a member during the periods in which they served. The Board of Directors also took certain actions by unanimous written consent in lieu of a meeting. Beginning in 2004, the Company requires its non-employee directors to meet in executive session at the end of each regularly scheduled Board of Directors meeting, not including routine telephonic meetings, and at such other times as any of the non-employee directors determine necessary or appropriate. The Board has determined that Norman Schipper, John Caldwell, Hubert d'Amours, and Andre Julien are independent directors under Nasdaq rules. The Board also has determined that John Caldwell and Hubert d'Amours meet the additional independence and qualification standards for Audit Committee members under Nasdaq rules.

In connection with the Company's acquisition in January 2002 of SpatialMetrix, Inc., the Company engaged Cole and Partners to serve as the Company's financial advisor. Stephen Cole, one of the Company's directors, is the founding Partner and President of Cole and Partners. As a result, Mr. Cole does not qualify as independent under Nasdaq rules. However, Nasdaq permits a non-independent director to serve on the Audit Committee under exceptional and limited circumstances if such service is in the best interest of the Company and its shareholders. The Board determined that Mr. Cole's continued service on the audit committee is in the best interests of the Company and its shareholders as a result of the following factors:

- Mr. Cole's experience in understanding and evaluating financial statements;
- Mr. Cole's understanding of the Company's business and his long-standing role on the Audit Committee;
- The fact that the circumanstances that make Mr. Cole not "independent" are more than two years old.

Committees

The Board of Directors has three standing committees: an Audit Committee, an Operational Audit Committee, and a Compensation Committee.

Audit Committee

The Audit Committee consists of Messrs. d'Amours, Caldwell, and Cole. Mr. Caldwell is the Chairman of the Audit Committee. The Audit Committee held four meetings during 2003 and all members were in attendance.

Effective March 12, 2004, the Board replaced Mr. Julien with Mr. Caldwell on the Audit Committee and appointed Mr. Caldwell as chairman of the Audit Committee, replacing Mr. Cole as chairman, who remains on the Audit Committee.

The Audit Committee reviews the independence and qualifications of the Company's independent public accountants and the Company's financial policies, control procedures and accounting staff. The Audit Committee recommends to the Board the appointment of the independent public accountants and reviews and approves the Company's financial statements. The Audit Committee also reviews transactions between the Company and any officer or director or any entity in which an officer or director of the Company has a material interest. The Audit Committee is governed by a written charter approved by the Board of Directors. A copy of this charter is included in this Proxy Statement as Appendix A.

The independent public accountants have access to the Audit Committee without any other members of management being present. In addition to its formal meetings, members of the Audit Committee met with management and the independent accountants before each of the quarterly earnings announcements during 2003. The Audit Committee reviewed the Company's annual financial results and the Company's periodic reports to the Securities and Exchange Commission before filing.

The Board has determined that John Caldwell qualifies as an "audit committee financial expert," as defined in the rules of the Securities and Exchange Commission.

Operational Audit Committee

In December 2002, the Board of Directors created an Operational Audit Committee, and appointed Messrs' Caldwell and Julien as the members of this committee. The Operational Audit Committee met three times in 2003 and each member was in attendance. The Operational Audit Committee is responsible for reviewing the operational metrics of the Company. The operational audit committee meets with department directors to review progress against goals.

Compensation Committee

The Compensation Committee consists of Norman Schipper, John Caldwell, Stephen Cole, Hubert d'Amours, and Andre Julien. Mr. Julien currently serves as Chairman of the Compensation Committee. The Compensation Committee held one meeting during 2003 and all members were in attendance. The Compensation Committee is responsible for establishing the compensation of the Company's directors, officers and other managerial personnel, including salaries, bonuses, termination arrangements and other benefits. In addition, the Compensation Committee administers the Company's 1993 Stock Option Plan, 1997 Employee Stock Option Plan, 1997 Non-employee Director Stock Option Plan, and 1997 Non-employee Directors' Fee Plan.

Each of these committees has the responsibilities set forth in written charters adopted by the Board. The Company makes available on its website located at www.faro.com copies of each of these charters free of charge. The Company is not including the information contained on or available through its website as a part of, or incorporating such information by reference into, this proxy statement. The Company's Audit Committee charter is attached to this proxy statement as Appendix A.

Report of the Audit Committee

Under the guidance of a written charter adopted by the Board of Directors, the Audit Committee is responsible for overseeing the company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the system of internal controls and the financial reporting process. The independent accountants have the responsibility to express an opinion on the financial statements based on an audit conducted in accordance with generally accepted auditing standards. The Audit Committee has among other things the responsibility to monitor and oversee these processes.

The Audit Committee selected Ernst & Young LLP to serve as Company's independent auditors for the current fiscal year. That firm has discussed with the Committee and provided written disclosures to the Committee on (1) that firm's independence as required by the Independence Standards Board and (2) the matters required to be communicated under auditing standards generally accepted

in the United States. The Audit Committee also considered the compatibility of non-audit services with the auditors' independence

The Committee reviewed with the independent accountants the overall scope and specific plans for its audit. Without management present, the Committee met separately with the independent accountants to review the results of their examinations, their evaluation of the company's internal controls, and the overall quality of the Company's accounting and financial reporting. The Committee reviewed and discussed with management and the independent accountants the Company's audited financial statements.

Following these actions, the Committee recommended to the Board that the audited financial statements be included in the company's Annual Report on Form 10-K for the year ended December 31, 2003 for filing with the Securities and Exchange Commission.

Hubert d' Amours, Audit Committee Member
Andre Julien, Audit Committee Member
Stephen Cole, Audit Committee Member (Chair)

This report is dated March 11, 2004. Effective March 12, 2004 the Audit Committee membership changed as follows:

Hubert d'Amours, Audit Committee Member
Stephen Cole, Audit Committee Member
John Caldwell, Audit Committee Member (Chair)

Report of the Operational Audit Committee

The Operational Audit Committee is responsible for monitoring the internal operational metrics of the Company.

In 2003 the Committee met with all department managers and directors from the Company's worldwide headquarters, the Company's European headquarters, and the Company's manufacturing plant in Pennsylvania. The primary basis for the review was The Company's SPC Library, a proprietary reporting system used by the Company which tracks the progress of five key goals in each department. These goals are chosen by department directors as most representative and important in tracking their progress against goals.

Following these meetings, the Committee recommended to the Board that the Committee receive the SPC Library reports each quarter, but that live meetings with worldwide management be held semi-annually.

John Caldwell, Operational Audit Committee Member (Chair)
Andre Julien, Operational Audit Committee Member

Nominations of Directors

The Board selects the director nominees to stand for election at the Company's annual meetings of shareholders and to fill vacancies occurring on the Board. Currently, the entire Board fulfills the role of the nominating committee, as the Board has not established a separate nominating committee. Each director participates in the nomination process. The Board does not have a nominating committee charter.

In selecting nominees to serve as directors, the Board will examine each director nominee on a case-by-case basis regardless of who recommended the

nominee and take into account all factors it considers appropriate. However, the Board believes the following minimum qualifications must be met by a director nominee to be recommended by the Board:

- Each director must display high personal and professional ethics, integrity and values.
- Each director must have the ability to exercise sound business judgment.
- Each director must be highly accomplished in his or her respective field, with broad experience at the administrative and/or policy-making level in business, government, education, technology or public interest.
- Each director must have relevant expertise and experience, and be able to offer advice and guidance based on that expertise and experience.
- Each director must be independent of any particular constituency, be able to represent all shareholders of the Company and be committed to enhancing long-term shareholder value.
- Each director must have sufficient time available to devote to activities of the Board and to enhance his or her knowledge of the Company's business.

The Board also believes the following qualities or skills are necessary for one or more directors to possess:

- One or more of the directors generally should be active or former chief executive officers of public or private companies or leaders of major organizations, including commercial, scientific, government, educational and other similar institutions.
- Directors should be selected so that the Board is a diverse body.

Shareholders may recommend director nominees for consideration by the Board by writing to the Chairman of the Board, care of the Secretary of Company, 125 Technology Park, Lake Mary, Florida, 32746, together with appropriate biographical information concerning each proposed nominee.

Communications with Board of Directors

Shareholders may communicate with the full Board or individual directors, by submitting such communications in writing to FARO Technologies, Inc., Attention: Board of Directors (or the individual director(s)), 125 Technology Park, Lake Mary, Florida 32746. Such communications will be delivered directly to the directors.

Director Compensation

In the 2002 meeting of the Compensation Committee the Committee amended the Non-employee Directors' Fee Plan. The amended plan took effect in 2003. Under the amended Plan, directors of the Company who are not executive officers were entitled to receive an annual retainer of $10,000, and fees of $1,200 per board or committee meeting. Chairpersons of sub-committees received an additional annual retainer of $3,000.

In 2003, non-employee directors earned the following directors' fees: Messrs. d'Amours ($19,600), Caldwell ($22,600), Cole, ($22,600), Julien ($22,600), and Schipper ($18,400).

Generally, upon election to the Board, and then annually on the day following the annual meeting of shareholders, each director who is not an executive officer is granted a stock option to acquire 3,000 shares of Common Stock. The exercise price for such shares is equal to the closing sale price of the Common Stock as reported on The Nasdaq Stock Market on the date the

director is elected or reelected to the Board, or on the date of the day following the annual meeting of shareholders for directors whose term will continue after the annual meeting. Options granted to Directors generally are granted upon the same terms and conditions as options granted to executive officers and employees. Additionally, the Company's 1997 Non-employee Directors' Fee Plan permits non-employee directors to elect to receive directors' fees in the form of Common Stock rather than cash. Common Stock issued in lieu of cash directors' fees are issued at the end of the quarter in which the fees are earned, with the number of shares being based on the fair market value of the Common Stock for the five trading days immediately preceding the last business day of the quarter. Directors may defer the receipt of fees for federal income tax purposes, whether payable in cash or in Common Stock.

Code of Business Conduct and Ethics

The Board of Directors has adopted a Code of Ethics that is applicable to its principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. The Code of Ethics is available on the Internet web site at www.faro.com. The Company is not including the information contained on or available through its website as a part of, or incorporating such information by reference into, this proxy statement.

SECTION 16 (a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

During 2003, the executive officers and directors of the Company filed with the Securities and Exchange Commission (the "Commission") on a timely basis all required Forms 3, 4 and 5 pursuant to Section 16 (a) of the Securities Exchange Act of 1934 except as follows: Option grants received by Hubert d'Amour, Andre Julien, Norman Schipper and Stephen Cole pursuant to the 1997 Non-Employee Director Stock Option Plan in May 2002 and April, 2003; an option grant received by John Caldwell pursuant to the 1997 Non-Employee Director Stock Option Plan in April, 2003; Stephen Cole's Form 4 reporting the sale of 50,000 shares for $8.73 in July, 2003; Andre Julien's Form 5 reporting the sale of 22,972 shares in September and October, 2003, a Form 4 reporting the sale of 15,554 shares in December, 2003, a Form 4 reporting the sale of 1,111 shares in November, 2003, a Form 4 reporting the sale of 2,222 shares in November, 2003, a Form 4 reporting the sale of 3,332 in October and November, 2003, a Form 4 reporting the sale of 15,553 shares in September, 2003, and a Form 4 reporting the sale of 8,544 shares in May, 2003. Each of these forms subsequently were filed. The Company has relied on the written representation of its executive officers and directors and copies of the reports they have filed with the Commission in providing this information.

SECURITY OWNERSHIP OF MANAGEMENT AND PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock as of the Record Date (except as noted) by each person known to the Company to own beneficially more than five percent of the Company's Common Stock, each director, each nominee for election as a director, each named executive officer identified in the Summary

Compensation Table below, and all executive officers and directors as a group.

Name of Beneficial Owner	Beneficially Owned	
	Shares	Percent
Simon Raab, Ph.D.(1)	2,504,329	18.3%
Gregory A. Fraser, Ph.D.(2)	412,685	3.0%
Hubert d'Amours (3)	79,395	*
Andre Julien (4)	47,640	*
Norman H. Schipper, Q.C.(5)	22,000	*%
Stephen R. Cole (6)	38,076	*
John Caldwell (7)	3,174	*
Allen Sajedi (8)	5,450	*
Joanne M. Karimi (9)	7,450	*
Jim West (10)	15,117	*
All directors and executive officers as a group (10 persons)	3,135,316	22.6%

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* Represents less than one percent of the Company's outstanding Common Stock.

(1) Includes 2,084,108 shares held by Xenon Research, Inc. ("Xenon"), and includes options to purchase (i) 58,500 shares at $3.64 per share and (ii) 90,000 shares at $2.23 per share that are exercisable currently or within 60 days. Does not include options to purchase 90,000 shares at $2.23 per share that are not exercisable. Simon Raab and

Diana Raab, his spouse, own all of the outstanding capital stock of Xenon.

(2) Includes options to purchase (i) 18,500 shares at $3.31 per share and (ii) 60,000 shares at $2.16 per share that are exercisable currently or within 60 days. Does not include options to purchase 60,000 shares at $2.16 per share that are not exercisable within 60 days.

(3) Includes 15,035 notional shares subject to the terms of 1997 Non-Employee Directors' Fee Plan, and options to purchase (i) 3,000 shares at 3.13 per share, (ii) 3,000 shares at $2.57 per share, (iii) 2,000 shares at $2.46 per share, and (iv) 1,000 shares at $4.42 per share that are exercisable currently or within 60 days. Does not include options to purchase (i) 1,000 shares at $2.46 per share or (ii) 2,000 shares at $4.42 per share that are not exercisable within 60 days.

(4) Includes 14,640 notional shares subject to the terms of the 1997 Non-Employee Directors' Fee Plan, and includes options to purchase (i) 3,000 shares at $4.88 per share, (ii) 3,000 shares at $3.13 per share, (iii) 3,000 shares at $2.57 per share, (iv) 23,000 shares at $2.49 per share and (v) 1,000 shares at $4.42 per share that are exercisable currently or within 60 days. Does not include options to purchase (i) 1,000 shares at $2.49 per share or (ii) 2,000 shares at $4.42 per share that are not exercisable within 60 days.

(5) Includes options to purchase (i) 3,000 shares at $4.88 per share, (ii) 3,000 shares at $3.13 per share, (iii) 3,000 shares at $2.57 per share,

(iv) 12,000 shares at $2.21 per share, (v) 1,000 shares at $4.42 per share that are exercisable currently or within 60 days. Does not include options to purchase (i) 2,000 shares at $2.21 or (ii) 2,000 shares at $4.42 per share that are not exercisable within 60 days.

(6) Includes 5,091 notional shares subject to the terms of the 1997 Non-Employee Directors' Fee Plan and and includes options to purchase (i) 3,000 shares at $2.75 per share, (ii) 2,000 shares at $2.57 per share, and (iii) 1,000 shares at $4.42 per share that are exercisable currently or within 60 days. Also includes 30,524 shares owned by Snow Powder Ridge Limited, all the capital stock of which is owned by Mr. Cole's wife and 2,461 shares held in trust for Snow Powder Ridge Limited. Does not include options to purchase (i) 1,000 shares at $2.57 per share or (ii) 2,000 shares at $4.42 per share that are not exercisable within 60 days.

(7) Includes 1,174 notional shares subject to the terms of the 1997 Non-Employee Directors' Fee Plan and includes options to purchase (i) 1,000 shares at $1.61 per share and (ii) 1,000 shares at $4.42 per share. Does not include options to purchase (i) 2,000 shares at $1.61 per share or (ii) 2,000 shares at $4.42 that are not exercisable within 60 days.

(8) Includes options to purchase 3,450 shares at $27.40 per share that are exercisable currently or within 60 days. Does not include options to purchase (i) 6,668 shares at $1.50 per share or (ii) 3,450 shares at $27.40 that are not exercisable within 60 days.[

(9) Includes options to purchase 3,450 shares at $27.40 that are exercisable currently or within 60 days. Does not include options to purchase (i) 4,000 shares at $1.50, (ii) 7,334 shares at $2.49 per share, or (iii) 3,450 shares at $27.40 that are not exercisable within 60 days.

(10) Includes options to purchase 3,450 shares at $27.40 per share that are exercisable currently or within 60 days. Does not include options to purchase (i) 11,667 shares at $2.25 per share or (ii) 3,450 shares at $27.40 per share that are not exercisable within 60 days.

EXECUTIVE COMPENSATION

The following table describes the compensation paid during the last fiscal year to our Chief Executive Officer and our four other most highly compensated executive officers and key employees that are not executive officers:

Summary Compensation Table

		Annual Compensation			Long T Compens
Name and Positions	Year	Salary	Bonus	Other Annual Compensation	Shares Un Options
Simon Raab	2003	$ 288,000	$ 41,250	--	
Chief Executive Officer,	2002	$ 275,000	--	--	180,
Chairman, and President	2001	$ 235,600	--	--	
Gregory A. Fraser, Ph.D	2003	$ 193,000	$ 27,600	--	
Executive Vice President,	2002	$ 184,000	--	--	120,

Secretary, and Treasurer	2001	$ 184,000	--	--	
Allen Sajedi	2003	$ 184,800	$ 16,210	--	
Vice President, Research	2002	$ 162,200	--		
& Development	2001	$ 156,000	--	--	20,
Jim West	2003	$ 176,800	21,652		
Vice President,	2002	$ 170,000	--		
Product Development, Laser	2001	$ --	--		
Joanne M. Karimi	2003	$ 117,800	$ 16,840	--	
Vice President,	2002	$ 112,300	--		
Human Resources	2001	$ 98,000	$ 17,200	--	34,

Option Grants in 2003

No stock options were granted to our executive officers in 2003.

Aggregated Option Exercises in 2003 and Option Values at December 31, 2003

The following table sets forth information with respect to aggregate stock option exercises by the executive officers and key employees named in the Summary Compensation Table during 2003 and the year-end value of unexercised options held by such executive officers.

Name	Number of Shares Acquired on Exercise	Value Realized ($)	Number of Unexercised Options/SARs At FY End (#)	Value of Unexercised In the Money Options/SARs a FY End ($)(1)	
				Exercisable	Unexer
Simon Raab (2)	41,500	$ 346,940	238,500	$3,295,890	$2,04
Gregory A. Fraser (3)	41,500	$ 360,635	138,500	$1,770,095	$1,36
Allen Sajedi (4)	35,363	$ 587,749	6,668	$ --	$ 15
Jim West (5)	11,667	$ 94,619	23,333	$ --	$ 53
Joanne M. Karimi (6)	27,666	$ 237,026	11,334	$ --	$ 25

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(1) Based on the closing price of $24.98 per share of the Company's Common Stock on December 31, 2003 as quoted on The Nasdaq Stock Market.

(2) Of the 238,500 stock options held by Mr. Raab, 58,500 were granted on December 9, 1998, expire on December 9, 2008, and are currently exercisable; 180,000 were granted on May 29, 2002, expire on May 29, 2012 and are exercisable as to

90,000 shares immediately and 45,000 on each of May 29, 2004 and 2005.

(3) Of the 138,500 stock options held by Mr. Fraser, 18,500 were granted on December 9, 1998, expire on December 9, 2008, and are currently exercisable; 120,000 were granted on May 27, 2002, expire on May 27, 2012 and are exercisable as to 60,000 shares immediately and 30,000 on each of May 27, 2004 and 2005.

(4) Of the 6,668 stock options held by Mr. Sajedi, all were granted on October 31, 2001, expire on October 31, 2011 and all are exercisable on October 31, 2004.

(5) Of the 23,333 stock options held by Mr. West, all were granted on January 16, 2002, expire on January 15, 2012 and are exercisable as to 11,667 shares on January 16, 2004 and the remaining on January 16, 2005.

(6) Of the 11,334 stock options held by Ms. Karimi, 7,334 were granted on July 22, 2001, expire on July 22, 2011 and all are exercisable on July 22, 2004; 4,000 were granted on October 31, 2001, expire on October 31, 2011 and all are exercisable on October 31, 2004.

Report by the Compensation Committee Report on Executive Compensation

The Company's executive compensation program is administered by the Compensation Committee of the Board, which has responsibility for all aspects of the compensation program for the executive officers of the Company. A component of overall compensation is the granting of stock options, the award of which is made by the Compensation Committee and is discussed in "Long-Term Stock Incentives," below. The Compensation Committee consists of Norman Schipper, John Caldwell, Stephen Cole, Hubert d'Amours, and Andre Julien.

The Compensation Committee's primary objective with respect to executive compensation is to establish programs that attract and retain key managers and align their compensation with the Company's overall business strategies, values, and performance. To this end, the Compensation Committee established and the Board endorsed an executive compensation philosophy for 2003, which included the following considerations:

- a "pay-for-performance" feature that differentiates compensation results based upon organizational results and overall performance against plan; and

- stock incentives, in certain cases, as a component of total compensation in order to closely align the interests of the Company's executives with the long-term interests of shareholders which facilitates retention of talented executives and encourages Company stock ownership and capital accumulation; and emphasis on total compensation vs. cash compensation, under which base salaries are generally set competitive levels in order to motivate and rewardCompany executives with total compensation (including incentive programs) at or above competitive levels, if the financial performance of the Company meets or exceeds goals established for the year.

For 2003, the Company's executive compensation program was comprised of the following primary components: (a) base salaries; (b) annual cash incentive opportunities; and (c) long-term incentive opportunities in the form of previously granted stock options. Each primary component of pay is discussed below.

Base Salaries. Base salaries paid to its executive officers are subject to annual review and adjustment on the basis of individual and Company performance, level of responsibility, individual experience, and competitive, inflationary, and internal equity considerations. The base salary for Simon Raab, the Company's President and Chief Executive Officer, was increased $14,000, or 5% in 2003 compared to 2002 based upon such factors as the Company's profitability, competition in the market, and overall economic conditions in 2003. The Compensation Committee generally attempts to set base salaries of executive officers at levels that are competitive in order to attract, motivate, and

retain Company executives. In addition, both short-term and long-term incentives are used to focus and motivate Company executives and are also tied to both individual and overall company performance. Compensation is based on information contained in Compensation surveys and reflects pay levels, mixes and practices in other companies of similar make-up relative to industry, number of employees and revenues.

Annual Cash Incentives. Company executives are eligible to receive annual cash bonus awards to focus attention on achieving key goals pursuant to bonus plans designed to provide competitive incentive pay only in the event such objectives are met or exceeded. The objectives include specific targets for earnings as reflected in the Company's financial plan submitted by management and approved by the Compensation Committee and the Board based on a variety of factors, including viability of the target growth rate and amount of earnings appropriate to satisfy shareholder expectations.

During the year ended December 31, 2003, the Compensation Committee awarded up to 50% of the annual cash incentive potential to its executives.

Long-Term Stock Incentives. Long-term stock incentives, which are a component of compensation, are awarded by the Compensation Committee of the Board. The Compensation Committee administers the 2004 Plan as well as the Company's other stock-based plans (collectively referred to as the "Plans"), and determines the recipients of the nonqualified and incentive Plans and non-Plan stock options and the exercise price of such stock options on the date of grant.

Grants to executives under the plans are determined by the Compensation Committee and are designed to align a portion of the executive compensation package with the long-term interests of the Company's shareholders by providing an incentive that focuses attention on managing the Company from the perspective of an owner with an equity stake in the business.

Incentive stock options and nonqualified stock options are granted for terms up to ten years, and are designed to reward exceptional performance with a long-term benefit, facilitate stock ownership, and deter recruitment of key Company personnel by competitors and others. In evaluating annual compensation of executive officers, the Compensation Committee takes into consideration the stock options as a percentage of total compensation, consistent with its philosophy that stock incentives more closely align the interests of company managers with the long-term interests of shareholders, and takes the number of options granted to an executive officer into consideration in determining base salaries of executive officers. In granting stock options to executive officers, the Compensation Committee considers the number and size of stock options already held by an executive officer when determining the size of stock option awards to be made to the officer in a given fiscal year.

At March 17, 2003 the executive officers appearing in the Summary Compensation Table held stock or currently held the right to acquire stock representing 22.6% of the Company's outstanding Common Stock.

Section 162(m). Section 162(m) to the Internal Revenue Code of 1986, as amended (the "Code"), which prohibits a deduction to any publicly held corporation for compensation paid to a "covered employee" in excess of $1 million per year (the "Dollar Limitation"). A covered employee is any employee who appears in the Summary Compensation Table who is also employed by the Company on the last day of the Company's calendar year. The Compensation Committee may consider alternatives to its existing compensation programs in the future with respect to qualifying executive compensation for deductibility.

As described above, the Company's executive compensation program provides a link between total compensation and the Company's performance and long-term stock price appreciation consistent with the compensation philosophies set forth above. This program has been established since the Company's establishment of its first stock option plan in 1993, and has been a significant factor in the Company's growth and profitability and the resulting gains achieved by the Company's shareholders.

April 7, 2004 Compensation Committee

Hubert d'Amours
Andre Julien
Norman Schipper
Stephen Cole
John Caldwell

Compensation Committee Interlocks and Insider Participation

The Compensation Committee currently consists of Messrs. Hubert d'Amours, Andre Julien, Norman Schipper, Stephen Cole, John Caldwell, Simon Raab, and Gregory Fraser. Currently, Mr. Julien serves as Chairman of the Committee. There were no transactions during the year ended December 31, 2003 between the Company and members of the Compensation Committee or entities in which they own an interest, other than as disclosed in CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, below.

NEW PLAN BENEFITS

The Company cannot currently determine the number of awards or the type of awards that may be granted to eligible participants under the 2004 Plan in the future. Such determinations will be made from time to time by the Committee.

On March 17, 2004, the last sale price per share of the Common Stock on the Nasdaq Stock Market was $23.32.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information regarding compensation plans under which equity securities of the Company are authorized for issuance as of December 31, 2003.

Plan Category	Number of Securities To be Issued upon Exercise of Outstanding Options, Warrants, and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants, and Rights	A Fu
Equity compensation plans approved by security holders	978,952	$ 2.42	
Equity compensation plans not approved by security holders	--	--	
Total	978,952	$ 2.42	

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company leases its headquarters from Xenon Research, Inc. ("Xenon"), all of the issued and outstanding capital stock of which is owned by Simon Raab, the Company's President and Chief Executive Officer, and Diana Raab, his spouse. The term of the lease expires on February 28, 2006, and the Company has two five-year renewal options. Base rent under the lease was $398,000 for 2003. Base rent during renewal periods will reflect changes in the U.S. Bureau of Labor statistics consumer Price Index for all Urban Consumers. The terms of the lease were approved by an independent committee of the Company's Board of Directors upon review of an independent market study of comparable rental rates and such terms are, in the opinion of the Board of Directors, no less favorable than those that could be obtained on an arm's-length basis.

In connection with the Company's acquisition in January 2002 of SpatialMetrix, Inc., the Company engaged Cole and Partners, a mergers and acquisition and corporate finance advisory service firm, to serve as the Company's financial advisor. Stephen Cole, one of the Company's directors, is the founding Partner and President of Cole and Partners. For its services, Cole and Partners charged the Company fees of $450,000, of which $302,000 were paid in 2002.

PERFORMANCE GRAPH

The following line graph compares the cumulative five-year Common Stock returns with the cumulative returns return of the Dow Jones Equity Market Index and the Dow Jones Industrial Technology Index.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN*
AMONG FARO TECHNOLOGIES, INC.,
THE DOW JONES US TOTAL MARKET INDEX
AND THE DOW JONES ADVANCED INDUSTRIAL EQUIPMENT INDEX

[LINE GRAPH OMITTED]

Date	Faro	Dow	Dow Adv
31-Dec-98	$100.00	$100.00	$100.00
31-Dec-99	$75.19	$125.22	$156.07
31-Dec-00	$76.73	$117.49	$150.42
31-Dec-01	$57.29	$109.15	$78.43
31-Dec-02	$48.34	$90.85	$53.32
31-Dec-03	$638.87	$113.86	$79.84

* Assumes $100 Invested on December 31, 1998

INDEPENDENT PUBLIC ACCOUNTANTS

Ernst & Young LLP, independent public accountants, audited the Company's consolidated financial statements for the fiscal year ended December 31, 2003.

Ernst & Young LLP has been selected by the Audit Committee to serve as the Company's independent auditors for the current fiscal year. Representatives of Ernst & Young LLP will be present at the Annual Meeting to respond to appropriate questions and to make a statement, if they so desire.

Fees Paid to Ernst & Young LLP

During the fiscal year ended December 31, 2003, Ernst & Young LLP was employed principally to perform the annual audit and to render audit-related and tax services. Pursuant to the Audit Committee charter, all Ernst & Young LLP services must be pre-approved by the Audit Committee. Fees paid to Ernst & Young LLP for each of the last two fiscal years are listed in the following table.

	2003	2002
Audit Fees(1)	$ 464,245	$ 384,021
Audit-related fees(2)	$ 19,000	$ 71,744
Tax Fees(3)	$ 644,723	$ 553,317
All Other Fees	$ 0	$ 0
Total	$1,127,968	$1,009,082

(1) Audit of annual financial statements, review of financial statements included in Quarterly Reports on Form 10-Q, and fees in connection with the Company's Form S-3 registration statement (File No. 333-110670).

(2) Primarily due diligence work and employee benefit plan audits.

(3) Tax return preparation and tax consulting.

The Audit Committee has concluded that Ernst & Young LLP's provision of the audit and permitted non-audit services described above is compatible with maintaining Ernst & Young LLP's independence. Beginning in May 2003, the Audit Committee pre-approved all of such services. The Audit Committee has established pre-approval policies and procedures with respect to audit and permitted non-audit services to be provided by its independent auditors. Pursuant to these policies and procedures, the Audit Committee may form, and delegate authority to, subcommittees consisting of one or more members when appropriate to grant such pre-approvals, provided that decisions of such subcommittee to grant pre-approvals are presented to the full Audit Committee at its next scheduled meeting. The Audit Committee's pre-approval policies do not permit the delegation of the Audit Committee's responsibilities to management.

DEADLINE FOR RECEIPT OF SHAREHOLDER PROPOSALS

The deadline for submission of shareholder proposals pursuant to Rule 14a-8 under the Securities Exchange Act of 1934 ("Rule 14a-8") for inclusion in the Company's proxy statement for its 2005 Annual Meeting of Shareholders is December 10, 2004. Notice to the Company of a shareholder proposal submitted otherwise than pursuant to Rule 14a-8 will be considered untimely, and the persons named in proxies solicited by the Board of Directors of the Company for its 2005 Annual Meeting of Shareholders may exercise discretionary voting power

with respect to any such proposal if received by the Company after March 12, 2005 (assuming a May 11, 2005 meeting date).

OTHER MATTERS

If any other matters shall come before the Annual Meeting, the persons named in the proxy, or their substitutes, will vote thereon in accordance with their judgment. The Board does not know of any other matters which will be presented for action at the meeting.

By Order of the Board of Directors

April 12, 2004

/s/ GREGORY A. FRASER, Ph.D.

GREGORY A. FRASER, Ph.D.
Secretary

APPENDIX A

Faro Technologies Inc.
Audit Committee Charter

MISSION STATEMENT

The Audit Committee will assist the Board of Directors in fulfilling its oversight responsibilities. The Committee's primary purpose is to provide oversight regarding the accounting and financial reporting process, the system of internal control, the audit process, and the Company's process for monitoring compliance with laws and regulations.

ORGANIZATION

- The Committee shall be comprised of three or more directors as determined by the Board
- All members of the Committee shall meet the general independence, experience and financial understanding requirements of the Nasdaq Stock Market, Inc. ("Nasdaq"), Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations of the Securities and Exchange Commission (the "SEC")
- At least one member of the Committee shall be an "audit committee financial expert" as defined by the SEC
- Committee members shall not simultaneously serve on the audit committees of more than two other public companies
- The Committee shall meet as frequently as circumstances dictate (but not less frequently than quarterly).
- The Committee shall meet periodically in executive session with management (including the chief financial officer and chief accounting officer), the internal audit staff and the independent auditor and shall have such other direct and independent interaction with such persons from time to time as the members of the Committee deem appropriate

- The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

- The members of the Committee shall be appointed by the Board annually or as necessary to fill vacancies on the recommendation of the Company's Nominating and Corporate Governance Committee (or, in the absence of such a committee, the full Board)

- The Chairperson of the Committee shall be appointed by the Board upon recommendation of the Nominating and Corporate Governance Committee and in consultation with the Chairman of the Board (or, in the absence of such a committee, the full Board)

- The Chairperson will chair all regular sessions of the Committee and, in consultation with the Company's management, set the agenda for Committee meetings; provided that in the Chairperson's absence, the Chairperson's responsibilities may be undertaken by another member of the Committee

- Any member of the Committee may call meetings of the Committee

ROLES AND RESPONSIBILITIES

Internal Control

- Review and reassess the adequacy of this Charter annually, with the assistance of counsel, if appropriate, with an emphasis on compliance with any new SEC or Nasdaq rules and considering other developments as appropriate

- Submit the Charter to the Board for approval annually and have the Charter published in the Company's proxy statement at least every three years or as otherwise appropriate in accordance with the SEC's rules and regulations

- Discuss with management its efforts to communicate the importance of internal control

- Discuss annually with management and the external auditors the extent to which the external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of a systems breakdown; advise the Board of, or otherwise address, any significant issues or recommendations

- Determine by discussion with management whether internal control recommendations made by the external auditors have been implemented by management; request that, in connection with the Company's next financial statement audit, the external auditors advise the Committee of whether the recommendations were implemented to the satisfaction of the external auditors

- Review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

Financial Reporting

General

- Request that management and/or the Company's or the Committee's outside experts periodically update the Committee about significant accounting and reporting issues, including recent professional and regulatory pronouncements

- At least annually, ask management and the external auditors about significant risks and exposures and the plans to minimize such risks; request that management and the external auditors provide updates to the Committee as appropriate

- Review major changes to the Company's accounting principles as suggested by the external auditors or management

- Review and discuss with management and the external auditors the quarterly and annual earnings press releases; provided that the responsibility for such review may be delegated to one or more members of the Committee

Annual Financial Statements

- Review and discuss with management and the external auditors the annual audited financial statements to be included in the Company's annual report on Form 10-K; and, based on the foregoing review and discussion, recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K

- Review and discuss with management and the external auditors the management's discussion and analysis ("MD&A") and other sections of the annual report before its release

Interim Financial Statements

- Consult with management and the external auditors, as appropriate, regarding matters related to the preparation of quarterly financial information

- Review and discuss with management the interim financial statements and MD&A included in each quarterly Form 10-Q prior to filing thereof with the SEC; provided that the responsibility for such review may be delegated to one or more members of the Committee

Compliance with Laws and Regulations

- Periodically obtain updates from management, general counsel, and tax director regarding compliance with applicable laws and regulations and applicable internal conflict of interest policies and procedures

- Periodically receive updates from management and the external auditors regarding regulatory compliance matters

- Periodically receive updates from management regarding the findings of any examinations by regulatory agencies that may have a material

impact on the financial statements, such as the SEC

- Approve all related-party transactions to the extent required by the rules and regulations of Nasdaq

External Audit

- Appoint, retain and, as appropriate, terminate the Company's external auditors (such actions shall be taken in the Committee's sole discretion); the external auditors shall report directly to the Committee

- Approve in its sole discretion the compensation to be paid to and oversee the work of the external auditors (including resolution of disagreements between management and the external auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work

- Pre-approve (which pre-approval may be pursuant to pre-approval policies and procedures established by the Committee) all auditing services, internal control-related services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its external auditors, subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act; provided that the Committee may delegate authority to grant pre-approvals of audit and permitted non-audit services to one or more of its members, provided that decisions of such member or members to grant pre-approvals shall be presented to the full Committee at its next scheduled meeting

- Meet with the external auditors prior to the audit and review the external auditors' proposed audit scope, staffing and approach

- Ensure the receipt of formal written reports from the external auditors regarding the auditors' independence, and delineating all relationships between the auditors and the Company, consistent with Independence Standards Board Standard No. 1, and discuss such reports with the auditors; it is the responsibility of the Committee to take such action as may be necessary to ensure the independence of the external auditors

- Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law

- Set clear policies for the hiring by the Company of employees or former employees of the external auditors who participated in any capacity in the audit of the Company

- Discuss with the external auditors the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit

- Review and discuss reports from the external auditors on:

  - All critical accounting policies and practices to be used

  - All alternative treatments of financial information within

generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors

- Other material written communications between the external auditors and management, such as any management letter or schedule of unadjusted differences

Other Responsibilities

- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters

- Maintain minutes or other records of meetings and activities of the Committee

REPORTING RESPONSIBILITIES

- Report regularly to the Board with respect to matters as are relevant to the Committee's discharge of its responsibilities and such recommendations as the Committee may deem appropriate, which report may take the form of an oral report by the Committee's Chairperson or any other member of the Committee designated by the Committee to make such report

- Prepare, with the assistance of counsel if appropriate, the report required by the rules and regulations of the SEC to be included in the Company's annual proxy statements

OTHER AUTHORITY AND RESOURCES

The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the external auditors for the purpose of rendering or issuing an audit report or performing related services and to any advisors employed by the Committee. The Company shall also provide appropriate funding, as determined by the Committee, for ordinary administrative expenses incurred by the Committee in carrying out its duties. The Committee shall not delegate any of its responsibilities to a subcommittee or member of the Committee, except as set forth in this Charter.

LIMITATION OF THE COMMITTEE'S ROLE

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the external auditors.

APPENDIX B

FARO TECHNOLOGIES, INC.

2004 EQUITY INCENTIVE PLAN

Section 1. Purpose

The purpose of the FARO Technologies, Inc. 2004 Equity Incentive Plan (the "Plan") is to promote the best interests of FARO Technologies, Inc. (together with any successor thereto, the "Company") and its shareholders by providing Employees and non-employee directors of the Company and its Affiliates (as defined below) with an opportunity to acquire a proprietary interest in the Company. It is intended that the Plan will promote continuity of management and increased incentive and personal interest in the welfare of the Company by those Employees who are primarily responsible for shaping and carrying out the long-range plans of the Company and securing the Company's continued growth and financial success. In addition, by encouraging stock ownership by directors who are not employees of the Company or its Affiliates, the Company seeks to attract and retain on its Board of Directors persons of exceptional competence and to provide a further incentive to serve as a director of the Company.

Section 2. Definitions

As used in the Plan, the following terms shall have the respective meanings set forth below:

(a) "Affiliate" shall mean any entity that, directly or through one or more intermediaries, is controlled by, controls, or is under common control with, the Company.

(b) "Award" shall mean any Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Share or Performance Unit granted under the Plan.

(c) "Award Agreement" shall mean any written agreement, contract, or other instrument or document evidencing any Award granted under the Plan.

(d) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time. Any reference to a specific provision of the Code shall also be deemed a reference to any successor provision thereto.

(e) "Commission" shall mean the United States Securities and Exchange Commission or any successor agency.

(f) "Committee" shall mean a committee of the Board of Directors of the Company designated by such Board to administer the Plan and comprised solely of not less than two directors, each of whom will be a "non-employee director" within the meaning of Rule 16b-3 and each of whom will be an "outside director" within the meaning of Section 162(m)(4)(C) of the Code; provided that the mere fact that the Committee shall fail to qualify under the foregoing requirements shall not invalidate any Award made by the Committee that is otherwise validly made under the Plan, unless the Committee is aware at the time of the Award's grant of the Committee's failure to so qualify.

(g) "Dividend Equivalent" shall mean a right, granted to a Participating Employee or a Non-Employee Director under the Plan, to receive cash equal to the cash dividends paid with respect to a specified number of Shares. Dividend Equivalents shall not be deemed to be Awards under the Plan.

(h) "Employee" shall mean any employee of the Company or any of its subsidiaries.

(i) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(j) "Excluded Items" shall mean any items which the Committee determines shall be excluded in fixing Performance Goals, including, without limitation, any gains or losses from discontinued operations, any extraordinary gains or losses and the effects of accounting changes.

(k) "Fair Market Value" shall mean, with respect to any property (including, without limitation, any Shares or other securities), the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee.

(l) "Incentive Stock Option" shall mean an option granted under Section 6(a) of the Plan that is intended to meet the requirements of Section 422 of the Code.

(m) "Non-Employee Director" shall mean a director of the Company or any Affiliate who is not an employee of the Company or any Affiliate.

(n) "Non-Qualified Stock Option" shall mean an option granted under Section 6(a) of the Plan that is not intended to be an Incentive Stock Option.

(o) "Option" shall mean an Incentive Stock Option or a Non-Qualified Stock Option.

(p) "Participating Employee" shall mean a Employee designated by the Committee to be granted an Award under the Plan.

(q) "Performance Goals" shall mean each of, or a combination of one or more of, the following (in all cases after excluding the impact of applicable Excluded Items):

(i) Return on equity;

(ii) Return on investment;

(iii) Return on net assets;

(iv) Return on revenues;

(v) Operating income;

(vi) Performance value added (as defined by the Committee at the time of selection);

(vii) Pre-tax profits;

(viii) Net income;

(ix) Net income per Share;

(x) Working capital as a percent of net revenues;

(xi) Net cash provided by operating activities;

(xii) Market price per Share;

(xiii) Total shareholder return;

(xiv) Key operational measures, which shall be deemed to

include new customer origination, customer penetration, customer satisfaction, employee safety, market share, plant utilization, cost containment, and cost structure reduction.

(xv) Cash flow or cash flow per share;

(xvi) Reserve value or reserve value per share;

(xvii) Net asset value or net asset value per share;

(xviii) Production volumes; and

(xix) Product and technology developments and improvements.

measured in each case for the Performance Period (aa) for the Company on a consolidated basis, (bb) for any one or more Affiliates or divisions of the Company, where appropriate, and/or (cc) for any other business unit or units of the Company or any Affiliate, where appropriate, as defined by the Committee at the time of selection; provided that it shall only be appropriate to measure net earnings per Share and market price per Share on a consolidated basis.

(r) "Performance Period" shall mean, in relation to Performance Shares or Performance Units, any period for which a Performance Goal or Goals have been established; provided, however, that such period shall not be less than one year.

(s) "Performance Share" shall mean any right granted under Section 6(e) of the Plan that will be paid out in cash, as a Share (which, in specified circumstances, may be a Share of Restricted Stock) or as a Restricted Stock Unit, which right is contingent on the achievement of one or more Performance Goals during a specified Performance Period.

(t) "Performance Unit" shall mean any right granted under Section 6(e) of the Plan to receive a designated dollar value amount in cash, Shares (which, in specified circumstances, may be a designated dollar value amount of Shares of Restricted Stock) or Restricted Stock Units, which right is contingent on the achievement of one or more Performance Goals during a specified Performance Period.

(u) "Person" shall mean any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, or government or political subdivision thereof.

(v) "Released Securities" shall mean Shares of Restricted Stock with respect to which all applicable restrictions have expired, lapsed, or been waived.

(w) "Restricted Securities" shall mean Awards of Restricted Stock or other Awards under which issued and outstanding Shares are held subject to certain restrictions.

(x) "Restricted Stock" shall mean any Share granted under Section 6(c) of the Plan or, in specified circumstances, a Share paid in connection with another Award, with such Share subject to risk of forfeiture and restrictions on transfer or other restrictions that will lapse upon the achievement of one or more goals relating to completion of service by the Employee or Non-Employee Director or the achievement of performance or other objectives, as determined by the Committee.

(y) "Restricted Stock Unit" shall mean any right to receive Shares in the future granted under Section 6(d) of the Plan or paid in connection with another Award, with such right subject to risk of forfeiture and restrictions on transfer or other restrictions that will lapse upon the achievement of one or more goals relating to completion of service by the Employee or Non-Employee Director or the achievement of performance or other objectives, as determined by the Committee.

(z) "Rule 16b-3" shall mean Rule 16b-3 as promulgated by the Commission under the Exchange Act, or any successor rule or regulation thereto.

(aa) "Shares" shall mean shares of common stock of the Company, $.001 par value, and such other securities or property as may become subject to Awards pursuant to an adjustment made under Section 4(b) of the Plan.

(bb) "Stock Appreciation Right" shall mean any right granted under Section 6(b) of the Plan.

Section 3. Administration

The Plan shall be administered by the Committee; provided, however, that if at any time the Committee shall not be in existence, the functions of the Committee as specified in the Plan shall be exercised by a committee consisting of those members of the Board of Directors of the Company who qualify as "non-employee directors" under Rule 16b-3 and as "outside directors" under Section 162(m)(4)(C) of the Code. To the extent permitted by applicable law, the Committee may delegate to one or more executive officers of the Company any or all of the authority and responsibility of the Committee with respect to the Plan, other than with respect to Persons who are subject to Section 16 of the Exchange Act. To the extent the Committee has so delegated to one or more executive officers the authority and responsibility of the Committee, all references to the Committee herein shall include such officer or officers.

Subject to the terms of the Plan and without limitation by reason of enumeration, the Committee shall have full discretionary power and authority to: (i) designate Participating Employees and select Non-Employee Directors to be participants under the Plan; (ii) determine the type or types of Awards to be granted to each Participating Employee and Non-Employee Director under the Plan; (iii) determine the number of Shares to be covered by (or with respect to which payments, rights, or other

matters are to be calculated in connection with) Awards granted to Participating Employees or Non-Employee Directors; (iv) determine the terms and conditions of any Award granted to a Participating Employee or Non-Employee Director (provided, however, that the exercise price of any Option shall not be less than 100% of the Fair Market Value of a Share on the date of grant of such Option); (v) determine whether, to what extent, and under what circumstances Awards granted to Participating Employees or Non-Employee Directors may be settled or exercised in cash, Shares, other securities, other Awards, or other property, and the method or methods by which Awards may be settled, exercised, cancelled, forfeited, or suspended; (vi) determine whether, to what extent, and under what circumstances cash, Shares, other Awards, and other amounts payable with respect to an Award granted to Participating Employees of Non-Employee Directors under the Plan shall be deferred either automatically or at the election of the holder thereof or of the Committee; (vii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan (including, without limitation, any Award Agreement); (viii) establish, amend, suspend, or

waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (ix) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time, and shall be final, conclusive, and binding upon all Persons, including the Company, any Affiliate, any Participating Employee, any Non-Employee Director, any holder or beneficiary of any Award, any shareholder, and any employee of the Company or of any Affiliate.

Section 4. Shares Available for Award

(a) Shares Available. Subject to adjustment as provided in Section 4(b):

(i) Number of Shares Available. The number of Shares with respect to which Awards may be granted under the Plan shall be 1,750,000 Shares. If, after the effective date of the Plan, any Shares covered by an Award granted under the Plan, or to which any Award relates, are forfeited or if an Award otherwise terminates, expires or is cancelled prior to the delivery of all of the Shares or of other consideration issuable or payable pursuant to such Award, then the number of Shares counted against the number of Shares available under the Plan in connection with the grant of such Award, to the extent of any such forfeiture, termination, expiration or cancellation, shall again be available for granting of additional Awards under the Plan.

(ii) Limitations on Awards to Individual Participants. No Participating Employee shall be granted, during any calendar year, Options for more than 150,000 Shares, Stock Appreciation Rights with respect to more than 150,000 Shares, more than 105,000 Shares of Restricted Stock, more than 105,000 Restricted Stock Units, more than 105,000 Performance Shares nor more than 105,000 Performance Units under the Plan. In all cases, determinations under this Section 4(a)(ii) shall be made in a manner that is consistent with the exemption for performance-based compensation provided by Section 162(m) of the Code and any regulations promulgated thereunder.

(iii) Accounting for Awards. The number of Shares covered by an Award under the Plan, or to which such Award relates, shall be counted on the date of grant of such Award against the number of Shares available for granting Awards under the Plan.

(iv) Sources of Shares Deliverable Under Awards. Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or of treasury Shares.

(b) Adjustments. In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee to be appropriate, then the Committee may, in such manner as it may deem equitable, adjust any or all of (i) the number and type of Shares subject to the Plan and which thereafter may be made the subject of Awards under the Plan, (ii) the number and type of Shares subject to the individual participant limits of Section 4(a)(ii), (iii) the number and type of Shares subject to outstanding

Awards, and (iv) the grant, purchase, or exercise price with respect to any Award to reflect such transaction or event; or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award in exchange for cancellation of such Award or in lieu of any or all of the foregoing adjustments; provided, however, in each case, that with respect to Awards of Incentive Stock Options no such adjustment shall be authorized to the extent that such authority would cause the Plan to violate Section 422(b) of the Code; and provided further that the number of Shares subject to any Award payable or denominated in Shares shall always be a whole number.

Section 5. Eligibility

The Committee may designate any Employee as a Participating Employee. All Non-Employee Directors shall be eligible to receive, at the discretion of the Committee, Awards of Non-Qualified Stock Options pursuant to Section 6(a), Restricted Stock pursuant to Section 6(c) and Restricted Stock Units pursuant to Section 6(d).

Section 6. Awards

(a) Option Awards. The Committee may grant Options to Employees and Non-Employee Directors with the terms and conditions as set forth below and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine.

(i) Type of Option. The Committee shall determine whether an Option granted to a Participating Employee is to be an Incentive Stock Option or Non-Qualified Stock Option; provided, however, that Incentive Stock Options may be granted only to Employees of the Company, a parent corporation (within the meaning of Code Section 424(e)) or a subsidiary corporation (within the meaning of Code Section 424(f)). All Options granted to Non-Employee Directors shall be Non-Qualified Stock Options.

(ii) Exercise Price. The exercise price per Share of an Option granted pursuant to this Section 6(a) shall be determined by the Committee; provided, however, that such exercise price shall not be less than 100% of the Fair Market Value of a Share on the date of grant of such Option.

(iii) Option Term. The term of each Option shall be fixed by the Committee; provided, however, that in no event shall the term of any Option exceed a period of ten years from the date of its grant.

(iv) Exercisability and Method of Exercise. An Option shall become exercisable in such manner and within such period or periods and in such installments or otherwise as shall be determined by the Committee; provided, however, that no Option may vest and become exercisable within a period that is less than one year from the date of grant of such Option (subject to acceleration of vesting, to the extent permitted by the Committee, in the event of the Participating Employee's or Non-Employee Director's death, disability, retirement or involuntary termination or in the event of a change in control of the Company (as defined by the Committee)). The Committee also shall determine the method or methods by which, and the form or forms, including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price, in which payment of the exercise price with respect to any Option may be made or deemed to have been made.

(v) Incentive Stock Options. The terms of any Incentive Stock Option granted to a Employee under the Plan shall comply in all respects with the provisions of Section 422 of the Code and any regulations promulgated thereunder. Notwithstanding any provision in the Plan to the contrary, no Incentive Stock Option may be granted hereunder after the tenth anniversary of the adoption of the Plan by the Board of Directors.

(b) Stock Appreciation Rights. The Committee may grant Stock Appreciation Rights to Employees. Non-Employee Directors are not eligible to be granted Stock Appreciation Rights under the Plan. Subject to the terms of the Plan and any applicable Award Agreement, a Stock Appreciation Right granted under the Plan shall confer on the holder thereof a right to receive, upon exercise thereof, the excess of (i) the Fair Market Value of one Share on the date of exercise over (ii) the grant price of the Stock Appreciation Right as specified by the Committee, which shall not be less than 100% of the Fair Market Value of one Share on the date of grant of the Stock Appreciation Right. Subject to the terms of the Plan, the grant price, term, methods of exercise, methods of settlement (including whether the Participating Employee will be paid in cash, Shares, other securities, other Awards, or other property, or any combination thereof), and any other terms and conditions of any Stock Appreciation Right shall be determined by the Committee. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it may deem appropriate.

(c) Restricted Stock Awards.

(i) Issuance. The Committee may grant Awards of Restricted Stock to Employees and Non-Employee Directors.

(ii) Restrictions. Shares of Restricted Stock granted to Participating Employees and Non-Employee Directors shall be subject to such restrictions as the Committee may impose (including, without limitation,

any limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right or property), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Committee may deem appropriate.

(iii) Registration. Any Restricted Stock granted under the Plan to a Participating Employee or Non-Employee Director may be evidenced in such manner as the Committee may deem appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of Shares of Restricted Stock granted under the Plan to a Participating Employee or Non-Employee Director, such certificate shall be registered in the name of the Participating Employee or Non-Employee Director and shall bear an appropriate legend (as determined by the Committee) referring to the terms, conditions, and restrictions applicable to such Restricted Stock.

(iv) Payment of Restricted Stock. At the end of the applicable restriction period relating to Restricted Stock granted to a Participating Employee or Non-Employee Director, one or more stock certificates for the appropriate number of Shares, free of restrictions imposed under the Plan, shall be delivered to the Participating Employee or Non-Employee Director, or, if the Participating Employee or Non-Employee Director received stock

certificates representing the Restricted Stock at the time of grant, the legends placed on such certificates shall be removed.

(v) Forfeiture. Except as otherwise determined by the Committee, upon termination of employment of a Participating Employee or service as a director of a Non-Employee Director (as determined under criteria established by the Committee) for any reason during the applicable restriction period, all Shares of Restricted Stock still subject to restriction shall be forfeited by the Participating Employee or Non-Employee Director; provided, however, that the Committee may, when it finds that a waiver would be in the best interests of the Company, waive in whole or in part any or all remaining restrictions with respect to Shares of Restricted Stock held by a Participating Employee or Non-Employee Director.

(vi) Minimum Period of Service. If the right to become vested in a Restricted Stock Award granted under this Section 6(c) is conditioned on the completion of a specified period of service with the Company or its Affiliates, without achievement of Performance Goals or other performance objectives being required as a condition of vesting, and without it being granted in lieu of other compensation, then the required period of service for vesting shall be not less than three years (subject to acceleration of vesting, to the extent permitted by the Committee, in the event of the Participating Employee's or Non-Employee Director's death, disability, retirement or involuntary termination or in the event of a change in control of the Company (as defined by the Committee)).

(d) Restricted Stock Units.

(i) Issuance. The Committee may grant Awards of Restricted Stock Units to Employees or Non-Employee Directors.

(ii) Restrictions. Restricted Stock Units granted to Participating Employees or Non-Employee Directors shall be subject to such restrictions as the Committee may impose, which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Committee may deem appropriate.

(iii) Payment of Shares. At the end of the applicable restriction period relating to Restricted Stock Units granted to a Participating Employee or Non-Employee Director, one or more stock certificates for the number of Shares equal to the corresponding number of Restricted Stock Units, free of restrictions imposed under the Plan, shall be delivered to tLE="margin-top:6pt; margin-bottom:0pt; text-indent:4%; font-size:10pt; fon
interest in respect of the Notes will be made by us in immediately available funds.

The Notes will trade in DTC s Same-Day Funds Settlement System until maturity and secondary market trading activity in the Notes will settle in immediately available funds. No assurance can be given as to the effect, if any, of settlement in immediately available funds on trading activity in the Notes.

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TAX CONSIDERATIONS FOR THE 2028 NOTES AND THE 2118 NOTES

Qualified Reopening

For U.S. federal income tax purposes, we intend to treat the 2028 Notes (the 2028 Reopened Notes) as being issued in a qualified reopening of the currently outstanding 3.800% Senior Notes due 2028 (the Existing 2028 Notes), and we intend to treat the 2118 Notes (the 2118 Reopened Notes and collectively with the 2028 Reopened Notes, the Reopened Notes) as being issued in a qualified reopening of the currently outstanding 5.100% Senior Notes due 2118 (the Existing 2118 Notes and collectively with the 2028 Existing Notes, the Existing Notes). Under applicable Treasury Regulations, debt instruments issued in a qualified reopening are deemed to be part of the same issue as the original debt instruments for federal income tax purposes. Therefore, the 2028 Reopened Notes will have the same issue price and the same issue date as the 2028 Existing Notes and the 2118 Reopened Notes will have the same issue price and the same issue date as the 2118 Existing Notes. The issue price of the Existing 2028 Notes was $997.78 per $1,000 face amount, the issue price of the Existing 2118 Notes was $998.06 per $1,000 face amount, and the issue date of the Existing Notes was August 2, 2018. The remainder of this section describes in general terms the tax consequences of holding the Reopened Notes for U.S. federal income tax purposes and assumes the correctness of the tax treatment described in this paragraph. You are urged to consult your own tax advisors regarding the tax treatment for your specific situation, and regarding the election to amortize bond premium described below.

Pre-Acquisition Accrued Interest

A portion of the price paid for the Reopened Notes is attributable to the amount of interest accrued from February 1, 2019 (pre-acquisition accrued interest). To the extent a portion of a U.S. person s (as defined below under U.S. Federal Income Tax Considerations For Non-U.S. Holders) purchase price is allocable to pre-acquisition accrued interest, a portion of the first stated interest payment equal to the amount of such pre-acquisition accrued interest may be treated as a nontaxable return of such pre-acquisition accrued interest to the U.S. person. If so, the amount treated as a return of pre-acquisition accrued interest will reduce a U.S. person s adjusted tax basis in the Reopened Note by a corresponding amount.

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U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following discussion is a summary of United States federal income tax considerations generally applicable to the ownership and disposition of the Notes by a Non-U.S. Holder (as defined below). This discussion does not address specific tax consequences that may be relevant to particular persons in light of their individual circumstances (including, for example, entities treated as partnerships for United States federal income tax purposes or partners or members therein, banks or other financial institutions, broker-dealers, insurance companies, regulated investment companies, tax-exempt entities, common trust funds, certain expatriates, controlled foreign corporations, dealers in securities or currencies, accrual method taxpayers subject to special tax accounting rules as a result of their use of financial statements, and persons in special situations, such as those who hold the Notes as part of a straddle, hedge, synthetic security, conversion transaction or other integrated investment comprised of the Notes and one or more other investments). Unless otherwise stated, this discussion is limited to Non-U.S. Holders that purchase the Notes in this offering at their issue price and that hold such Notes as capital assets for United States federal income tax purposes. In addition, this discussion does not describe any tax consequences arising under United States federal gift and estate tax or other U.S. federal tax laws or under the tax laws of any state, local or foreign jurisdiction. This discussion is based upon the Internal Revenue Code of 1986, as amended (the Code), the Treasury Regulations (the Treasury Regulations) promulgated thereunder, and administrative and judicial interpretations thereof, all as of the date hereof and all of which are subject to change, possibly with retroactive effect.

Prospective purchasers of the Notes are urged to consult their tax advisors concerning the United States federal income tax consequences to them of acquiring, owning and disposing of the Notes, as well as the application of state, local and foreign income and other tax laws.

For purposes of this discussion, a Non-U.S. Holder is a beneficial owner of the Notes, other than a partnership (or entity treated as a partnership for United States federal income tax purposes), that is not a U.S. person. A U.S. person means (i) a citizen or individual resident of the United States; (ii) a corporation (including an entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate, the income of which is subject to United States federal income tax regardless of the source; or (iv) a trust, if a court within the United States is able to exercise primary supervision over the trust s administration and one or more U.S. persons have the authority to control all its substantial decisions.

Classification of the Notes. The Notes should be treated as debt for U.S. federal income tax purposes and the remainder of this discussion assumes such treatment is respected.

Payments of Interest. Subject to the discussion under Information Reporting and Backup Withholding and Foreign Account Tax Compliance Act, payments of interest on the Notes made by us or our agent to a Non-U.S. Holder generally will not be subject to United States federal withholding tax, provided that:

(1) the Non-U.S. Holder does not actually or constructively own 10 percent or more of the total combined voting power of all classes of our stock entitled to vote;

(2) the Non-U.S. Holder is not a controlled foreign corporation that is related to us, directly or indirectly, through stock ownership; and

(3) either (A) the beneficial owner of the Notes certifies to the applicable withholding agent on Internal Revenue Service (IRS) Form W-8BEN or W-8BEN-E (or successor form), under penalties of perjury, that it is not a U.S. person, provides its name and address and renews the certificate periodically as required by the applicable Treasury Regulations, or (B) the Notes are held through certain foreign intermediaries and the beneficial owner of the Notes satisfies certain certification requirements of the applicable Treasury Regulations and, in either case, such withholding agent does not have actual knowledge or reason to know that such beneficial owner is a U.S. person.

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If a Non-U.S. Holder cannot satisfy the requirements of the exemption described above, payments of interest made to such Non-U.S. Holder will be subject to a 30% withholding tax unless the beneficial owner of the Notes provides the applicable withholding agent with a properly executed:

(1) IRS Form W-8BEN or W-8BEN-E (or successor form) claiming an exemption from withholding or reduced rate of tax under an applicable tax treaty (a Treaty Exemption), or

(2) IRS Form W-8ECI (or successor form) stating that interest paid on the Notes is not subject to withholding tax because it is effectively connected with the conduct of a U.S. trade or business of the beneficial owner, each such form to be renewed periodically as required by the Treasury Regulations.

If interest on the Notes is effectively connected with the conduct of a U.S. trade or business of the beneficial owner (and, if certain tax treaties apply, is attributable to a permanent establishment maintained by the Non-U.S. Holder within the United States), the Non-U.S. Holder, although exempt from the withholding tax described above, will generally be subject to United States federal income tax on the receipt or accrual of such interest on a net income basis in the same manner as if it were a U.S. person. In addition, if such Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of its effectively connected earnings and profits for the taxable year, subject to adjustments. For this purpose, interest on the Notes will be included in such foreign corporation s earnings and profits.

Disposition of the Notes. No withholding of United States federal income tax generally will be required with respect to any gain realized by a Non-U.S. Holder upon the sale, exchange or other taxable disposition of the Notes.

In addition, a Non-U.S. Holder will not be subject to United States federal income tax on gain realized on the sale, exchange or other taxable disposition of the Notes unless (i) the Non-U.S. Holder is an individual who is present in the United States for a period or periods aggregating 183 or more days in the taxable year of the disposition and certain other conditions are met, or (ii) such gain is effectively connected with the Non-U.S. Holder s U.S. trade or business and, if certain tax treaties apply, is attributable to a permanent establishment maintained by the Non-U.S. Holder within the United States.

Information Reporting and Backup Withholding. In general, backup withholding and information reporting will not apply to a payment of interest on a Note to a Non-U.S. Holder, or to proceeds from the disposition of a Note by a Non-U.S. Holder, in each case, if the holder certifies under penalties of perjury that it is a Non-U.S. Holder and the applicable withholding agent does not have actual knowledge or reason to know to the contrary. Any amounts withheld under the backup withholding rules will be refunded or credited against the Non-U.S. Holder s United States federal income tax liability provided the required information is timely furnished to the IRS. In certain circumstances, if a Note is not held through a qualified intermediary, the amount of payments made on such Note, the name and address of the beneficial owner and the amount, if any, of tax withheld may be reported to the IRS.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the Code and the Treasury regulations promulgated thereunder (commonly referred as the Foreign Account Tax Compliance Act or FATCA) generally impose withholding at a rate of 30% in certain circumstances on interest payable on the Notes held by or through certain financial institutions (including investment funds), unless such institution certifies that it has entered into, and complies with, an agreement with the IRS to report, on an annual basis, information with respect to certain interests in, and accounts maintained by, the institution that are

owned by certain U.S. persons or by certain non-U.S. entities that are wholly or partially owned by U.S. persons and to withhold on certain payments. Similarly, interest payable on the Notes held by an investor that is a non-financial non-U.S. entity that does not qualify under certain exemptions generally will be subject to withholding at a rate of 30%, unless such entity either (y) certifies that

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such entity does not have any substantial United States owners or (z) provides certain information regarding the entity s substantial United States owners, which will in turn be provided to the United States Department of the Treasury. An intergovernmental agreement between the United States and an applicable foreign country may modify these requirements. Under current provisions of the Code and Treasury Regulations that govern FATCA, gross proceeds from a sale or other disposition of debt obligations that can produce U.S.-source interest, such as the Notes, are subject to FATCA withholding on or after January 1, 2019. However, under recently released proposed Treasury Regulations, such gross proceeds would not be subject to FATCA withholding. In its preamble to such proposed Treasury Regulations, the IRS has stated that taxpayers may generally rely on the proposed Treasury Regulations until final Treasury Regulations are issued. Prospective investors should consult their tax advisors regarding the possible implications of these rules on an investment in the Notes.

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UNDERWRITING

Under the terms and subject to the conditions contained in the underwriting agreement dated the date of this prospectus supplement, the underwriters named below, for whom Citigroup Global Markets Inc. and Goldman Sachs & Co. LLC are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them, severally, the respective principal amounts of the Notes set forth opposite their names below:

Underwriters	Principal Amount of 2028 Notes	Principal Amount of 2049 Notes	Principal Amount of 2118 Notes
Citigroup Global Markets Inc.	$ 75,000,000	$ 150,000,000	$ 75,000,000
Goldman Sachs & Co. LLC	75,000,000	150,000,000	75,000,000
Capital One Securities, Inc.	7,143,000	14,286,000	7,143,000
Fifth Third Securities, Inc.	7,143,000	14,286,000	7,143,000
MUFG Securities Americas Inc.	7,143,000	14,286,000	7,143,000
PNC Capital Markets LLC	7,143,000	14,286,000	7,143,000
SMBC Nikko Securities America, Inc.	7,143,000	14,286,000	7,143,000
The Williams Capital Group, L.P.	7,143,000	14,285,000	7,143,000
U.S. Bancorp Investments, Inc.	7,142,000	14,285,000	7,142,000
Total	$ 200,000,000	$ 400,000,000	$ 200,000,000

The underwriting agreement provides that the obligations of the underwriters to pay for and accept delivery of the Notes offered hereby are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the Notes if any Notes are taken. The offering of the Notes by the underwriters is subject to receipt and acceptance and subject to the underwriters right to reject any order in whole or in part.

The underwriters have advised us that they propose initially to offer the Notes to the public at the public offering price on the cover page of this prospectus supplement, and to dealers at that price less a concession not in excess of: 0.400% of the principal amount of the 2028 Notes, 0.525% of the principal amount of the 2049 Notes and 0.600% of the principal amount of the 2118 Notes. The underwriters may allow, and the dealers may reallow, a discount not in excess of the following, to other dealers: 0.250% of the principal amount of the 2028 Notes, 0.300% of the principal amount of the 2049 Notes and 0.350% of the principal amount of the 2118 Notes. After the Notes are released to the public, the offering price and other selling terms may from time to time be varied by the underwriters.

The expenses of the offering payable by us, not including the underwriting discounts, are estimated to be $1.3 million.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the underwriters may be required to make in respect of those liabilities.

In order to facilitate the offering of these securities, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes or any other notes the prices of which may be used to determine payments on the Notes. Specifically, the underwriters may sell more Notes than they are obligated to purchase in connection with the offering, creating a short position for their own accounts. A short sale is covered by purchasing the Notes in the open market. A short position is more likely to be created if the underwriters are concerned that there

may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering. As an additional means of facilitating the offering, the underwriters may bid for, and purchase, the Notes or any other notes in the open market to stabilize the price of the Notes or of any other notes. Finally, in any offering of the Notes through a syndicate of underwriters or dealer group, the underwriters acting on behalf of the underwriting syndicate or for

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themselves may impose a penalty bid, whereby the underwriters reclaim selling concessions allowed to an underwriter or a dealer for distributing the Notes in the offering, if the underwriters repurchase previously distributed Notes to cover syndicate short positions or to stabilize the price of the Notes. Any of these activities may raise or maintain the market price of the Notes above independent market levels or prevent or retard a decline in the market price of the Notes. The underwriters are not required to engage in these activities, and may end any of these activities at any time without notice.

In general, purchases of a Note for the purpose of stabilizing or reducing a syndicate short position could cause the price of the Note to be higher than it might otherwise be in the absence of such purchases without notice.

Neither we nor the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes.

The underwriters and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Each of the underwriters and/or its affiliates may have performed certain investment banking, commercial banking and advisory services for us from time to time for which they have received customary fees and expenses. Certain of the underwriters and/or their affiliates are lenders under our existing unsecured revolving credit facility. The underwriters may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they will receive customary fees and expenses. In the ordinary course of their various business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own accounts and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the Company. If any of the underwriters or their affiliates have a lending relationship with us, certain of those underwriters and their affiliates routinely hedge, and certain other of those underwriters or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In addition, U.S. Bancorp Investments, Inc., one of the underwriters, is an affiliate of the trustee under the indenture governing the Notes.

It is expected that delivery of the Notes will be made against payment therefor on or about the date specified on the cover page of this prospectus supplement, which will be the seventh business day following the date of pricing of the Notes (such settlement cycle being referred to herein as T+7). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next four business days will be required, by virtue of the fact that the Notes initially will settle in T+7, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade the Notes on the date of pricing should consult their own advisor.

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Selling Restrictions

Canada

The Notes may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus supplement (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

European Economic Area - Prohibition of Sales to EEA Retail Investors

The Notes may not be offered, sold or otherwise made available to any retail investor in the EEA. For the purposes of this provision:

(a) the expression retail investor means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Directive; and

(b) the expression offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other

circumstances which do not result in the document being a prospectus within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong); and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

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Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (the Financial Instruments and Exchange Law) and accordingly, have not been and will not be offered or sold, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This prospectus supplement and the accompanying prospectus have not been and will not be registered as a prospectus under the Securities and Futures Act (Chapter 289) of Singapore (SFA) by the Monetary Authority of Singapore, and the offer of the Notes in Singapore is made primarily pursuant to the exemptions under Sections 274 and 275 of the SFA. Accordingly, this prospectus supplement, the accompanying prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor as defined in Section 4A of the SFA (an Institutional Investor) pursuant to Section 274 of the SFA, (ii) to an accredited investor as defined in Section 4A of the SFA (an Accredited Investor) or other relevant person as defined in Section 275(2) of the SFA (a Relevant Person) and pursuant to Section 275(1) of the SFA, or to any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with, the conditions of any other applicable exemption or provision of the SFA.

It is a condition of the offer that where the Notes are subscribed for or acquired pursuant to an offer made in reliance on Section 275 of the SFA by a Relevant Person which is:

(a) a corporation (which is not an Accredited Investor), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an Accredited Investor; or

(b) a trust (where the trustee is not an Accredited Investor), the sole purpose of which is to hold investments and each beneficiary of the trust is an individual who is an Accredited Investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation, and the beneficiaries rights and interest (howsoever described) in that trust, shall not be transferred within 6 months after that corporation or that trust has subscribed for or acquired the Notes except:

(1) to an Institutional Investor, or an Accredited Investor or other Relevant Person, or which arises from an offer referred to in Section 275(1A) of the SFA (in the case of that corporation) or Section 276(4)(i)(B) of the SFA (in the case of that trust);

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law.

Singapore Securities and Futures Act Product Classification - Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the SFA, the issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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Switzerland

This prospectus supplement and the accompanying prospectus do not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the Notes will not be listed on the SIX Swiss Exchange. Therefore, this prospectus supplement and the accompanying prospectus may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the Notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the Notes with a view to distribution. Any such investors will be individually approached by the agents from time to time.

Taiwan

The Notes have not been, and will not be, registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan, the Republic of China (Taiwan) and/or other regulatory authority of Taiwan pursuant to applicable securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Taiwan Securities and Exchange Act or relevant laws and regulations that requires a registration, filing or approval of the Financial Supervisory Commission of Taiwan and/or other regulatory authority of Taiwan. No person or entity in Taiwan is authorized to offer, sell or distribute or otherwise intermediate the offering of the Notes or the provision of information relating to this prospectus supplement and the accompanying prospectus.

The Notes may be made available to Taiwan resident investors outside Taiwan for purchase by such investors outside Taiwan, but may not be issued, offered, sold or resold in Taiwan, unless otherwise permitted by Taiwan laws and regulations. No subscription or other offer to purchase the Notes shall be binding on us until received and accepted by us or any underwriter outside of Taiwan (the Place of Acceptance), and the purchase/sale contract arising therefrom shall be deemed a contract entered into in the Place of Acceptance.

United Kingdom

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of the Notes may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to Norfolk Southern Corporation.

All applicable provisions of the FSMA must be complied with in respect to anything done by any person in relation to the Notes in, from or otherwise involving the United Kingdom.

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LEGAL MATTERS

The validity of the Notes will be passed upon for us by Vanessa Allen Sutherland, Esq., Senior Vice President and Chief Legal Officer of the Company, Norfolk, Virginia (or by such other senior corporate counsel as may be designated by us). Ms. Sutherland, in her capacity as Senior Vice President and Chief Legal Officer of the Company, is a participant in various employee benefit and incentive plans, including equity compensation plans, offered to employees of the Company. Certain legal matters relating to the offering of the Notes will be passed upon for us by Hinckley, Allen & Snyder LLP, Boston, Massachusetts and for the underwriters by Sidley Austin LLP, New York, New York. Hinckley, Allen & Snyder LLP and Sidley Austin LLP may each rely as to certain matters of Virginia law on the opinion of Vanessa Allen Sutherland, Esq., Senior Vice President and Chief Legal Officer of the Company (or such other senior corporate counsel as may be designated by us). Sidley Austin LLP has from time to time provided and may continue to provide legal advice and services to us.

EXPERTS

The consolidated financial statements of Norfolk Southern Corporation and subsidiaries as of December 31, 2018 and 2017, and for each of the years in the three-year period ended December 31, 2018, and management s assessment of the effectiveness of internal control over financial reporting as of December 31, 2018 have been incorporated by reference herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

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Prospectus

Norfolk Southern Corporation

Common Stock

Preferred Stock

Debt Securities

Warrants

Depositary Shares

Stock Purchase Contracts

and

Stock Purchase Units

We may offer, issue and sell, together or separately:

shares of our common stock;

shares of our preferred stock;

debt securities, which may be senior debt securities or subordinated debt securities;

warrants to purchase our debt securities, shares of our common stock, shares of our preferred stock, depositary shares or securities of third parties or other rights;

depositary shares representing an interest in our preferred stock;

stock purchase contracts to purchase shares of our common stock; and

stock purchase units, each representing ownership of a stock purchase contract and debt securities, preferred securities or debt obligations of third parties, including U.S. treasury securities or any combination of the foregoing, securing the holder s obligation to purchase our common stock or other securities under the stock purchase contracts.

We will provide the specific prices and terms of these securities in one or more supplements to this prospectus at the time of offering. You should read this prospectus and the accompanying prospectus supplement carefully before you make your investment decision.

This prospectus may not be used to sell securities unless accompanied by a prospectus supplement.

Investing in our securities involves a number of risks. See Risk Factors on page 5 before you make your investment decision.

We or any selling security holders may offer securities through underwriting syndicates managed or co-managed by one or more underwriters or dealers, through agents or directly to purchasers. The prospectus supplement for each offering of securities will describe in detail the plan of distribution for that offering. For general information about the distribution of securities offered, please see Plan of Distribution in this prospectus.

Our common stock is listed on the New York Stock Exchange under the trading symbol NSC.

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

The date of this prospectus is February 5, 2018

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ABOUT THIS PROSPECTUS

This prospectus is part of an automatic shelf registration statement that we filed with the Securities and Exchange Commission, or SEC, as a well-known seasoned issuer as defined in Rule 405 under the Securities Act of 1933, as amended, or the Securities Act, using a shelf registration process. Under this process, we may sell common stock; preferred stock; debt securities; warrants to purchase debt securities, common stock, preferred stock, depositary shares or securities of third parties or other rights; depositary shares; stock purchase contracts and stock purchase units. This prospectus only provides you with a general description of the securities that we may offer. Each time we sell securities, we will provide a supplement to this prospectus that contains specific information about the terms of the securities. The prospectus supplement may also add, update or change information contained in this prospectus. Before purchasing any securities, you should carefully read both this prospectus and the accompanying prospectus supplement and any free writing prospectus prepared by or on behalf of us, together with the additional information described under the headings Where You Can Find More Information and Incorporation of Certain Documents by Reference.

You should rely only on the information contained or incorporated by reference in this prospectus and any prospectus supplement. We have not authorized anyone to provide you with different information. We are not making offers to sell the securities in any jurisdiction in which an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make an offer or solicitation.

The information in this prospectus is accurate as of the date on the front cover. You should not assume that the information contained in this prospectus is accurate as of any other date.

When used in this prospectus, the terms Norfolk Southern, we, our, us and the company refer to Norfolk Southe Corporation and its consolidated subsidiaries, unless otherwise specified or the context otherwise requires.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, prospectus and other information with the SEC. You may read and copy any document we file at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains our reports, proxy and other information regarding us at *http://www.sec.gov*. You may read and copy reports and other information we file at the office of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. Information about our company is also available to the public from our website at *http://www.nscorp.com*. The information on our website is not incorporated by reference into this prospectus or any prospectus supplement, and you should not consider it a part of this prospectus or any prospectus supplement.

This prospectus contains summaries of the material terms of certain documents and refers you to certain documents that we have filed with the SEC. Copies of these documents, except for certain exhibits and schedules, will be made available to you without charge upon written or oral request to:

Investor Relations

Norfolk Southern Corporation

Three Commercial Place

Norfolk, Virginia 23510-2191

(757) 629-2861

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to incorporate by reference information into this prospectus and any accompanying prospectus supplement, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus and any accompanying prospectus supplement, except that any statement contained in this prospectus, an accompanying prospectus supplement or a document incorporated by reference into this prospectus or an accompanying prospectus supplement will be deemed to be modified or superseded for purposes of this prospectus and an accompanying prospectus supplement to the extent that a statement contained herein or therein, or in any other subsequently filed document that also is deemed to be incorporated herein or therein by reference, modifies or supersedes such statement. A statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus or any accompanying prospectus supplement. This prospectus and any accompanying prospectus supplement incorporates by reference the documents set forth below that we have previously filed with the SEC (other than information deemed furnished and not filed in accordance with SEC rules, including Items 2.02 and 7.01 of Form 8-K). These documents contain important information about Norfolk Southern Corporation and its finances.

Annual Report on Form 10-K for the fiscal year ended December 31, 2017, as filed with the SEC on February 5, 2018 (the Fiscal 2017 Form 10-K);

Current Reports on Form 8-K filed on January 22, 2018, January 23, 2018 and January 24, 2018 (Item 8.01 and Exhibit 99.3 in Item 9.01); and

The description of our common stock contained in our Registration Statement on Form 8-A, filed with the SEC on September 26, 2000, and any amendment or report filed for the purpose of updating such description.

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All documents filed by us pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), after the date of this prospectus and any accompanying prospectus supplement and before the termination of the offering shall also be deemed to be incorporated herein by reference. We are not, however, incorporating by reference any documents or portions thereof, whether specifically listed above or filed in the future, that are not deemed filed with the SEC, including our compensation committee report and performance graph or any information furnished pursuant to Items 2.02 or 7.01 of Form 8-K or certain exhibits furnished pursuant to Item 9.01 of Form 8-K.

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FORWARD-LOOKING STATEMENTS

This prospectus, including the information incorporated by reference herein, contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended, that may be identified by the use of words like may, will, could, would, should, expect, plan, anticipate, believe, estimate, project, consider, predict, potential, feel, or other comparable terminology. Forward-loo statements reflect our good-faith evaluation of information available at the time the forward-looking statements were made. However, such statements are dependent on and, therefore, can be influenced by a number of external variables over which we have little or no control, including: transportation of hazardous materials as a common carrier by rail; acts of terrorism or war; general economic conditions including, but not limited to, fluctuation and competition within the industries of our customers; competition and consolidation within the transportation industry; the operations of carriers with which we interchange; disruptions to our technology infrastructure, including computer systems; labor difficulties, including strikes and work stoppages; commercial, operating, environmental, and climate change legislative and regulatory developments; results of litigation; natural events such as severe weather, hurricanes, and floods; unpredictable demand for rail services; fluctuation in supplies and prices of key materials, in particular diesel fuel; volatility in energy prices; and changes in securities and capital markets. For a discussion of significant risk factors applicable to us, see Part I, Item 1A, Risk Factors, and Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, in the Fiscal 2017 Form 10-K, which is incorporated by reference in this prospectus. Forward-looking statements are not, and should not be relied upon as, a guarantee of future performance or results, nor will they necessarily prove to be accurate indications of the times at or by which any such performance or results will be achieved. As a result, actual outcomes and results may differ materially from those expressed in forward-looking statements. We undertake no obligation to update or revise forward-looking statements.

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NORFOLK SOUTHERN CORPORATION

Norfolk Southern Corporation is a Norfolk, Virginia based company that owns a major freight railroad, Norfolk Southern Railway Company. We are primarily engaged in the rail transportation of raw materials, intermediate products and finished goods primarily in the Southeast, East and Midwest and, via interchange with other rail carriers, to and from the rest of the United States. We also transport overseas freight through several Atlantic and Gulf Coast ports. We offer the most extensive intermodal network in the eastern half of the United States. The common stock of Norfolk Southern is listed on the New York Stock Exchange under the symbol NSC.

Our executive offices are located at Three Commercial Place, Norfolk, Virginia 23510-2191, and our telephone number is (757) 629-2600. Our website is located at http://www.nscorp.com. Information contained on our website is not a part of this prospectus or any accompanying prospectus supplement.

RISK FACTORS

Investing in our securities involves risk. See the risk factors described in our Fiscal 2017 Form 10-K and any risk factors set forth in our other filings with the SEC, pursuant to Sections 13(a), 13(c), 14, or 15(d) of the Exchange Act, which are incorporated by reference in this prospectus and any accompanying prospectus supplement. Before making an investment decision, you should carefully consider these risks as well as other information we include or incorporate by reference in this prospectus and any accompanying prospectus supplement. These risks could materially affect our business, results of operations or financial condition and cause the value of our securities to decline. You could lose all or part of your investment.

USE OF PROCEEDS

Except as otherwise set forth in an accompanying prospectus supplement, we expect to use the net proceeds from the sale of securities for general corporate purposes, including the redemption and refinancing of outstanding indebtedness, increasing our working capital and other business opportunities.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges for the periods indicated:

	Fiscal Year Ended December 31,				
	2017	2016	2015	2014	2013
Ratio of Earnings to Fixed Charges (a)	5.77x	5.04x	4.94x	6.04x	5.90x

(a) For purposes of computing the ratios of earnings to fixed charges, earnings represents income from continuing operations before income taxes, plus (a) the sum of (i) total interest expenses and (ii) amortization of capitalized interest, less (b) income of partially owned entities. Fixed charges are calculated as the sum of (i) interest expense on debt, (ii) interest expense on unrecognized tax benefit, (iii) other interest expense, (iv) calculated interest portion of rent expense and (v) capitalized interest.

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DESCRIPTION OF SECURITIES

This prospectus contains summary descriptions of the debt securities, common stock, preferred stock, warrants, depositary shares, stock purchase contracts and stock purchase units that we may offer and sell from time to time. These summary descriptions are not meant to be complete descriptions of each security. However, at the time of an offering and sale, this prospectus together with the accompanying prospectus supplement will contain the material terms of the securities being offered.

DESCRIPTION OF DEBT SECURITIES

As used in this prospectus, debt securities means the debentures, notes, bonds and other evidences of indebtedness that we may issue separately, upon exercise of a debt warrant, in connection with a stock purchase contract or as part of a stock purchase unit from time to time. The debt securities may either be senior debt securities or subordinated debt securities. Senior debt securities may be issued under a Senior Indenture and subordinated debt securities may be issued under a Subordinated Indenture. This prospectus sometimes refers to the Senior Indenture and the Subordinated Indenture collectively as the Indentures. The Indentures have been filed with the SEC as exhibits to the registration statement on Form S-3 of which this prospectus forms a part. We may also issue debt securities under a separate, new indenture. If that occurs, we will describe any differences in the terms of any series or issue of debt securities in the prospectus supplement relating to that series or issue.

The following briefly summarizes the material provisions of the Indentures and the debt securities, other than pricing and related terms disclosed in the accompanying prospectus supplement or pricing supplement, as the case may be. You should read the more detailed provisions of the applicable Indenture, including the defined terms, for provisions that may be important to you. You should also read the particular terms of an offering of debt securities, which will be described in more detail in the applicable prospectus supplement or pricing supplement, as the case may be. Copies of the Indentures may be obtained from Norfolk Southern Corporation or the applicable trustee.

As used in this Description of Debt Securities, the terms Norfolk Southern, we, our, us and the company refe
Norfolk Southern Corporation, a Virginia corporation, and do not, unless otherwise specified, include our subsidiaries.

General

The debt securities will be our direct unsecured obligations. The senior debt securities will rank equally with all of our other senior unsecured and unsubordinated indebtedness. The subordinated debt securities will be subordinate and junior in right of payment to all of our present and future senior indebtedness to the extent and in the manner set forth in the Subordinated Indenture.

Since our operations are partially conducted through our subsidiaries, the cash flow and the consequent ability to service our indebtedness, including the debt securities, is partially dependent upon the earnings of our subsidiaries and the distribution of those earnings or upon advances or other payments of funds by those subsidiaries to us. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the debt securities or to make funds available to us, whether by dividends, loans or other payments. In addition, the payment of dividends and the making of loans and advances to us by our subsidiaries may be subject to contractual or statutory restrictions, are contingent upon the earnings of those subsidiaries and are subject to various business considerations. Any right we may have to receive assets of any of our subsidiaries upon their liquidation or reorganization (and the consequent right of the holders of our debt securities to participate in those assets) will be effectively subordinated to the claims of such subsidiary s creditors, including trade creditors.

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The Indentures do not limit the aggregate principal amount of debt securities that we may issue and provide that we may issue debt securities from time to time in one or more series, in each case with the same or various maturities, at par or at a discount. We may issue additional debt securities of a particular series without the consent of the holders of the debt securities of such series outstanding at the time of the issuance. Any such additional debt securities, together with all other outstanding debt securities of that series, will constitute a single series of debt securities under the applicable Indenture. The Indentures also do not limit our ability to incur other debt.

Each prospectus supplement will summarize the material terms relating to the specific series of debt securities being offered. These terms may include some or all of the following:

- the title of debt securities and whether they are subordinated debt securities or senior debt securities;
- any limit on the aggregate principal amount of the debt securities;
- the price or prices at which we will sell the debt securities;
- the maturity date or dates of the debt securities;
- the rate or rates of interest, if any, which may be fixed or variable, at which the debt securities will bear interest, or the method of determining such rate or rates, if any;
- the date or dates from which any interest will accrue or the method by which such date or dates will be determined;
- the right, if any, to extend the interest payment periods and the duration of any such deferral period, including the maximum consecutive periods during which interest payment periods may be extended;
- whether the amount of payments of principal of (and premium, if any) or interest on the debt securities may be determined with reference to any index, formula or other method, such as one or more currencies, commodities, equity indices or other indices, and the manner of determining the amount of such payments;
- the dates on which we will pay interest on the debt securities and the record date for determining who is entitled to the interest payable on any interest payment date;
- the place or places where the principal of (and premium, if any) and interest on the debt securities will be payable;

if we possess the option to do so, the periods within which and the prices at which we may redeem the debt securities, in whole or in part, pursuant to optional redemption provisions, and the other terms and conditions of any such provisions;

our obligation, if any, to redeem, repay or purchase debt securities by making periodic payments to a sinking fund or through an analogous provision or at the option of holders of the debt securities, and the period or periods within which and the price or prices at which we will redeem, repay or purchase the debt securities, in whole or in part, pursuant to such obligation, and the other terms and conditions of such obligation;

the denominations in which the debt securities will be issued, if other than denominations of $1,000 and integral multiples of $1,000;

the portion, or methods of determining the portion, of the principal amount of the debt securities which we must pay upon the acceleration of the maturity of the debt securities in connection with an Event of Default (as described below), if other than the full principal amount;

the currency, currencies or currency unit in which we will pay the principal of (and premium, if any) or interest, if any, on the debt securities, if not United States dollars;

provisions, if any, granting special rights to holders of the debt securities upon the occurrence of specified events;

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any deletions from, modifications of or additions to the Events of Default or our covenants with respect to the applicable series of debt securities, and whether or not such Events of Default or covenants are consistent with those contained in the applicable Indenture;

the specific subordination provisions of the subordinated debt securities, including the extent of subordination of payments by us of the principal of (and premium, if any) and interest on such subordinated debt securities;

any deletions from, modifications of or additions to the terms of the Indenture relating to defeasance and covenant defeasance (which terms are described below) to the debt securities;

the terms, if any, upon which the holders may convert or exchange the debt securities into or for our common stock, preferred stock or other securities or property;

whether any of the debt securities will be issued in global form and, if so, the terms and conditions upon which global debt securities may be exchanged for certificated debt securities;

any change in the right of the trustee or the requisite holders of debt securities to declare the principal amount thereof due and payable because of an Event of Default;

the depositary for global or certificated debt securities;

any special tax implications of the debt securities;

any trustees, authenticating or paying agents, transfer agents or registrars or other agents with respect to the debt securities; and

any other terms of the debt securities.

Unless otherwise specified in the applicable prospectus supplement, the debt securities will not be listed on any securities exchange and will be issued in fully-registered form without coupons.

Debt securities may be sold at a substantial discount below their stated principal amount, bearing no interest or interest at a rate which at the time of issuance is below market rates. The applicable prospectus supplement will describe the federal income tax consequences and special considerations applicable to any such debt securities. The debt securities may also be issued as indexed securities or securities denominated in foreign currencies, currency units or composite currencies, as described in more detail in the prospectus supplement relating to any of the particular debt securities. The prospectus supplement relating to specific debt securities will also describe any special considerations and certain additional tax considerations applicable to such debt securities.

Subordination

The prospectus supplement relating to any offering of subordinated debt securities will describe the specific subordination provisions, including the extent of subordination of payments by us of the principal of (and premium, if any) and interest on such subordinated debt securities.

The Subordinated Indenture does not limit the issuance of additional senior debt securities.

Limitations on Liens

We will not, and will not permit any of our Subsidiaries to, create, assume, incur or suffer to exist any mortgage, pledge, lien, encumbrance, charge or security interest of any kind, other than a Purchase Money Lien, upon any stock or indebtedness, owned on the date any debt securities are first issued or thereafter acquired, of the Principal Subsidiary, to secure any Obligation (other than the debt securities) of the company, any Subsidiary or any other Person, without in any such case making effective provision whereby all of the outstanding debt securities are secured equally and ratably with such Obligation.

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Such limitation will not apply to any mortgage, pledge, lien, encumbrance, charge or security interest on any stock or indebtedness of a corporation existing at the time such corporation becomes a Subsidiary. Such limitation will not restrict any of our other property or other property of our Subsidiaries or restrict the sale by us or any Subsidiary of any stock or indebtedness of any Subsidiary.

Limitations on Funded Debt

The Indentures provide that we will not permit any Restricted Subsidiary to incur, issue, guarantee or create any Funded Debt unless, after giving effect thereto, the sum of the aggregate amount of all outstanding Funded Debt of the Restricted Subsidiaries would not exceed an amount equal to 15% of Consolidated Net Tangible Assets.

The limitation on Funded Debt will not apply to, and there will be excluded from Funded Debt in any computation under such restriction, Funded Debt secured by:

Liens on real or physical property of any corporation existing at the time such corporation becomes a Subsidiary;

Liens on real or physical property existing at the time of acquisition thereof or incurred within 180 days of the time of acquisition thereof (including, without limitation, acquisition through merger or consolidation) by us or any Restricted Subsidiary;

Liens on real or physical property acquired (or constructed) after the date of the applicable Indenture by us or any Restricted Subsidiary and created prior to, at the time of, or within 270 days after such acquisition (including, without limitation, acquisition through merger or consolidation) (or the completion of such construction or commencement of commercial operation of such property, whichever is later) to secure or provide for the payment of all or any part of the purchase price (or the construction price) thereof;

Liens in favor of the company or any Restricted Subsidiary;

Liens in favor of the United States of America, any State thereof or the District of Columbia, or any agency, department or other instrumentality thereof, to secure partial, progress, advance or other payments pursuant to any contract or the provisions of any statute;

Liens incurred or assumed in connection with the issuance of revenue bonds the interest on which is exempt from federal income taxation pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder;

Liens securing the performance of any contract or undertaking not directly or indirectly in connection with the borrowing of money, the obtaining of advances or credit or the securing of Funded Debt, if made and continuing in the ordinary course of business;

Liens incurred (no matter when created) in connection with Norfolk Southern or a Restricted Subsidiary engaging in a leveraged or single-investor lease transaction; provided, however, that the instrument creating or evidencing any borrowings secured by such Lien will provide that such borrowings are payable solely out of the income and proceeds of the property subject to such Lien and are not a general obligation of Norfolk Southern or such Restricted Subsidiary;

Liens under workers compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts or deposits to secure public or statutory obligations of Norfolk Southern or any Restricted Subsidiary, or deposits of cash or obligations of the United States of America to secure surety and appeal bonds to which we or any Restricted Subsidiary is a party or in lieu of such bonds, or pledges or deposits for similar purposes in the ordinary course of business, or Liens imposed by law, such as laborers or other employees , carriers , warehousemen s, mechanics , materialmen s and vendors Liens and Liens arising out of judgments or awards against us

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or any Restricted Subsidiary with respect to which we or such Restricted Subsidiary at the time shall be prosecuting an appeal or proceedings for review and with respect to which it shall have secured a stay of execution pending such appeal or proceedings for review, or Liens for taxes not yet subject to penalties for nonpayment or the amount or validity of which is being in good faith contested by appropriate proceedings by the company or any Restricted Subsidiary, as the case may be, or minor survey exceptions, minor encumbrances, easements or reservations of, or rights of others for, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions or Liens on the use of real properties, which Liens, exceptions, encumbrances, easements, reservations, rights and restrictions do not, in our opinion, in the aggregate materially detract from the value of said properties or materially impair their use in the operation of the business of Norfolk Southern and its Restricted Subsidiaries;

Liens incurred to finance construction, alteration or repair of any real or physical property and improvements thereto prior to or within 270 days after completion of such construction, alteration or repair;

Liens incurred (no matter when created) in connection with a Securitization Transaction;

Liens on property (or any Receivable arising in connection with the lease thereof) acquired by us or a Restricted Subsidiary through repossession, foreclosure or like proceeding and existing at the time of the repossession, foreclosure, or like proceeding;

Liens on deposits of Norfolk Southern or a Restricted Subsidiary with banks (in the aggregate, not exceeding $50 million), in accordance with customary banking practice, in connection with the providing by us or a Restricted Subsidiary of financial accommodations to any Person in the ordinary course of business; or

any extension, renewal, refunding or replacement of the foregoing.

Definition of Certain Terms

Consolidated Net Tangible Assets means, at any date, the total assets appearing on the most recent consolidated balance sheet of Norfolk Southern and Restricted Subsidiaries as at the end of our fiscal quarter ending not more than 135 days prior to such date, prepared in accordance with generally accepted accounting principles in the United States, less (1) all current liabilities (due within one year) as shown on such balance sheet, (2) applicable reserves, (3) investments in and advances to Securitization Subsidiaries and Subsidiaries of Securitization Subsidiaries that are consolidated on the consolidated balance sheet of Norfolk Southern and its Subsidiaries and (4) Intangible Assets and liabilities relating thereto.

Funded Debt means (1) any indebtedness of a Restricted Subsidiary (excluding indebtedness in favor of another Restricted Subsidiary or Norfolk Southern) maturing more than 12 months after the time of computation thereof, (2) guarantees by a Restricted Subsidiary of Funded Debt or of dividends of others (except guarantees in connection with the sale or discount of accounts receivable, trade acceptances and other paper arising in the ordinary course of business), (3) all preferred stock of a Restricted Subsidiary and (4) all Capital Lease Obligations (as defined in the Indentures) of a Restricted Subsidiary.

Indebtedness means, at any date, without duplication, (1) all obligations for borrowed money of a Restricted Subsidiary or any other indebtedness of a Restricted Subsidiary, evidenced by bonds, debentures, notes or other similar instruments and (2) Funded Debt, except such obligations and other indebtedness of a Restricted Subsidiary and Funded Debt, if any, incurred as part of a Securitization Transaction.

Intangible Assets means at any date, the value (net of any applicable reserves) as shown on or reflected in the most recent consolidated balance sheet of Norfolk Southern and the Restricted Subsidiaries as at the end of our fiscal quarter ending not more than 135 days prior to such date, prepared in accordance with generally

accepted accounting principles in the United States, of: (1) all trade names, trademarks, licenses, patents, copyrights, service marks, goodwill and other like intangibles; (2) organizational and development costs; (3) deferred charges (other than prepaid items, such as insurance, taxes, interest, commissions, rents, deferred interest waiver, compensation and similar items and tangible assets being amortized); and (4) unamortized debt discount and expense, less unamortized premium.

Liens means such pledges, mortgages, security interests and other liens, including purchase money liens, on property of the company or any Restricted Subsidiary which secure Funded Debt.

Obligation means any indebtedness for money borrowed or indebtedness evidenced by a bond, note, debenture or other evidence of indebtedness.

Person means any individual, corporation, company (including any limited liability company), association, partnership, joint venture, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

Principal Subsidiary means Norfolk Southern Railway Company.

Purchase Money Lien means any mortgage, pledge, lien, encumbrance, charge or security interest of any kind upon any indebtedness of the Principal Subsidiary acquired after the date any debt securities are first issued if such Purchase Money Lien is for the purpose of financing, and does not exceed, the cost to us or any Subsidiary of acquiring the indebtedness of the Principal Subsidiary and such financing is effected concurrently with, or within 180 days after, the date of such acquisition.

Receivables mean any right of payment from or on behalf of any obligor, whether constituting an account, chattel paper, instrument, general intangible or otherwise, arising, either directly or indirectly, from the financing by us or any Subsidiary of ours of property or services, monies due thereunder, security interests in the property and services financed thereby and any and all other related rights.

Restricted Subsidiary means each Subsidiary of Norfolk Southern other than Securitization Subsidiaries and Subsidiaries of Securitization Subsidiaries.

Securitization Subsidiary means a Subsidiary of Norfolk Southern (1) which is formed for the purpose of effecting one or more Securitization Transactions and engaging in other activities reasonably related thereto and (2) as to which no portion of the Indebtedness or any other obligations (a) is guaranteed by any Restricted Subsidiary, or (b) subjects any property or assets of any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to any lien, other than pursuant to representations, warranties and covenants (including those related to servicing) entered into in the ordinary course of business in connection with a Securitization Transaction and inter-company notes and other forms of capital or credit support relating to the transfer or sale of Receivables or asset-backed securities to such Securitization Subsidiary and customarily necessary or desirable in connection with such transactions.

Securitization Transaction means any transaction or series of transactions that have been or may be entered into by us or any of our Subsidiaries in connection with or reasonably related to a transaction or series of transactions in which we or any of our Subsidiaries may sell, convey or otherwise transfer to (1) a Securitization Subsidiary or (2) any other Person, or may grant a security interest in, any Receivables or asset-backed securities or interest therein (whether such Receivables or securities are then existing or arising in the future) of Norfolk Southern or any of our Subsidiaries, and any assets related thereto, including, without limitation, all security interests in the property or services financed thereby, the proceeds of such Receivables or asset-backed securities and any other assets which are sold in respect of

which security interests are granted in connection with securitization transactions involving such assets.

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Subsidiary means, in respect of any Person, corporation, company (including any limited liability company), association, partnership, joint venture or other business entity of which a majority of the total voting power of the Voting Stock (as defined in the Indentures) is at the time owned or controlled, directly or indirectly, by such Person, such Person and one or more Subsidiaries of such Person, or one or more Subsidiaries of such Person. Unless otherwise required by the context, Subsidiary shall refer to a Subsidiary of the company.

U.S. Government Obligations means securities that are (i) direct obligations of the United States for the payment of which its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States, that, in either case under clauses (i) or (ii) are not callable or redeemable at the action of the issuer thereof, and shall also include a depositary receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depositary receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depositary receipt.

Consolidation, Merger and Sale of Assets

So long as any debt securities are outstanding, we cannot consolidate with or merge into any other Person, or sell, assign, transfer, convey, lease or otherwise dispose of all, or substantially all, of our assets, in one or more related transactions, to any Person, unless:

- either we are the surviving entity or the Person formed by such consolidation or into which we are merged, or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made is a corporation, partnership or limited liability company organized and existing under the laws of the United States, any state of the United States or the District of Columbia, and shall expressly assume, by a supplemental indenture in a form reasonably satisfactory to the trustee, our obligations under the debt securities and the respective Indenture;

- immediately after giving effect to such transaction and treating any indebtedness which becomes an Obligation of ours or any Subsidiary as a result of such transaction as having been incurred by us or such Subsidiary at the time of such transaction, no Event of Default (and no event which, after notice or lapse of time or both, would become an Event of Default) will have occurred and be continuing; and

- we have delivered to the trustee an officers certificate and an opinion of counsel, each stating that such consolidation, merger, sale, assignment, transfer, conveyance, lease or other disposition complies with the respective Indenture and that all conditions precedent relating to such transaction have been complied with.

Since we are a holding company, if one of our Subsidiaries distributes its assets as a result of a liquidation or recapitalization of that subsidiary, our rights, and indirectly the rights of our creditors and of the holders of debt securities to participate in such Subsidiary s distribution of assets will be subject to the prior claims of such Subsidiary s creditors, except to the extent that we may be a creditor with prior claims enforceable against such Subsidiary.

Events of Default

Under the Indentures, the following are Events of Default :

failure to pay the principal of and premium, if any, on the debt securities when due and payable at maturity or otherwise;

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failure to pay any interest on the debt securities when due and payable, and this failure continues for 30 days;

failure to perform any other covenant or agreement in, or provisions of, the debt securities or the applicable Indenture, and the failure continues for 90 days after we receive from the trustee, or, in the case of notice by the holders, we and the trustee receive from the holders of at least 25% in aggregate principal amount of the outstanding debt securities of a particular series, a notice of default;

acceleration of any of our indebtedness (or indebtedness of any significant subsidiary of Norfolk Southern, as defined in the federal securities laws) in an aggregate principal amount that exceeds $100,000,000 within 10 days after we receive from the trustee, or, in the case of notice by the holders, we and the trustee receive from the holders of at least 25% in aggregate principal amount of outstanding debt securities of a particular series, a notice of default;

certain events of bankruptcy, insolvency or reorganization; and

any other Event of Default that may be set forth in the supplemental indenture or board resolution with respect to a particular series of debt securities.

If an Event of Default occurs and is continuing, either the trustee or the holders of at least 25% in aggregate principal amount of the outstanding debt securities of a particular series, may notify Norfolk Southern (and the trustee, if notice is given by the holders) and declare that the unpaid principal of (premium, if any) and accrued interest on, if any, the debt securities of such series is due and payable immediately. However, under certain circumstances, the holders of a majority in aggregate principal amount of outstanding debt securities of such series may be able to rescind and annul this declaration for accelerated payment. Norfolk Southern will furnish the trustee with an annual statement that describes how Norfolk Southern has performed its obligations under the applicable Indenture, and that specifies any defaults that may have occurred.

Discharge, Defeasance and Covenant Defeasance

Unless otherwise provided in an applicable Indenture supplement, we may discharge certain obligations to holders of any debt securities issued under the Indenture of a particular series when:

all debt securities of such series theretofore authenticated and delivered have been delivered to the trustee for cancellation; or

after the debt securities of such series have become due and payable, or will become due and payable at their stated maturity within one year, or are to be called for redemption within one year, we have irrevocably deposited or caused to be deposited with the trustee as trust funds in trust (a) money in an amount, or (b) U.S. Government Obligations that through the payment of principal and interest thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount or (c) a combination of (a) and (b), sufficient to pay and discharge each installment of principal (including any mandatory sinking fund payments) of and premium, if any, and interest on the outstanding debt

securities of that series on the dates such installments of interest or principal and premium are due;

and if, in either case, we have paid or caused to be paid all other sums payable by us under the Indenture with respect to the debt securities of that series and we have delivered to the trustee an officers certificate and an opinion of counsel each stating that the requisite conditions precedent have been complied with.

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

to defease and be discharged from our obligations with respect to those debt securities (except as otherwise provided in the Indenture) (defeasance), or

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to be released from our obligations with respect to those debt securities under certain restrictive covenants in the Indenture and, if indicated in the applicable Indenture supplement, our obligations with respect to any other restrictive covenant applicable to the debt securities of that series (covenant defeasance).

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

we have irrevocably deposited or caused to be deposited with the trustee as trust funds in trust (a) money in an amount, or (b) U.S. Government Obligations that through the payment of principal and interest thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount or (c) a combination of (a) and (b), sufficient to pay and discharge each installment of principal (including any mandatory sinking fund payments) of and premium, if any, and interest on the outstanding debt securities of that series on the dates such installments of interest or principal and premium are due; and

no event of default with respect to the debt securities of that series has occurred and is continuing on the date of the deposit.

Absent a change in federal tax laws, a defeasance is likely to be treated as a taxable exchange by holders of the relevant debt securities for an issue consisting of either obligations of the trust or a direct interest in the cash and securities held in the trust, with the result that such holders would be required for tax purposes to recognize gain or loss as if such obligations or the cash or securities deposited, as the case may be, had actually been received by them in exchange for their debt securities. In addition, if the holders are treated as the owners of their proportionate share of the cash or securities held in trust, such holders would then be required to include in their income for tax purposes any income, gain or loss attributable thereto even though no cash was actually received. Thus, such holders might be required to recognize income for tax purposes in different amounts and at different times than would be recognized in the absence of defeasance. Prospective investors are urged to consult their own tax advisors as to the specific consequences of defeasance.

Modification and Waiver

Modification and amendments of the Indentures may be made by us and the trustee with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding debt securities of each series affected thereby; provided, however, that no such modification or amendment may, without the consent of the holder of each outstanding debt security of a particular series affected thereby:

reduce the amount of debt securities of such series whose holders must consent to an amendment, supplement or waiver;

reduce the rate of interest on any debt security of such series;

reduce the principal amount of (or premium, if any, on) any debt security of such series, or change the stated maturity of such debt security;

change the place, manner, timing or currency of payment of principal of (or premium, if any) or interest on, any debt security of such series;

reduce the portion of the principal amount of an OID debt security of such series payable upon acceleration of its maturity; or

make any changes in the amendment and waiver provisions above.

The holders of not less than a majority in principal amount of the debt securities of a series affected thereby, on behalf of all of the holders of the debt securities of such series, are permitted to waive any past default under the applicable Indenture with respect to the debt securities of such series, and its consequences, except a default

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in the payment of the principal of (or premium, if any) or interest on any debt security or a default in respect of a covenant or provision of the applicable Indenture which cannot be modified or amended without the consent of the holder of each debt security affected. Any such consent or waiver by the holder of a debt security shall be binding upon such holder and upon every subsequent holder of such security, irrespective of whether or not any notation of such consent or waiver is made upon such debt security, unless revoked as provided in the applicable Indenture.

Payment and Paying Agents

The Indentures provide that payment of interest on a debt security on any interest payment date will be made to the Person in whose name a debt security is registered at the close of business on the record date for the interest.

Holders must surrender debt securities to a paying agent to collect principal payments. Unless specified otherwise in the applicable prospectus supplement or pricing supplement, we will pay principal and interest in money of the United States of America that at the time of payment is legal tender for payment of public and private debts. Payments in respect of the securities represented by a global security (including principal (and premium, if any) and interest) will be made by wire transfer of immediately available funds to the accounts specified by the depository, which shall be The Depository Trust Company, or DTC, its nominees and their respective successors.

The Indentures provide that initially, U.S. Bank National Association, a national banking association, will act as paying agent and registrar. We may appoint and change any paying agent, registrar or co-registrar without notice. We or any of our domestically incorporated wholly owned subsidiaries may act as paying agent, registrar or co-registrar.

We will maintain an office or agency in the City of New York where debt securities may be presented for registration of transfer or for exchange and an office or agency in the City of New York where debt securities may be presented for payment. The registrar shall keep a register of the debt securities and of their transfer and exchange. We may have one or more co-registrars and one or more additional paying agents.

If money for the payment of principal, premium, if any, or interest remains unclaimed for two years after such amount has become due and payable, the trustee or paying agent shall pay the money back to us at our written request unless an abandoned property law designates another person. After any such payment, holders entitled to the money must look only to us and not to the trustee or paying agent for payment.

Denominations, Registrations and Transfer

Unless an accompanying prospectus supplement states otherwise, debt securities will be represented by one or more global certificates registered in the name of a nominee for DTC. In such case, each holder s beneficial interest in the global securities will be shown on the records of DTC and transfers of beneficial interests will only be effected through DTC s records.

A holder of debt securities may only exchange a beneficial interest in a global security for certificated securities registered in the holder s name if:

DTC notifies us that it is unwilling or unable to continue serving as the depositary for the relevant global securities or DTC ceases to maintain certain qualifications under the Exchange Act and no successor depositary has been appointed for 90 days; or

we determine, in our sole discretion, that the global security shall be exchangeable.

If debt securities are issued in certificated form, they will only be issued in the minimum denomination specified in the accompanying prospectus supplement and integral multiples of such denomination. Transfers and

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exchanges of such debt securities will only be permitted in such minimum denomination. Transfers of debt securities in certificated form may be registered at the trustee s corporate office or at the offices of any paying agent or trustee appointed by us under the Indentures. Exchanges of debt securities for an equal aggregate principal amount of debt securities in different denominations may also be made at such locations.

Governing Law

The Indentures are and the debt securities will be governed by, and construed in accordance with, the internal laws of the State of New York, except to the extent the Trust Indenture Act of 1939, as amended, and the regulations promulgated thereunder, shall be applicable.

Regarding the Trustee

The trustee of the Indentures is U.S. Bank National Association. The trustee in its individual or any other capacity may become the owner or pledgee of debt securities and may otherwise deal with us or our affiliates with the same rights it would have if it were not trustee.

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DESCRIPTION OF CAPITAL STOCK

General

The following summary of our common stock and preferred stock is not meant to be a complete description. For more information, you also should refer to our Restated Articles of Incorporation (the Articles of Incorporation), our Bylaws (the Bylaws) and the Virginia Stock Corporation Act (the Virginia Act). Under the Articles of Incorporation, our authorized capital stock consists of 1,350,000,000 shares of common stock, par value $1.00 per share, and 25,000,000 shares of preferred stock, without par value. We will describe the specific terms of any common stock or preferred stock we may offer in a prospectus supplement. The specific terms we describe in a prospectus supplement may differ from the terms we describe below.

Common Stock

As of January 31, 2018, Norfolk Southern had 283,997,242 shares of common stock issued and outstanding, excluding 20,320,777 shares held by our wholly owned subsidiaries. For all matters submitted to a vote of stockholders, each holder of common stock is entitled to one vote for each share registered in his or her name on our books. Our common stock does not have cumulative voting rights. As a result, subject to the voting rights of any outstanding preferred stock (of which there currently is none), the persons who hold a majority of the outstanding common stock entitled to elect members of the board of directors (the Board) can elect all of the directors of the company.

If the Board declares a dividend, common stockholders will receive payments from the funds of Norfolk Southern that are legally available to pay dividends. However, this dividend right is subject to any preferential dividend rights we may grant to the persons who hold preferred stock, if any is issued. If Norfolk Southern is dissolved, the holders of common stock will be entitled to share ratably in all the assets that remain after we pay (i) our liabilities and (ii) any amounts we may owe to the persons who hold our preferred stock, if any is issued. Common stockholders do not have preemptive rights, and they have no right to convert their common stock into any other securities. All outstanding shares of common stock are duly authorized, validly issued, fully paid and nonassessable.

The transfer agent and registrar for our common stock is American Stock Transfer and Trust Company.

Preferred Stock

No shares of preferred stock are issued or outstanding. However, 600,000 shares of preferred stock designated as Series A Junior Participating Preferred Stock are authorized by our Articles of Incorporation, which further authorize the Board to issue preferred stock in one or more series and to determine the liquidation preferences, voting rights, dividend rights, conversion rights and redemption rights of each such series. The ability of the Board to issue and set the terms of preferred stock could make it more difficult for a third person to acquire control of Norfolk Southern. The Board has the authority to fix the following terms of any series of preferred stock, each of which will be set forth in the related prospectus supplement:

- the designation of the series;
- the number of shares offered;

the initial offering price;

the dividend rate, the dividend periods, the dates payable and whether dividends will be cumulative or noncumulative;

the voting rights;

any redemption or sinking fund provisions;

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any conversion or exchange provisions;

whether the shares will be listed on a securities exchange;

the liquidation preference, and other rights that arise upon the liquidation, dissolution or winding-up of Norfolk Southern; and

any other rights, preferences and limitations that pertain to the series.

Norfolk Southern will designate the transfer agent and registrar for each series of preferred stock in a prospectus supplement.

Certain Provisions of the Virginia Stock Corporation Act

The Virginia Act contains certain anti-takeover provisions regarding, among other things, affiliated transactions and control share acquisitions. In general, the Virginia Act s affiliated transactions provisions prevent a Virginia corporation from engaging in an affiliated transaction (as defined in the Virginia Act) with an interested shareholder (generally defined as a person owning more than 10% of any class of voting securities of the corporation) unless approved by a majority of the disinterested directors (as defined in the Virginia Act) and the holders of at least two thirds of the outstanding voting stock not owned by the interested shareholder, subject to certain exceptions.

Under the control share acquisitions provisions of the Virginia Act, shares acquired in a control share acquisition, generally defined as transactions that increase the voting strength of the person acquiring such shares above certain thresholds in elections of directors generally, have no voting rights unless they are granted by a majority of the outstanding voting stock not owned by such acquiring person, by an officer of Norfolk Southern or by an employee-director of Norfolk Southern. If such voting rights are granted and the acquiring person controls 50% or more of the voting power, all shareholders, other than the acquiring person, are entitled to receive fair value (as defined in the Virginia Act) for their shares. If such voting rights are not granted, the corporation may, if authorized by its articles of incorporation or bylaws, purchase the acquiring person s shares at their cost to the acquiring person. A Virginia corporation has the right to opt out of the control share acquisition statute, and effective January 27, 2009, the Board amended our bylaws to opt out of the statute.

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DESCRIPTION OF WARRANTS

This section describes the general terms and provisions of our warrants to acquire our securities that we may issue from time to time. The applicable prospectus supplement will describe the terms of any warrant agreements and the warrants issuable thereunder. If any particular terms of the warrants described in the prospectus supplement differ from any of the terms described herein, then the terms described herein will be deemed superseded by that prospectus supplement.

We may issue warrants for the purchase of our debt securities, common stock, preferred stock, depositary shares or securities of third parties or other rights, including rights to receive payment in cash or securities based on the value, rate or price of one or more specified commodities, currencies, securities or indices, or any combination of the foregoing. We may issue warrants independently or together with other securities, and they may be attached to or separate from the other securities. Each series of warrants will be issued under a separate warrant agreement that we will enter into with a bank or trust company, as warrant agent, as detailed in the applicable prospectus supplement. The warrant agent will act solely as our agent in connection with the warrants and will not assume any obligation, or agency or trust relationship, with you. We will file a copy of the warrant and warrant agreement with the SEC each time we issue a series of warrants, and these warrants and warrant agreements will be incorporated by reference into the registration statement of which this prospectus is a part. A holder of our warrants should refer to the provisions of the applicable warrant agreement and prospectus supplement for more specific information.

The prospectus supplement relating to a particular issue of warrants will describe the terms of those warrants, including, when applicable:

- the offering price;
- the currency or currencies, including composite currencies, in which the price of the warrants may be payable;
- the number of warrants offered;
- the securities underlying the warrants, including the securities of third parties or other rights, if any, to receive payment in cash or securities based on the value, rate or price of one or more specified commodities, currencies, securities or indices, or any combination of the foregoing, purchasable upon exercise of the warrants;
- the exercise price and the amount of securities you will receive upon exercise;
- the procedure for exercise of the warrants and the circumstances, if any, that will cause the warrants to be automatically exercised;

the rights, if any, we have to redeem the warrants;

the date on which the right to exercise the warrants will commence and the date on which the warrants will expire;

the designation and terms of the securities with which the warrants are issued and the number of warrants issued with each such security;

the date on and after which the warrants and the related securities will be separately transferable;

U.S. federal income tax consequences;

the name of the warrant agent; and

any other material terms of the warrants.

After your warrants expire they will become void. All warrants will be issued in registered form. The prospectus supplement may provide for the adjustment of the exercise price of the warrants.

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Warrants may be exercised at the appropriate office of the warrant agent or any other office indicated in the applicable prospectus supplement. Before the exercise of warrants, holders will not have any of the rights of holders of the securities purchasable upon exercise and will not be entitled to payments made to holders of those securities.

The applicable warrant agreement may be amended or supplemented without the consent of the holders of the warrants to which it applies to effect changes that are not inconsistent with the provisions of the warrants and that do not materially and adversely affect the interests of the holders of the warrants. However, any amendment that materially and adversely alters the rights of the holders of warrants will not be effective unless the holders of at least a majority of the applicable warrants then outstanding approve the amendment. Every holder of an outstanding warrant at the time any amendment becomes effective, by continuing to hold the warrant, will be bound by the applicable warrant agreement as amended. The prospectus supplement applicable to a particular series of warrants may provide that certain provisions of the warrants, including the securities for which they may be exercisable, the exercise price and the expiration date, may not be altered without the consent of the holder of each warrant.

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DESCRIPTION OF DEPOSITARY SHARES

Norfolk Southern may elect to offer fractional shares of preferred stock rather than full shares of preferred stock. If so, Norfolk Southern will issue receipts for these depositary shares, each of which will represent a fraction of a share of a particular series of preferred stock. Each holder of a depositary share will be entitled, in proportion to the fraction of preferred stock represented by that depositary share, to the rights and preferences of the preferred stock, including any dividend, voting, redemption, conversion and liquidation rights. Norfolk Southern will enter into an agreement (the Deposit Agreement) with a depositary, which will be named in the related prospectus supplement, and with the holders of the depositary receipts that represent the depositary shares.

The following summary of the depositary shares is not meant to be complete. For more information, you should refer to the Deposit Agreement, to the depositary receipts and the certificate of designation of the series of preferred stock that underlies that series of depositary shares and to the related prospectus supplement. A form of Deposit Agreement, depositary receipt and certificate of designation will be filed as exhibits to, or incorporated by reference into, the registration statement before we issue depositary receipts.

General

In order to issue depositary shares, Norfolk Southern will issue preferred stock, and immediately deposit these shares with the depositary. The depositary then will issue and deliver depositary receipts to the persons who purchase depositary shares. The depositary will issue depositary receipts in a form that reflects whole depositary shares, and each may evidence any number of whole depositary shares.

Dividends and Other Distributions

The depositary will distribute all cash and non-cash distributions it receives, with respect to the underlying preferred stock, to the record holders of depositary shares in proportion to the number of depositary shares they hold. In the case of non-cash distributions, the depositary may determine that the distribution cannot be made proportionately or that it may not be feasible to make the distribution. If so, the depositary will, with our approval, adopt a method it deems equitable and practicable to effect the distribution, including the sale (public or private) of the securities or other non-cash property it receives in the distribution at a place and on terms it deems proper. Norfolk Southern or the depositary may reduce the amount it distributes in order to pay taxes or other governmental charges.

Redemption of Depositary Shares

If Norfolk Southern redeems the series of preferred stock that underlies the depositary shares, the depositary will redeem the depositary shares from the proceeds it receives from the redemption of the preferred stock it holds. The depositary will redeem the number of depositary shares that represent the amount of underlying preferred stock that Norfolk Southern redeemed. The redemption price per depositary share will be in proportion to the redemption price per share that Norfolk Southern paid for the underlying preferred stock. If Norfolk Southern redeems less than all the depositary shares, the depositary will select by lot, or by some substantially equivalent method, which depositary shares to redeem.

After a redemption date is fixed, the depositary shares to be redeemed no longer will be considered outstanding. The rights of the holders of the depositary shares will cease, except the right to receive money or other property they are entitled to receive upon the redemption. In order to redeem their depositary shares, holders will surrender their depositary receipts to the depositary. If Norfolk Southern deposits funds with the depositary to redeem depositary shares, and the holders fail to redeem their receipts, the money will be returned to Norfolk Southern within two years

from the date the funds are deposited.

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Voting the Preferred Stock

When Norfolk Southern notifies the depositary about any meeting at which the holders of preferred stock are entitled to vote, the depositary will mail the information to the record holders of depositary shares related to that preferred stock. Each record holder of such depositary shares on the record date (which will be the same date as the record date for the related preferred stock) will be entitled to instruct the depositary how to vote the shares of preferred stock represented by that holder s depositary shares. The depositary will try to vote the preferred stock represented by the depositary shares in accordance with these instructions, provided the depositary receives these instructions sufficiently in advance of the meeting. Norfolk Southern will take all reasonable action necessary to provide the depositary with sufficient notice of any meeting. If the depositary does not receive instructions from the holders of the depositary shares, the depositary will abstain from voting the preferred stock that underlies those depositary shares.

Withdrawal of Preferred Stock

When a holder surrenders depositary receipts at the corporate trust office of the depositary, and pays any necessary taxes, charges or other fees, the holder will be entitled to receive the number of whole shares of the related series of preferred stock, and any money or other property, if any, represented by their depositary shares. Once a holder exchanges depositary shares for whole shares of preferred stock, that holder cannot re-deposit these shares of preferred stock with the depositary, or exchange them for depositary shares. If a holder delivers depositary receipts that represent a number of depositary shares that exceeds the number of whole shares of related preferred stock the holder seeks to withdraw, the depositary will issue a new depositary receipt to the holder that evidences the excess number of depositary shares.

Amendment and Termination of the Deposit Agreement

Norfolk Southern and the depositary can agree, at any time, to amend the form of depositary receipt and any provisions of the Deposit Agreement. However, if an amendment has a material adverse effect on the rights of the holders of related depositary shares, it must first be approved by the holders of at least a majority of these depositary shares then outstanding. Every holder of a depositary receipt at the time an amendment becomes effective will be bound by the amended Deposit Agreement. However, subject to any conditions in the Deposit Agreement or applicable law, no amendment can impair the right of any holder of a depositary share to receive shares of the related preferred stock, and any money or other property represented by the depositary shares, upon surrender the depositary receipts that represent their depositary shares.

Norfolk Southern can terminate the Deposit Agreement at any time, as long as it provides at least 60 days prior written notice to the depositary. If Norfolk Southern terminates the Deposit Agreement, then within 30 days from the date the depositary receives notice, the depositary will deliver whole or fractional shares of the related preferred stock to the holders of depositary shares, when they surrender their depositary receipts. The Deposit Agreement will terminate automatically after all outstanding depositary shares have been redeemed, or, in connection with any liquidation, dissolution or winding up of Norfolk Southern, after the final distribution of Norfolk Southern s assets has been made to the holders of the related series of preferred stock and, in turn, to the holders of depositary shares.

Charges of Depositary

Norfolk Southern will pay the charges of the depositary, including charges in connection with the initial deposit of the related series of preferred stock, the initial issuance of the depositary shares, and all withdrawals of shares of the related series of preferred stock. Norfolk Southern also will pay all transfer and other taxes and the government charges that arise solely from the existence of the depositary arrangements. However, holders of depositary shares will

have to pay all other transfer and other taxes and government charges, as provided in the Deposit Agreement.

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Resignation and Removal of Depositary

The depositary may resign, at any time, by delivering written notice of its decision to Norfolk Southern. We may remove the depositary at any time. Any resignation or removal will take effect when we appoint a successor depositary. Norfolk Southern must appoint the successor depositary within 60 days after delivery of the notice of resignation or removal, and the successor depositary must be a bank or trust corporation that has its principal office in the United States, and has a combined capital and surplus of at least $50,000,000.

Miscellaneous

Norfolk Southern will be required to furnish certain information to the holders of the preferred stock. The depositary, as the holder of the underlying preferred stock, will forward any reports or information it receives from Norfolk Southern to the holders of depositary shares.

Neither the depositary nor Norfolk Southern will be liable if its ability to perform its obligations under the Deposit Agreement is prevented or delayed by law or any circumstance beyond its control. Both Norfolk Southern and the depositary will be obligated to use their best judgment and to act in good faith in performing their duties under the Deposit Agreement. Each of Norfolk Southern and the depositary will be liable for gross negligence and willful misconduct in the performance of its duties under the Deposit Agreement. They will not be obligated to appear in, prosecute or defend any legal proceeding with respect to any depositary receipts, depositary shares or preferred stock unless they receive what they, in their sole discretion, determine to be a satisfactory indemnity. Norfolk Southern and the depositary may rely on the advice of legal counsel (including in-house counsel) or accountants of their choice. They may also rely on information provided by persons they believe, in good faith, to be competent, and on documents they believe, in good faith, to be genuine.

The depositary s corporate trust office will be identified in the related prospectus supplement. Unless the prospectus supplement indicates otherwise, the depositary will act as transfer agent and registrar for depositary receipts, and if Norfolk Southern redeems shares of preferred stock, the depositary will act as redemption agent for the corresponding depositary receipts.

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DESCRIPTION OF STOCK PURCHASE CONTRACTS

AND STOCK PURCHASE UNITS

We may issue stock purchase contracts, including contracts obligating holders to purchase from or sell to us, and obligating us to sell to or purchase from the holders, a specified number of shares of common stock or other securities at a future date or dates, which we refer to in this prospectus as stock purchase contracts. The price per share of the securities and the number of shares of the securities may be fixed at the time the stock purchase contracts are issued or may be determined by reference to a specific formula set forth in the stock purchase contracts, and may be subject to adjustment under anti-dilution formulas. The stock purchase contracts may be issued separately or as part of units consisting of a stock purchase contract and debt securities, preferred securities or debt obligations of third parties, including U.S. treasury securities, any other securities described in the applicable prospectus supplement or any combination of the foregoing, securing the holders obligations to purchase the securities under the stock purchase contracts, which we refer to herein as stock purchase units. The stock purchase contracts may require holders to secure their obligations under the stock purchase contracts in a specified manner. The stock purchase contracts also may require us to make periodic payments to the holders of the stock purchase contracts or the stock purchase units, as the case may be, or vice versa, and those payments may be unsecured or pre-funded on some basis.

The applicable prospectus supplement will describe the terms of the stock purchase contracts or stock purchase units. This description is not complete and the description in the prospectus supplement will not necessarily be complete, and reference is made to the stock purchase contracts, and, if applicable, collateral or depositary arrangements relating to the stock purchase contracts or stock purchase units, which will be filed with the SEC each time we issue stock purchase contracts or stock purchase units. If any particular terms of the stock purchase contracts or stock purchase units described in the prospectus supplement differ from any of the terms described herein, then the terms described herein will be deemed superseded by that prospectus supplement. Material United States federal income tax considerations applicable to the stock purchase units and the stock purchase contracts will also be discussed in the applicable prospectus supplement.

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PLAN OF DISTRIBUTION

We may sell the securities being offered hereby in one or more of the following ways from time to time:

to underwriters for resale to purchasers;

directly to purchasers; or

through agents or dealers to purchasers.

In addition, we may enter into derivative or hedging transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. In connection with such a transaction, the third parties may sell securities covered by and pursuant to this prospectus and an applicable prospectus supplement. If so, the third party may use securities borrowed from us or others to settle such sales and may use securities received from us to close out any related short positions. We may also loan or pledge securities covered by this prospectus and an applicable prospectus supplement to third parties, who may sell the loaned securities or, in an event of default in the case of a pledge, sell the pledged securities pursuant to this prospectus and the applicable prospectus supplement.

We will identify the specific plan of distribution, including any underwriters, dealers, agents or direct purchasers and their compensation in a prospectus supplement.

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LEGAL MATTERS

Unless otherwise indicated in the applicable prospectus supplement, certain legal matters may be passed upon for us by Hinckley, Allen & Snyder LLP, Boston, Massachusetts and/or John M. Scheib, our Senior Vice President Law and Corporate Relations (or other senior general counsel as may be designated by us). Mr. Scheib, in his capacity as Senior Vice President Law and Corporate Relations of the Company, is a participant in various of our employee benefit and incentive plans, including stock option plans, offered to employees of the Company. If the validity of any securities is also passed upon by counsel for the underwriters of an offering of those securities, that counsel will be named in the prospectus supplement relating to that offering.

EXPERTS

The consolidated financial statements of Norfolk Southern Corporation as of December 31, 2017 and 2016, and for each of the years in the three-year period ended December 31, 2017 and management s assessment of the effectiveness of internal control over financial reporting as of December 31, 2017 have been incorporated by reference herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

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$800,000,000

$200,000,000 3.800% Senior Notes due 2028

$400,000,000 4.100% Senior Notes due 2049

$200,000,000 5.100% Senior Notes due 2118

Prospectus Supplement

Joint Book-Running Managers

Citigroup **Goldman Sachs & Co. LLC**

Co-Managers

Capital One Securities **Fifth Third Securities** **MUFG** **PNC Capital Markets LLC**

SMBC Nikko **The Williams Capital Group, L.P.** **US Bancorp**

April 29, 2019