

CSX CORP
Form 10-K
February 26, 2003

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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 27, 2002

OR

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-8022

CSX CORPORATION

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of

incorporation or organization)

62-1051971
(I.R.S. Employer

Identification No.)

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500 Water Street, 15th Floor, Jacksonville, Florida
(Address of principal executive offices)

32202
(Zip Code)

(904) 359-3200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of exchange on which registered</u>
Common Stock, \$1 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes (X) No ()

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ()

Exhibit Index can be found on page 13

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Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes (X) No ()

On June 28, 2002, the aggregate market value of the Registrant's voting stock held by non-affiliates was approximately \$5.7 billion (based on the New York Stock Exchange closing price on such date).

On January 24, 2003, there were 214,686,566 shares of Common Stock outstanding.

Documents Incorporated by Reference	Portion of Form 10-K into which Documents are Incorporated
1. Portions of the Registrant's Annual Report to Shareholders for the fiscal year ended December 27, 2002 (Annual Report)	Part I, II & IV
2. Portions of the Registrant's Definitive Proxy Statement to be filed with respect to its annual meeting of shareholders scheduled to be held on May 7, 2003 (Proxy Statement)	Part III

PART I

ITEM 1. BUSINESS

In response to this Item, the information set forth on page 1 under the caption "Financial Highlights", page 7 under the caption "CSX Transportation", page 8 under the caption "CSX Intermodal", page 8 under the caption "CSX World Terminals", and page 9 "Other Activities", and pages 17-29 under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Annual Report is incorporated herein by reference.

ITEM 2. PROPERTIES

In response to this Item, the information set forth on pages 17-29 under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations", page 34 under the caption "Properties" and page 41 under the caption "Note 8. Properties." of the Annual Report is incorporated herein by reference.

ITEM 3. LEGAL PROCEEDINGS

In response to these Item, the information set forth on page 26 under the caption "Claims Arising out of Sale of International Container-Shipping Assets", on page 26 under the caption "1. Casualty, Legal and Environmental Reserves", page 52 under the caption "Claims Arising out of Sale of International Container-Shipping Assets", page 53 under the captions "Contract Settlement" and "Other Legal Proceedings and Arbitrations."

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders in the fourth quarter of 2002.

Executive Officers of the Registrant

Executive officers of CSX Corporation are elected by the CSX Board of Directors and hold office until the next annual election of officers. Officers of CSX business units are elected annually by the respective Boards of Directors of the business units. There are no family relationships or any arrangement or understanding between any officer and any other person pursuant to which such officer was selected.

Name and Age

Business Experience During Past 5 Years

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Michael J. Ward, 52

Chairman, President and Chief Executive Officer of CSX since January 2003. Prior to January 2003, Mr. Ward served as CSX President since July 2002. Prior to July 2002, Mr. Ward served as an officer of CSXT as President and Chief Executive Officer since October 2002 and President since November 2000; Executive Vice President Operations, from April 2000 to November 2000; Executive Vice President Coal Service Group from August 1999 to April 2000; Executive Vice President Coal & Merger Planning from October 1998 to August 1999; and prior thereto, as Executive Vice President Finance and Chief Financial Officer.

Paul R. Goodwin, 60

Vice Chairman and Chief Financial Officer of CSX since April 2000. Prior to April 2000, Mr. Goodwin served as CSX Executive Vice President Finance and Chief Financial Officer.

Andrew B. Fogarty, 57	Executive Vice President Corporate Services of CSX since July 2001. Prior to July 2001, Mr. Fogarty served as Senior Vice President Corporate Services from September 1997 to July 2001, and prior thereto as Senior Vice President Finance and Planning, Sea-Land.
Ellen M. Fitzsimmons, 42	Senior Vice President Law since February 2001. Prior to February 2001, Ms. Fitzsimmons served as General Counsel Corporate.
Lester M. Passa, 49	Senior Vice President Strategic Planning of CSX since November 2000. Prior to November 2000, Mr. Passa served as President and CEO of CSX Intermodal
Jesse R. Mohorovic, 60	Senior Vice President Corporate Communications and Investor Relations since July 2001. Prior to July 2001, Mr. Mohorovic served as CSX Group Vice President Corporate Communications and Investor Relations from April 1998 to July 2001, and prior thereto, as CSX Vice President Corporate Relations.
Carolyn T. Sizemore, 40	Vice President and Controller of CSX since April 2002. Prior to April 2002, Ms. Sizemore served as Assistant Vice President and Assistant Controller from July 2001 to April 2002; Assistant Vice President Financial Planning from June 1999 to July 2001; and prior thereto, as Senior Director Financial and Strategic Measurement.
P. Michael Giftos, 56	Executive Vice President and Chief Commercial Officer of CSXT since April 2000. Prior to April 2000, Mr. Giftos served as CSXT Senior Vice President and General Counsel.
Alan F. Crown, 55	Executive Vice President of CSXT since December 2000. Prior to December 2000, Mr. Crown served as an officer of CSXT as Senior Vice President Transportation from May 2000 to December 2000; Vice President Central Region from August 1999 to May 2000; and prior thereto, General Manager C&O Coal Business Unit and Vice President Coal from October 1997 to August 1999.
Frederick J. Favorite, Jr., 49	Senior Vice President Finance of CSXT since February 2000. Prior to February 2000, Mr. Favorite served as Vice President Finance, CSXT, from December 1998 to January 2000; and prior thereto, as Vice President Planning, CSXT.
Robert J. Grassi, 56	President and Chief Executive Officer of CSX World Terminals since June 1999. Prior to June 1999, Mr. Grassi served as an officer of Sea-Land as Senior Vice President Finance and Planning.
Charles G. Raymond, 59	President and Chief Executive Officer of CSX Lines since June 1999. Prior to June 1999, Mr. Raymond served as an officer of Sea-Land as Senior Vice President and Chief Transportation Officer.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

In response to this Item, the information set forth on page 58, "Shareholder Information", and page 59, "Corporate Information", of the Annual Report is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

In response to this Item, the information set forth on page 1 of the Annual Report under the caption "Financial Highlights" is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In response to this Item, the information set forth on pages 17-29 of the Annual Report under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In response to this Item, the information set forth on page 24 of the Annual Report under the caption "Market Risk" is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

In response to this Item, the information set forth on pages 30-56, and page 57 under the caption "Quarterly Financial Data (Unaudited)" of the Annual Report is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

In accordance with Instruction G(3) of Form 10-K, the information required by this Item is incorporated herein by reference to the Proxy Statement, except for the information regarding the executive officers of the Registrant which is included in Part I of this report under the caption Executive Officers of the Registrant.

ITEM 11. EXECUTIVE COMPENSATION

In accordance with Instruction G(3) of Form 10-K, the information required by this Item is incorporated herein by reference to the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

In accordance with Instruction G(3) of Form 10-K, the information required by this Item is incorporated herein by reference to the Proxy Statement.

The following table summarizes the equity compensation plans under which CSX Corporation common stock may be issued as of December 27, 2002.

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	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(000 s)		(000 s)
	(a)	(b)	(c)
Equity compensation plans approved by			
security holders	25,482	\$40.45	8,587(1)
Equity compensation plans not approved by			
security holders (2)	670	\$44.89	
Total	25,152		8,587(1)

- (1) The number of shares remaining available for future issuance under plans approved by shareholders includes 1,030,345 shares available for employee purchase pursuant to the 2001 Employee Stock Purchase Plan; 678,411 shares available for stock option grants, payment of director compensation, and stock grants pursuant to the CSX Stock Plan for Directors; and 6,878,033 shares available for grant in the form of stock options, performance units, restricted stock, stock appreciation rights, and stock awards pursuant to the CSX Omnibus Incentive Plan.
- (2) The 1990 Stock Award Plan (1990 Plan) is the only CSX equity compensation plan that has not been approved by shareholders. Upon approval of the CSX Omnibus Incentive Plan by shareholders in 2000, the plan was closed to further grants. No options have been granted under the 1990 Plan since 1999.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In accordance with Instruction G(3) of Form 10-K, the information required by this Item is incorporated herein by reference to the Proxy Statement.

PART IV

ITEM 14. CONTROLS AND PROCEDURES

As of February 18, 2003, under the supervision and with the participation of the Company's Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), management has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of February 18, 2003. There were no significant changes in the Company's internal controls or in the other factors that could significantly affect those controls subsequent to the date of the evaluation.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) (1) Financial Statements

The following consolidated financial statements and independent auditor's report, which appear on pages 30-56 of the Annual Report, are incorporated herein by reference:

Consolidated Statement of Earnings for the Fiscal Years Ended December 27, 2002, December 28, 2001, and December 29, 2000

Consolidated Statement of Cash Flows for the Fiscal Years Ended December 27, 2002, December 28, 2001, and December 29, 2000

Consolidated Statement of Financial Position at December 27, 2002 and December 28, 2001

Consolidated Statement of Changes in Shareholders' Equity for the Fiscal Years Ended December 27, 2002, December 28, 2001, and December 29, 2000

Notes to Consolidated Financial Statements

Report of Independent Auditors

The following financial statement footnote was not included in the Annual Report:

Note 19. Summarized Consolidating Financial Data CSX Lines (formerly Sea-Land)

During 1987, Sea-Land entered into agreements to sell and lease back, by charter, three new U.S. built, U.S. flag, D-7 class container ships. The ships were not included in the sale of international liner assets to Maersk in December 1999 and the related debt remains an obligation of CSX Lines. CSX has guaranteed the obligations of CSX Lines pursuant to the related charters which, along with the container ships, serve as collateral for debt securities registered with the Securities and Exchange Commission (SEC). As noted in Note 3 of the Annual Report, Divestitures, CSX agreed to convey certain assets of CSX Lines to Horizon Lines LLC. These obligations are not part of this transaction and another CSX entity will become the obligor in 2003. In accordance with SEC disclosure requirements, consolidating summarized financial information for the parent and obligor are as follows (Certain prior year amounts have been reclassified to conform to the 2002 presentation) (In millions):

Consolidating Statement of Earnings

	<u>CSX Corporation</u>	<u>CSX Lines</u>	<u>Other</u>	<u>Eliminations</u>	<u>Consolidated</u>
Fiscal Year Ended December 27, 2002					
Operating Income					
Operating Revenue	\$	\$ 758	\$ 7,485	\$ (91)	\$ 8,152
Operating Expense	(241)	720	6,628	(82)	7,025
Operating Income(Loss)	241	38	857	(9)	1,127
Other Income and Expense					
Other Income	379	5	103	(446)	41
Interest Expense	394	7	96	(52)	445
Earnings					
Earnings before Income Taxes	226	36	864	(403)	723
Income Tax Expense (Benefit)	(52)	14	294		256
Earnings before Cumulative Effect of Accounting Change	278	22	570	(403)	467
Cumulative Effect on Prior Years of Accounting Change			(43)		(43)
Net Earnings	\$ 278	\$ 22	\$ 527	\$ (403)	\$ 424
Fiscal Year Ended December 28, 2001					
Operating Income					
Operating Revenue	\$	\$ 681	\$ 7,862	\$ (433)	\$ 8,110
Operating Expense	(199)	649	7,128	(425)	7,153
Operating Income(Loss)	199	32	734	(8)	957

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Other Income and Expense

Other Income	496	9	88	(584)	9
Interest Expense	469	13	121	(85)	518
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Earnings

Earnings before Income Taxes	226	28	701	(507)	448
Income Tax Expense (Benefit)	(94)	11	238		155
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Net Earnings (Loss)	\$ 320	\$ 17	\$ 463	\$ (507)	\$ 293
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Consolidating Statement of Earnings

	<u>CSX Corporation</u>	<u>CSX Lines</u>	<u>Other</u>	<u>Eliminations</u>	<u>Consolidated</u>
Fiscal Year Ended December 29, 2000					
Operating Income					
Operating Revenue	\$	\$ 666	\$ 7,546	\$ (21)	\$ 8,191
Operating Expense	(222)	666	6,963	(21)	7,386
Operating Income(Loss)	222		583		805
Other Income and Expense					
Other Income	813	12	185	(988)	22
Interest Expense	556	20	151	(177)	550
Earnings					
Earnings before Income Taxes	479	(8)	617	(811)	277
Income Tax Expense (Benefit)	(107)	(3)	201		91
Earnings before Discontinued Operations	586	(5)	416	(811)	186
Earnings from Discontinued Operations, Net of Tax			14		14
Gain on Sale of Discontinued Operations, Net of Tax	2		363		365
Net Earnings (Loss)	\$ 588	\$ (5)	\$ 793	\$ (811)	\$ 565

Consolidating Statement of Cash Flows

	<u>CSX Corporation</u>	<u>CSX Lines</u>	<u>Other</u>	<u>Eliminations</u>	<u>Consolidated</u>
Fiscal Year Ended December 27, 2002					
Operating Activities					
Net Cash Provided (Used) by Operating Activities	\$ 288	\$ 15	\$ 1,041	\$ (217)	\$ 1,127
Investing Activities					
Property Additions	(4)	(19)	(1,057)		(1,080)
Short-term Investments-Net	135	(26)	241		350
Other Investing Activities	(10)	14	(29)	(20)	(45)
Net Cash Provided (Used) by Investing Activities	121	(31)	(845)	(20)	(775)
Financing Activities					
Short-term Debt-Net	140				140
Long-term Debt Issued	746		2		748
Long-term Debt Repaid	(950)		(209)		(1,159)
Dividends Paid	(86)		(209)	209	(86)
Other Financing Activities	32		(65)	28	(5)

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	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Financing Activities	(118)		(481)	237	(362)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Increase (Decrease) in Cash and Cash Equivalents	291	(16)	(285)		(10)
Cash and Cash Equivalents at Beginning of Period	156		(19)		137
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and Cash Equivalents at End of Period	\$ 447	\$ (16)	\$ (304)	\$	\$ 127
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Consolidating Statement of Cash Flows

	<u>CSX Corporation</u>	<u>CSX Lines</u>	<u>Other</u>	<u>Eliminations</u>	<u>Consolidated</u>
Fiscal Year Ended December 28, 2001					
Operating Activities					
Net Cash Provided (Used) by Operating Activities	<u>\$ (85)</u>	<u>\$ 80</u>	<u>\$ 1,090</u>	<u>\$ (258)</u>	<u>\$ 827</u>
Investing Activities					
Property Additions		(11)	(919)		(930)
Short-term Investments Net	169		(220)		(51)
Other Investing Activities	(191)	1	1,369	(1,163)	16
Net Cash Provided (Used) by Investing Activities	<u>(22)</u>	<u>(10)</u>	<u>230</u>	<u>(1,163)</u>	<u>(965)</u>
Financing Activities					
Short-term Debt Net	(524)				(524)