

CSX CORP
Form 11-K
June 17, 2010

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, 2009

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, 2009 AND 2008
AND FOR THE YEAR ENDED DECEMBER 31, 2009

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Report of Independent Registered Public Accounting Firm

The Plan Administrator of the CSX Corporation Capital Builder Plan
and the Audit Committee of CSX Corporation

We have audited the accompanying statements of net assets available for benefits of the CSX Corporation Capital Builder Plan as of December 31, 2009 and 2008, and the related statement of changes in net assets available for benefits for the year ended December 31, 2009. 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, 2009 and 2008, and the changes in its net assets available for benefits for the year ended December 31, 2009, 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, 2009 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
Certified Public Accountants

Jacksonville, Florida
June 17, 2010

CSX CORPORATION		
CAPITAL BUILDER PLAN		
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS		
(Dollars in Thousands)		
	December 31	
	2009	2008
ASSETS		
Investments, at fair value:		
Investment in Master Trust (Note 3)	\$681,053	\$506,445
Loans to members	20,601	19,960
	701,654	526,405
Receivables		
Member contributions	107	89
Employer contributions	2	2
	109	91
TOTAL ASSETS	701,763	526,496
LIABILITIES		
Accrued expenses	329	180
NET ASSETS AVAILABLE FOR BENEFITS, AT FAIR VALUE	701,434	526,316
Adjustment from fair value to contract value for interest in Master Trust relating to fully benefit-responsive investment contracts (Note 4)		
	(6,738)	(2,195)
NET ASSETS AVAILABLE FOR BENEFITS	\$694,696	\$524,121

See accompanying Notes to Financial Statements

CSX CORPORATION	
CAPITAL BUILDER PLAN	
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE	
FOR BENEFITS	
FOR THE YEAR ENDED DECEMBER 31, 2009	
(Dollars in Thousands)	
ADDITIONS	
Net gain from investment in Master Trust (Note 3)	\$176,510
Member contributions	31,644
Employer contributions	9,727
Interest from loans to members	1,279
	219,160
DEDUCTIONS	
Distributions to members	47,306
Fees and expenses	1,279
	48,585
NET INCREASE	170,575
Net Assets Available for Benefits at Beginning of Year	524,121
Net Assets Available for Benefits at End of Year	\$694,696

See accompanying Notes to Financial Statements

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 covering certain union employees of CSX Corporation (“CSX” or “Plan Sponsor”) and affiliated companies (collectively, “the Company”). A portion of the Plan has been established 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. 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 2009 ESOP allocation were purchased on the open market.

CSX CORPORATION
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NOTES TO FINANCIAL STATEMENTS

NOTE 1. Description of the Plan, continued

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.

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: CSX 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 investment option at any time without restriction.

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.

CSX CORPORATION
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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 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 2009 were paid from Plan funds.

CSX CORPORATION
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NOTES TO FINANCIAL STATEMENTS

NOTE 2. Summary of Significant Accounting Policies

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.

Basis of Presentation: The financial statements have been prepared under the accrual method of accounting in accordance with U.S. generally accepted accounting principles. All dollar amounts are reported in thousands. Certain other prior-year data have been reclassified to conform to the 2009 presentation.

Investments: The Master Trust 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. For further details, see Note 3, Investment in 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.

New Accounting Pronouncements: In September 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2009-12, Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) (ASU 2009-12).

This standard amended the Fair Value Measurements Topic in the FASB Accounting Standards Codification ("ASC") to allow entities to use net asset value per share (or its equivalent) to measure fair value when the investment does not have a readily determinable fair value and the net asset value is calculated in a manner consistent with investment company accounting. The Plan adopted the guidance for the reporting period ended December 31, 2009 and has measured the fair value of investments based on the investment's net asset value. In addition, the Plan has provided additional disclosures regarding the nature and risks of investments. See Note 3, Investment in Master Trust.

CSX CORPORATION
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NOTES TO FINANCIAL STATEMENTS

NOTE 2. Summary of Significant Accounting Policies, continued

In January 2010, the FASB issued Accounting Standards Update 2010-06, Improving Disclosures about Fair Value Measurements. This update requires some new disclosures and clarifies some existing disclosure requirements about fair value measurement. Specifically, it amends Codification Subtopic 820-10 to now require:

- Separate disclosure of the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers; and
- In the reconciliation for fair value measurements using Level 3 inputs, separate disclosure is required for purchases, sales, issuances, and settlements.

In addition, it clarifies the requirements of the following existing disclosures:

- For purposes of reporting fair value measurement for each class of assets and liabilities, management judgment should be used to determine the appropriate level of detail; and
- A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements.

It is effective for plan year 2010, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for plan year 2011. Plan management does not expect the new provisions to have a material impact on the Plan's financial statements.

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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NOTES TO FINANCIAL STATEMENTS

NOTE 3. Investment in Master Trust, continued

Summarized financial information of the Master Trust is presented below:

(Dollars in Thousands)	Plan's		Plan's	
	December 31, 2009	Percentage Interest(a)	December 31, 2008	Percentage Interest(a)
Assets:				
CSX Stock Fund				
CSX Common Stock	\$619,190		\$446,084	
Northern Trust Collective Short-term Investment Fund	2,936		1,356	
Total CSX Stock Fund	622,126	60%	447,440	59%
Mutual Funds				
Vanguard Institutional Index Instl Plus	136,413	46%	101,889	45%
Fidelity Equity Income Fund	58,018	22%	47,078	22%
Vanguard Morgan Growth	56,234	38%	41,749	35%
Vanguard Wellington Fund	96,440	43%	71,524	41%
Morgan Stanley International Fund	59,279	36%	47,396	35%
T. Rowe Price Retirement 2005 Fund	532	6%	470	6%
T. Rowe Price Retirement 2010 Fund	5,996	19%	5,325	16%
T. Rowe Price Retirement 2015 Fund	6,823	29%	3,822	32%
T. Rowe Price Retirement 2020 Fund	6,360	34%	3,190	36%
T. Rowe Price Retirement 2025 Fund	2,539	36%	1,143	35%
T. Rowe Price Retirement 2030 Fund	2,373	51%	1,338	45%
T. Rowe Price Retirement 2035 Fund	2,710	52%	1,165	48%
T. Rowe Price Retirement 2040 Fund	2,493	39%	1,167	37%
T. Rowe Price Retirement 2045 Fund	1,894	51%	720	54%
T. Rowe Price Retirement 2050 Fund	510	42%	204	58%
T. Rowe Price Retirement 2055 Fund	184	51%	79	59%
T. Rowe Price Retirement Income Fund	1,987	35%	1,225	34%
Total Mutual Funds	440,785		329,484	
Stable Value Fund				
Pooled separate accounts and common collective trusts				
PIMCO Priv U.S. Government Sector Fund	80,632		64,989	
PIMCO Priv Investment Grade Corporate Sector Fund	53,418			