

CSX CORP
 Form 424B5
 January 15, 2009
Table of Contents

CALCULATION OF REGISTRATION FEE

Title of each class of securities	Amount to be registered	Proposed maximum offering price	Proposed maximum aggregate offering price	Amount of registration fee(1)
to be registered		per unit		
7.375% Notes due 2019	\$500,000,000	99.361	\$496,805,000	\$19,524.44
(1) Calculated in accordance with Rule 457(r) under the Securities Act of 1933.				

Table of Contents

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-140732

Prospectus Supplement

(To Prospectus dated December 10, 2007)

\$500,000,000 7.375% Notes due 2019

The 7.375% Notes due 2019 (the Notes) will mature on February 1, 2019. Interest is payable on the Notes on February 1 and August 1 of each year, commencing August 1, 2009. Interest on the Notes will accrue from January 20, 2009. We may redeem some or all of the Notes at any time. The redemption prices are described under the caption Description of Notes Optional Redemption.

The Notes will be senior obligations of our company and will rank equally with all of our other unsecured senior indebtedness.

The Notes will be represented by one or more permanent global Notes in definitive, fully registered form without interest coupons, registered in the name of a nominee for The Depository Trust Company. The Notes will be issued in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

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

	Price to	Underwriting	Proceeds
	Public(1)	Discount	to Us
Per Note	99.361%	0.650%	98.711%
Total	\$496,805,000	\$3,250,000	\$493,555,000

(1) Plus accrued interest from January 20, 2009 if settlement occurs after that.

CSX will not make application to list the Notes on any securities exchange or to include them in any automated quotation system.

We expect that delivery of the Notes will be made to investors on or about January 20, 2009, through the book-entry system of The Depository Trust Company for the accounts of its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear system, and Clearstream Banking, société anonyme.

Joint Book-Running Managers

Credit Suisse

J.P. Morgan
Senior Co-Managers

UBS Investment Bank

Barclays Capital

Citi

Deutsche Bank Securities
Co-Managers

Morgan Stanley

Mitsubishi UFJ Securities

Mizuho Securities USA Inc.
January 14, 2009

Scotia Capital

Table of Contents

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front cover of this prospectus supplement.

Offers and sales of the Notes are subject to restrictions which are discussed in Underwriting below. The distribution of this prospectus supplement and the accompanying prospectus and the offering of the Notes in certain other jurisdictions may also be restricted by law. In this prospectus supplement and the accompanying prospectus, unless otherwise specified or the context otherwise requires, references to dollars and \$ are to U.S. dollars.

TABLE OF CONTENTS

Prospectus Supplement

	Page
<u>Special Notes Regarding Forward-Looking Statements</u>	S-2
<u>Where You Can Find More Information</u>	S-4
<u>CSX Corporation</u>	S-5
<u>Use of Proceeds</u>	S-7
<u>Ratio of Earnings to Fixed Charges</u>	S-7
<u>Description of Notes</u>	S-8
<u>Certain Tax Considerations</u>	S-17
<u>Underwriting</u>	S-20
<u>Legal Matters</u>	S-23
<u>Experts</u>	S-23

Prospectus

<u>About This Prospectus</u>	2
<u>Where You Can Find More Information</u>	3
<u>CSX Corporation/CSX Transportation, Inc.</u>	4
<u>CSX Capital Trust I</u>	5
<u>Ratio of Earnings to Fixed Charges</u>	6
<u>Use of Proceeds</u>	6
<u>Description of Debt Securities</u>	7
<u>Description of Trust Preferred Securities</u>	22
<u>Description of Capital Stock</u>	34
<u>Description of Depositary Shares</u>	38
<u>Description of Securities Warrants</u>	38
<u>Plan of Distribution</u>	39
<u>Legal Opinions</u>	40
<u>Experts</u>	41

Table of Contents

This document consists of two parts. The first part is the prospectus supplement, which describes the specific terms of the Notes we are offering and certain other matters relating to CSX Corporation ("CSX" and, together with its subsidiaries, the "Company"). The second part, the base prospectus, gives more general information about securities we may offer from time to time, some of which does not apply to the Notes we are offering. Generally, when we refer to the prospectus, we are referring to both parts of this document combined. If the description of the Notes in the prospectus supplement differs from the description in the base prospectus, the description in the prospectus supplement supersedes the description in the base prospectus.

SPECIAL NOTES REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including documents incorporated by reference, contains forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934 (the "Exchange Act"). These forward-looking statements include, among others, statements regarding:

Expectations as to results of operations and operational initiatives;

Expectations as to the effect of claims, lawsuits, environmental costs, commitments, contingent liabilities, labor negotiations or agreements on the Company's financial condition;

Management's plans, goals, strategies and objectives for future operations and other similar expressions concerning matters that are not historical facts, and management's expectations as to future performance and operations and the time by which objectives will be achieved; and

Future economic, industry or market conditions or performance.

Forward-looking statements are typically identified by words or phrases such as "believe," "expect," "anticipate," "project," "estimate" and similar expressions. The Company cautions against placing undue reliance on forward-looking statements, which reflect its good faith beliefs with respect to future events and are based on information currently available to it as of the date the forward-looking statement is made.

Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the timing when, or by which, such performance or results will be achieved.

Forward-looking statements are subject to a number of risks and uncertainties and actual performance or results could differ materially from those anticipated by these forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statement. If the Company does update any forward-looking statement, no inference should be drawn that the Company will make additional updates with respect to that statement or any other forward-looking statements. The following important factors, in addition to those discussed elsewhere, may cause actual results to differ materially from those contemplated by these forward-looking statements:

Legislative, regulatory or legal developments involving transportation, including rail or intermodal transportation, the environment, hazardous materials, taxation, including the outcome of tax claims and litigation, the potential enactment of initiatives to re-regulate the rail industry and the ultimate outcome of shipper and rate claims subject to adjudication;

The outcome of litigation and claims, including, but not limited to, those related to fuel surcharge, environmental contamination, personal injuries and occupational illnesses;

Material changes in domestic or international economic or business conditions, including those affecting the transportation industry such as access to capital markets, ability to revise debt arrangements as contemplated, customer demand, customer acceptance of price increases, effects of adverse economic conditions affecting shippers and adverse economic conditions in the industries and geographic

areas that consume and produce freight;

S-2

Table of Contents

Worsening conditions in the financial markets that may affect timely access to capital markets, as well as the cost of capital;

Changes in fuel prices, surcharges for fuel and the availability of fuel;

The impact of increased passenger activities in capacity-constrained areas or regulatory changes affecting when CSXT can transport freight or service routes;

Natural events such as severe weather conditions, including floods, fire, hurricanes and earthquakes, a pandemic crisis affecting the health of the Company's employees, its shippers or the consumers of goods, or other unforeseen disruptions of the Company's operations, systems, property or equipment;

An unintentional failure to comply with applicable laws or regulations;

The inherent risks associated with safety and security, including the availability and cost of insurance, the availability and vulnerability of information technology, adverse economic or operational effects from actual or threatened war or terrorist activities and any governmental response;

Competition from other modes of freight transportation, such as trucking and competition and consolidation within the transportation industry generally;

Labor costs and labor difficulties, including stoppages affecting either the Company's operations or the customers' ability to deliver goods to the Company for shipment;

The Company's success in implementing its strategic plans and operational objectives and improving operating efficiency; and

Changes in operating conditions and costs or commodity concentrations.

Other important assumptions and factors that could cause actual results to differ materially from those in the forward-looking statements are specified elsewhere in this prospectus, including the documents incorporated by reference, which are accessible on the SEC's website at www.sec.gov and the Company's website at www.csx.com. The information on our website is not incorporated by reference in, and does not form a part of, this prospectus supplement or any accompanying prospectus.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

CSX files annual, quarterly and special reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at www.sec.gov. You may also read and copy any document we file at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. You may also read and copy these documents at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

The SEC allows CSX to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. CSX incorporates by reference the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Exchange Act until CSX sells all of the Notes.

Annual Report on Form 10-K for the fiscal year ended December 28, 2007, filed with the SEC on February 22, 2008;

Quarterly Report on Form 10-Q for the fiscal quarter ended March 28, 2008, filed with the SEC on April 16, 2008.

Quarterly Report on Form 10-Q for the fiscal quarter ended June 27, 2008, filed with the SEC on July 16, 2008.

Quarterly Report on Form 10-Q for the fiscal quarter ended September 26, 2008, filed with the SEC on October 15, 2008.

Current Reports on Form 8-K filed with the SEC on February 6, 2008, March 17, 2008, March 24, 2008, March 27, 2008, May 9, 2008, June 13, 2008, June 20, 2008, June 24, 2008, June 30, 2008, July 16, 2008, July 29, 2008, August 1, 2008, August 5, 2008, September 19, 2008, September 22, 2008, September 23, 2008, September 24, 2008, September 25, 2008, October 24, 2008, October 31, 2008, December 15, 2008, December 17, 2008 and January 9, 2009.

You may request a copy of any filings referred to above, at no cost, by contacting CSX at the following address: Ellen M. Fitzsimmons, Senior Vice President Law and Public Affairs and Corporate Secretary, CSX Corporation, 500 Water Street, 15th Floor, Jacksonville, Florida 32202, telephone number (904) 359-3200.

Table of Contents

CSX CORPORATION

CSX is based in Jacksonville, FL. The Company is one of the nation's leading transportation suppliers. The Company's rail and intermodal businesses provide rail-based transportation services, including traditional rail service and the transport of intermodal containers and trailers.

The Company's principal operating company, CSX Transportation, Inc. (CSXT), provides a crucial link to the transportation supply chain through its approximately 21,000 route mile rail network, which serves every major population center in 23 states east of the Mississippi River, the District of Columbia, and the Canadian provinces of Ontario and Quebec. CSX Intermodal, Inc. (Intermodal), one of the nation's largest coast-to-coast intermodal transportation providers, is a stand-alone, integrated intermodal company linking customers to railroads via trucks and terminals.

Other Entities

In addition to CSXT, the rail segment includes Total Distribution Services, Inc. (TDSI), Transflo Terminal Services, Inc. (Transflo), CSX Technology, Inc. (CSX Technology) and other subsidiaries. TDSI serves the automotive industry with distribution centers and storage locations, while Transflo provides logistical solutions for transferring products from rail to trucks. Technology and other support services are provided by CSX Technology and other subsidiaries.

The Company's other holdings include CSX Real Property, Inc., a subsidiary responsible for the Company's real estate sales, leasing, acquisition and management and development activities, and CSX Hotels, Inc., a resort doing business as The Greenbrier, located in White Sulphur Springs, West Virginia.

Operating Revenue

During 2007, the Company generated \$10 billion of revenue and served four primary lines of business:

The merchandise business is the most diverse market with nearly 2.7 million carloads per year of aggregates, which includes crushed stone, sand and gravel, metal, phosphate, fertilizer, food, consumer, agricultural, paper and chemical products. The merchandise business generated approximately 50% of the Company's revenue in 2007 and 38% of volume.

Coal, which delivered approximately 1.9 million carloads of coal, coke and iron ore to electricity generating power plants, ocean, river and lake piers and terminals, steel makers and industrial plants, accounted for approximately 26% of the Company's revenue and volume in 2007. The Company transports almost one-third of every ton of coal used for generating electricity in the areas served by the Company.

Automotive, which delivers both finished vehicles and auto parts, generated 8% of the Company's revenue and 6% of the Company's volume in 2007. The Company delivers approximately one-third of North America's light vehicles, serving both traditional manufacturers and the increasing number of global manufacturers.

Intermodal offers a competitive cost advantage over long-haul trucking by combining the superior economics of rail transportation with the short-haul flexibility of trucks. Through its network of more than 50 terminals, Intermodal serves all major markets east of the Mississippi River and transports mainly manufactured consumer goods in containers, providing customers with truck-like service for longer shipments. For 2007, Intermodal accounted for approximately 14% of the Company's total revenue and 30% of volume.

Table of Contents

Other revenue, which includes revenue from regional railroads (that are partially owned by the Company), demurrage, switching and other incidental charges, accounted for 2% of the Company's total 2007 revenue. Revenue from regional railroads includes shipments by railroads that the Company does not directly operate. Demurrage represents charges assessed by railroads when shippers or receivers of freight hold railcars beyond a specified period of time. Switching revenue is generated when CSXT switches cars between trains for a customer or another railroad.

Recent Developments

For the quarter ended December 26, 2008, CSX earned 63 cents per share. The results include a non-cash impairment charge of 27 cents per share related to the write-down of CSX's investment in The Greenbrier resort in White Sulphur Springs, West Virginia. Overall revenues were \$2.7 billion for the quarter ended December 26, 2008, up 4 percent from the prior year period. Operating income for the quarter ended December 26, 2008, was \$692 million.

In addition, the current economic environment has negatively affected the demand for rail and intermodal services, including the services we provide. Demand from customers in the automotive and housing industries has been particularly affected by current economic conditions. While CSX believes that it has the resources and financial strength to successfully manage through this economic environment and related demand reduction, further declines in general domestic and global economic conditions may reduce the Company's revenues, increase its bad debt expense, reduce its ability to make capital expenditures, reduce its profitability or have other adverse affects.

Table of Contents**USE OF PROCEEDS**

CSX expects to use approximately \$200 million of the net proceeds from the sale of the Notes to repay our 4.875% Notes due November 1, 2009. The balance of the net proceeds from the sale of the Notes will be used for general corporate purposes.

RATIO OF EARNINGS TO FIXED CHARGES

The Company's consolidated ratio of earnings to fixed charges for each of the fiscal periods indicated is as follows:

	For the Nine Months Ended		For the Fiscal Years Ended			
	Sept. 26, 2008	Dec. 28, 2007	Dec. 29, 2006	Dec. 30, 2005	Dec. 31, 2004	Dec. 26, 2003
Ratio of earnings to fixed charges(a)(b)	5.1x	5.1x	5.0x	3.0x	2.0x	1.3x

- (a) For purposes of computing the ratio of earnings to fixed charges, earnings represent earnings from operations before income taxes, plus interest expense related to indebtedness and the interest portion of fixed rent expense, less undistributed earnings of affiliates accounted for using the equity method. Fixed charges include interest on indebtedness (whether expensed or capitalized), amortization of debt discount and the interest portion of fixed rent expense.
- (b) Pretax earnings for certain periods include the effects of various gains and charges. These items are summarized as follows:
- (1) A pretax gain of \$27 million recognized for insurance recoveries from claims related to Hurricane Katrina for the fiscal year ended December 28, 2007. Removing the effect of this gain would reduce the ratio of earnings to fixed charges from 5.1x to 5.0x for the fiscal year ended December 28, 2007.
 - (2) A pretax gain of \$168 million recognized for insurance recoveries from claims related to Hurricane Katrina and a \$26 million gain on additional Conrail property received for the year ended December 29, 2006. Removing the effect of these gains would reduce the ratio of earnings to fixed charges from 5.0x to 4.6x for the year ended December 29, 2006.
 - (3) A pretax charge of \$192 million recognized to repurchase \$1.0 billion of outstanding debt for the fiscal year ended December 30, 2005. Adjusting for the effect of this charge would increase the ratio of earnings to fixed charges from 3.0x to 3.4x for the fiscal year ended December 30, 2005.
 - (4) A pretax charge of \$71 million recognized for separation expenses related to the management restructuring at Surface Transportation and a \$16 million gain on the Conrail spin-off transaction for the fiscal year ended December 31, 2004. Removing the effect of these items would increase the ratio of earnings to fixed charges from 2.0x to 2.1 for the fiscal year ended December 31, 2004.
 - (5) The fiscal year ended December 26, 2003 included the following:
 - (A) a pretax charge of \$232 million recognized in conjunction with the change in estimate of casualty reserves to include an estimate of incurred but not reported claims for asbestos and other occupational injuries to be received over the next seven years;
 - (B) a pretax charge of \$108 million recognized to account for CSX's entrance into two settlement agreements with A.P. Moller-Maersk that resolved all material disputes pending between the companies arising out of the 1999 sale of the international container-shipping assets; and
 - (C) the net pretax restructuring charge of \$22 million recognized as the initial charge for separation expenses related to the management restructuring announced in 2003 and revised estimates for railroad retirement taxes and other benefits that will be paid to individuals under the 1991 and 1992 separation plans.

Removing the effect of these charges would increase the ratio of earnings to fixed charges from 1.3x to 2.1x for the fiscal year ended December 26, 2003.

Table of Contents

DESCRIPTION OF NOTES

Set forth below is a description of the specific terms of the Notes. This description supplements, and should be read together with, the description of the general terms and provisions of the debt securities set forth in the accompanying base prospectus under the caption

Description of Debt Securities. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the description in the base prospectus and the senior indenture. If the description of the Notes in this prospectus supplement differs from the description of the debt securities in the base prospectus, the description in this prospectus supplement supersedes the description in the base prospectus. Capitalized terms used in this Description of Notes that are not defined in this prospectus supplement have the meanings given to them in the base prospectus or the senior indenture.

General

The Notes will initially be limited to \$500,000,000 in aggregate principal amount. The Notes will be issued in fully registered form only, in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof, and will mature February 1, 2019. The Notes will be issued as a series of senior debt securities under the senior indenture referred to in the accompanying base prospectus. The senior indenture does not limit the amount of other debt that CSX may incur. CSX may, from time to time, without the consent of the holders of the Notes, issue other debt securities under the senior indenture in addition to the \$500,000,000 aggregate principal amount of the Notes. CSX may also, from time to time, without the consent of the holders, issue additional debt securities having the same ranking and the same interest rate, maturity and other terms as the Notes. Any additional debt securities having those similar terms, together with the Notes, will constitute a single series of debt securities under the senior indenture if such additional debt securities are fungible with the Notes for U.S. federal income tax purposes.

The Notes will bear interest from January 20, 2009, at the annual rate set forth on the cover page of this prospectus supplement, payable semiannually on February 1 and August 1 of each year, commencing August 1, 2009, to the persons in whose names the Notes are registered at the close of business on the immediately preceding January 15 and July 15, respectively, whether or not that day is a business day.

The Notes will be unsecured obligations of CSX and will rank *pari passu* with all other unsecured and unsubordinated indebtedness of CSX.

The Notes do not provide for any sinking fund.

The senior indenture does not contain any provisions that may afford you protection in the event of a highly leveraged transaction or other transaction that may occur in connection with a change of control of CSX, except to the extent described below under Change of Control Repurchase Event. Additionally, the senior indenture does not restrict our ability to incur additional indebtedness or otherwise affect changes in our capital structure.

For a description of the rights attaching to each series of debt securities under the senior indenture, see Description of Debt Securities in the accompanying base prospectus.

The provisions of the senior indenture described under Description of Debt Securities Discharge, Defeasance and Covenant Defeasance in the accompanying base prospectus apply to the Notes.

Limitation on Liens on Stock of CSXT

The senior indenture provides that neither CSX nor any of our subsidiaries may create or permit any lien of any kind upon any stock or indebtedness, whether owned on the date of the senior indenture or acquired later, of any principal subsidiary, to secure any obligation (other than the senior debt securities) of CSX, any subsidiary or any other person, unless all of the outstanding senior debt securities (and other outstanding debt securities issued

Table of Contents

from time to time pursuant to the senior indenture) will be directly secured equally and ratably with that obligation. This provision does not restrict any other property of CSX or our subsidiaries. The senior indenture defines obligation as indebtedness for money borrowed or indebtedness evidenced by a bond, note, debenture or other evidence of indebtedness; principal subsidiary as CSXT; and subsidiary as a corporation a majority of the outstanding voting stock of which is owned, directly or indirectly, by CSX or one or more subsidiaries, or by CSX and one or more subsidiaries. The senior indenture does not prohibit the sale by CSX or any subsidiary of any stock or indebtedness of any subsidiary, including any principal subsidiary.

Optional Redemption

The Notes will be redeemable, in whole or in part, at our option at any time. The redemption price for the Notes to be redeemed will equal the greater of the following amounts, plus, in each case, accrued interest to the redemption date:

100% of the principal amount of such Notes; or

As determined by the Independent Investment Banker (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest on the Notes (not including any portion of any payments of interest accrued as of the redemption date) discounted to the redemption date on a semiannual basis at the Adjusted Treasury Rate (as defined below) plus 50 basis points. The redemption price will be calculated assuming a 360-day year consisting of twelve 30-day months.

Adjusted Treasury Rate means, with respect to any redemption date:

The yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the remaining term of the Notes, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue will be determined and the Adjusted Treasury Rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month); or

If that release (or any successor release) is not published during the week preceding the calculation date or does not contain those yields, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of the principal amount) equal to the Comparable Treasury Price for that redemption date.

The Adjusted Treasury Rate will be calculated on the third business day preceding the redemption date.

Comparable Treasury Issue means the U.S. Treasury security selected by the Independent Investment Banker as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of those Notes.

Comparable Treasury Price means, with respect to any redemption date, (A) the average of five Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of those Reference Treasury Dealer Quotations, or (B) if the Independent Investment Banker obtains fewer than five such Reference Treasury Dealer Quotations, the average of all of those quotations.

Table of Contents

Independent Investment Banker means Credit Suisse Securities (USA) LLC, J.P. Morgan Securities Inc. or UBS Securities LLC and their successors, or if they are unwilling or unable to serve in that capacity, an independent investment and banking institution of national standing appointed by us.

Reference Treasury Dealer means:

Credit Suisse Securities (USA) LLC, J.P. Morgan Securities Inc. and UBS Securities LLC and their successors; provided that, if any ceases to be a primary U.S. Government securities dealer in the U.S. (Primary Treasury Dealer), we will substitute another Primary Treasury Dealer; and

Up to four other Primary Treasury Dealers selected by us.

Reference Treasury Dealer Quotation means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 5:00 p.m. (New York City time) on the third business day preceding that redemption date.

We will mail notice of any redemption at least 30 days but not more than 60 days before the redemption date to each holder of the Notes to be redeemed. If we elect to partially redeem the Notes, the trustee will select in a fair and appropriate manner the Notes to be redeemed.

Unless we default in payment of the redemption price, on and after the redemption date interest will cease to accrue on the Notes or portions of the Notes called for redemption.

Change of Control Repurchase Event

If a Change of Control Repurchase Event occurs, unless we have exercised our right to redeem the Notes as described above, we will be required to make an offer to each holder of Notes to repurchase all or any part (equal to \$2,000 or an integral multiple of \$1,000 in excess thereof) of that holder's Notes at a repurchase price in cash equal to 101% of the aggregate principal amount of Notes repurchased plus any accrued and unpaid interest on the Notes repurchased to, but not including, the date of repurchase. Within 30 days following any Change of Control Repurchase Event or, at our option, prior to any Change of Control, but after the public announcement of the Change of Control, we will mail a notice to each holder, with a copy to the trustee, describing the transaction or transactions that constitute or may constitute the Change of Control Repurchase Event and offering to repurchase Notes on the payment date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed. The notice shall, if mailed prior to the date of consummation of the Change of Control, state that the offer to purchase is conditioned on a Change of Control Repurchase Event occurring on or prior to the payment date specified in the notice. We will comply with the requirements of Rule 14e-1 under the Exchange Act, and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Repurchase Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control Repurchase Event provisions of the Notes, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control Repurchase Event provisions of the Notes by virtue of such conflict.

On the repurchase date following a Change of Control Repurchase Event, we will, to the extent lawful:

- (1) accept for payment all Notes or portions of Notes properly tendered pursuant to our offer;
- (2) deposit with the paying agent an amount equal to the aggregate purchase price in respect of all Notes or portions of Notes properly tendered; and

Table of Contents

(3) deliver or cause to be delivered to the trustee the Notes properly accepted, together with an officers certificate stating the aggregate principal amount of Notes being purchased by us.

The paying agent will promptly mail to each holder of Notes properly tendered the purchase price for the Notes, and the trustee will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new note equal in principal amount to any unpurchased portion of any Notes surrendered; provided that each new note will be in a principal amount of \$2,000 or an integral multiple of \$1,000 in excess thereof.

We will not be required to make an offer to repurchase the Notes upon a Change of Control Repurchase Event if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for an offer made by us and such third party purchases all Notes properly tendered and not withdrawn under its offer.

For purposes of the foregoing description of a repurchase at the option of holders, the following definitions are applicable:

Below Investment Grade Ratings Event means that on any day within the 60-day period (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for a possible downgrade by any of the Rating Agencies) after the earlier of (1) the occurrence of a Change of Control; or (2) public notice of the occurrence of a Change of Control or the intention by CSX to effect a Change of Control, the Notes are rated below Investment Grade by each of the Rating Agencies. Notwithstanding the foregoing, a Below Investment Grade Ratings Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and thus shall not be deemed a Below Investment Grade Ratings Event for purposes of the definition of Change of Control Repurchase Event hereunder) if the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the trustee in writing at its request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the ratings event).

Change of Control means the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any person (as that term is used in Section 13(d)(3) of the Exchange Act), other than CSX or our subsidiaries, becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the combined voting power of our Voting Stock or other Voting Stock into which our Voting Stock is reclassified, consolidated, exchanged or changed measured by voting power rather than number of shares.

Change of Control Repurchase Event means the occurrence of both a Change of Control and a Below Investment Grade Ratings Event.

Fitch means Fitch Ratings Ltd.

Investment Grade means a rating of Baa3 or better by Moody's (or its equivalent under any successor rating categories of Moody's); a rating of BBB- or better by S&P or Fitch (or its equivalent under any successor rating categories of S&P and Fitch); or the equivalent Investment Grade credit rating from any additional Rating Agency or Rating Agencies selected by us.

Moody's means Moody's Investors Service Inc.

Rating Agency means (1) each of Moody's, S&P and Fitch; and (2) if any of Moody's, S&P or Fitch ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of our control,

Table of Contents

a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act, selected by us (as certified by a resolution of the Chief Executive Officer or Chief Financial Officer) as a replacement agency for Moody's, S&P or Fitch, or all of them, as the case may be.

S&P means Standard & Poor's Ratings Services, a division of McGraw-Hill, Inc.

Voting Stock of any specified person (as that term is used in Section 13(d)(3) of the Exchange Act) as of any date means the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

The Change of Control Repurchase Event feature of the Notes may in certain circumstances make more difficult or discourage a sale or takeover of CSX and, thus, the removal of incumbent management. Subject to the limitations discussed below, we could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Notes, but that could increase the amount of indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings on the Notes. Restrictions on our ability to incur liens are contained in the covenants as described in this prospectus supplement under Description of the Notes Limitation on Liens on Stock of CSXT and in the accompanying prospectus under Description of Debt Securities Certain Covenants and Agreements of CSX Covenant in the Senior Indenture Limitation on Liens on Stock of Our Principal Subsidiaries .

We may not have sufficient funds to repurchase all the Notes, or any other outstanding debt securities that we would be required to repurchase, upon a Change of Control Repurchase Event.

Book-Entry Notes

The Notes will be represented by one or more permanent global Notes in definitive, fully registered form without interest coupons. Each beneficial interest in a global Note is referred to as a book-entry Note. Each global Note representing book-entry Notes will be deposited with the trustee, as custodian for, and registered in the name of, a nominee of The Depository Trust Company, as depository, located in the Borough of Manhattan, The City of New York (the Depository).

The book-entry Notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in the Depository. Investors may elect to hold interests in the book-entry Notes through either the Depository (in the U.S.) or Clearstream Banking, société anonyme (Clearstream Luxembourg) or Euroclear Bank S.A./N.V., as operator of the Euroclear System (Euroclear) (in Europe) if they are participants of such systems, or indirectly through organizations that are participants in such systems. Clearstream Luxembourg and Euroclear will hold interests on behalf of their participants through customers' securities accounts in Clearstream Luxembourg's and Euroclear's names on the books of their respective depositories, which in turn will hold such interests in customers' securities accounts in the depositories' names on the books of the Depository. Citibank, N.A. will act as depository for Clearstream Luxembourg and The Bank of New York will act as depository for Euroclear (in such capacities, the U.S. Depositories). The book-entry Notes will be held in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. Except as set forth below, the global Notes may be transferred, in whole and not in part, only to another nominee of the Depository or to a successor of the Depository or its nominee.

Clearstream Luxembourg advises that it is incorporated under the laws of Luxembourg as a professional depository. Clearstream Luxembourg holds securities for its participating organizations (Clearstream Luxembourg Participants) and facilitates the clearance and settlement of securities transactions between Clearstream Luxembourg Participants through electronic book-entry changes in accounts of Clearstream Luxembourg Participants, thereby eliminating the need for physical movement of certificates. Clearstream

Table of Contents

Luxembourg provides to Clearstream Luxembourg Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream Luxembourg interfaces with domestic markets in several countries.

As a professional depository, Clearstream Luxembourg is subject to regulation by the Luxembourg Monetary Institute. Clearstream Luxembourg Participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the underwriters. Indirect access to Clearstream Luxembourg is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream Luxembourg Participant either directly or indirectly. Distributions with respect to Notes held beneficially through Clearstream Luxembourg will be credited to cash accounts of Clearstream Luxembourg Participants in accordance with its rules and procedures, to the extent received by the U.S. Depository for Clearstream Luxembourg.

Euroclear advises that it was created in 1968 to hold securities for participants of Euroclear (Euroclear Participants) and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A./N.V. (the Euroclear Operator), under contract with Euroclear Clearance Systems S.C., a Belgian cooperative corporation (the Cooperative). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear Participants. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the underwriters. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly. The Euroclear Operator was launched on December 31, 2000, and replaced Morgan Guaranty Trust Company of New York as the operator of and banker to the Euroclear system. The Euroclear Operator has capital of approximately EUR 1 billion. Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the Terms and Conditions). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis, without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear Participants, and has no record of or relationship with persons holding through Euroclear Participants. Distributions with respect to each series of Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by the U.S. Depository for Euroclear.

So long as the Depository, or its nominee, is the registered owner or holder of a global Note, the Depository or the nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by that global Note for all purposes under the senior indenture and the Notes. No beneficial owner of an interest in a global Note will be able to transfer that interest, except in accordance with the Depository's applicable procedures, in addition to those provided for under the senior indenture.

CSX has been advised by the Depository that upon the issuance of global Notes representing book-entry Notes, and the deposit of those global Notes with the Depository, the Depository will immediately credit, on its book-entry registration and transfer system, the respective principal amounts of the book-entry Notes represented by those global Notes to the accounts of participants. The accounts to be credited shall be designated by the underwriters.

Table of Contents

Payments of principal of and any premium and interest on book-entry Notes will be made to the Depository or its nominee, as the case may be, as the registered owner of those Notes. Those payments to the Depository or its nominee, as the case may be, will be made in immediately available funds at the offices of The Bank of New York, as paying agent, in the Borough of Manhattan, The City of New York, provided that, in the case of payments of principal and any premium, the global Notes are presented to the paying agent in time for the paying agent to make those payments in immediately available funds in accordance with its normal procedures. None of CSX, the underwriters, the trustee or any agent of CSX, the underwriters or the trustee will have any responsibility or liability for any aspect of the Depository's records or any participant's records relating to or payments made on account of book-entry Notes or for maintaining, supervising or reviewing any of the Depository's records or any participant's records relating to book-entry Notes.

CSX expects that the Depository or its nominee, upon receipt of any payment of principal of or any premium or interest in respect of a global Note, will immediately credit, on its book-entry registration and transfer system, accounts of participants with payments in amounts proportionate to their respective beneficial interests in the principal amount of the global Notes, as shown on the records of the Depository or its nominee.

CSX also expects that payments by participants to owners of beneficial interests in book-entry Notes held through those participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in street name, and will be the responsibility of those participants.

CSX expects that the Depository will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account or accounts the depository interests in a global Note are credited and only in respect of the portion of the aggregate principal amount of the Notes as to which that participant or participants has or have given that direction. However, if there is an event of default under the Notes, the Depository will exchange the applicable global Note for definitive Notes in registered form, which it will distribute to its participants.

CSX understands that the Depository is a limited purpose trust company organized under the laws of the State of New York, a banking organization within the meaning of New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the Uniform Commercial Code, and a Clearing Agency registered pursuant to the provisions of Section 17A of the Exchange Act. The Depository was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions among participants through electronic book-entry changes in accounts of its participants and certain other organizations, thereby eliminating the need for physical movement of securities certificates. The Depository's participants include securities brokers and dealers (including the underwriters), banks, trust companies, clearing corporations, and certain other organizations, some of whom (or their representatives) own interests in the Depository. Indirect access to the Depository's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly (indirect participants).

Although the Depository is expected to follow the foregoing procedures in order to facilitate transfers of interests in a global Note among participants of the Depository, it is under no obligation to perform or continue to perform those procedures and those procedures may be discontinued at any time. Neither CSX, the underwriters nor the trustee will have any responsibility for the performance by the Depository or its respective participants or indirect participants of its respective obligations under the rules and procedures governing their operations.

The global Notes representing book-entry Notes may not be transferred except as a whole by a nominee of the Depository to the Depository or to another nominee of the Depository, or by the Depository or the nominee to a successor of the Depository or a nominee of the successor.

Table of Contents

The global Notes representing book-entry Notes are exchangeable for definitive Notes in registered form, of like tenor and of an equal aggregate principal amount, only if:

The Depository notifies CSX that it is unwilling or unable to continue as a depository for the global Note, or if at any time the Depository ceases to be a Clearing Agency registered under the Exchange Act, and a successor depository is not appointed by CSX within 90 days;

CSX in its sole discretion determines that the book-entry Notes will be exchangeable for definitive Notes in registered form; or

Any event has happened and is continuing which, after notice or lapse of time, or both, would become an event of default with respect to the Notes.

Any global Note representing book-entry Notes that is exchangeable pursuant to the preceding sentence will be exchangeable in whole for definitive Notes in registered form, of like tenor and of an equal aggregate principal amount, in denominations of U.S. \$2,000 and integral multiples of U.S. \$1,000 in excess thereof. Upon the exchange of a global Note for definitive Notes, that global Note will be canceled by the trustee and the definitive Notes will be registered in the names and in the authorized denominations as the Depository, pursuant to instructions from its participants, any indirect participants or otherwise, instructs the trustee. The trustee will deliver those Notes to the persons in whose names those Notes are registered and will recognize those persons as the holders of those Notes.

Except as provided above, owners of book-entry Notes will not be entitled to receive physical delivery of Notes in definitive form and will not be considered the holders of those Notes for any purpose under the senior indenture, and no global Note representing book-entry Notes will be exchangeable, except for another global Note of like denomination and tenor to be registered in the name of the Depository or its nominee. Accordingly, each person owning a book-entry Note must rely on the procedures of the Depository and, if that person is not a participant, on the procedures of the participant through which that person owns its interest, to exercise any rights of a holder under that global Note or the senior indenture. The senior indenture provides that the Depository, as a holder, may appoint agents and otherwise authorize participants to give or take any request, demand, authorization, direction, notice, consent, waiver or other action that a holder is entitled to give or take under the senior indenture. CSX understands that under existing industry practices, if CSX requests any action of holders or an owner of a book-entry Note desires to give or take any action a holder is entitled to give or take under the senior indenture, the Depository would authorize the participants owning the relevant book-entry Notes to give or take that action, and those participants would authorize beneficial owners owning through those participants to give or take that action or would otherwise act upon the instructions of beneficial owners owning through them.

Clearance and Settlement Procedures

Initial settlement for the Notes will be made in immediately available funds. Transfers between participants in the Depository will be effected in the ordinary way in accordance with the Depository's rules and will be settled in same-day funds. Secondary market trading between Clearstream Luxembourg Participants and/or Euroclear Participants will be effected in the ordinary way, in accordance with the applicable rules and operating procedures of Clearstream Luxembourg and Euroclear, and will be settled using the procedures applicable to conventional eurobonds in immediately available funds.

Cross-market transfers between persons holding directly or indirectly through participants in the Depository, on the one hand, and directly or indirectly through Clearstream Luxembourg Participants or Euroclear Participants, on the other, will be effected in the Depository in accordance with the Depository's rules on behalf of the relevant European international clearing system by its U.S. Depository; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the

Table of Contents

counterparty in such system, in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its U.S. Depository to take action to effect final settlement on its behalf by delivering or receiving Notes in the Depository, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to the Depository. Clearstream Luxembourg Participants and Euroclear Participants may not deliver instructions directly to their respective U.S. Depositories.

Because of time-zone differences, credits of book-entry Notes received in Clearstream Luxembourg or Euroclear as a result of a transaction with a Depository participant will be made during subsequent securities settlement processing and dated the business day following the Depository settlement date. Such credits or any transactions in such Notes settled during such processing will be reported to the relevant Euroclear or Clearstream Luxembourg Participants on such business day. Cash received in Clearstream Luxembourg or Euroclear as a result of sales of Notes by or through a Clearstream Luxembourg Participant or a Euroclear Participant to a Depository participant will be received on the Depository settlement date but will be available in the relevant Clearstream Luxembourg or Euroclear cash account only as of the business day following settlement in the Depository.

Although the Depository, Clearstream Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of Notes among participants of the Depository, Clearstream Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time.

Table of Contents

CERTAIN TAX CONSIDERATIONS

The following discussion is a general summary of certain material U.S. federal income tax consequences to non-U.S. holders of the ownership and disposition of the Notes. This discussion applies only to holders of Notes that acquire the Notes pursuant to this offering at the initial offering price. This discussion is based upon the Internal Revenue Code of 1986, as amended (the Code), Treasury regulations promulgated and proposed thereunder, judicial authorities, published positions of the Internal Revenue Service (the IRS) and other applicable authorities, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect.

No ruling has been or will be sought from the IRS regarding any matter discussed herein. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax discussion points set forth below. This discussion is limited to investors that hold the Notes as capital assets (generally, for investment purposes). Furthermore, except to the extent set forth below, this discussion does not address any U.S. federal gift or alternative minimum tax laws or any state, local or foreign tax laws. Prospective investors are urged to consult their tax advisors regarding the U.S. federal, state and local, foreign income and other tax consequences of the purchase, ownership and disposition of the Notes.

Non-U.S. Holder Defined

For purpose of this discussion, you are a non-U.S. holder if you are a beneficial owner of the Notes that is an individual, corporation, estate or trust that, for U.S. federal income tax purposes, is not a U.S. person. You are generally treated as a U.S. person for U.S. federal income tax purposes if you are: (i) an individual who is a citizen or resident of the United States, including an alien individual who is a lawful permanent resident of the United States or who meets the substantial presence test under Section 7701(b) of the Code; (ii) a corporation or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in the United States or under the laws of the United States or of any state therein or the District of Columbia; (iii) an estate whose income is subject to U.S. federal income tax regardless of its source; or (iv) a trust (A) whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (B) which has made a valid election to be treated as a U.S. person under applicable Treasury regulations.

Interest

A non-U.S. holder will generally not be subject to U.S. federal income or withholding tax on payments of interest on the Notes provided that (i) such interest is not effectively connected with the conduct of a trade or business within the United States by the non-U.S. holder and (ii) the non-U.S. holder (A) does not actually or constructively own 10% or more of the total combined voting power of all classes of our voting stock, (B) is not a controlled foreign corporation (within the meaning of Section 957(a) of the Code) related to us directly or constructively through stock ownership, (C) is not a bank receiving interest described in Section 881(c)(3)(A) of the Code, and (D) satisfies certain certification requirements under penalty of perjury (generally through the provision of a properly executed IRS Form W-8BEN). If interest on the Notes is not effectively connected with the conduct of a trade or business in the United States by a non-U.S. holder, but such non-U.S. holder cannot satisfy the other requirements outlined in the preceding sentence, interest on the Notes will generally be subject to U.S. withholding tax at a 30% rate unless an income tax treaty applies to reduce or eliminate such withholding tax and the non-U.S. holder properly certifies as to its entitlement to the treaty benefits under penalty of perjury (generally through the provision of a properly executed IRS Form W-8BEN). If interest on the Notes is effectively connected with the conduct of a trade or business within the United States by the non-U.S. holder, and, if an income tax treaty applies, is attributable to a permanent establishment or fixed base within the United

Table of Contents

States, then the non-U.S. holder will generally be subject to U.S. federal income tax on such interest, in the same manner as if such holder were a U.S. holder, if such non-U.S. holder provides a properly executed IRS Form W-8ECI. A non-U.S. holder that is a foreign corporation may also be subject to the branch profits tax at a rate of 30% (or a lower applicable treaty rate).

Sale, Exchange or Other Taxable Disposition of Notes

A non-U.S. holder will generally not be subject to U.S. federal withholding tax with respect to gain recognized on the sale, exchange or other taxable disposition of the Notes. A non-U.S. holder will also generally not be subject to U.S. federal income tax with respect to such gain unless (i) the gain is effectively connected with the conduct of a trade or business within the United States by the non-U.S. holder and, if an income tax treaty applies, is attributable to a permanent establishment or fixed base within the United States, (ii) in the case of a non-U.S. holder that is an individual, such holder is present in the United States for 183 or more days in the taxable year in which such holder disposes of the Notes and certain other conditions are satisfied or (iii) the gain represents accrued but unpaid interest not previously included in income, in which case the rules regarding interest would apply. In the case described above in (i), gain or loss recognized on the disposition of such Notes will generally be subject to U.S. federal income taxation in the same manner as if such gain or loss were recognized by a U.S. holder, and, in the case of a non-U.S. holder that is a foreign corporation, may also be subject to the branch profits tax at a rate of 30% (or a lower applicable treaty rate). In the case described above in (ii), the non-U.S. holder will be subject to U.S. federal income tax at a rate of 30% (or a lower applicable treaty rate) on any capital gain recognized on the disposition of the Notes, which may be offset by certain U.S. source capital losses.

Federal Estate Tax

Notes that are held (or treated as held) by an individual who, at the time of death, is not a citizen or resident of the United States (as defined for U.S. federal estate tax purposes) will not be subject to U.S. federal estate tax, provided that at the time of death, (i) such individual is not a shareholder owning actually or constructively 10% or more of the total combined voting power of all classes of our stock entitled to vote and (ii) payments of interest with respect to such Notes would not have been effectively connected with the conduct by such individual of a trade or business in the United States.

Information Reporting and Backup Withholding

A non-U.S. holder will generally be required to comply with certain certification procedures to establish that such holder is not a U.S. person, in order to avoid backup withholding tax (currently at a rate of 28%) with respect to payments of principal and interest on or the proceeds of a disposition of the Notes. Such certification is required to be filed with the issuer of the Notes.

11

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

9.7%

12

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

OO

SCHEDULE 13G

CUSIP No. 150934503

NAMES OF REPORTING PERSONS

Socius Capital Group, LLC

1 I.R.S. Identification Nos. of above persons (entities only).
27-1051956

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP
(SEE INSTRUCTIONS)

(a)
2 (b)

SEC USE ONLY

3

CITIZENSHIP OR PLACE OF ORGANIZATION

4 Delaware

SOLE VOTING POWER

NUMBER OF 5 87,029,396 (See Item 4)

SHARES BENEFICIALLY OWNED BY 6 SHARED VOTING POWER

N/A

EACH REPORTING PERSON 7 SOLE DISPOSITIVE POWER

87,029,396 (See Item 4)

WITH 8 SHARED DISPOSITIVE POWER

N/A

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH
REPORTING PERSON

9 87,029,396 (See Item 4)

CHECK IF THE AGGREGATE AMOUNT IN ROW
(11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

10

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

9.7%

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

12 HC

SCHEDULE 13G

CUSIP No. 150934503

NAMES OF REPORTING PERSONS

Sabra ICG, LLC

1 I.R.S. Identification Nos. of above persons (entities only).
27-0901060

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP
(SEE INSTRUCTIONS)

(a)
2 (b)

SEC USE ONLY

3

CITIZENSHIP OR PLACE OF ORGANIZATION

4 California

SOLE VOTING POWER

NUMBER OF 5 87,029,396 (See Item 4)

SHARES BENEFICIALLY OWNED BY 6 SHARED VOTING POWER

N/A

EACH REPORTING PERSON 7 SOLE DISPOSITIVE POWER

87,029,396 (See Item 4)

WITH 8 SHARED DISPOSITIVE POWER

N/A

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

9 87,029,396 (See Item 4)

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

10

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

9.7%

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

12 HC

SCHEDULE 13G

CUSIP No. 150934503

NAMES OF REPORTING PERSONS

Patricia Peizer

1 I.R.S. Identification Nos. of above persons (entities only).

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP
(SEE INSTRUCTIONS)

2 (a)
(b)

SEC USE ONLY

3

CITIZENSHIP OR PLACE OF ORGANIZATION

4 United States

SOLE VOTING POWER

NUMBER OF 5 87,029,396 (Item 4)

SHARES BENEFICIALLY OWNED BY 6 SHARED VOTING POWER

N/A

EACH REPORTING PERSON 7 SOLE DISPOSITIVE POWER

87,029,396 (Item 4)

WITH 8 SHARED DISPOSITIVE POWER

N/A

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

9 87,029,396 (Item 4)

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

10

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

9.7%

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

12 IN

SCHEDULE 13G

CUSIP No. 150934503

NAMES OF REPORTING PERSONS

Terren S. Peizer

1 I.R.S. Identification Nos. of above persons (entities only).

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP
(SEE INSTRUCTIONS)

2 (a)
(b)

SEC USE ONLY

3

CITIZENSHIP OR PLACE OF ORGANIZATION

4 United States

SOLE VOTING POWER

NUMBER OF 5 87,029,396 (Item 4)

SHARES BENEFICIALLY OWNED BY 6 SHARED VOTING POWER

N/A

EACH REPORTING PERSON 7 SOLE DISPOSITIVE POWER

87,029,396 (Item 4)

WITH 8 SHARED DISPOSITIVE POWER

N/A

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

9 87,029,396 (Item 4)

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

10

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

9.7%

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

12 IN

SCHEDULE 13G

CUSIP No. 150934503

ITEM 1.

(a) Name of Issuer:

Cell Therapeutics, Inc.

(b) Address of Issuer's Principal Executive Offices:

501 Elliott Avenue West, Suite 400
Seattle, Washington 98119

ITEM 2.

(a) Name of Person Filing:

This statement is filed by Socius CG II, Ltd. with respect to shares of common stock, no par value per share, of the issuer beneficially owned by Socius CG II, Ltd., and by Socius Capital Group, LLC, Sabra ICG, LLC, Terren S. Peizer and Patricia Peizer with respect to the shares beneficially owned by Socius CG II, Ltd.

(b) Address of Principal Business Office, or if None, Residence:

The address of the principal business office of Socius CG II, Ltd. is:
Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The address of the principal business office of Socius Capital Group, LLC, Sabra ICG, LLC, Mr. Peizer and Ms. Peizer is: 11150 Santa Monica Boulevard, Suite 1500, Los Angeles, CA 90025.

(c) Citizenship:

Socius CG II, Ltd. is a Bermuda exempted company.
Socius Capital Group, LLC is a Delaware limited liability company.
Sabra ICG, LLC is a California limited liability company.
Mr. Peizer and Ms. Peizer are United States citizens.

(d) Title of Class of Securities:

Common stock, no par value per share

(e) CUSIP Number:

150934503

ITEM 3. IF THIS STATEMENT IS FILED PURSUANT TO SS.240.13d-1(b) OR 240.13d-2(b) OR (c), CHECK WHETHER THE PERSON FILING IS A:

- (a) Broker or dealer registered under Section 15 of the Act (15 U.S.C. 78o).
- (b) Bank as defined in Section 3(a)(6) of the Act (15 U.S.C. 78c).
- (c) Insurance company as defined in Section 3(a)(19) of the Act (15 U.S.C. 78c).
- (d) Investment company registered under Section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).

Edgar Filing: CSX CORP - Form 424B5

- (e) An investment adviser in accordance with ss.240.13d-1(b)(1)(ii)(E);
 - (f) An employee benefit plan or endowment fund in accordance with ss.240.13d-1(b)(1)(ii)(F);
 - (g) A parent holding company or control person in accordance with ss.240.13d-1(b)(1)(ii)(G);
 - (h) A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);
 - (i) A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);
 - (j) Group, in accordance with ss.240.13d-1(b)(1)(ii)(J).
-

ITEM 4. OWNERSHIP.

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

(a) Amount beneficially owned:

See Item 9 of cover pages

(b) Percent of class:

See Item 11 of cover pages

(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote

See Item 5-8 of cover pages

(ii) Shared power to vote or to direct the vote

See Item 5-8 of cover pages

(iii) Sole power to dispose or to direct the disposition of

See Item 5-8 of cover pages

(iv) Shared power to dispose or to direct the disposition of

See Item 5-8 of cover pages

On January 12, 2011, Cell Therapeutics, Inc. (the “Company”) entered into a Securities Purchase Agreement (the “Purchase Agreement”) between the Company and Socius CG II, Ltd. Pursuant to the Purchase Agreement, the Company agreed to issue to the Socius CG II, Ltd. in a registered offering (i) up to 25,000 shares of the Company’s Series 8 Non-Convertible Preferred Stock, no par value per share (the “Series 8 Preferred Stock”), (ii) warrants (the “Warrants”) to purchase up to 22,563,177 shares of the Company’s common stock, no par value per share, and (iii) an additional investment right (the “Additional Investment Right”) to purchase up to 25,000 shares of the Company’s Series 9 Convertible Preferred Stock, no par value per share (the “Series 9 Preferred Stock”), for an aggregate offering price of \$25 million (the “Offering”). The closing of the Offering is subject to certain conditions.

The shares of Series 8 Preferred Stock will accrue annual dividends at the rate of 10% from the date of issuance, payable in additional shares of Series 8 Preferred Stock. The shares of Series 8 Preferred Stock are redeemable at the option of the Company at any time after issuance, in whole or in part, either in cash or by offset against recourse notes fully secured with marketable securities (“Notes”), which may be issued by Socius CG II, Ltd. to the Company in connection with the exercise of the Warrants and the Additional Investment Right.

Each Warrant has an initial exercise price of \$0.3878 per share of common stock. The Warrants are exercisable immediately and expire two years from the date of issuance, provided that the Warrants must be exercised simultaneously with the exercise of the Additional Investment Right so that the percentage of the Warrants that have been exercised will always equal or exceed the percentage of the Additional Investment Right that has been exercised.

The exercise price for the Warrants may be paid in cash or through the issuance by Socius CG II, Ltd. to the Company of Notes. The Warrants are subject to mandatory exercise and cancellation, in whole or in part, in certain circumstances.

The Additional Investment Right has an exercise price of \$1,000 per share of Series 9 Preferred Stock. The Additional Investment Right is exercisable immediately and must be exercised no later than February 11, 2011. The exercise price of the Additional Investment Right may be paid in cash or through the issuance of Notes by Socius CG II, Ltd to the Company. The Additional Investment Right is subject to cancellation, in whole or in part, in certain circumstances.

Each share of Series 9 Preferred Stock is convertible at the option of the holder, at any time during its existence, into approximately 2,579 shares of common stock at a conversion price of \$0.3878 per share of common stock, for a total of approximately 64,466,219 shares of common stock.

See the Current Report on Form 8-K filed by the Company on January 18, 2011 for more details on the Offering.

ITEM 5. OWNERSHIP OF FIVE PERCENT OR LESS OF A CLASS.

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following [].

ITEM 6. OWNERSHIP OF MORE THAN FIVE PERCENT ON BEHALF OF ANOTHER PERSON.

If any other person is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, such securities, a statement to that effect should be included in response to this item and, if such interest relates to more than five percent of the class, such person should be identified. A listing of the shareholders of an investment company registered under the Investment Company Act of 1940 or the beneficiaries of employee benefit plan, pension fund or endowment fund is not required.

N/A

ITEM 7. IDENTIFICATION AND CLASSIFICATION OF THE SUBSIDIARY WHICH ACQUIRED THE SECURITY BEING REPORTED ON BY THE PARENT HOLDING COMPANY.

See Exhibit 1.

ITEM 8. IDENTIFICATION AND CLASSIFICATION OF MEMBERS OF THE GROUP.

N/A

ITEM 9. NOTICE OF DISSOLUTION OF GROUP.

N/A

ITEM 10. CERTIFICATIONS.

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having such purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: January 24, 2011

SOCIUS CG II, LTD.

By: /s/ Terren S.
Peizer
Name: Terren S. Peizer
Title: Managing Director

Dated: January 24, 2011

SOCIUS CAPITAL GROUP, LLC

By: /s/ Terren S.
Peizer
Name: Terren S. Peizer
Title: Managing Director

Dated: January 24, 2011

SABRA ICG, LLC

By: /s/ Terren S.
Peizer
Name: Terren S. Peizer
Title: Managing Director

Dated: January 24, 2011

/s/ Terren S.
Peizer
Terren S. Peizer

Dated: January 24, 2011

/s/ Patricia
Peizer
Patricia Peizer

EXHIBIT INDEX TO SCHEDULE 13G

EXHIBIT 1

Exhibit Stating Identity of Relevant Subsidiary per Item 7 of Schedule 13G

EXHIBIT 2

Joint Filing Agreement among Socius CG II, Ltd., Socius Capital Group, LLC, Sabra ICG, LLC, Terren S. Peizer and Patricia Peizer
