ALASKA AIR GROUP INC
Form 8-K
September 17, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

September 17, 2001
(Date of Report)

ALASKA AIR GROUP, INC.

(Exact name of registrant as specified in its charter)
Commission file number 1-8957

Delaware	**91-1292054**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

19300 Pacific Highway South, Seattle, Washington 98188
(Address of principal executive offices)

(206) 431-7040
(Registrant's telephone number)

ITEM 9. Regulation FD Disclosure

FORWARD-LOOKING INFORMATION

This report may contain forward-looking statements that are based on the best information currently available to management. These forward-looking statements are intended to be subject to the safe harbor protection provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are indicated by phrases such as "will," "should," "the Company believes," "we expect" or any other language indicating a prediction of future events. There can be no assurance that actual developments will be those anticipated by the Company. Actual results could differ materially from those projected as a result of a number of factors, some of which the Company cannot predict or control. For a discussion of these factors, please see Item 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2000. The Company expressly disclaims any duty to update these projections, and makes no representation as to their continued accuracy in the event it does not provide such updates.

Recent Developments

On September 11, 2001, the United States was attacked by terrorists using hijacked jets of two other U.S. airlines. The Federal Aviation Administration (FAA) shut down all commercial airline flight operations for September 11 and 12. Alaska Airlines (Alaska) and Horizon Air resumed flight operations at reduced levels on September 13. Alaska and Horizon expect to operate 75% of their flight schedules on September 17.

On September 13, 2001, as a result of the terrorist attack, Standard and Poors announced it was placing its long-term credit ratings of all U.S. airlines and their related entities on Credit Watch with negative implications.

Cash Position

As of the beginning of business on September 17, 2001, Alaska Air Group had approximately $440 million of cash and marketable securites. In addition, Alaska has recently obtained another $150 million of cash under its credit facility.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALASKA AIR GROUP, INC.

Registrant

Date: September 17, 2001

/s/ BRADLEY D. TILDEN

Bradley D. Tilden
Vice President/Finance and Chief Financial Officer

p:6px;margin-bottom:0px; text-indent:4%">Our Form 10-K is included in our Annual Report, which accompanies this proxy statement.

You can also obtain, free of charge, a copy of our Form 10-K by:

- accessing the SEC Filings section of our Internet site at *www.gwrr.com*, by clicking on the Investors link;
- writing to us at Genesee & Wyoming Inc., Corporate Communications, 66 Field Point Road, Greenwich, CT 06830; or
- telephoning us at: (203) 629-3722.

You can also obtain a copy of our Form 10-K and other periodic filings that we make with the United States Securities and Exchange Commission *(SEC)* from the SEC s EDGAR database at *www.sec.gov*.

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PROPOSAL ONE:

ELECTION OF DIRECTORS

Our by-laws allow us to set the size of our Board to be between three and 15 directors, and currently our Board is composed of nine director positions. Our Restated Certificate of Incorporation provides for a classified Board, consisting of three classes of directors, with each class serving staggered three-year terms. As a result, only a portion of our Board is elected each year. The two directors identified below, Messrs. Hurley and Scannell, are to be elected by our stockholders at our upcoming annual meeting, each to hold office for a three-year term expiring in 2012, or until their respective successors are duly elected and qualified. In light of Mr. Young nearing the Company s mandatory retirement age, he decided not to stand for re-election as a director at our upcoming annual meeting. Mr. Young will retire from the Board and the Governance Committee, effective as of May 27, 2009, the date of our upcoming annual meeting.

Our Board of Directors unanimously recommends that stockholders vote FOR the election of each of David C. Hurley and Peter O. Scannell.

Proposed For Election as Director

for a Three-Year Term Expiring in 2012

Name and Age on March 31, 2009	Principal Occupation, Recent Business Experience and Other Directorships
David C. Hurley Age 68 Director since 2005	*Principal Occupation:* Vice Chairman of PrivatAir Holdings, SA, a provider of corporate aircraft and aircraft management, since 2003 *Recent Business Experience:* Chief Executive Officer of PrivatAir Holdings, SA, which acquired Flight Services Group, from 1999 to 2003; Founder, Chairman, President and Chief Executive Officer of Flight Services Group from 1983 to 1999 *Other Directorships:* Hexcel Corporation Audit Committee Member ExelTech Aerospace Governance and Human Resources Committee Member Applied Energetics Governance and Nominating Committee Member Genesis Lease Limited Audit Committee Member, Nominating and Corporate Governance Committee Member and Compensation Committee Chairman

Peter O. Scannell Age 50 Director since 2003	*Principal Occupation:* Founder and Managing General Partner of Rockwood Holdings LP, a private investment firm focused on the acquisition and development of operating businesses, since 1986
	Recent Business Experience: Chairman and Chief Executive Officer of Rockwood Service Corporation, a materials testing and inspection firm, since 1990; Chairman and Chief Executive Officer of Kane Holding Company, a manufacturer of architectural products, since 1989

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Unless authority to vote for one or more of the nominees is specifically withheld according to the instructions, proxies in the enclosed form will be voted **FOR** the election of Messrs. Hurley and Scannell. Our Board does not contemplate that any of the nominees will be unable to serve as a director, but if that contingency should occur prior to the voting of the proxies, the persons named in the enclosed proxy card reserve the right to vote for such substitute nominee or nominees as they, in their discretion, may determine.

Messrs. Hurley and Scannell were previously elected by our stockholders in 2006.

Directors Whose Terms Do Not Expire at the Annual Meeting

The following table sets forth certain information with respect to each of our directors whose term in office does not expire at the annual meeting.

Terms Expiring at Annual Meeting in 2010

Name and Age on March 31, 2009	Principal Occupation, Recent Business Experience and Other Directorships
Philip J. Ringo Age 67 Director since 1978	*Principal Occupation:* Chairman and Chief Executive Officer of RubberNetwork.com, LLC, a tire and rubber industry strategic sourcing and technology consortium, since June 2001 *Recent Business Experience:* Consultant to ChemConnect, Inc., an operator of an electronic marketplace for buyers and sellers of chemicals, feedstocks and plastics from January 2001 to May 2001; President and Chief Operating Officer of ChemConnect, Inc. from March 1999 to January 2001; President and Chief Executive Officer of Chemical Leaman Tank Lines Inc., a trucking firm, from 1995 to 1998; President and Chief Operating Officer of The Morgan Group, Inc. and Chairman and Chief Executive Officer of Morgan Drive Away, Inc., a common and contract carrier for the manufactured housing and recreational vehicle industries, from 1992 to 1995 *Other Directorships:* Internet Capital Group Nominating and Governance Committee Member and Audit Committee Member Trimac Equipment Leasing, Inc. Compensation Committee Member and Audit Committee Chairman
Mark A. Scudder Age 46 Director since 2003	*Principal Occupation:* President of Scudder Law Firm, P.C., L.L.O. since December 2002 *Recent Business Experience:* Attorney with Scudder Law Firm since 1993 representing public and private companies in mergers and acquisitions, financing transactions and general corporate matters, with a particular focus on the U.S. trucking industry

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Name and Age on March 31, 2009	Principal Occupation, Recent Business Experience and Other Directorships
Øivind Lorentzen III Age 58 Director since 2006	*Principal Occupation:* President and Chief Executive Officer of Northern Navigation International, Ltd. since June 1990 *Recent Business Experience:* Founded Northern Navigation in 1990; Chairman, NFC Shipping Funds from 2001 - 2008 *Other Directorships:* SEACOR Holdings Inc. Lead Director and Chairman of the Audit Committee Blue Danube Inc.

Terms Expiring at Annual Meeting in 2011

Name and Age on March 31, 2009	Principal Occupation, Recent Business Experience and Other Directorships
Mortimer B. Fuller III Age 66 Director since 1973	*Principal Occupation:* Executive Chairman of Genesee & Wyoming Inc. since 2007 *Recent Business Experience:* Chairman and Chief Executive Officer of Genesee & Wyoming Inc. from 1977 to 2007 and President of Genesee & Wyoming Inc. from 1977 to 1997
John C. Hellmann Age 38 Director since 2007	*Principal Occupation:* Chief Executive Officer *(CEO)* of Genesee & Wyoming Inc. since 2007 and President since 2005 *Recent Business Experience:* Chief Financial Officer of Genesee & Wyoming Inc. from 2000 to 2005 *Other Directorships:* Association of American Railroads
Robert M. Melzer Age 68	*Principal Occupation:* Retired

Director since 1997

Recent Business Experience: President and Chief Executive Officer of Property Capital Trust (real estate investment trust) from 1992 to 1999; Chief Financial Officer of Property Capital Trust from 1990 to 1996

Other Directorships:

The Cronos Group Audit Committee Chairman, Special Litigation Committee Member and Transaction Committee Member until August 2007

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RELATED PERSON TRANSACTIONS AND OTHER INFORMATION

Non-Management Directors

Commercial Relationship with Sperry Rail. Mr. Scannell, a current director whose term expires in 2009, is the Chairman and Chief Executive Officer of Rockwood Service Corporation. One of Rockwood Service Corporation s subsidiaries, Sperry Rail, Inc. *(Sperry Rail),* provides rail flaw inspection services to railroads, including to a number of our subsidiaries. Mr. Scannell is also a significant indirect stockholder of Sperry Rail. For the year ended December 31, 2008, the billings for those services were approximately $423,192 which, according to representations made by Mr. Scannell, accounted for less than 1% of the consolidated gross revenue of Sperry Rail.

Other

Class B Stockholders Agreement. The Company, Mortimer B. Fuller III, our Executive Chairman, our officers with policy-making functions who are subject to the reporting obligations of Section 16 of the Securities Exchange Act of 1934, as amended (the *Exchange Act*), as set forth on page 24 (collectively, the *Executive Officers),* and all holders of our Class B Common Stock are parties to a Class B Stockholders Agreement dated as of May 20, 1996. Under the agreement, if a party proposes to transfer shares of Class B Common Stock in a transaction that would result in the automatic conversion of those shares into shares of Class A Common Stock, the Executive Officers have the right to purchase up to an aggregate of 50% of those shares, and Mr. Fuller has the right to purchase the balance, all at the then-current market price of the Class A Common Stock. If Mr. Fuller does not purchase the entire balance of the shares, the Executive Officers, excluding Mr. Fuller, have the right to purchase the shares that remain. In the event the employment of any Executive Officer, excluding Mr. Fuller, terminates, these purchase rights also apply to any Class B Common Stock held by the Executive Officer. The effect of this agreement is to concentrate ownership of the Class B Common Stock, which entitles the holders thereof to ten times the voting power, per share of the Class A Common Stock, in the hands of our management, particularly Mr. Fuller. See Security Ownership of Certain Beneficial Owners and Management.

Policies and Procedures for Review, Approval or Ratification of Related Person Transactions

The Board adopted a written Related Person Transaction Policy which requires (1) the review and approval, or ratification, by the Governance Committee, or by a Sub-Committee of the Board composed solely of independent directors who are disinterested, of all related person transactions that would be required to be disclosed pursuant to the rules and regulations of the SEC; and (2) that any employment relationship or employment transaction involving an Executive Officer and any related compensation to such Executive Officer must be approved by the Compensation Committee of the Board of Directors or recommended by the Compensation Committee to the Board for its approval. In connection with the review and approval or ratification of related person transactions, management must disclose the material terms of the transaction, including the approximate dollar value associated with the transaction and the nature of the related person s interest in the transaction. Information with respect to compliance with any applicable agreements and any disclosure obligations must also be provided. To the extent the transaction involves an independent director, consideration must also be given, as applicable, to the NYSE listing standards, our categorical standards of independence included in our Corporate Governance Guidelines, the requirements of Internal Revenue Code *(IRC)* Section 162(m) and other relevant rules under the Exchange Act related to independence.

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CORPORATE GOVERNANCE

Director Independence

General

Pursuant to the General Corporation Law of the State of Delaware, the state under which we are organized, and our by-laws, our business, property and affairs are managed by or under the direction of our Board. Members of our Board are kept informed of our business through discussions with our Executive Chairman, our CEO and other officers, by reviewing materials provided to them by management, by participating in meetings of the Board and its committees and by visiting various facilities and operations.

Corporate Governance Principles and Categorical Independence Standards

In order to provide guidance on the composition and function of our governing body, our Board adopted our Corporate Governance Principles, which include, among other things, our categorical standards of director independence. These categorical independence standards establish certain relationships that our Board, in its judgment, has deemed to be material or immaterial for purposes of assessing a director s independence. In the event a director maintains any relationship with us that is not addressed in these standards, the independent members of our Board or the Governance Committee, as applicable, will determine whether such relationship is material and whether such relationship would compromise the director s independence under our Related Person Transaction Policy. The criteria applied by the Board in determining a director s independence also comport with the NYSE standards regarding director independence. Our Corporate Governance Principles, which include our categorical independence standards, are attached as Annex I to this proxy statement. You may also find a link to our Corporate Governance Principles on our website at *www.gwrr.com* under the Governance link. We will provide a printed copy of the Corporate Governance Principles free of charge to any stockholder or interested party upon request to our Company s Corporate Communications department.

Evaluations of Director Independence

The Governance Committee undertook its annual review of director independence and reviewed with our Board its findings. During this review, our Board considered transactions and relationships between each director and nominee (or members of their immediate families) and our Company, its subsidiaries and affiliates, including those reported under Related Person Transactions And Other Information above. Our Board also examined transactions and relationships between directors, the nominees, or their affiliates and members of our senior management. The purpose of this review was to determine whether any such relationships or transactions compromised a director s independence.

As a result of this review, our Board affirmatively determined that all of our directors and nominees for director are independent, with the exception of Mortimer B. Fuller III and John C. Hellmann. By virtue of their positions as executive officers of our Company, Messrs. Fuller and Hellmann are not considered independent directors.

In reaching its conclusion regarding each of the other directors and nominees for director, our Board considered that our Company and its subsidiaries in the ordinary course of business purchase products and services from Sperry Rail and that Mr. Scannell serves as an executive officer of the parent company of Sperry Rail and is also a significant indirect stockholder of Sperry Rail. As discussed above, the amount paid to, received or otherwise claimed from Sperry Rail was less than 1% of Sperry Rail s 2008 consolidated revenues. Our Board also determined that the Sperry Rail relationship was not otherwise material to us or to Mr. Scannell personally and therefore determined that this relationship did not impair the independence of Mr. Scannell.

Our Board has also determined that all of the directors who serve on board committees are independent for purposes of Section 303A of the Listed Company Manual of the NYSE, that the members of the Audit Committee are also independent for purposes of Section 10A(m)(3) of the Exchange Act and that the members of the Compensation Committee are outside directors within the meaning of Section 162(m) of the IRC and non-employee directors for purposes of Rule 16b-3 of the Exchange Act.

Committees of the Board

General

Our Board has three standing committees: an Audit Committee, a Compensation Committee and a Governance Committee. The following table shows the membership of each of our Board s standing committees and the number of meetings held by each of those committees during 2008:

Director	Audit Committee	Compensation Committee	Governance Committee
David C. Hurley		X	
Øivind Lorentzen III	Chair		
Robert M. Melzer	X	X	
Philip J. Ringo	X		X
Peter O. Scannell			Chair
Mark A. Scudder		Chair	
M. Douglas Young			X
2008 Meetings	10*	9	4

* Includes quarterly conference calls with management and our independent registered public accounting firm to review our earnings releases and reports on Form 10-Q and Form 10-K prior to their filing.

Committee Charters

Our Board has adopted a charter for each of the three standing committees that addresses the composition and function of each committee. You may find links to these materials on our website at *www.gwrr.com* under the Governance link, and we will provide a printed copy of these materials, free of charge, to any stockholder who requests it by contacting the Company s Corporate Communications department.

Audit Committee

The Audit Committee assists our Board in fulfilling its responsibility relating to the oversight of: (1) the quality and integrity of our financial statements, (2) our compliance with legal and regulatory requirements, (3) our independent registered public accounting firm s qualifications and independence, and (4) the performance of our internal audit function and independent registered public accounting firm. The Report of the Audit Committee relating to 2008 appears on page 55 of this proxy statement. Our Board has determined that each of the members of the Audit Committee is financially literate

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within the meaning of the listing standards of the NYSE. In addition, our Board has determined that Mr. Melzer qualifies as an Audit Committee Financial Expert as defined by applicable SEC regulations and that he has accounting or related financial management expertise within the meaning of the listing standards of the NYSE. The Board reached its conclusion as to Mr. Melzer s qualification based on, among other things, his education and experience, most notably his service as the Chief Financial Officer of Property Capital Trust from 1990 through 1996, and his previous experience as an audit committee chairman at another public company.

Compensation Committee

The Compensation Committee discharges the responsibilities of our Board relating to the oversight of our compensation program and the compensation of our Executive Officers and other key personnel. The Compensation Committee s report relating to 2008 appears on page 38 of this proxy statement. Each of the members of the Compensation Committee is independent for purposes of the NYSE Rules, an outside director within the meaning of Section 162(m) of the IRC and a non-employee director within the meaning of Exchange Act Rule 16b-3. Pursuant to the Compensation Committee Charter, the Compensation Committee is entitled to delegate any or all of its responsibilities to a subcommittee composed of members of the Compensation Committee. The Compensation Committee has delegated authority to the CEO to approve grants to newly-hired or promoted employees who are not Executive Officers, subject to an option grant fair value limit of $200,000. The Compensation Committee reports and makes recommendations to the Board regarding executive compensation policies and our compensation program, when necessary, and informs the other members of the Board about its decisions regarding compensation for the CEO and other Executive Officers. The Compensation Committee also has the authority under its charter to retain outside consultants or advisors, as it deems necessary or advisable. Additional information with respect to the Compensation Committee s retention of outside advisors is set forth under Executive Compensation Compensation Discussion and Analysis beginning on page 26 of this proxy statement.

Compensation Committee Processes and Procedures

In performing its duties, the Compensation Committee meets periodically with our CEO. Our CEO participates in discussions of the Compensation Committee and makes recommendations, but he does not vote or otherwise participate in the Compensation Committee s ultimate determinations. Our Board believes that it is prudent to have our CEO participate in these determinations because his evaluations and recommendations with respect to the compensation and benefits paid to Executive Officers other than himself are extremely valuable to the Compensation Committee. Additional information with respect to the participation of our CEO with respect to matters that are the responsibility of the Compensation Committee is set forth under Executive Compensation Compensation Discussion and Analysis beginning on page 26 of this proxy statement.

Governance Committee

The Governance Committee assists our Board in fulfilling its responsibility relating to corporate governance by: (1) identifying individuals qualified to become directors and selecting or recommending that our Board select the candidates for all directorships to be filled by our Board, (2) developing and recommending the content of our Corporate Governance Principles to our Board, and (3) otherwise taking a leadership role in shaping our corporate governance. In evaluating

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candidates for directorships, our Board, with the help of the Governance Committee, takes into account a variety of factors it considers appropriate, which include certain minimum individual qualifications including strength of character, mature judgment, industry knowledge or experience and an ability to work collegially with other members of the Board. Other factors considered in evaluating candidates include the following: leadership skills; general business acumen and experience; broad knowledge of the rail freight business or of other modes of transportation; knowledge of strategy, finance, international business; government affairs related to transportation; legal considerations; experience with corporate governance; age; number of other board seats; and willingness to commit the necessary time to ensure an active Board whose members work well together and possess the collective knowledge and expertise required. In 2008, we did not pay any fees to a third party for assistance in identifying potential nominees for our Board. The Governance Committee is also tasked with, among other matters, the responsibility for reviewing and recommending to the Board, the compensation of non-management directors. Additional information on changes to non-management director compensation in 2008 is set forth under 2008 Director Compensation Directors Cash Compensation 2008 Compensation Changes on page 20 of this proxy statement.

Stockholder Recommendations for Director Nominations

As noted above, the Governance Committee considers and establishes procedures regarding recommendations for nomination to our Board, including nominations submitted by stockholders. Such recommendations should be sent to the attention of our Secretary. Any recommendations submitted to the Secretary should be in writing and should include any supporting material the stockholder considers appropriate in support of that recommendation, but must include the information that would be required under the rules of the SEC to be included in a proxy statement soliciting proxies for the election of such candidate and a signed consent of the candidate to serve as one of our directors if elected. Stockholders must also satisfy the notification, timeliness, consent and information requirements set forth in our by-laws. For an explanation of such requirements, see Stockholder Proposals for 2010 Annual Meeting on page 57 of this proxy statement.

The Governance Committee evaluates all potential candidates in the same manner, regardless of the source of the recommendation. Based on the information provided to the Governance Committee, it will make an initial determination whether to conduct a full evaluation of a candidate. As part of the full evaluation process, the Governance Committee may conduct interviews, obtain additional background information and conduct reference checks of candidates. The Governance Committee may also ask the candidate to meet with management and other members of our Board. When the Governance Committee reviews a potential candidate, the Governance Committee considers the candidate s qualifications in light of the needs of the Board and the Company at that time, given the current mix of director attributes. In evaluating a candidate, our Board, with the assistance of the Governance Committee, also takes into account a variety of additional factors as described in our Corporate Governance Principles.

Meeting Attendance

During 2008, our Board held five in person meetings and 11 telephonic meetings, and our Board s standing committees held a total of 23 meetings. During 2008, each director attended 93% or more of the aggregate of (a) the total number of meetings of the Board held and (b) the total number of committee meetings. There were only two meetings of the Board where the full Board was not in attendance. All directors attended last year s annual meeting of stockholders.

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Executive Sessions

Our Corporate Governance Principles require our independent directors to have at least four regularly scheduled meetings per year without management present. Our independent directors met without management present a total of 10 times during 2009. During these sessions, the director acting in the role of presiding director is established by the directors based upon the topics under consideration.

Communicating with the Board

Stockholders and other interested parties who would like to communicate directly with our Board, our non-management directors or any individual director may do so by writing to our Secretary at Genesee & Wyoming Inc., 66 Field Point Road, Greenwich, Connecticut 06830, and specifying whether such communication is addressed to the attention of (1) the Board as a whole, (2) non-management directors as a group or (3) the name of the individual director, as applicable. Communications will be distributed to our Board, non-management directors as a group or to any individual director or directors, as appropriate, depending on the facts and circumstances outlined in the communication. In that regard, our Board has requested that certain items that are unrelated to its duties and responsibilities should be excluded, such as junk mail and mass mailings, resumes and other forms of job inquiries, surveys and business solicitations or advertisements.

In addition, material that is unduly hostile, threatening, illegal or similarly unsuitable will be excluded, with the provision that any communication that is filtered out must be made available to any non-management director upon request. Any concerns relating to accounting, internal controls or auditing matters will be brought to the attention of our Audit Committee. In addition, for such matters, stockholders and other interested parties are encouraged to use our hotline, which is discussed below.

Hotline for Accounting or Auditing Matters

As part of the Audit Committee s role to establish procedures for the receipt of complaints regarding accounting, internal accounting controls or auditing matters, we established a hotline for the confidential and anonymous submission of concerns regarding questionable accounting or auditing matters. Any matters reported through the hotline that involve accounting, internal controls over financial reporting or audit matters, or any fraud involving management or persons who have a significant role in our internal controls over financial reporting, will be reported to the Chairman of our Audit Committee. Our hotline number in the United States and Canada is (800) 589-3280. In Australia, our hotline number is 1800-141-924 and in the Netherlands, our hotline number is 0800-022-5890.

Code of Ethics

We have a Code of Ethics applicable to all employees of our Company, including our Executive Chairman, CEO, Chief Financial Officer, Chief Accounting Officer and, to the extent it applies to their activities, all members of our Board. You can find a link to our Code of Ethics on our website at *www.gwrr.com* under the Governance link, and we will provide a printed copy of our Code of Ethics, free of charge, to any stockholder or other interested party upon request to our Corporate Communications department. To the extent required to be disclosed, we will post amendments to, and any waivers or implied waivers from, our Code of Ethics at the same location on our website as our Code of Ethics.

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Board Evaluations

Each year our Board evaluates its performance through a self-evaluation process developed by the Governance Committee. Each member of our Board provides specific feedback on various aspects of the Board s role, organization and meetings, and the Chairman of our Governance Committee presents the findings of the self-evaluation process to our Board. As part of the evaluation, our Board develops, as appropriate, recommendations to enhance its effectiveness in the year to come. In addition to this process, each committee of our Board conducts its own annual performance evaluation.

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2008 DIRECTOR COMPENSATION

The following table and footnotes provide information on the compensation of our directors, other than our Executive Chairman and our CEO. In the paragraph following the table and footnotes, we describe our standard compensation arrangements for service on the Board, including service on Board committees, the annual retainer and meeting fees for the year ended December 31, 2008.

Name (1)	Fees Earned or Paid in Cash (2)	Stock Awards (3)	All Other Compensation (4)	Total
David C. Hurley	$ 48,833	$ 95,703	$ 5,000	$ 149,536
Øivind Lorentzen III	$ 58,633	$ 58,206	$	$ 116,839
Robert M. Melzer	$ 56,233	$ 71,323	$ 5,000	$ 132,556
Philip J. Ringo	$ 52,633	$ 56,706	$ 1,100	$ 110,439
Peter O. Scannell	$ 51,033	$ 96,253	$ 5,000	$ 152,286
Mark A. Scudder	$ 54,633	$ 57,206	$ 4,000	$ 115,839
Hon. M. Douglas Young, P.C.	$ 46,033	$ 95,003	$	$ 141,036

(1) Messrs. Fuller and Hellmann receive no additional compensation for their services as directors and are not included in the table above.

(2) Includes amounts earned during 2008, all of which were deferred. In lieu of cash, our non-management directors can elect to receive payments for fees earned in the form of DSUs, which are deferred stock units, with a value equal to 125% of the cash fees earned. For 2008, all of the Company s non-management directors elected to receive all of their payments in the form of DSUs.

(3) Reflects the dollar amount of the expense recognized by the Company in 2008 for financial statement reporting purposes in accordance with Financial Accounting Standards No. 123R, Share-Based Payments (*SFAS 123R*) with respect to DSUs, which are deferred stock units that have been issued to our non-management directors under the Amended and Restated 2004 Omnibus Incentive Plan (*Omnibus Plan*) and restricted stock (*restricted stock*) that has been issued to our directors under our Omnibus Plan in 2008 and in prior years. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For discussion of the assumptions made in the valuations, refer to Note 15 to our consolidated financial statements for the fiscal year ended December 31, 2008. In lieu of cash, our non-management directors can elect to receive payments for fees earned in the form of DSUs with a value equal to 125% of the cash fees earned. For 2008, all of the Company s non-management directors elected to receive all of their payments in the form of DSUs. The Stock Awards column includes the expense recognized for financial reporting purposes with respect to the 25% premium associated with the DSU awards. The fees forgone by these directors in favor of the DSUs are included in the Fees Earned or Paid in Cash column. Details of stock awards are set forth in the table below.

(4) Reflects company contributions to the Directors Matching Gift Plan described in additional detail below.

The following table details grants of stock awards to each of our directors in 2008. The table includes the grant date and grant date fair value of each 2008 stock award, and the aggregate number of outstanding, unvested stock awards held by each of the non-management directors, as of December 31, 2008:

Name	Grant Date (a)	Stock Awards (#)	Grant Date Fair Value (b)	Total Number of Outstanding, Unvested Stock Awards (#) (c)
David C. Hurley	3/31/2008	69	$ 2,400	
	5/28/2008	1,343	53,183	
	6/30/2008	82	2,800	
	8/26/2008	619	25,540	
	9/30/2008	112	3,983	
	12/31/2008	105	3,025	
				3,250

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Name	Grant Date (a)	Stock Awards (#)	Grant Date Fair Value (b)	Total Number of Outstanding, Unvested Stock Awards (#) (c)
Øivind Lorentzen III	3/31/2008	90	$ 3,125	
	5/28/2008	1,343	53,183	
	6/30/2008	94	3,213	
	8/26/2008	619	25,540	
	9/30/2008	117	4,146	
	12/31/2008	145	4,175	
				2,948
Robert M. Melzer	3/31/2008	80	$ 2,750	
	5/28/2008	1,343	53,183	
	6/30/2008	98	3,350	
	8/26/2008	619	25,540	
	9/30/2008	122	4,333	
	12/31/2008	126	3,625	
				1,962
Philip J. Ringo	3/31/2008	80	$ 2,750	
	5/28/2008	1,343	53,183	
	6/30/2008	92	3,150	
	8/26/2008	619	25,540	
	9/30/2008	115	4,083	
	12/31/2008	110	3,175	
				2,948
Peter O. Scannell	3/31/2008	78	$ 2,712	
	5/28/2008	1,343	53,183	
	6/30/2008	88	3,012	
	8/26/2008	619	25,540	
	9/30/2008	114	4,046	
	12/31/2008	104	2,987	
				3,250
Mark A. Scudder	3/31/2008	78	$ 2,712	
	5/28/2008	1,343	53,183	
	6/30/2008	94	3,213	
	8/26/2008	619	25,540	
	9/30/2008	121	4,296	
	12/31/2008	119	3,437	
				2,948
Hon. M. Douglas Young, P.C.	3/31/2008	69	$ 2,400	
	5/28/2008	1,343	53,183	
	6/30/2008	79	2,700	
	8/26/2008	619	25,540	
	9/30/2008	105	3,733	
	12/31/2008	93	2,675	
				3,250

(a) The May 28, 2008 and August 26, 2008 grants relate to the annual restricted stock awards issued to the non-management directors, which awards are subject to vesting conditions. The May 28, 2008 grant reflects a $40,000 award of restricted stock, and the August 26, 2008 award reflects an additional $20,000 award of restricted stock as a result of an increase, retroactively effective as of May 28, 2008, in non-management director compensation. See additional discussion below under Restricted Stock Grants. All other grants relate to the director s election to receive DSUs as payment in lieu of cash payments for their annual retainer and Board and Committee meeting fees. The number of DSUs shown as awarded and the grant date fair value thereof reflect only the 25% premium associated with the DSU awards. See Deferral of Cash Compensation below.

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(b) This column shows the full grant date fair value of restricted stock awards and stock options under SFAS 123R granted in 2008. The grant date fair value is the amount that the Company will expense in its financial statements over the award s required period of service, not taking into account any estimated forfeitures as required by SFAS 123R.

(c) Notwithstanding any deferral elections by non-management directors, DSUs are deemed to be owned outright by the non-management directors on the grant date and are therefore not included in outstanding unvested stock awards as of December 31, 2008.

The following table shows the aggregate number of outstanding option awards held by each of our non-management directors as of December 31, 2008. There were no grants of options to our non-management directors in 2008.

Name	Total Number of Outstanding Option Awards(#)
David C. Hurley	
Øivind Lorentzen III	
Robert M. Melzer	10,126
Philip J. Ringo	5,063
Peter O. Scannell	10,125
Mark A. Scudder	10,125
Hon. M. Douglas Young, P.C.	

Directors Cash Compensation

General

During fiscal year 2008, our non-management directors earned an aggregate amount of $368,031 in fees for service on our Board and its committees, which includes additional amounts paid to non-management directors associated with an increase in the compensation approved by the Board on August 26, 2008. Additional information relating to the increase, retroactively effective as of May 28, 2008, in non-management director compensation is set forth below. We also reimburse our non-management directors for travel expenses in connection with their attendance of Board and committee meetings, and trips to our facilities and operations. Our non-management directors were also granted DSUs representing shares of our Class A Common Stock associated with the deferral of fees for service on our Board, committees and chair fees as discussed below under Deferral of Cash Compensation. Only our non-management directors are entitled to receive fees for Board service.

2008 Compensation Changes

In accordance with a recommendation made by the Governance Committee, on August 26, 2008 the Board approved an increase in the compensation paid to non-management directors. During 2008, the Governance Committee engaged Frederic W. Cook Co., Inc. (*Cook*) to perform a study of the Company s non-management director compensation and provide a recommendation to the Governance Committee. In accordance with the engagement, Cook prepared a report that included a summary of the Company s current compensation program for non-management directors; market compensation information; comparisons of the Company s program as compared with market practices; detailed information on peer group practices; a summary of key findings and summary recommendations. The market data on director compensation was derived from two sources, the National Association of Corporate Directors (NACD) Director Compensation Report: 2007-2008 and the Company s peer group. The Company s peer group included the same companies used for the 2008 Executive Compensation Study. Additional information on the peer group is set forth below under 2008 Executive Compensation Study. When compared with the peer group, it was determined that the Company s non-management director compensation was below market, as a result of both the annual

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retainer and the annual equity award value being below market. Consequently, following a review of Cook s recommendations, and after considering the fact that non-management directors compensation had not increased since 2003, the Governance Committee recommended that the Board increase, retroactively effective as of May 28, 2008, non-management director compensation by increasing the annual retainer from $20,000 to $30,000, increasing the annual equity award from $40,000 to $60,000 and increasing the telephonic Board and Committee meeting fees from $400 to $1,000, which recommendation was adopted by the Board. The Governance Committee and Board believe that implementing these changes will reward directors fairly for their efforts on behalf of the Company and will further align the non-management directors interests with the long-term interests of our stockholders.

2009 Compensation Changes

In recognition of the weak economic environment, in February 2009 the non-management directors voluntarily reduced their previously-established compensation by 5%.

Board and Committee Fees

Historically, each of our non-management directors received an annual retainer of $20,000, with an additional fee of $2,000 for each Board meeting the director attended in person and $400 for each Board meeting the director attended telephonically. Directors who served on a Board committee received a $1,000 fee for each committee meeting attended in person and a $400 fee for each committee meeting attended telephonically. As noted above, following the review of non-management director compensation, the non-management directors annual retainer was increased to $30,000. In addition, the fee for each Board and committee meeting attended telephonically was increased to $1,000. In addition to the annual retainer and Board meeting and Committee meeting fees, the Chairman of the Audit Committee is entitled to receive an annual retainer of $10,000, and the Chairman of the Governance Committee and the Chairman of the Compensation Committee each receive an annual retainer of $5,000. These fees are pro-rated and paid quarterly.

Fees Paid or Earned in Cash

The following table outlines the fees earned by each of our non-management directors in 2008 for service on our Board, but excludes any additional amounts associated with the deferral of fees discussed below:

		Committee Meeting Fees		**Board Meeting Fees**			
Name	**Annual Retainer**	**In person**	**Telephonic**	**In person**	**Telephonic**	**Chair Fees**	**Total**
David C. Hurley	$ 25,833	$ 4,000	$ 3,200	$ 10,000	$ 5,800	$	$ 48,833
Øivind Lorentzen III	25,833	4,000	2,600	10,000	6,200	10,000	58,633
Robert M. Melzer	25,833	8,000	6,200	10,000	6,200		56,233
Philip J. Ringo	25,833	8,000	2,600	10,000	6,200		52,633
Peter O. Scannell	25,833	4,000		10,000	6,200	5,000	51,033
Mark A. Scudder	25,833	4,000	3,600	10,000	6,200	5,000	54,633
Hon. M. Douglas Young, P.C.	25,833	4,000		10,000	6,200		46,033
Total	$ 180,831	$ 36,000	$ 18,200	$ 70,000	$ 43,000	$ 20,000	$ 368,031

Deferral of Cash Compensation

Under the Omnibus Plan, each non-management director can elect to have all or a portion of his earned annual retainer, Board and committee fees, and chair fees paid in DSUs representing shares of

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our Class A Common Stock. To the extent a director elects to defer all or a portion of these fees, the participating director s account is credited on a quarterly basis with DSUs having a value equal to 125% of the cash compensation he elected to defer. Specifically, the number of DSUs credited to each participating director s account is equal to the result obtained by dividing the dollar amount credited to such director s account by the per share market price of the Class A Common Stock at the close of business on the second to last business day of the quarter in which such director would have otherwise been entitled to receive the cash compensation and multiplying that amount by 1.25. Dividends (if any) payable on the Class A Common Stock are credited as additional DSUs, and the number of DSUs in the accounts are subject to customary anti-dilution adjustments. A non-management director is not entitled to vote or transfer the Class A Common Stock represented by the DSUs in his account until the shares represented by DSUs are issued to him. These shares will be issued to the participating director or his designated beneficiaries (1) on the deferred payment date previously elected by him or (2) if earlier, upon his death, long-term disability or cessation of service as a director. In 2008, our non-management directors received additional shares valued at $92,008 resulting from the 25% premium associated with the deferral of fees for service on our Board, and committees and chair fees.

Restricted Stock Grants

Each non-management director received an annual equity award in the form of a grant of restricted stock with a value of $40,000 on May 28, 2008, based on a 12-month average stock price of $29.87. On August 26, 2008, as discussed above, the Board approved an increase, retroactively effective as of May 28, 2008 in the non-management director annual equity award from $40,000 to $60,000. As a result, an additional grant of restricted stock with a value of $20,000 was made to non-management directors on August 26, 2008, based on a 12-month average stock price of $32.31. In 2009 and going forward, we expect each non-management director will receive an annual grant of restricted stock with a value equal to approximately $60,000, based on a 12-month average stock price, with such grants made on the date of the annual meeting. For the first year of a director s three-year term, the annual restricted stock grant vests in three equal installments on the dates of each of the next three annual meetings. For the second year of the director s three-year term, the annual restricted stock grant vests in two equal installments on the dates of each of the next two annual meetings. For the final year of the director s three-year term, the entire amount of the annual restricted stock grant vests on the date of the next annual meeting. For new directors, an annual restricted stock grant valued at $60,000 will be made on the date on which a director joins the Board, which award will vest on the date of the next annual meeting.

Director Stock Ownership Guidelines

Our Board believes that ownership of our stock by our directors aligns their interests with the interests of our stockholders. Therefore, our Board has adopted stock ownership guidelines that require our non-management directors to beneficially own 5,000 shares within five years of first being elected to our Board.

Directors Matching Gift Plan

Our Directors Matching Gift Plan is designed to provide an additional incentive for our non-management directors to contribute to educational, cultural, environmental and charitable organizations of their choice. We will match gifts up to a total of $5,000 per donor per year. Non-educational recipient organizations must be tax-exempt under Section 501(c)(3) of the IRC and must not be a religious organization. In addition, arts or cultural organizations must be open to and operated for the benefit of the public; environmental conservation organizations must be affiliated with national, regional or state-level organizations, must provide public benefits beyond individual communities and must engage in conservation efforts related to land, air and water use; and charitable organizations must be affiliated with local, state-regional or state-level organizations. Educational institutions can either be secondary schools, schools which offer two-year or four-year degrees above the high school level, graduate level schools or programs, accredited educational institutions or educational institutions that are tax-exempt under Section 501(c)(3) of the IRC. In 2008, we contributed $20,100 pursuant to this plan. All charitable deductions made pursuant to this plan are taken solely by our Company, and our individual directors do not derive any personal financial benefit from the plan s implementation.

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EXECUTIVE OFFICERS

Current Makeup and Changes Last Year

Mortimer B. Fuller III, age 66, has been our Executive Chairman since June 2007 and Chairman of the Board since 1977. Previously, Mr. Fuller was our CEO from 1977 to June 2007 and our President from 1977 to 1997. See Proposal One: Election of Directors and Related Person Transactions and Other Information Other Class B Stockholder s Agreement above for further information about Mr. Fuller. Mr. Fuller has an A.B. from Princeton University, an M.B.A. from Harvard University and a J.D. from Boston University School of Law.

John C. Hellmann, age 38, has been a director since 2006, our CEO since June 2007 and our President since May 2005. Previously, Mr. Hellmann was our Chief Financial Officer, or CFO, from 2000 to May 2005. See Proposal One: Election of Directors above for further information about Mr. Hellmann. Mr. Hellmann has an A.B. from Princeton University, an M.B.A from The Wharton School of the University of Pennsylvania and an M.A. in International Relations from the Johns Hopkins University School of Advanced International Studies (SAIS).

James W. Benz, age 60, has been our Chief Operating Officer since May 2005. Previously, Mr. Benz was President of our Rail Link region for eight years. He founded Rail Link, Inc. in 1987, which was subsequently acquired by us in 1996, and he built the business into one of our largest operating units. His 35 years of railroad industry experience have included positions with the Seaboard Coast Line and CSX Transportation. Mr. Benz has a B.S. in Business Administration from the University of Tennessee. Mr. Benz also completed Harvard University s Advanced Management Program in 2006.

Allison M. Fergus, age 35, has been our General Counsel and Secretary since October 2006. Ms. Fergus joined the Company as Senior Counsel in November 2005. Prior to joining the Company, Ms. Fergus was an associate at Shearman & Sterling LLP in New York where she practiced in the capital markets group from 2001 to 2005. Prior to her employment at Shearman & Sterling, Ms. Fergus worked in the treasury group of Omnicom Group Inc. and at JPMorgan Chase, formerly Chase Manhattan Bank. Ms. Fergus has a B.S. in Finance and International Business from Georgetown University and a J.D. from Fordham University School of Law.

Timothy J. Gallagher, age 46, has been our CFO since May 2005. Prior to joining the Company, Mr. Gallagher was Senior Vice President and Treasurer of Level 3 Communications from 2004 to 2005. Prior to that, Mr. Gallagher held a number of senior financial positions during nearly five years at WilTel Communications and eight years at BP Amoco Corporation. Mr. Gallagher has a B.S.E. from Princeton University, an M.B.A. from the Wharton School of the University of Pennsylvania and an M.S. in Financial Mathematics from the University of Chicago.

Christopher F. Liucci, age 40, joined the Company as Chief Accounting Officer and Global Controller in March 2006. Prior to joining the Company, Mr. Liucci worked with Genencor International, Inc. as Director of Global Financial Planning and Reporting from 1998 to 2006 and Controller of Financial Reporting/Internal Controls from 1997 to 1998. Prior to that, Mr. Liucci was an Audit Manager with Coopers & Lybrand L.L.P. (a predecessor to PwC), where he was an independent auditor for six years. Mr. Liucci is a certified public accountant and has a B.S. in Accounting from the State University of New York at Geneseo and an M.B.A. from The Simon School of the University of Rochester.

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The Executive Officers serve at the discretion of our Board without specified terms of office, with the exception of Mr. Fuller who has an Employment Agreement with the Company. Additional information on Mr. Fuller s Employment Agreement is set forth under Compensation Discussion Analysis Continuity and Employment Agreements.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company s directors and Executive Officers, and any persons who beneficially own more than 10% of the Company s stock, to file with the SEC initial reports of ownership and reports of changes in ownership in our stock. Such persons are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. As a matter of practice, the Company s administrative staff assists the Company s Executive Officers and directors in preparing and filing these reports with the SEC.

To the Company s knowledge, based solely on the review of the reports filed by the Company on behalf of these individuals, the copies of such reports furnished to the Company, and written representations that no other reports were required, all such Section 16(a) filing requirements were met during 2008.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Compensation Committee

The fundamental responsibility of our Compensation Committee is to assist the Board in connection with fulfilling its fiduciary duties with respect to our compensation program, with particular attention given to the Executive Officers and other key personnel. The Compensation Committee is composed entirely of independent directors. The Compensation Committee oversees our executive compensation program and reviews and approves annually all compensation decisions relating to Executive Officers.

Role of Employees and Compensation Consultants

In performing its duties, the Compensation Committee meets periodically with the CEO to review compensation policies and specific levels of compensation paid to Executive Officers (other than the CEO and the Executive Chairman) and certain other key personnel. The CEO assists the Compensation Committee in evaluating Executive Officer performance, establishing business performance targets and objectives, and recommending salary levels and incentive awards. The CEO works with the Compensation Committee Chairman in establishing the agenda for meetings and management prepares the information required for the meetings. This information includes reports, data and analyses with respect to current and proposed compensation, answers to inquiries from members of the Compensation Committee, and documents related to our compensation program. As necessary, the Compensation Committee also meets in executive session.

The Compensation Committee has the authority under its charter to retain outside consultants or advisors, as it deems necessary or advisable. In accordance with this authority, the Compensation Committee has engaged Cook as its independent outside compensation consultant to provide it with objective and expert analyses, advice and information with respect to compensation decisions relating to Executive Chairman, CEO and other Executive Officers.

With the exception of the services provided by Cook to the Governance Committee with respect to non-management director compensation, Cook maintains no other direct or indirect business relationships with the Company. To the extent Cook provides executive compensation services to the Compensation Committee, the services are conducted under the direction and authority of the Compensation Committee and all work performed by Cook is pre-approved by the Chairman of the Compensation Committee.

In 2008, Cook s services included:

- provision of a market compensation review, including provision of advice on the associated peer group for the senior executive team, including all Executive Officers, in conjunction with the executive compensation study, which resulted in changes in compensation for 2009; and

- provision of a market compensation review, including analysis of the peer group, for the non-management directors compensation.

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Goals and Elements of the Company s Compensation Program 2008 Compensation Decisions

The goals of our executive compensation program are to align compensation with business objectives and performance, and to enable us to attract, retain and reward executives necessary for our long-term success and increase in stockholder value.

Our current executive compensation program consists primarily of:

- annual base salary;

- annual incentive compensation in the form of cash bonuses payable based on our performance as compared with our annual financial objectives calculated in accordance with our Genesee Value Added *(GVA)* methodology (an economic value-added model) our safety objectives, and individual performance objectives (as applicable); and

- long-term incentive compensation in the form of stock option and restricted stock awards.

Executive Officers and other employees are also entitled to participate in the Company s 401(k) Savings Incentive Plan *(401(k) Plan)*, which provides retirement benefits to employees and includes employer and employee contributions. Executive Officers, as highly compensated employees, are also permitted to defer receipt of their salary or cash bonuses into accounts that mirror the gains and/or losses of several different investment funds we have selected under our Deferred Compensation Plan *(DCP)*. The investment funds offered are similar but not identical to those offered under our 401(k) Plan. In addition, select Executive Officers participate either in a modified split-dollar life insurance program or in Defined Contribution Accounts under our DCP. The Company also provides additional long-term disability coverage to Executive Officers. Executive Officers and other employees, other than our Executive Chairman, are entitled to participate in the Company s Employee Stock Purchase Plan (the *Stock Purchase Plan)* which permits participants to purchase Class A Common Stock at approximately 90% of the lowest closing price of the stock on either the first business day of the month or second-to-last business day of the month, subject to specified limitations. Executive Officers also participate in other employee benefit plans on the same terms as all other Company employees. Information on these programs is set forth below under Other Compensation. Additional information on amounts paid to the Executive Officers under these programs is set forth below under Summary Compensation Table.

Annual Base Salary

We provide base salaries to recognize the skills, competencies, experience and individual performance of each Executive Officer. The base salary paid to each Executive Officer serves as the foundation of the overall compensation program for the Executive Officer, and the payouts under the annual incentive compensation plan and long-term incentive compensation program are generally tied to, or expressed as a percentage of, base salary. The Compensation Committee annually reviews and, if appropriate, makes changes to base salaries of Executive Officers based on, among other things, recommendations of the CEO for Executive Officers other than himself and the Executive Chairman.

Factors considered by the Compensation Committee in establishing base salaries each year include the Executive Officer s performance during the prior year, changes in competitive compensation levels, changes in responsibilities, changes in the cost of living, our recent financial performance, retention considerations and general economic and competitive conditions.

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As a result of the Company s operating performance in 2007 and for other reasons set forth below, our Executive Officers received the following increases in annual base salaries for 2008.

Name	2008 Base Salary	Increase in Base Salary in 2008 (%) (1)
Mortimer B. Fuller	$ 688,275	3.5%
John C. Hellmann	$ 548,550	3.5%
Timothy J. Gallagher	$ 318,780	3.5%
James W. Benz	$ 267,030	3.5%
Allison M. Fergus	$ 250,000	13.6%
Christopher F. Liucci	$ 188,000	4.4%

(1) The increases were calculated by comparing the base salaries in effect at the end of 2007 to those in effect at the beginning of 2008. The 3.5% increases in base salary provided to Messrs. Fuller, Hellmann, Gallagher and Benz reflect an adjustment to address the increase in the cost of living (*COLI*), which adjustment was consistent with the increase provided to the general population of employees. Mr. Fuller was entitled to this increase in accordance with his Employment Agreement. A description of Mr. Fuller s Employment Agreement is set forth in Narrative Supplement to the Summary Compensation Table And The Grants of Plan Based Awards in 2008 Table. The salary increase for Ms. Fergus includes a COLI adjustment as well as adjustments to reflect an increase in her contribution and responsibility after her first full year as General Counsel and the previously low base salary associated with Ms. Fergus being new to her role in 2007. The salary increase for Mr. Liucci includes a COLI adjustment as well as an adjustment to reflect changes in competitive compensation levels and his performance during 2007.

Annual Incentive Compensation Program Cash Bonuses Under the GVA Methodology Under the Omnibus Plan

We use our annual incentive compensation program as a tool to align our Executive Officers interests with our stockholders interests and, to the extent possible, we seek to have annual incentive compensation qualify as tax deductible, performance-based compensation for the Company under Section 162(m) of the IRC . On an annual basis, Executive Officers are rewarded with cash bonuses targeted at 35% to 70% of their annual base salary, with such cash bonuses based upon a combination of Company-wide financial performance measured under our GVA methodology, Company-wide safety performance, and, in the case of the General Counsel and Chief Accounting Officer and Global Controller, individual performance.

The financial performance targets for the Company are derived based on Genesee Value Added, or GVA. GVA is a measure of our after-tax operating profits less a capital charge. The capital charge is calculated by multiplying the Company s assumed, long-term weighted average cost of capital by the total capital invested in the business, a particularly relevant metric for our capital-intensive railroad operations. We believe evaluating financial performance based on GVA motivates Executive Officers and other key employees to produce results that increase stockholder value and encourages individual and team behavior that helps the Company achieve both short- and long-term corporate objectives. Safety performance is included as a component of our annual incentive compensation program because we are committed to protecting the personal well-being of our employees and the communities in

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which we operate. We also believe safe operations minimize high cost injuries and insurance-related expenses. In addition, commitment to safe work practices requires attention to detail in operations, which we believe translates into efficient and profitable railroads. Safety performance targets for the Company are derived from ratios of the number of reportable injuries to manhours worked, as defined by the Federal Railroad Administration *(FRA)*. FRA reportable injuries represent a verifiable way of monitoring safety and benchmarking our safety results against other railroads. For the General Counsel and Chief Accounting Officer and Global Controller, individual performance is used as a component of annual incentive compensation to motivate attainment of personal goals that further our corporate objectives.

Financial performance-based bonuses paid for any one year can vary from zero to 200% of the target percentage payouts. However, to the extent that the financial performance of the Company generates a bonus amount that would otherwise be greater than 200% of the target bonus amount or less than zero, the amount in excess of 200% of the target or less than zero, as applicable, is carried forward to subsequent years bonus calculations, subject to specified limitations. For instance, no employee has any right to the excess positive bonus amounts carried forward if his or her employment ends prior to the end of the subsequent year, and no employee has any obligation related to negative bonus amounts carried forward if his or her employment terminates. Safety performance-based bonuses also vary from zero to 200% of the target percentage payouts, but no amounts are carried forward to subsequent years. As a result, when the Company performs well, based on financial and safety performance targets, Executive Officers have the opportunity to receive greater cash bonuses. Conversely, in the event financial and safety performance do not meet established targets, Executive Officers may receive no cash bonuses and could have a negative bonus carried forward that will reduce bonuses paid in subsequent years. In addition, Executive Officers with sustained high personal performance are rewarded more than those in similar positions with lesser performance to the extent individual performance represents a portion of the target bonus.

Annual incentive compensation for 2008 paid to the Executive Officers was based on the Company s financial performance, safety performance and individual performance, as applicable. For 2008, as was the case in the prior years, the Compensation Committee approved annual financial, safety and individual performance goals and the target payouts as a percentage of base salary. The Compensation Committee set the financial performance target at a reasonable stretch level taking into account the business environment at the time the target was established. The safety performance target was also set at a reasonable stretch level as compared with the historic safety results of Class II and Class III railroads, and at a level that encourages consistent year-over-year safety improvements. In 2008, the safety performance target was set at 1.50 FRA reportable injuries per 200,000 man hours worked, a decrease from a target of 1.75 in 2007 and the actual 1.67 result for 2007. From 2002 to 2008, actual payouts to Executive Officers have ranged from 31% to 128% of the targeted bonuses (excluding amortization of positive carryover bonus amounts) and corporate financial performance and safety performance targets have only been achieved three times.

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The following table illustrates the target amount of annual cash bonus payments established on February 6, 2008 (for fiscal year 2008) for our Executive Officers, as well as the relative weights assigned to each performance measure for each individual. The Company calculates the actual annual cash bonus independently for each performance measure and adds these calculations together to determine the annual bonus payout for each Executive Officer:

		Relative Weighting of Criteria in Determining Annual Cash Bonus Amount					
Name	**Target Annual Cash Bonus Amount as a Percentage of Base Salary**	**Corporate Financial Performance Target Payout**	**Range of Corporate Financial Performance Payout as a % of Base Salary**	**Corporate Safety Performance Target Payout**	**Range of Corporate Safety Performance Payout as a % of Base Salary**	**Individual Performance**	**Range of Individual Performance Payout as a % of Base Salary**
Mortimer B. Fuller III	50%	85%	0% - 85%	15%	0% - 15%		
John C. Hellmann	70%	85%	0% - 119%	15%	0% - 21%		
Timothy J. Gallagher	50%	85%	0% - 85%	15%	0% - 15%		
James W. Benz	50%	80%	0% - 80%	20%	0% - 20%		
Allison M. Fergus	40%	35%	0% - 28%	15%	0% - 12%	50%	0% - 20%
Christoper F. Liucci	35%	35%	0% - 24.5%	15%	0% - 10.5%	50%	0% - 17.5%

In 2008, the Company exceeded its financial performance and safety performance targets. As a result, the Company s 2008 performance resulted in a bonus pool of approximately $4.5 million for all participants, with $1.6 million of the bonus pool attributable to our Executive Officers. The 2008 bonus awards paid to our Executive Officers were between 115% and 166% of target annual cash bonuses, which the Committee believes is appropriate based on Company performance against objectives and achievement of individual goals, as applicable. Based on 2008 performance, Messrs. Fuller, Hellmann and Gallagher earned a bonus equal to 127% of their target annual cash bonus. For 2008, Mr. Benz earned a bonus equal to 128% of his target annual cash bonus, which bonus was increased to 166% of target as a result of the amortization of positive carryover bonus amounts from prior years. For 2008, Ms. Fergus and Mr. Liucci earned a bonus equal to 115% and 122%, respectively, of their target annual cash bonus. Ms. Fergus and Mr. Liucci received 100% and 115%, respectively for their individual performance in 2008. The attainment of the individual performance metric by Ms. Fergus and Mr. Liucci was determined by the CEO and CFO, respectively. For additional information on actual amounts of annual incentive compensation paid to Executive Officers, see the Non-Equity Incentive Plan Compensation column included in the Summary Compensation Table.

Long-Term Incentive Compensation Program Equity Awards under the Omnibus Plan Stock Options and Restricted Stock Awards

We use our long-term incentive program to provide equity awards, including stock options and restricted stock awards, to our Executive Officers and other key personnel. Awards are granted to our Executive Officers at the discretion of the Compensation Committee, and are based on the Compensation Committee s evaluation of each Executive Officer s contribution and expected future contribution to our financial success, with input from the CEO with respect to Executive Officers other than himself and the Executive Chairman. The Compensation Committee views stock options as an important component of overall executive compensation because stock options emphasize the objective of increasing stockholder value. The Compensation Committee views restricted stock awards as providing compensation that promotes a long-term financial interest in the Company. Historically, the program provided an opportunity for Executive Officers to receive long-term incentive compensation in the form of annual equity awards valued at between 50% and 150% of annual base salary. The actual amount of the annual equity award was based on both individual and corporate financial

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performance as assessed by the CEO, with respect to Executive Officers other than himself and the Executive Chairman, and the Compensation Committee, based on guidance from independent consultants, if requested. Additional considerations included the amounts paid as annual incentive compensation, individual performance of the Executive Officers, retention requirements and other factors that were deemed relevant by the Compensation Committee.

In 2008, for each Executive Officer, stock options constituted approximately 70% of the value of total long-term incentive compensation and restricted stock awards constituted the remaining 30%. We believe that the 70%/30% allocation between stock options and restricted stock awards provides a balance between the highly leveraged nature of stock options and the stock ownership benefits of restricted stock. This emphasis on long-term incentives is intended to align the long-term financial interests of our Executive Officers with those of our long-term stockholders and provide a retention incentive to our Executive Officers.

In keeping with the Company s philosophy of aligning management and stockholder interests and considering the future contributions expected of our Executive Officers, the Committee granted 2008 long-term incentive equity awards to our Executive Officers ranging in value from 75% to 140% of annual base salary. These awards were in recognition of the value of the continued leadership of the executives. In 2008, the long-term equity incentive compensation awards were made on May 30, 2008 in conjunction with the annual meeting.

Name	2008 Equity Award as a Percentage of Base Salary
Mortimer B. Fuller III	75%
John C. Hellmann	140%
Timothy J. Gallagher	140%
James W. Benz	140%
Allison M. Fergus	100%
Christopher F. Liucci	100%

As a percentage of base salary, the awards to Mr. Fuller, Mr. Hellmann and to Ms. Fergus were consistent with 2007 awards. The awards made to Messrs. Gallagher and Benz increased from 135% of base salary in 2007 to 140% of base salary in 2008 in recognition of an increase in their responsibilities. Mr. Liucci s award was increased from 85% of base salary in 2007 to 100% of base salary in 2008 in consideration of Mr. Liucci s performance. For additional information on the value of the 2008 long-term equity incentive awards to Executive Officers, see the Grant Date Fair Value of Stock and Option Awards column included in the 2008 Grant of Plan-Based Awards table.

The stock option awards and restricted stock awards for Executive Officers and other key personnel include confidentiality and non-compete obligations, which if violated result in a forfeiture of unexercised options and disgorgement of any gains on option awards and restricted stock awards during the previous six months. The option awards and restricted stock awards for Executive Officers are also subject to acceleration of vesting upon a change in control.

Share Retention Guidelines

The Compensation Committee adopted executive share retention guidelines for the Executive Officers, other than the Executive Chairman, of the Company and other key personnel to further align the interests of these individuals with the interests of our stockholders. Under the guidelines, the

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Executive Officers are expected to maintain a significant ownership position in our Class A Common Stock, which is based on a multiple of such executive s current base salary on the date of adoption or revision of the guidelines, but expressed as a number of shares. Notwithstanding the guidelines, Executives Officers are permitted to sell shares to finance the exercise price of an equity award, if any, and to settle any tax obligations in connection with the exercise or vesting of an equity award. However, the Executive Officer is required to hold a specified percentage of any remaining shares until the share ownership guideline amount is satisfied. Waivers of the guidelines can be granted by the CEO for Executive Officers (other than himself) and key employees, and by the Compensation Committee for the CEO. Waivers are granted only for serious and unforeseen hardship circumstances. It has been our practice to reevaluate the retention guidelines in connection with significant changes to base salaries.

The share retention guideline amounts and required retention percentages, in each case net of tax obligations for our Executive Officers, are set forth below and are based on position:

Principal Position	Share Guideline Amount	Required Retention Percentage
President and CEO	135,000	100%
Chief Financial Officer	30,000	50%
Chief Operating Officer	30,000	50%
General Counsel	30,000	50%
Chief Accounting Officer	15,000	50%

In determining whether our share retention guidelines have been met, restricted stock, shares held by a spouse or minor child who resides with the Executive Officer or key employee and shares held by a trust established for estate or tax planning purposes that is revocable by the Executive Officer, key employee or his or her spouse are considered owned.

Other Compensation

401(k) Plan

Executive Officers and other employees are entitled to participate in our 401(k) Plan, which provides retirement benefits to employees and provides for employer and employee contributions. For 2008, the Company matched 100% of employee contributions to the 401(k) plan, up to the lesser of 4% of the employee s salary or $9,200.

Stock Purchase Plan

Executive Officers, other than our Executive Chairman, and other employees who have been employed for more than one year and customarily work more than 20 hours per week are entitled to participate in our Stock Purchase Plan. Our Stock Purchase Plan permits participants to purchase our Class A Common Stock at approximately 90% of the lowest closing price of our Class A Common Stock on either the first business day of the month or the second-to-last business day of the month. Participants in the Stock Purchase Plan may not purchase stock with an aggregate fair market value in excess of $25,000 during any calendar year or make purchases that would cause such participant to own 5% or more of the Company s then-outstanding Class A Common Stock. Stock purchases under the Stock Purchase Plan are funded through payroll deductions of up to 10% of a participant s regular earnings. The Stock Purchase Plan is intended to encourage ownership of our Class A Common Stock

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by our present and future employees at all levels of employment and thereby provide them with the incentive created by stock ownership. The Stock Purchase Plan is also intended to provide a more efficient mechanism for our employees to acquire stock ownership. The Compensation Committee administers the Stock Purchase Plan.

Modified Split-Dollar Life Insurance

As part of our effort to attract and retain Executive Officers and other key employees, from 1994 until 2002 we offered certain Executive Officers, including Mr. Fuller, Mr. Hellmann and some regional general managers of the Company, split-dollar life insurance arrangements. These arrangements were designed to provide a death benefit and post-employment retirement benefits based on the insurance policies cash value at retirement. Under the historic arrangements, the policies were owned by the participants, the premiums were paid on their behalf by the Company, and the Company was entitled to a portion of the death benefit proceeds or cash value equal to the amount of premiums advanced.

Section 402 of the Sarbanes-Oxley Act of 2002 prohibits companies from making loans to Executive Officers and has been interpreted by some to prohibit these types of split-dollar life insurance arrangements. As a result, in 2002 the Company suspended premium payments under the policies for Messrs. Fuller and Hellmann, and the Compensation Committee, with advice from its independent consultant, evaluated alternative methods of providing these benefits. In light of the substantial amount of premiums already built-up in these polices, the expected future years of service for these executives and other factors, since 2004 the Company has paid Mr. Fuller and Mr. Hellmann additional compensation equal to the premiums on these policies, plus a tax gross-up, to enable Mr. Fuller and Mr. Hellmann to fund the premiums directly. In late 2006, Mr. Hellmann s policy was canceled and there are no remaining payment obligations.

In 2005, Mr. Benz was promoted to Chief Operating Officer and became an Executive Officer. As a result, in 2005 we suspended contributions to Mr. Benz s split-dollar policy because of the prohibitions on loans to Executive Officers, and in 2007 we refunded to Mr. Benz amounts paid between 2002 and 2005 to eliminate any impermissible loans. In early 2007, the Company paid Mr. Benz additional compensation equal to the premiums from 2005 and 2006, plus a tax gross-up to enable Mr. Benz to fund the overdue premiums directly. Since then, the Company has paid Mr. Benz additional compensation equal to the premiums on his policy, plus a tax gross-up, to enable Mr. Benz to fund the premiums directly.

The Company will not be entitled to reimbursement of amounts paid directly to the executives, but retains the right to receive from the insurance company an amount equal to the amount of premiums paid by the Company on the split-dollar life insurance policies of Mr. Fuller and Mr. Benz prior to 2002. With the exception of payments due to Mr. Fuller under his Employment Agreement, the Company has no obligation to continue paying for the premiums on these policies, and we continue to evaluate these and other types of arrangements for our Executive Officers.

Long-Term Disability Insurance

Executive Officers and certain other employees receive coverage under our long-term disability insurance program, which provides a monthly income in the event of the executive s disability. The Compensation Committee believes that this benefit is a normal component of a competitive executive compensation program. For 2008, this coverage provided a monthly benefit of 70% of the executive s salary and bonus, up to a maximum of $8,000 per month.

Deferred Compensation Plan

Starting in 2004, we began offering a deferred compensation plan. On December 31, 2008, the Amended and Restated 2004 Deferred Compensation Plan, or DCP, was approved to make the DCP compliant with the requirements of Section 409A of the IRC. The DCP allows senior employees, including our Executive Officers, to defer receipt of their salary and/or annual incentive payments into accounts that mirror the gains and/or losses of several different investment funds we have selected. The investment funds offered are similar but not identical to those offered under our 401(k) Plan. The DCP does not offer above market fixed interest rate returns or permit participants to defer their cash compensation into our common stock. Participants may defer up to 50% of base salary and 100% of annual cash incentive awards until the date or dates they have specified. We are not required to make any contributions to the DCP, and the participants have an unsecured contractual commitment by our Company to pay the amounts due under the DCP. When such payments are due, the cash will be distributed from the Company s general assets.

In 2006, the Company established Defined Contribution Accounts under the Company s existing DCP for Mr. Hellmann and Mr. Gallagher. The Defined Contribution Accounts are intended to provide, upon the executive s retirement, a target benefit amount equal to a 20-year annuity with payments equivalent to 38% of the estimated final five year average cash compensation (based on salary and target bonus objectives) of the participating executive, assuming retirement at age 65. Company contributions will be informally funded into a rabbi trust (a grantor trust in which the grantor is the Company and the beneficiary is the executive) through investments in corporate-owned life insurance. Investments in the rabbi trust remain subject to claims from the Company s general creditors. Contributions credited to an executive s account are invested as the participant directs among the investment funds actually available from time to time under the DCP. Annual amounts credited to an executive s account vest at the rate of 20% per year, subject to acceleration of vesting in the event of a change of control, death or disability, as defined under the DCP. The Company reserves the right to change its contribution to an executive s account from time to time in such amount as it may determine, as a result of changes in specified assumptions. Upon retirement, vested amounts are payable to the executive in the form of a lump sum or installments not to exceed 15 years, as elected by the executive. The Committee believes supplemental executive retirement plans such as the Defined Contribution Accounts are an important part of executive compensation and are utilized by many companies that compete with the Company for executive talent. Retirement benefits, including those provided through the Defined Contribution Accounts, are a critical component of an executive s overall compensation program and are essential to attracting and retaining talented executives. Retirement benefits are an important factor in an executive s decision to accept or reject a new position.

Perquisites

We provide certain of our Executive Officers perquisites and other personal benefits. The Compensation Committee has reviewed and approved each of the perquisites provided Executive Officers. While the Committee does not consider these perquisites to be a significant component of executive compensation, it recognizes that such perquisites are an important factor in attracting and retaining talented executives. Additional information with respect to the perquisites paid to our Executive Officers is set forth in Summary Compensation Table below.

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Continuity and Employment Agreements

The Compensation Committee believes that continuity agreements, or change in control arrangements, are necessary to attract and retain the talent necessary for our long-term success. However, the Compensation Committee does not view the payments made to our Executives Officers under the applicable continuity agreements as an additional element of compensation. Rather, the Compensation Committee believes that these commitments by the Company allow our executives to focus on duties at hand and provide security should their employment be terminated following a change in control through no fault of their own. Currently, all of our Executive Officers are parties to continuity agreements with the Company. These agreements require the Company to provide compensation to the Executive Officers in the event of a qualifying change of control of the Company followed by termination of the executive without cause or resignation by the executive for good reason. This double trigger approach results in payment under our change in control provisions only if the Executive Officer is harmed. In consideration for the payments under the continuity agreements, each executive has agreed to restrictions in their ability to compete for a period of 12 months following termination.

We believe our continuity agreements are generally consistent with those in our prevailing marketplace and are important for attracting and retaining executives whose leadership is critical to our long-term success and competitiveness. The components of our continuity agreements recognize that a significant portion of participating executives total compensation may at any point in time consist of unvested stock options or restricted stock holdings, and that some measure of protection against possible but unpredictable actions of successor corporations is desirable for both the executive and the Company. Additionally, the structure of our continuity agreements help ensure management retention during any change in control.

With the exception of Mr. Fuller s Employment Agreement, the Company has not entered into agreements with Executive Officers that provide for severance payments related to voluntary termination; involuntary, not for cause termination unrelated to a change in control; or termination for cause. The amount of compensation payable to each Executive Officer under the continuity and employment agreements is set forth under Potential Payments upon Termination, Change of Control and Certain Other Events.

Deductibility of Compensation

Section 162(m) of the IRC generally disallows public companies from claiming a tax deduction for compensation in excess of $1 million paid to their chief executive officer or any of the three other most highly compensated Executive Officers other than the chief financial officer. However, the statute exempts qualifying performance based compensation from the $1 million limitation if specified requirements are met. Additionally, cash compensation voluntarily deferred by the Executive Officers named in this proxy statement under the DCP is not subject to the Section 162(m) limitation until the year paid. The tax impact of any compensation arrangement is one factor considered by the Compensation Committee in light of the Company s overall compensation philosophy and objectives, but there are circumstances where the compensation awarded to Mr. Fuller and Mr. Hellmann and other highly compensated Executive Officers may not be fully deductible to the Company. Excluding the impact of prior years equity compensation awards, with the exception of approximately $500,000 of compensation paid to Mr. Fuller, we do not expect the 2008 compensation awarded to Executive Officers to result in non-deductible compensation under Section 162(m) of the IRC.

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Policy on Non-Public Information and Trading in Company Stock

The Company s current policy permits directors, Executive Officers and other key employees to trade Company securities, including any purchases or sales of puts, calls, options or warrants, only during limited window periods following earnings releases and only after they have pre-cleared transactions with the legal department. Although we do not have a formal policy that prohibits transactions that hedge an individual s economic risk of owning shares of our common stock, we believe all such transactions by directors and Executive Officers in 2008 have been publicly disclosed.

2009 Compensation Decisions Executive Compensation Study

In March 2008, the Committee engaged Cook to complete a market compensation benchmarking study of the compensation paid to the senior executive team of the Company, including the Executive Officers with the exception of Mr. Fuller (Compensation Study). Mr. Fuller was not included in the study because his compensation is established by his Employment Agreement through December 31, 2009. The goal of the Compensation Study was to ensure the continued alignment of our executive compensation programs with the Company s business objectives and performance and to ensure that the Company s compensation programs attract, retain and reward executives who contribute to our long-term success and increase shareholder value.

The Compensation Study included the development of a peer group of 21 public companies with similar attributes to the Company, which peer group was used as an external reference point in benchmarking each element of the Company s compensation, including base salary, annual bonus opportunities, long-term equity incentives and other compensation. In that there was no publicly disclosed compensation data for the direct competitors of the Company, the peer group used for benchmarking the Executive Officers compensation was selected based on various objective criteria, including companies with US-based operations with publicly traded stock, similar market capitalizations (with comparable valuations), comparable growth rates and earnings before interest, tax depreciation and amortization, and with similar geographic locations. The peer group included Kansas City Southern, Kirby Corp., Hexcel Corp., Wabtec Corp., Gartner Inc., Actuant Corp CLA, Teledyne Technologies, Brady Corp., Esterline Technologies, Barnes Group, Inc., Kaydon Corp., Greenhill & Co. Inc., Tetra Technologies, Knight Transportation, Bristow Group Inc., L-1 Identity Solutions, Basic Energy Services, Heico Corp., Forward Air Corp., Triumph Group Inc., and MCG Capital Corp. At the time the peer group was selected, the Company was positioned relative to the peer group as follows: at or slightly above the 25^{th} percentile for company size, at the median in terms of financial performance and at the 75^{th} percentile for shareholder return.

Relative to the peer group, it was determined that the historical total compensation for Messrs. Hellmann and Gallagher were below the 25^{th} percentile, and the other Executive Officers were generally at the 25^{th} percentile. Following the review of the peer group data and prior to making adjustments to the 2009 compensation program, the Compensation Committee obtained performance reviews of each of the relevant Executive Officers (other than Mr. Hellmann) from Mr. Hellmann, and also completed a formal review of Mr. Hellmann s performance (including input from the Board and selected members of management). In light of the positive performance reviews for the Executive Officers and the CEO, as well as the Company s financial performance and pending acquisitions, the Compensation Committee undertook to generally align 2009 Executive Officer compensation levels with the 50^{th} percentile of compensation for the peer group.

Subsequent to establishing the general compensation target of the 50^{th} percentile of the peer group and prior to finalizing its compensation decisions, the Compensation Committee updated the peer

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group comparison in early December 2008. At that time, the consummation of several acquisitions by the Company during 2008 and above-market stock price performance during 2008 combined to place the Company above the 50th percentile of the peer group in total assets, market capitalization, financial performance and stockholder returns. Despite the Company s relatively strong performance in 2008 and a favorable evaluation of Mr. Hellmann s performance, Mr. Hellmann and the Compensation Committee re-evaluated the compensation targets during January and early February 2009 in light of the weak economic environment. The Compensation Committee determined that retaining the 50th percentile general compensation target remained in the Company s best interest given the below market compensation the Company s Executive Officers had received for the preceding several years and the Committee s belief that retaining and motivating the executive team was important to continued success in executing the Company s strategy. Nevertheless, in light of the weak economic environment, Mr. Hellmann requested that his total direct compensation be reduced below the general target, and the Compensation Committee established his total compensation for 2009 at the approximate 30th percentile of the peer group, which represented a $1.2 million reduction from the 50th percentile. In addition, Mr. Fuller also voluntarily reduced his contractually established 2009 target compensation in recognition of the weak economic environment.

Set forth below is a summary of the material changes to the various elements of compensation that were approved by the Compensation Committee on February 9, 2009 for each of the Executive Officers. All changes became effective as of January 1, 2009.

2009 Executive Officer Compensation

Name	M. Fuller	J. Hellmann	T.J. Gallagher	J. Benz	A. Fergus	C. Liucci
Title	Executive Chairman	Chief Executive Officer	Chief Financial Officer	Chief Operating Officer	General Counsel	Chief Accounting Officer
2009 Base Salary	$ 708,923	$ 703,000	$ 405,000	$ 348,000	$ 300,000	$ 194,580
$ Change from 2008	$ 20,648	$ 155,000	$ 86,000	$ 81,000	$ 50,000	$ 6,580
2009 Target Cash Bonus	$ 354,462	$ 562,400	$ 243,000	$ 208,800	$ 150,000	$ 68,103
2009 Target Bonus as a % of Base Salary	50%	80%	60%	60%	50%	35%
2008 Target Bonus as a % Base Salary	50%	70%	50%	50%	40%	35%
$ Change from 2008	$ 10,324	$ 178,800	$ 83,500	$ 75,300	50,000	$ 2,303
Total Target Annual Cash Compensation	$ 1,063,385	$ 1,265,400	$ 648,000	$ 556,800	$ 450,000	$ 262,683
2009 Long-Term Incentives (LTI) (1)	$ 433,546	$ 1,230,250	$ 607,500	$ 522,000	$ 300,000	$ 163,447
2009 LTI as a % of Base Salary	61%	175%	150%	150%	100%	84%
2008 LTI as a % of Base Salary	75%	140%	140%	140%	100%	100%
$ Change from 2008	$ (82,670)	$ 462,280	$ 160,900	$ 148,200	$ 50,000	$ (24,553)
Total Target Direct Compensation	$ 1,496,931	$ 2,495,650	$ 1,255,500	$ 1,078,800	$ 750,000	$ 426,130
Other Compensation (2)	$ 367,838	$ 96,200	$ 96,800	$ 115,800	$ 64,800	$ 54,800
Total Target Compensation	$ 1,864,769	$ 2,591,850	$ 1,352,300	$ 1,194,600	$ 814,800	$ 480,930
$ Change from 2008	$ (71,226)	$ 796,880	$ 331,200	$ 309,300	$ 205,800	$ 34,130

(1) As of 2009, long-term incentives will be awarded in four equal installments on February 28th, May 31st, August 31st and November 30th.
(2) Some of the amounts included in Other Compensation are estimated based on historical costs.

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COMPENSATION COMMITTEE REPORT

We have reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on our review and discussions with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and in the Company s Annual Report on Form 10-K for the year ended December 31, 2008.

Compensation Committee

Mark A. Scudder, *Chairman*

David C. Hurley

Robert M. Melzer

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SUMMARY COMPENSATION TABLE (1)

The following table and footnotes set forth information for the years ended December 31, 2008, 2007 and 2006 concerning compensation awarded to, earned by or paid to our Executive Officers.

Name & Principal Position	Year	Salary	Bonus (2)	Stock Awards (3)	Option Awards (4)	Non-Equity Incentive Plan Compen-sation (5)	Change in Pension Value and Non-Qualified Deferred Compen-sation Earnings (6)	All Other Compen-sation (7)	Total
Mortimer B. Fuller, III	2008	$ 688,275	$	$ 397,828	$ 415,362	$ 440,222	$	$ 387,287	$ 2,328,974
Executive Chairman	2007	665,000		405,360	555,421	507,000		387,366	2,520,147
	2006	644,000	740,311	274,989	1,840,431	171,836		459,545	4,131,112
John C. Hellmann	2008	548,550		297,324	467,348	491,196		105,056	1,909,474
President and Chief Executive	2007	495,000(8)		264,252	430,986	471,000(9)		95,461	1,756,699
Officer	2006	428,700(8)	422,417	180,863	1,113,566	98,049(9)		110,658	2,354,253
Timothy J. Gallagher	2008	318,780		132,394	277,666	203,892		105,433	1,038,165
Chief Financial Officer	2007	308,000		107,409	228,464	196,000		96,907	936,780
	2006	296,000	167,733	61,575	245,408	56,415		91,893	919,024
James W. Benz	2008	267,030		107,919	222,234	223,366	15,274	99,330	935,153
Chief Operating Officer	2007	256,900		91,282	205,790	232,000	14,616	456,607	1,257,195
	2006	228,431	125,867	61,742	267,077	45,836	23,060	18,625	770,638
Allison M. Fergus	2008	250,000		36,998	162,687	114,510		12,368	576,563
General Counsel and Secretary	2007	216,676		12,940	97,589	86,000		9,141	422,346
	2006	168,741			21,376	50,213			240,330
Christopher F. Liucci	2008	188,000		36,973	106,714	80,283		12,158	424,128
Chief Accounting Officer	2007	179,250		19,315	56,216	70,000		5,385	330,166
	2006	118,673		7,897	22,795	40,511		24	189,900

(1) Salary and bonuses are reported in the year in which the compensable service was performed even if we paid the compensation in a subsequent year or if the executive elected to defer a portion of such compensation.

(2) Includes one-time Transaction Bonuses paid in 2006 based on the successful completion and shareholder value generated from the sale by the Company and its 50% joint venture partner, Wesfarmers Limited, of the Western Australia operations and other assets of the Australian Railroad Group Pty Ltd and its subsidiaries (*ARG*) to Queensland Rail and Babcock & Brown Limited and the purchase of Wesfarmers 50% ownership of the remaining ARG operations, which are principally located in South Australia (collectively, the *Australian Transactions*).

(3) The amounts included in the Stock Awards column reflect the compensation expense for restricted stock and restricted stock units recognized by us in 2008, 2007 and 2006 for financial statement purposes with respect to stock awards granted in those years and in prior years in accordance with SFAS 123R. Mr. Fuller received restricted stock units until 2005. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For discussion of the assumptions made in the valuation of these awards, refer to Note 15 to our consolidated financial statements for the fiscal year ended December 31, 2008. Stock Awards consist of restricted stock which vested in 2008, 2007 and 2006. Amounts for 2006 for Messrs. Fuller, Hellmann, Gallagher and Benz include a one-time Transaction Bonus paid based on the successful completion and shareholder value generated in connection with the Australian Transactions.

(4) The amounts included in the Option Awards column reflect the compensation expense of stock options recognized by us in 2008, 2007 and 2006 for financial statement purposes with respect to stock options granted in those years and in prior years in accordance with SFAS 123R. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For discussion of the assumptions made in the valuation of these options refer to Note 15 to our consolidated financial statements for the fiscal

year ended December 31, 2008. The SFAS 123R fair value of the options determined on the grant date is expensed over the service period that is required for the grant to become vested. Amounts for 2006 for Messrs. Fuller, Hellmann, Gallagher and Benz include a one-time Transaction Bonus paid based on the successful completion and shareholder value generated in connection with the Australian Transactions.

(5) For 2008, the amounts reflect the cash bonuses paid under the Annual Incentive Compensation Program based on targets that were established in early 2008 by the Compensation Committee and paid in February and March 2009; and for 2007,

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based on targets that were established in early 2007 by the Compensation Committee and paid in February 2008; and for 2006, based on targets that were established in early 2006 by the Compensation Committee and paid in February 2007. For a discussion of the Annual Incentive Compensation Program, see Executive Compensation Compensation Discussion and Analysis Annual Incentive Compensation Program Cash Bonuses.

(6) The amounts included represent the increase in Mr. Benz s actuarial accumulated pension benefit from fiscal year 2007 to fiscal 2008, fiscal 2006 to fiscal 2007 and fiscal 2005 to fiscal year 2006 in the Rail Link Inc. Retirement Plan *(Rail Link Plan).* For additional information, see 2008 Pension Benefits below.

(7) The following table details each item of compensation of our Executive Officers for the fiscal years ended December 31, 2008, required to be included in the All Other Compensation column:

Name	Insurance Premiums and Gross Ups($) (a)	Company Contributions to Retirement 401(k) (b)	Company Contribution to Defined Contribution Plan	Auto (c)	Travel (d)	Other (e)	Total
Mortimer B. Fuller III	$ 348,038	$ 9,200	$	$ 5,493	$ 4,128	$ 20,428	$ 387,287
John C. Hellmann		9,200	64,148	23,735	1,027	6,946	105,056
Timothy J. Gallagher		9,200	68,384	21,276		6,573	105,433
James W. Benz	70,846	9,200		9,346	806	9,132	99,330
Allison M. Fergus		9,200				3,168	12,368
Christopher F. Liucci		9,200				2,958	12,158

(a) Amounts shown refer to Messrs. Fuller and Benz for premium payments on a modified split-dollar life insurance policy. The amounts included an additional tax gross up payment. Of the total payments received by Mr. Fuller, $208,823 was for the payment of the insurance premium during the year, and the remaining $139,215 was for tax gross up payments during the year. Of the total payments received by Mr. Benz, $44,208 was for the payment of the insurance premium during the year, and the remaining $26,638 was for tax gross up payments during the year. We are not entitled to receive reimbursement of the amounts that Messrs. Fuller and Benz used to pay these insurance premiums on the modified split-dollar life insurance policy.

(b) Amounts shown refer to the Company s matching contributions to the Company s 401(k) Plan.

(c) Amounts shown reflect cash payments for annual automobile expenses. Mr. Benz receives a monthly cash car allowance. Amounts for Messrs. Fuller, Hellmann and Gallagher reflect car leases, fuel, insurance and repairs paid on their behalf. In addition, Mr. Hellmann s balance includes $14,247 of personal parking expenses, of which $10,972 relates to personal parking expenses for the years 2003 through 2007.

(d) Amount shown for Messrs. Fuller, Hellmann and Benz represent personal travel expenses.

(e) The amount shown for Mr. Fuller represents the incremental cost for excess group life insurance and an additional term life policy, long-term disability premiums, tax preparation fees and club dues**.** Amount shown for Mr. Hellmann represents the incremental cost for excess group life insurance and an additional term life policy and long-term disability insurance premiums. Amount shown for Mr. Gallagher represents the incremental cost for excess group life insurance and an additional term life policy, long-term disability insurance premiums and health club dues. Amounts shown for Mr. Benz, Ms. Fergus and Mr. Liucci represent the incremental cost for excess group life insurance and long-term disability insurance premiums.

(8) Includes $60,000 and $48,000 of annual salary in 2007 and 2006, respectively, that was deferred.

(9) Includes $235,326 and $49,000 of incentive compensation in 2007 and 2006, respectively, that was deferred.

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2008 GRANTS