

CSX CORP
Form 11-K
June 29, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Year Ended December 31, 2008

Commission file number 1-8022

CSX CORPORATION
CAPITAL BUILDER PLAN

CSX CORPORATION
A Virginia Corporation
IRS Employer Identification Number 62-1051971
500 Water Street
Jacksonville, Florida 32202
Telephone (904) 359-3200

CSX CORPORATION
CAPITAL BUILDER PLAN

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

AS OF DECEMBER 31, 2008 AND 2007
AND FOR THE YEAR ENDED DECEMBER 31, 2008

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Report of Independent Registered Public Accounting Firm

The Plan Administrator and the Audit Committee
CSX Corporation Capital Builder Plan
CSX Corporation
Jacksonville, FL

We have audited the accompanying statements of net assets available for benefits of the CSX Corporation Capital Builder Plan as of December 31, 2008 and 2007, and the related statement of changes in net assets available for benefits for the year ended December 31, 2008. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2008 and 2007, and the changes in its net assets available for benefits for the year ended December 31, 2008, in conformity with US generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2008 is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP
Independent Registered Public Accounting Firm
Jacksonville, Florida
June 19, 2009

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CSX CORPORATION CAPITAL BUILDER PLAN		
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS (Dollars in Thousands)		
	December 31	
	2008	2007
ASSETS		
Investments, at fair value:		
Investment in Master Trust (Note 3)	\$506,445	\$678,486
Loans to members	19,960	18,176
	526,405	696,662
Receivables		
Member contributions	89	-
Employer contributions	2	-
	91	-
TOTAL ASSETS	526,496	696,662
LIABILITIES		
Accrued expenses	180	40
NET ASSETS AVAILABLE FOR BENEFITS, AT FAIR VALUE	526,316	696,622
Adjustment from fair value to contract value for interest in Master Trust relating to fully benefit-responsive investment contracts (Note 4)		
	(2,195)	(3,903)
NET ASSETS AVAILABLE FOR BENEFITS	\$524,121	\$692,719

See accompanying Notes to Financial Statements

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CSX CORPORATION CAPITAL BUILDER PLAN	
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS	
FOR THE YEAR ENDED DECEMBER 31, 2008	
(Dollars in Thousands)	
ADDITIONS	
Member contributions	\$38,658
Employer contributions	8,362
Interest from loans to members	1,426
	48,446
DEDUCTIONS	
Net loss from investment in Master Trust (Note 3)	143,925
Distributions to members	72,020
Fees and expenses	1,099
	217,044
NET DECREASE	(168,598)
Net Assets Available for Benefits at Beginning of Year	692,719
Net Assets Available for Benefits at End of Year	\$524,121

See accompanying Notes to Financial Statements

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CSX CORPORATION
CAPITAL BUILDER PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE PLAN

The following description of the CSX Corporation Capital Builder Plan (“the Plan”) provides only general information. Members should refer to the Summary Plan Description and the Plan document for a more complete description of the Plan’s provisions.

General: The Plan is a defined contribution plan effective August 1, 1989 covering certain union employees of CSX Corporation (“CSX” or “Plan Sponsor”) and affiliated companies (collectively, “the Company”). Effective January 1, 2001, CSX established a portion of the Plan as an Employee Stock Ownership Plan (“ESOP”) designed to comply with Section 4975(e)(7) of the Internal Revenue Code of 1986 (“the Code”), as amended. The Plan also contains a cash or deferred arrangement described in Section 401(k) of the Code and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”), as amended. The ESOP component is designed to invest primarily in CSX common stock and may invest 100% in such securities.

Contributions: Members, as defined in the Plan document, may contribute from 1% to 50% (in 1% multiples) of eligible compensation, as defined by the Plan document, on a pre-tax or after-tax basis up to the current Code limit. Beginning January 1, 2003, members who are age 50 or older by the end of the applicable calendar year are eligible to make catch-up contributions in accordance with the Code. Certain eligible members may also contribute other compensatory awards and/or sellback contributions (unused sick, vacation or personal leave) to the Plan. Subject to certain limitations, members may rollover distributions from another qualified plan or an individual retirement account (“Rollover Account”). Members may change contribution rates and investment elections daily.

The Company contributes the value of a specified number of shares of CSX common stock on an annual basis to certain member accounts of the eligible groups, as defined by the Plan document (“ESOP allocation”). The shares required to fund the 2008 ESOP allocation were purchased on the open market.

The Plan also provides for a Company matching contribution to certain eligible members. The amount and timing of the Company contributions varies according to the applicable collective bargaining agreements but cannot exceed 50% of the Basic Capital Savings contribution made by or on behalf of the member. Basic Capital Savings contributions are limited to 6% of each member’s eligible compensation as defined in the Plan document. In accordance with the applicable collective bargaining agreement, CSX may also make additional contributions to the Plan.

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CSX CORPORATION
CAPITAL BUILDER PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

Diversification: All Company contributions are initially invested in CSX common stock except for certain contributions that can be directed by the members of certain eligible groups, as defined under the Plan document. Members may immediately transfer these contributions made in CSX common stock to other investment options offered under the Plan.

Transfers/Reallocations: Beginning June 1, 2005, a trading restriction was in place on certain trade activities in all available investment funds. These restrictions require a 30-day period of time during which investments must remain in the fund ("the holding period"). If these trading restrictions are not followed, a redemption fee of 2% will apply to the current value of the units withdrawn prior to the expiration of the holding period. Effective July 1, 2007, CSX changed the restrictions on trade activities in all available investment funds. The new trade control policy, which is consistent with benefit plan administration best practices, does not permit members to purchase shares of the same fund through investment fund activity for 30 calendar days. Members may, however, transfer funds to the Stable Value Fund at any time without restriction. Any amounts invested prior to July 1, 2007 are considered to have met the 30-day holding requirement.

Member Accounts: Each member's account is credited with the member's contributions and allocations of (a) Company contributions and (b) Plan earnings and is charged for administrative expenses. Company contributions are calculated in accordance with a bargained formula or benefit amount. Plan earnings are allocated on a proportionate share of the increase or decrease in the fair market value of each fund in which the member's accounts are invested on each valuation date. Expense allocations are made on the basis of assets in the individual account. A member is entitled to the value of his or her account.

Vesting: Members are 100% vested in their accounts.

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CSX CORPORATION
CAPITAL BUILDER PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

Loans: Certain members may borrow from their accounts an amount equal to the lesser of fifty thousand dollars in the aggregate (reduced by the highest outstanding balance during the one-year period preceding the loan) or 50% of their account balance (reduced by the outstanding balance of all Plan loans at the time of the loan). Members may not borrow from their ESOP account even though it is used in the calculation to determine the amount available for the loan. Loan terms range from one to five years unless the loan is to be used in conjunction with the purchase of a primary residence. Loans are secured by the balance in the member's account. The loan interest rates are calculated using the prime rate in the Wall Street Journal as of the first business day of the current month in which the loan originates plus 1%. The interest rate in effect when a member applies for the loan will remain in effect for the term of the loan. It will not change even though the interest rate applicable to new loans may change. Principal and interest are paid ratably through payroll deductions.

Dividends: Dividends paid on shares of CSX common stock held in a member's account are reinvested in shares of CSX common stock. A member or spousal beneficiary may elect to have dividends paid to them in cash. Any change in an election will apply only to ex-dividend dates occurring after the date such election is received. A member who does not make a timely election will have the dividends paid to his or her account and reinvested in shares of CSX common stock.

Payment of Benefits: Upon termination of service, a member may receive a lump-sum amount equal to the value of his or her account. Upon disability or retirement, a member may elect to receive a lump-sum or monthly installments over a period not to exceed the lesser of 240 months or the life expectancy of the last survivor of the member and his or her beneficiary. Surviving spouses of retired or disabled members may also elect monthly installments. A terminated member's account balance of five thousand dollars or less (excluding the Rollover Account) as of his or her date of termination or the last day of any Plan year shall be rolled over into an individual retirement account (IRA) at American Century Investments unless the member makes an alternate distribution request.

Administrative Expenses: The administrative expenses of the Plan are paid by the Company or from Plan assets as the Plan Sponsor directs. All of the administrative expenses of the Plan during 2008 were paid from Plan funds.

Plan Termination: Although it has not expressed any intent to do so, the Company has the right to discontinue its contributions to the Plan at any time and to terminate the Plan subject to the provisions of ERISA. If the Plan were to terminate, members would remain 100% vested in their accounts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements have been prepared under the accrual method of accounting in accordance with U.S. generally accepted accounting principles. Certain other prior-year data have been reclassified to conform to the 2008 presentation.

New Accounting Pronouncements: Statement of Financial Accounting Standards No. 157, Fair Value Measurements (“SFAS 157”) establishes a framework for measuring fair value under generally accepted accounting principles (GAAP), clarifies the definition of fair value within that framework, and expands financial statement disclosures about the use of fair value measurements. See Note 9 for additional fair value disclosures related to the CSX Corporation Master Retirement Savings Plan Trust (“Master Trust”) and loans to members.

Investments: The Master Trust (See Note 3) holds all investments of this Plan and the Tax Savings Thrift Plan for Employees of CSX Corporation and Affiliated Companies except for loans to members. Loans to members are valued at their outstanding balances, which approximate fair value. Each participating retirement plan has an undivided interest in the Master Trust.

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 3 - INVESTMENT IN MASTER TRUST

All investments of the Master Trust are held by The Northern Trust Company, the Trustee of the Master Trust. Each participating plan’s interest in the Master Trust is based on account balances of the participants and their elected investment fund options.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

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CAPITAL BUILDER PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INVESTMENT IN MASTER TRUST (continued)

Summarized financial information of the Master Trust is presented below:

(Dollars in Thousands)	December 31, 2008	Plan's Percentage Interest(a)	December 31, 2007	Plan's Percentage Interest(a)
Assets:				
CSX Common Stock	\$446,083	59%	\$672,411	60%
Mutual Funds				
Vanguard Institutional Index Instl Plus	101,889	45%	166,063	43%
Fidelity Equity Income Fund	47,078	22%	97,952	21%
Vanguard Morgan Growth	41,749	35%	79,335	35%
Vanguard Wellington Fund	71,524	41%	77,609	37%
Morgan Stanley International Fund	47,396	35%	72,782	31%
T. Rowe Price Retirement 2005 Fund	470	6%	645	2%
T. Rowe Price Retirement 2010 Fund	5,325	16%	8,710	19%
T. Rowe Price Retirement 2015 Fund	3,822	32%	6,551	27%
T. Rowe Price Retirement 2020 Fund	3,190	36%	4,711	29%
T. Rowe Price Retirement 2025 Fund	1,143	35%	1,494	23%
T. Rowe Price Retirement 2030 Fund	1,338	45%	1,956	32%
T. Rowe Price Retirement 2035 Fund	1,165	48%	1,393	49%
T. Rowe Price Retirement 2040 Fund	1,167	37%	1,425	36%
T. Rowe Price Retirement 2045 Fund	720	54%	1,233	30%
T. Rowe Price Retirement 2050 Fund	204	58%	48	45%
T. Rowe Price Retirement 2055 Fund	79	59%	80	82%
T. Rowe Price Retirement Income Fund	1,225	34%	437	26%
Total Mutual Funds	329,484		522,424	
Common Collective Trust Funds	1,356	59%	2,387	60%

(a) Represents the Plan's percentage participation in each individual fund held by the Master Trust.

