

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 1-6324



BNSF RAILWAY COMPANY

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

41-6034000
(I.R.S. Employer
Identification No.)

2650 Lou Menk Drive
Fort Worth, Texas
(Address of principal executive offices)

76131-2830
(Zip Code)

(800) 795-2673
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). **Yes [x] No []**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [] Accelerated filer [] Non-accelerated filer [x] Smaller reporting company []

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [] No [x]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding at May 6, 2011
Common stock, \$1.00 par value	1,000 shares

Registrant meets the conditions set forth in General Instruction H (1) (a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format permitted by General Instruction H (2).

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements.

BNSF RAILWAY COMPANY and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In millions)
(Unaudited)

	Successor		Predecessor
	Three Months Ended March 31, 2011	February 13 – March 31, 2010	January 1 – February 12, 2010
Revenues	\$ 4,470	\$ 2,045	\$ 1,768
Operating expenses:			
Compensation and benefits	1,069	527	439
Fuel	939	330	329
Purchased services	511	238	211
Depreciation and amortization	446	227	192
Equipment rents	192	102	97
Materials and other	222	90	1
Total operating expenses	3,379	1,514	1,269
Operating income	1,091	531	499
Interest expense	22	15	16
Interest income, related parties	(6)	(1)	(1)
Other expense, net	3	–	2
Income before income taxes	1,072	517	482
Income tax expense	389	176	200
Net income	\$ 683	\$ 341	\$ 282

See accompanying Notes to Consolidated Financial Statements.

BNSF RAILWAY COMPANY and SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in millions)
(Unaudited)

	Successor	
	March 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15	\$ 10
Accounts receivable, net	1,134	1,031
Materials and supplies	727	652
Current portion of deferred income taxes	191	309
Other current assets	401	272
Total current assets	2,468	2,274
Property and equipment, net of accumulated depreciation of \$866 and \$659, respectively	45,833	45,473
Goodwill	14,803	14,803
Intangible assets, net	1,654	1,732
Other assets	2,398	2,574
Total assets	\$ 67,156	\$ 66,856
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable and other current liabilities	\$ 2,541	\$ 2,831
Long-term debt due within one year	283	299
Total current liabilities	2,824	3,130
Deferred income taxes	14,650	14,553
Long-term debt	2,035	2,096
Intangible liabilities, net	1,716	1,790
Casualty and environmental liabilities	909	938
Pension and retiree health and welfare liability	482	490
Other liabilities	913	849
Total liabilities	23,529	23,846
Commitments and contingencies (see Notes 2, 6 and 7)		
Stockholder's equity:		
Common stock, \$1 par value, 1,000 shares authorized; issued and outstanding and paid-in capital	42,920	42,920
Retained earnings	3,065	2,382
Intercompany notes receivable	(2,426)	(2,319)
Accumulated other comprehensive income	68	27
Total stockholder's equity	43,627	43,010
Total liabilities and stockholder's equity	\$ 67,156	\$ 66,856

See accompanying Notes to Consolidated Financial Statements.

BNSF RAILWAY COMPANY and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Successor		Predecessor
	Three Months Ended March 31, 2011	February 13 – March 31, 2010	January 1 – February 12, 2010
OPERATING ACTIVITIES			
Net income	\$ 683	\$ 341	\$ 282
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	446	227	192
Deferred income taxes	208	(54)	134
Long-term casualty and environmental liabilities, net	(19)	(25)	(2)
Other, net	(33)	(12)	(73)
Changes in current assets and liabilities:			
Accounts receivable, net	(183)	(358)	217
Materials and supplies	(74)	(6)	4
Other current assets	(128)	10	(129)
Accounts payable and other current liabilities	(138)	664	(574)
Net cash provided by operating activities	762	787	51
INVESTING ACTIVITIES			
Capital expenditures excluding equipment	(444)	(202)	(137)
Acquisition of equipment	(63)	(81)	(67)
Other, net	(91)	(216)	66
Net cash used for investing activities	(598)	(499)	(138)
FINANCING ACTIVITIES			
Payments on long-term debt	(52)	(32)	(29)
Net (increase) decrease in intercompany notes receivable classified as equity	(107)	(257)	110
Net cash (used for) provided by financing activities	(159)	(289)	81
Increase (decrease) in cash and cash equivalents	5	(1)	(6)
Cash and cash equivalents:			
Beginning of period	10	14	20
End of period	\$ 15	\$ 13	\$ 14
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest paid, net of amounts capitalized	\$ 31	\$ 23	\$ 10
Income taxes paid, net of refunds	\$ 162	\$ 102	\$ –
Non-cash asset financing	\$ 1	\$ 4	\$ 8

See accompanying Notes to Consolidated Financial Statements.

BNSF RAILWAY COMPANY and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
(In millions)
(Unaudited)

<u>Successor</u>	<u>Common Stock and Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Inter- Company Notes Receivable</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total Stockholder's Equity</u>
Balance at December 31, 2010	\$ 42,920	\$ 2,382	\$ (2,319)	\$ 27	\$ 43,010
Change in intercompany notes receivable	—	—	(107)	—	(107)
Comprehensive income:					
Net income	—	683	—	—	683
Change in fuel hedge mark-to- market, net of tax expense of \$25	—	—	—	40	40
Change in accumulated other comprehensive income of equity method investees	—	—	—	1	1
Total comprehensive income				724	724
<u>Balance at March 31, 2011</u>	<u>\$ 42,920</u>	<u>\$ 3,065</u>	<u>\$ (2,426)</u>	<u>\$ 68</u>	<u>\$ 43,627</u>

See accompanying Notes to Consolidated Financial Statements.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Accounting Policies and Interim Results

The Consolidated Financial Statements should be read in conjunction with BNSF Railway Company's Annual Report on Form 10-K for the year ended December 31, 2010, including the financial statements and notes thereto. The Consolidated Financial Statements include the accounts of BNSF Railway Company and its majority-owned subsidiaries (collectively BNSF Railway or the Company). BNSF Railway is a wholly-owned subsidiary of Burlington Northern Santa Fe, LLC (BNSF), and is the principal operating subsidiary of BNSF. All intercompany accounts and transactions have been eliminated.

On February 12, 2010, Berkshire Hathaway Inc., a Delaware corporation (Berkshire), acquired 100% of the outstanding shares of Burlington Northern Santa Fe Corporation common stock that it did not already own. The acquisition was completed through the merger (the Merger) of Burlington Northern Santa Fe Corporation with and into R Acquisition Company, LLC, a Delaware limited liability company and an indirect wholly-owned subsidiary of Berkshire (Merger Sub), with Merger Sub continuing as the surviving entity. In connection with the Merger, Merger Sub changed its name to "Burlington Northern Santa Fe, LLC" and remains an indirect, wholly-owned subsidiary of Berkshire.

Berkshire's cost of acquiring BNSF has been pushed-down to establish a new accounting basis for BNSF. In turn, BNSF's basis in BNSF Railway has been pushed-down to establish a new accounting basis in BNSF Railway. Accordingly, the accompanying interim consolidated financial statements are presented for two periods, Predecessor and Successor, which relate to the accounting periods preceding and succeeding the completion of the Merger. The Predecessor and Successor periods have been separated by a vertical line on the face of the consolidated financial statements to highlight the fact that the financial information for such periods has been prepared under two different historical-cost bases of accounting.

The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the entire year. In the opinion of management, the unaudited financial statements reflect all adjustments (consisting of only normal recurring adjustments, except as disclosed) necessary for a fair statement of BNSF Railway's consolidated financial position as of March 31, 2011 (Successor), and the results of operations for the three months ended March 31, 2011 (Successor), and the periods February 13 – March 31, 2010 (Successor) and January 1 – February 12, 2010 (Predecessor).

2. Derivative Activities

The Company uses derivative financial instruments to hedge against increases in diesel fuel prices. The Company does not use derivative financial instruments for trading or speculative purposes. The Company formally documents the relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for the use of the hedging instrument. This documentation includes linking the derivatives that are designated as cash flow hedges to specific assets or liabilities on the balance sheet, commitments or forecasted transactions. The Company assesses at the time a derivative contract is entered into, and at least quarterly thereafter, whether the derivative item is effective in offsetting the changes in fair value or cash flows. Any change in fair value resulting from ineffectiveness, as defined by authoritative accounting guidance related to derivatives and hedging, is recognized in current period earnings. For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is recorded in accumulated other comprehensive income (AOCI) as a separate component of stockholder's equity and reclassified into earnings in the period during which the hedge transaction affects earnings. Cash flows related to fuel derivatives are classified as operating activities in the Consolidated Statements of Cash Flows.

Upon application of acquisition method accounting due to the Merger, the Company was required to re-designate its outstanding derivatives as hedges under authoritative accounting guidance. Certain costless collar derivatives did not qualify for re-designation as they were in net written positions as of the Merger date. As a result, hedge accounting was discontinued on these instruments. The Company will continue to hold these financial instruments to hedge against increases in diesel fuel prices, recognizing any gains and losses from changes in fair value in current period earnings.

No additional derivative contracts have been entered into subsequent to the Merger.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

BNSF Railway monitors its derivative instrument positions and credit ratings of its counterparties and does not anticipate any losses due to counterparty nonperformance. All counterparties were financial institutions with credit ratings of A2/A or higher as of March 31, 2011. The maximum amount of loss the Company could incur from credit risk based on the gross fair value of derivative instruments in asset positions as of March 31, 2011, and December 31, 2010, was \$151 million and \$87 million, respectively. Other than as disclosed under the heading “Fuel; Total Fuel-Derivative Activities,” the Company’s derivative agreements do not include provisions requiring collateral. Certain of the Company’s derivative instruments are covered by master netting arrangements whereby, in the event of a default, the non-defaulting party has the right to setoff any amounts payable against any obligation of the defaulting party under the same counterparty agreement. As such, the Company’s net asset exposure to counterparty credit risk was \$151 million and \$86 million as of March 31, 2011, and December 31, 2010, respectively.

Additional disclosure related to derivative instruments is included in Note 10 to the Consolidated Financial Statements.

The amounts recorded in the Consolidated Balance Sheets for derivative transactions were as follows, presented net of any master netting arrangements (in millions):

	Successor	
	March 31, 2011	December 31, 2010
Short-term derivative asset	\$ 143	\$ 69
Long-term derivative asset	8	17
Short-term derivative liability	–	(4)
Total derivatives	\$ 151	\$ 82

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

The tables below contain summaries of all derivative positions reported in the Consolidated Financial Statements, presented gross of any master netting arrangements (in millions):

Fair Value of Derivative Instruments				
Asset Derivatives				
	Successor			Balance Sheet Location
	March 31, 2011	December 31, 2010		
Asset derivatives designated as hedging instruments under ASC 815-20				
Fuel contracts	\$ 127	\$ 60		Other current assets
Fuel contracts	8	17		Other assets
Total asset derivatives designated as hedging instruments under ASC 815-20	\$ 135	\$ 77		
Asset derivatives not designated as hedging instruments under ASC 815-20				
Fuel contracts	\$ 16	\$ 10		Other current assets
Total asset derivatives not designated as hedging instruments under ASC 815-20	\$ 16	\$ 10		
Total asset derivatives	\$ 151	\$ 87		
Liability Derivatives				
	Successor			Balance Sheet Location
	March 31, 2011	December 31, 2010		
Liability derivatives designated as hedging instruments under ASC 815-20				
Fuel contracts	\$ –	\$ 1		Other current assets
Fuel contracts	–	4		Accounts payable and other current liabilities
Total liability derivatives designated as hedging instruments under ASC 815-20	\$ –	\$ 5		
Total liability derivatives	\$ –	\$ 5		

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

The Effects of Derivative Instruments Gains and Losses

Derivatives in ASC 815-20 Cash Flow Hedging Relationships

	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)		
	Successor		Predecessor
	Three Months Ended March 31, 2011	February 13 – March 31, 2010	January 1 – February 12, 2010
Fuel Contracts	\$ 90	\$ 74	\$ (79)
Total derivatives	\$ 90	\$ 74	\$ (79)

	Location of Gain or (Loss) Recognized from AOCI into Income	Amount of Gain or (Loss) Recognized from AOCI into Income (Effective Portion)		
		Successor		Predecessor
		Three Months Ended March 31, 2011	February 13 – March 31, 2010	January 1 – February 12, 2010
Fuel Contracts	Fuel expense	\$ 25	\$ 13	\$ (6)
Total derivatives		\$ 25	\$ 13	\$ (6)

	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) ^a		
		Successor		Predecessor
		Three Months Ended March 31, 2011	February 13 – March 31, 2010	January 1 – February 12, 2010
Fuel Contracts	Fuel expense	\$ (6)	\$ 8	\$ (7)
Total derivatives		\$ (6)	\$ 8	\$ (7)

a No portion of the gain or (loss) was excluded from the assessment of hedge effectiveness for the periods then ended.

Derivatives Not Designated as Hedging Instruments under ASC 815-20

	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Recognized in Income on Derivatives		
		Successor		Predecessor
		Three Months Ended March 31, 2011	February 13 – March 31, 2010	January 1 – February 12, 2010
Fuel Contracts	Fuel expense	\$ 9	\$ 13	\$ –
Total derivatives		\$ 9	\$ 13	\$ –

As of March 31, 2011, the Company estimates that within the next twelve months approximately \$126 million in pre-tax hedge instrument gains will be reclassified from accumulated other comprehensive income into earnings.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

Fuel

Fuel costs represented 28 percent, 22 percent and 26 percent of total operating expenses during the three months ended March 31, 2011 (Successor), and the periods February 13 – March 31, 2010 (Successor) and January 1 – February 12, 2010 (Predecessor), respectively. Due to the significance of diesel fuel expenses to the operations of BNSF Railway and the historical volatility of fuel prices, the Company has entered into derivative instruments to partially mitigate the risk of fluctuations in the price of its diesel fuel purchases. The fuel derivatives include the use of derivatives that are accounted for as cash flow hedges. The Company enters into fuel-derivative instruments based on management's evaluation of current and expected diesel fuel price trends with the intent of protecting operating margins and overall profitability from adverse fuel price changes. However, to the extent the Company hedges portions of its fuel purchases, it may not realize the impact of decreases in fuel prices. Conversely, to the extent the Company does not hedge portions of its fuel purchases, it may be adversely affected by increases in fuel prices.

Total Fuel-Derivative Activities

As of March 31, 2011, BNSF Railway's total fuel-derivative positions for the remainder of 2011 and 2012, of which the majority are designated as cash flow hedges, covered approximately 19 percent and 3 percent, respectively, of the average annual locomotive fuel consumption over the past three years. Derivative positions are closely monitored to ensure that they will not exceed actual fuel requirements in any period. As of March 31, 2011, and December 31, 2010, BNSF Railway had entered into fuel-derivative agreements covering approximately 223 million gallons and 284 million gallons, respectively.

Certain of the Company's fuel-derivative instruments are covered by an agreement which includes a provision such that the Company either receives or posts cash collateral if the fair value of the instruments exceeds a certain net asset or net liability threshold, respectively. The threshold is based on a sliding scale, utilizing either the counterparty's credit rating, if the instruments are in a net asset position, or BNSF's credit rating, if the instruments are in a net liability position. If the applicable credit rating should fall below Ba3 (Moody's) or BB- (S&P), the threshold would be eliminated and collateral would be required for the entire fair value amount. All cash collateral paid is held on deposit by the payee and earns interest to the benefit of the payor based on the London Interbank Offered Rate (LIBOR). The aggregate fair value of all open fuel-derivative instruments under these provisions was in a net asset position of \$1 million on March 31, 2011, and in a net liability position of \$4 million on December 31, 2010. The fair value positions at both March 31, 2011, and December 31, 2010 were below the collateral threshold; therefore, there was no posted collateral outstanding at either date.

The Company utilizes a market approach using the forward commodity price for the periods hedged to value its fuel-derivative swaps and costless collars. As such, the fair values of these instruments are classified as Level 2 valuations under authoritative accounting guidance related to fair value measurements.

3. Accounts Receivable, Net

Accounts receivable, net consists of freight and other receivables, including receivables transferred to the accounts receivable securitization master trust (discussed below), reduced by an allowance for bill adjustments and uncollectible accounts, based upon expected collectibility. At March 31, 2011, and December 31, 2010, \$24 million and \$27 million, respectively, of such allowances had been recorded.

At March 31, 2011, and December 31, 2010, \$24 million and \$22 million, respectively, of accounts receivable were greater than 90 days old.

Accounts Receivable Securitization Program

BNSF Railway may transfer a portion of its accounts receivable to a wholly-owned subsidiary, Santa Fe Receivables Corporation (SFRC). SFRC transfers an undivided interest in such receivables, with limited exceptions, to a master trust and causes the trust to issue an undivided interest in the receivables to investors (the A/R securitization program). The undivided interests in the master trust purchased by investors may be in the form of certificates or purchased interests. BNSF Railway retains the collection responsibility with respect to the accounts receivable transferred. The investors in the master trust have no recourse to BNSF Railway's other assets except for customary warranty and indemnity claims. Creditors of BNSF Railway have no recourse to the assets of the master trust or SFRC until after the creditors have been paid and SFRC and the master trust have been terminated.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

BNSF Railway’s total capacity to sell undivided interests to investors under the A/R securitization program was \$200 million at March 31, 2011, which was comprised of two \$100 million facilities which were entered into in November 2010 and terminate in November 2011. Each of the financial institutions providing credit for the facilities is rated Aa2/A+ or higher. The amount of undivided interests in the accounts receivable sold by BNSF Railway to investors fluctuates based on borrowing needs. Additionally, if the combined dilution and delinquency percentages exceed an established threshold, there would be an impact on the amount of undivided interest that BNSF Railway could sell. At March 31, 2011, the effective capacity under the A/R securitization program was \$200 million.

The A/R securitization program master trust is considered a variable interest entity (VIE) as it does not retain sufficient equity to finance its activities without the support of BNSF Railway. BNSF Railway has a variable interest in the master trust as it absorbs any losses related to the receivables transferred in the event of default. BNSF Railway is the primary beneficiary of the VIE as it (1) directs the amount of undivided interest in receivables sold to investors by the master trust, and thus holds the power to direct the activities of the master trust that most significantly impact performance and (2) has the obligation to absorb the losses in the event of defaulted receivables, which could potentially be significant to the master trust. As the primary beneficiary of the master trust, BNSF Railway fully consolidates the master trust.

As of March 31, 2011 and December 31, 2010, there were no outstanding undivided interests held by investors under the A/R securitization program; thus, no asset or related liability was recorded in the Company’s Consolidated Balance Sheets. Additionally, during the three months ended March 31, 2011 (Successor), and the periods February 13 – March 31, 2010 (Successor) and January 1 – February 12, 2010 (Predecessor), there were no cash flow activities related to the A/R securitization program.

BNSF Railway does not provide financial support to the master trust that it was not previously contractually obligated to provide.

4. Other Intangible Assets and Liabilities

Amortized intangible assets and liabilities were as follows (in millions):

	Successor			
	As of March 31, 2011		As of December 31, 2010	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets	\$ 2,013	\$ 359	\$ 2,013	\$ 281
Amortized intangible liabilities	\$ 2,056	\$ 340	\$ 2,056	\$ 266

Amortized intangible assets primarily consisted of internally developed software and franchise & customer assets. Amortized intangible liabilities primarily consisted of customer and shortline contracts which were in an unfavorable position at the date of Merger.

Amortized intangible assets and liabilities are amortized based on the estimated pattern in which the economic benefits are expected to be consumed or on a straight-line basis over their estimated economic lives.

Amortization of intangible assets and liabilities was as follows (in millions):

	Successor		Predecessor
	Three Months Ended March 31, 2011	February 13 – March 31, 2010	January 1 – February 12, 2010
Amortization of intangible assets	\$ 78	\$ 51	–
Amortization of intangible liabilities	\$ 74	\$ 40	–

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

Amortization of intangible assets and liabilities for the next five years is expected to approximate the following (in millions):

	Amortization of intangible assets	Amortization of intangible liabilities
Remainder of 2011	\$ 234	\$ 219
2012	\$ 306	\$ 282
2013	\$ 306	\$ 252
2014	\$ 306	\$ 179
2015	\$ 54	\$ 115

5. Other Assets

In July 2010, the Company entered into a low-income housing partnership (the Partnership) as the limited partner, holding a 99.9% interest in the Partnership. The Partnership is a VIE, with the purpose of developing and operating low-income housing rental properties. Recovery of the Company's investment is accomplished through the utilization of low-income housing tax credits and the tax benefits of Partnership losses. The general partner, who holds a 0.1% interest in the Partnership, is an unrelated third party and is responsible for controlling and managing the business and financial operation of the Partnership. As the Company does not have the power to direct the activities that most significantly impact the Partnership's economic performance, the Company is not the primary beneficiary and therefore, does not consolidate the Partnership. As of March 31, 2011, the assets of the unconsolidated Partnership totaled approximately \$740 million. The Company does not provide financial support to the Partnership that it was not previously contractually obligated to provide.

The Company has accounted for its investment in the Partnership using the effective yield method. The risk of loss of the Company's investment in the Partnership is considered low as an affiliate of the general partner has provided certain guarantees of tax credits and minimum annual returns. The Company's maximum exposure to loss related to the Partnership is the unamortized investment balance. The following table provides information as of March 31, 2011 (in millions):

Unamortized investment balance classified as Other Assets	Remaining commitments classified as Other Liabilities	Maximum exposure to loss
\$ 547	\$ 148	\$ 547

Of the remaining commitments, \$130 million is due at the end of 2012 and \$18 million is due at the end of 2013.

6. Debt

Fair Value of Debt Instruments

At March 31, 2011, and December 31, 2010, the fair value of BNSF Railway's debt, excluding capital leases, was \$910 million and \$930 million, respectively, while the book value, which also excludes capital leases and the associated unamortized fair value adjustment under acquisition method accounting related to capital leases, was \$884 million and \$904 million, respectively. The fair value of BNSF Railway's debt is primarily based on quoted market prices for the same or similar issues, or on the current rates that would be offered to BNSF Railway for debt of the same remaining maturities.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

Guarantees

As of March 31, 2011, BNSF Railway has not been called upon to perform under the guarantees specifically disclosed in this footnote and does not anticipate a significant performance risk in the foreseeable future.

Debt and other obligations of non-consolidated entities guaranteed by the Company as of March 31, 2011, were as follows (dollars in millions):

	Guarantees					
	BNSF Railway Ownership Percentage	Principal Amount Guaranteed	Maximum Future Payments	Maximum Recourse Amount^a	Remaining Term (in years) Termination of Ownership	Capitalized Obligations
Kinder Morgan Energy Partners, L.P. Chevron Phillips Chemical Company, LP	0.5%	\$ 190	\$ 190	\$ –	6	\$ 2 ^b
All other	0.0%	\$ 1	\$ 1	\$ –	Various	\$ –

a Reflects the maximum amount the Company could recover from a third party other than the counterparty.

b Reflects capitalized obligations that are recorded on the Company's Consolidated Balance Sheet.

c Reflects the asset and corresponding liability for the fair value of these guarantees required by authoritative accounting guidance related to guarantees.

d There is no cap to the liability that can be sought from BNSF Railway for BNSF Railway's negligence or the negligence of the indemnified party. However, BNSF Railway could receive reimbursement from certain insurance policies if the liability exceeds a certain amount.

Kinder Morgan Energy Partners, L.P.

Santa Fe Pacific Pipelines, Inc., an indirect, wholly-owned subsidiary of BNSF Railway, has a guarantee in connection with its remaining special limited partnership interest in Santa Fe Pacific Pipelines Partners, L.P. (SFPP), a subsidiary of Kinder Morgan Energy Partners, L.P., to be paid only upon default by the partnership. All obligations with respect to the guarantee will cease upon termination of ownership rights, which would occur upon a put notice issued by BNSF Railway or the exercise of the call rights by the general partners of SFPP.

Chevron Phillips Chemical Company, LP

In the third quarter of 2007, BNSF Railway entered into an indemnity agreement with Chevron Phillips Chemical Company, LP (Chevron Phillips), granting certain rights of indemnity from BNSF Railway, in order to facilitate access to a new storage facility. Under certain circumstances, payment under this obligation may be required in the event Chevron Phillips were to incur certain liabilities or other incremental costs resulting from trackage access.

All Other

As of March 31, 2011, BNSF Railway guaranteed \$1 million of other debt and leases. These guarantees expire between 2011 and 2013.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

Indemnities

In the ordinary course of business, BNSF Railway enters into agreements with third parties that include indemnification clauses. The Company believes that these clauses are generally customary for the types of agreements in which they are included. At times, these clauses may involve indemnification for the acts of the Company, its employees and agents, indemnification for another party's acts, indemnification for future events, indemnification based upon a certain standard of performance, indemnification for liabilities arising out of the Company's use of leased equipment or other property, or other types of indemnification. Despite the uncertainty whether events which would trigger the indemnification obligations would ever occur, the Company does not believe that these indemnity agreements will have a material adverse effect on the Company's results of operations, financial position or liquidity. Additionally, the Company believes that, due to lack of historical payment experience, the fair value of indemnities cannot be estimated with any amount of certainty. However, the fair value of any such amount would be immaterial to the Consolidated Financial Statements. Agreements that contain unique circumstances, particularly agreements that contain guarantees that indemnify for another party's acts are disclosed separately, if appropriate. Unless separately disclosed above, no fair value liability related to indemnities has been recorded in the Consolidated Financial Statements.

Variable Interest Entities - Leases

BNSF Railway has entered into various equipment lease transactions in which the structure of the lease contains VIEs. These VIEs were created solely for the lease transactions and have no other activities, assets or liabilities outside of the lease transactions. In some of the arrangements, BNSF Railway has the option to purchase some or all of the equipment at a fixed-price, thereby creating variable interests for BNSF Railway in the VIEs. The future minimum lease payments associated with the VIE leases were approximately \$5 billion as of March 31, 2011.

In the event the leased equipment is destroyed, BNSF Railway is obligated to either replace the equipment or pay a fixed loss amount. The inclusion of the fixed loss amount is a standard clause within equipment lease arrangements. Historically, BNSF Railway has not incurred significant losses related to this clause. As such, it is not anticipated that the maximum exposure to loss would materially differ from the future minimum lease payments.

BNSF Railway does not provide financial support to the VIEs that it was not previously contractually obligated to provide.

BNSF Railway maintains and operates the equipment based on contractual obligations within the lease arrangements, which set specific guidelines consistent within the industry. As such, BNSF Railway has no control over activities that could materially impact the fair value of the leased equipment. BNSF Railway does not hold the power to direct the activities of the VIEs and therefore does not control the ongoing activities that have a significant impact on the economic performance of the VIEs. Additionally, BNSF Railway does not have the obligation to absorb losses of the VIEs or the right to receive benefits of the VIEs that could potentially be significant to the VIEs. Depending on market conditions, the fixed-price purchase options could potentially provide benefit to the Company; however, any benefits potentially received from a fixed-price purchase option are expected to be minimal. Based on these factors, BNSF Railway is not the primary beneficiary of the VIEs. As BNSF Railway is not the primary beneficiary and the VIE leases are classified as operating leases, there are no assets or liabilities related to the VIEs recorded in the Company's Consolidated Balance Sheet.

7. Commitments and Contingencies

Personal Injury

Personal injury claims, including asbestos claims and employee work-related injuries and third-party injuries (collectively, other personal injury), are a significant expense for the railroad industry. Personal injury claims by BNSF Railway employees are subject to the provisions of the Federal Employers' Liability Act (FELA) rather than state workers' compensation laws. FELA's system of requiring the finding of fault, coupled with unscheduled awards and reliance on the jury system, contributed to increased expenses in past years. Other proceedings include claims by non-employees for punitive as well as compensatory damages. A few proceedings purport to be class actions. The variability present in settling these claims, including non-employee personal injury and matters in which punitive damages are alleged, could result in increased expenses in future years. BNSF Railway has implemented a number of safety programs designed to reduce the number of personal injuries as well as the associated claims and personal injury expense.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

Other than the fair value adjustments recorded in the application of acquisition method accounting related to the Merger, as discussed in Note 1 to the Consolidated Financial Statements, BNSF Railway records an undiscounted liability for personal injury claims when the expected loss is both probable and reasonably estimable. The liability and ultimate expense projections are estimated using standard actuarial methodologies. Liabilities recorded for unasserted personal injury claims are based on information currently available. Due to the inherent uncertainty involved in projecting future events such as the number of claims filed each year, developments in judicial and legislative standards and the average costs to settle projected claims, actual costs may differ from amounts recorded. BNSF Railway has obtained insurance coverage for certain claims, as discussed under the heading “BNSF Insurance Company.” Expense accruals and any required adjustments are classified as materials and other in the Consolidated Statements of Income.

Asbestos

The Company is party to a number of personal injury claims by employees and non-employees who may have been exposed to asbestos. The heaviest exposure for BNSF Railway employees was due to work conducted in and around the use of steam locomotive engines that were phased out between the years of 1950 and 1967. However, other types of exposures, including exposure from locomotive component parts and building materials, continued after 1967 until they were substantially eliminated at BNSF Railway by 1985.

BNSF Railway assesses its unasserted asbestos liability exposure on an annual basis during the third quarter. BNSF Railway determines its asbestos liability by estimating its exposed population, the number of claims likely to be filed, the number of claims that will likely require payment and the estimated cost per claim. Estimated filing and dismissal rates and average cost per claim are determined utilizing recent claim data and trends.

Throughout the year, BNSF Railway monitors actual experience against the number of forecasted claims and expected claim payments and will record adjustments to the Company’s estimates as necessary.

Based on BNSF Railway’s estimate of the potentially exposed employees and related mortality assumptions, it is anticipated that unasserted asbestos claims will continue to be filed through the year 2050. The Company recorded an amount for the full estimated filing period through 2050 because it had a relatively finite exposed population (former and current employees hired prior to 1985), which it was able to identify and reasonably estimate and about which it had obtained reliable demographic data (including age, hire date and occupation) derived from industry or BNSF Railway specific data that was the basis for the study. BNSF Railway projects that approximately 60, 80 and 95 percent of the future unasserted asbestos claims will be filed within the next 10, 15 and 25 years, respectively.

Other Personal Injury

BNSF Railway estimates its other personal injury liability claims and expense quarterly based on the covered population, activity levels and trends in frequency and the costs of covered injuries. Estimates include unasserted claims except for certain repetitive stress and other occupational trauma claims that allegedly result from prolonged repeated events or exposure. Such claims are estimated on an as-reported basis because the Company cannot estimate the range of reasonably possible loss due to other non-work related contributing causes of such injuries and the fact that continued exposure is required for the potential injury to manifest itself as a claim. BNSF Railway has not experienced any significant adverse trends related to these types of claims in recent years.

BNSF Railway monitors quarterly actual experience against the number of forecasted claims to be received, the forecasted number of claims closing with payment and expected claim payments. Adjustments to the Company’s estimates are recorded quarterly as necessary or more frequently as new events or revised estimates develop.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

The following table summarizes the activity in the Company’s accrued obligations for asbestos and other personal injury matters (in millions):

	Successor		Predecessor
	Three Months Ended March 31, 2011	February 13 – March 31, 2010	January 1 – February 12, 2010
Beginning balance	\$ 575	\$ 664	\$ 632
Accruals	7	5	10
Payments	(19)	(21)	(9)
Ending balance	\$ 563	\$ 648	\$ 633

At March 31, 2011, \$135 million was included in current liabilities. In addition, defense and processing costs, which are recorded on an as-reported basis, were not included in the recorded liability. The Company is primarily self-insured for personal injury claims.

Because of the uncertainty surrounding the ultimate outcome of personal injury claims, it is reasonably possible that future costs to settle personal injury claims may range from approximately \$500 million to \$655 million. However, BNSF Railway believes that the \$563 million recorded is the best estimate of the Company’s future obligation for the settlement of personal injury claims.

The amounts recorded by BNSF Railway for personal injury liabilities were based upon currently known facts. Future events, such as the number of new claims to be filed each year, the average cost of disposing of claims, as well as the numerous uncertainties surrounding personal injury litigation in the United States, could cause the actual costs to be higher or lower than projected.

Although the final outcome of personal injury matters cannot be predicted with certainty, considering among other things the meritorious legal defenses available and liabilities that have been recorded, it is the opinion of BNSF Railway that none of these items, when finally resolved, will have a material adverse effect on the Company’s financial position or liquidity. However, the occurrence of a number of these items in the same period could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

BNSF Insurance Company

Burlington Northern Santa Fe Insurance Company, Ltd. (BNSF IC), a wholly owned subsidiary of BNSF, provides insurance coverage for certain risks, FELA claims, railroad protective and force account insurance claims and certain excess general liability coverage, and certain other claims which are subject to reinsurance. During the three months ended March 31, 2011 (Successor), BNSF IC wrote insurance coverage with premiums totaling \$86 million for BNSF Railway, net of reimbursements from third parties. During the period of February 13 – March 31, 2010 (Successor), BNSF IC did not write any insurance coverage premiums; whereas during the period of January 1 – February 12, 2010 (Predecessor), BNSF IC wrote insurance coverage with premiums totaling \$116 million, for BNSF Railway, net of reimbursements from third parties. During this same time, BNSF Railway recognized \$26 million, \$17 million and \$16 million, respectively, in expense related to those premiums, which was classified as purchased services in the Consolidated Statements of Income. At March 31, 2011, unamortized premiums remaining on the Consolidated Balance Sheet were \$64 million. During the three months ended March 31, 2011 (Successor), and the periods of February 13 – March 31, 2010 (Successor) and January 1 – February 12, 2010 (Predecessor), BNSF IC made claim payments totaling \$13 million, \$6 million and \$11 million, respectively, for settlement of covered claims. At March 31, 2011 and December 31, 2010, receivables from BNSF IC for claims paid were \$3 million and \$9 million, respectively.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

Environmental

The Company's operations, as well as those of its competitors, are subject to extensive federal, state and local environmental regulation. BNSF Railway's operating procedures include practices to protect the environment from the risks inherent in railroad operations, which frequently involve transporting chemicals and other hazardous materials. Additionally, many of BNSF Railway's land holdings are and have been used for industrial or transportation-related purposes or leased to commercial or industrial companies whose activities may have resulted in discharges onto the property. As a result, BNSF Railway is subject to environmental cleanup and enforcement actions. In particular, the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), also known as the Superfund law, as well as similar state laws, generally impose joint and several liability for cleanup and enforcement costs on current and former owners and operators of a site without regard to fault or the legality of the original conduct. BNSF Railway has been notified that it is a potentially responsible party (PRP) for study and cleanup costs at Superfund sites for which investigation and remediation payments are or will be made or are yet to be determined (the Superfund sites) and, in many instances, is one of several PRPs. In addition, BNSF Railway may be considered a PRP under certain other laws. Accordingly, under CERCLA and other federal and state statutes, BNSF Railway may be held jointly and severally liable for all environmental costs associated with a particular site. If there are other PRPs, BNSF Railway generally participates in the cleanup of these sites through cost-sharing agreements with terms that vary from site to site. Costs are typically allocated based on such factors as relative volumetric contribution of material, the amount of time the site was owned or operated and/or the portion of the total site owned or operated by each PRP.

BNSF Railway is involved in a number of administrative and judicial proceedings and other mandatory cleanup efforts for 275 sites, including 19 Superfund sites, at which it is participating in the study or cleanup, or both, of alleged environmental contamination.

Liabilities for environmental cleanup costs are recorded when BNSF Railway's liability for environmental cleanup is probable and reasonably estimable. Subsequent adjustments to initial estimates are recorded as necessary based upon additional information developed in subsequent periods. Environmental costs include initial site surveys and environmental studies as well as costs for remediation of sites determined to be contaminated.

BNSF Railway estimates the ultimate cost of cleanup efforts at its known environmental sites on an annual basis during the third quarter. Ultimate cost estimates for environmental sites are based on historical payment patterns, current estimated percentage to closure ratios and benchmark patterns developed from data accumulated from industry and public sources, including the Environmental Protection Agency and other governmental agencies. These factors incorporate into the estimates experience gained from cleanup efforts at other similar sites.

Annual studies do not include (i) contaminated sites of which the Company is not aware; (ii) additional amounts for third-party tort claims, which arise out of contaminants allegedly migrating from BNSF Railway property, due to a limited number of sites; or (iii) natural resource damage claims. BNSF Railway continues to estimate third-party tort claims on a site by site basis when the liability for such claims is probable and reasonably estimable. BNSF Railway's recorded liability for third-party tort claims as of March 31, 2011, was \$12 million.

On a quarterly basis, BNSF Railway monitors actual experience against the forecasted remediation and related payments made on existing sites and conducts ongoing environmental contingency analyses, which consider a combination of factors including independent consulting reports, site visits, legal reviews and analysis of the likelihood of participation in, and the ability to pay for, cleanup of other PRPs. Adjustments to the Company's estimates will continue to be recorded as necessary based on developments in subsequent periods. Additionally, environmental accruals, which are classified as materials and other in the Consolidated Statements of Income, include amounts for newly identified sites or contaminants, third-party claims and legal fees incurred for defense of third-party claims and recovery efforts.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

The following table summarizes the activity in the Company’s accrued obligations for environmental matters (in millions):

	Successor		Predecessor
	Three Months Ended March 31, 2011	February 13 – March 31, 2010	January 1 – February 12, 2010
Beginning balance	\$ 578	\$ 514	\$ 517
Accruals	5	1	6
Payments	(12)	(10)	(9)
Ending balance	\$ 571	\$ 505	\$ 514

At March 31, 2011, \$90 million was included in current liabilities.

BNSF Railway’s environmental liabilities are not discounted. BNSF Railway anticipates that the majority of the accrued costs at March 31, 2011, will be paid over the next ten years, and no individual site is considered to be material.

Liabilities recorded for environmental costs represent BNSF Railway’s best estimate of its probable future obligation for the remediation and settlement of these sites and include both asserted and unasserted claims. Although recorded liabilities include BNSF Railway’s best estimate of all probable costs, without reduction for anticipated recoveries from third parties, BNSF Railway’s total cleanup costs at these sites cannot be predicted with certainty due to various factors such as the extent of corrective actions that may be required, evolving environmental laws and regulations, advances in environmental technology, the extent of other parties’ participation in cleanup efforts, developments in ongoing environmental analyses related to sites determined to be contaminated and developments in environmental surveys and studies of contaminated sites.

Because of the uncertainty surrounding these factors, it is reasonably possible that future costs for environmental liabilities may range from approximately \$425 million to \$855 million. However, BNSF Railway believes that the \$571 million recorded at March 31, 2011, is the best estimate of the Company’s future obligation for environmental costs.

Although the final outcome of these environmental matters cannot be predicted with certainty, it is the opinion of BNSF Railway that none of these items, when finally resolved, will have a material adverse effect on the Company’s financial position or liquidity. However, the occurrence of a number of these items in the same period could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

Other Claims and Litigation

In addition to asbestos, other personal injury and environmental matters discussed above, BNSF Railway and its subsidiaries are also parties to a number of other legal actions and claims, governmental proceedings and private civil suits arising in the ordinary course of business, including those related to disputes and complaints involving certain transportation rates and charges. Some of the legal proceedings include claims for punitive as well as compensatory damages, and a few proceedings purport to be class actions. Although the final outcome of these matters cannot be predicted with certainty, considering among other things the meritorious legal defenses available and liabilities that have been recorded along with applicable insurance, BNSF Railway currently believes that none of these items, when finally resolved, will have a material adverse effect on the Company’s financial position or liquidity. However, an unexpected adverse resolution of one or more of these items could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

8. Employment Benefit Plans

Components of the net cost for the periods presented below were as follows (in millions):

	Pension Benefits		
	Successor		Predecessor
	Three Months Ended March 31, 2011	February 13 – March 31, 2010	January 1 – February 12, 2010
Net Cost			
Service cost	\$ 8	\$ 4	\$ 3
Interest cost	26	14	12
Expected return on plan assets	(30)	(13)	(14)
Amortization of net loss	–	–	4
Net cost recognized	\$ 4	\$ 5	\$ 5

	Retiree Health and Welfare Benefits		
	Successor		Predecessor
	Three Months Ended March 31, 2011	February 13 – March 31, 2010	January 1 – February 12, 2010
Net Cost			
Interest cost	\$ 4	\$ 2	\$ 2
Net cost recognized	\$ 4	\$ 2	\$ 2

9. Related Party Transactions

BNSF Railway is involved with BNSF and certain of its subsidiaries in related party transactions in the ordinary course of business, which include payments made on each other's behalf and performance of services. Under the terms of a tax allocation agreement with BNSF, BNSF Railway made federal and state income tax payments, net of refunds, of \$162 million and \$102 million during the three months ended March 31, 2011 (Successor), and the period of February 13 – March 31, 2010 (Successor), respectively, which are reflected in changes in working capital in the Consolidated Statement of Cash Flows. BNSF Railway did not make any federal and state income tax payments during the period January 1 – February 12, 2010 (Predecessor).

At March 31, 2011 and December 31, 2010, BNSF Railway had \$107 million and \$132 million, respectively, of intercompany receivables which are reflected in accounts receivable in the respective Consolidated Balance Sheets. At March 31, 2011 and December 31, 2010, BNSF Railway had \$74 million and \$11 million of intercompany payables, respectively, which are reflected in accounts payable in the respective Consolidated Balance Sheets. Net intercompany balances are settled in the ordinary course of business.

At March 31, 2011 and December 31, 2010, BNSF Railway had \$2,426 million and \$2,319 million, respectively, of intercompany notes receivable from BNSF. The \$107 million increase in intercompany notes receivable was due to loans to BNSF of \$327 million, partially offset by repayments received of \$220 million during the three months ended March 31, 2011. All intercompany notes have a variable interest rate of 1.0 percent above the monthly average of the daily effective Federal Funds rate. Interest is collected semi-annually on all intercompany notes receivable. Interest income from intercompany notes receivable is presented in interest income, related parties in the Consolidated Statements of Income.

BNSF RAILWAY COMPANY and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) – (Continued)

BNSF Railway earned revenues of \$9 million, \$5 million and \$3 million during the three months ended March 31, 2011 (Successor), and the periods of February 13 – March 31, 2010 (Successor) and January 1 – February 12, 2010 (Predecessor), respectively, for transportation services provided to BNSF Logistics by BNSF Railway. Additionally, BNSF Railway purchased truck transportation services for the Company’s materials and supplies from BNSF Logistics of \$7 million, \$3 million and \$3 million during the three months ended March 31, 2011 (Successor), and the periods of February 13 – March 31, 2010 (Successor) and January 1 – February 12, 2010 (Predecessor), respectively, which were classified as purchased services in the Consolidated Statements of Income.

Under various stock incentive plans, Berkshire (Successor) or BNSF (Predecessor) granted options to BNSF Railway employees to purchase its common stock at a price not less than the fair market value at the date of grant. Certain employees of BNSF Railway also participated in other long-term incentive plans that utilized restricted shares/units.

10. Comprehensive Income

Other comprehensive income refers to revenues, expenses, gains and losses that under generally accepted accounting principles are included in comprehensive income, a component of Stockholder’s Equity within the Consolidated Balance Sheets, rather than net income on the Consolidated Statements of Income. Under existing accounting standards, other comprehensive income may include, among other things, unrecognized gains and losses and prior service credit related to pension and other postretirement benefit plans and accounting for derivative financial instruments, which qualify for cash flow hedge accounting.

The following table provides a reconciliation of net income reported in the Consolidated Statements of Income to total comprehensive income (in millions):

	Successor		Predecessor
	Three Months Ended March 31, 2011	February 13 – March 31, 2010	January 1 – February 12, 2010
Net income	\$ 683	\$ 341	\$ 282
Other comprehensive income:			
Change in unrecognized prior service credit and actuarial losses, net of tax (see Note 8)	–	–	2
Change in fuel/interest hedge mark-to-market, net of tax (see Note 2)	40	37	(45)
Change in accumulated other comprehensive income of equity method investees	1	–	2
Total comprehensive income	\$ 724	\$ 378	\$ 241

The following table provides the components of accumulated other comprehensive income (loss) (in millions):

	Successor	
	March 31, 2011	December 31, 2010
Unrecognized prior service credit and actuarial losses, net of tax (see Note 8)	\$ (13)	\$ (13)
Fuel hedge mark-to-market, net of tax (see Note 2)	81	41
Accumulated other comprehensive loss of equity method investees	–	(1)
Total accumulated other comprehensive income (loss)	\$ 68	\$ 27

Item 2. Management's Narrative Analysis of Results of Operations.

Management's narrative analysis relates to the results of operations of BNSF Railway Company and its majority-owned subsidiaries (collectively BNSF Railway, Registrant or Company). The following narrative analysis should be read in conjunction with the Consolidated Financial Statements and the accompanying notes.

Berkshire's cost of acquiring BNSF has been pushed-down to establish a new accounting basis for BNSF. In turn, BNSF's basis in BNSF Railway has been pushed-down to establish a new accounting basis in BNSF Railway. Accordingly, the accompanying interim consolidated financial statements are presented for two periods, Predecessor and Successor, which relate to the accounting periods preceding and succeeding the completion of the Merger. The Predecessor and Successor periods have been separated by a vertical line on the face of the consolidated financial statements to highlight the fact that the financial information for such periods has been prepared under two different historical-cost bases of accounting. The following narrative analysis of results of operations includes a comparative analysis of the three months ended March 31, 2011 (Successor), with the period of February 13 – March 31, 2010 (Successor), and a brief discussion of the factors that materially affected the Company's operating results in the Predecessor period of January 1 – February 12, 2010.

Results of Operations

Revenues Summary

The following tables present BNSF Railway's revenue information by business group:

	Revenues (in millions)			Cars / Units (in thousands)		
	Successor		Predecessor	Successor		Predecessor
	Three Months Ended March 31, 2011	February 13 – March 31, 2010	January 1 – February 12, 2010	Three Months Ended March 31, 2011	February 13 – March 31, 2010	January 1 – February 12, 2010
Consumer Products	\$ 1,328	\$ 577	\$ 515	1,066	502	453
Coal	1,214	546	442	583	310	259
Agricultural Products	949	471	417	276	143	126
Industrial Products	914	422	352	352	167	139
Total Freight Revenues	4,405	2,016	1,726	2,277	1,122	977
Other Revenues	65	29	42			
Total Operating Revenues	\$ 4,470	\$ 2,045	\$ 1,768			

	Average Revenue Per Car / Unit		
	Successor		Predecessor
	Three Months Ended March 31, 2011	February 13 – March 31, 2010	January 1 – February 12, 2010
Consumer Products	\$ 1,246	\$ 1,149	\$ 1,137
Coal	2,082	1,761	1,707
Agricultural Products	3,438	3,294	3,310
Industrial Products	2,597	2,527	2,532
Total Freight Revenues	\$ 1,935	\$ 1,797	\$ 1,767

Fuel Surcharges

Freight revenues include both revenue for transportation services and fuel surcharges. BNSF Railway's fuel surcharge program is intended to recover its incremental fuel costs when fuel prices exceed a threshold fuel price. Fuel surcharges are calculated differently depending on the type of commodity transported. BNSF Railway has two standard fuel surcharge programs – Percent of Revenue and Mileage-Based. In addition, in certain commodities, fuel surcharge is calculated using a fuel price from a time period that can be up to 60 days earlier. In a period of volatile fuel prices or changing customer business mix, changes in fuel expense and fuel surcharge may differ significantly.

The following table presents fuel surcharge and fuel expense information (in millions):

	Successor		Predecessor
	Three Months Ended March 31, 2011	February 13 – March 31, 2010	January 1 – February 12, 2010
Total fuel expense ^a	\$ 939	\$ 330	\$ 329
BNSF Railway fuel surcharges	\$ 582	\$ 230	\$ 192

^a Total fuel expense includes locomotive and non-locomotive fuel as well as gains and losses from fuel derivatives, which do not impact the fuel surcharge program.

Beginning January 1, 2011, BNSF Railway reset the strike price, the Highway Diesel Fuel (HDF) price at which BNSF Railway assesses a fuel surcharge, from \$1.25 per gallon to \$2.50 per gallon for BNSF Railway's mileage-based and percent-of-revenue fuel surcharge programs for Agricultural Products, Industrial Products, Coal and Automotive shipments. This change includes an appropriate adjustment of the underlying base shipment rates to reflect the new strike price. BNSF Railway also instituted a program that compensates customers when HDF falls below the strike price for an extended period.

Successor Periods of the Three Months Ended March 31, 2011 vs the Period of February 13 – March 31, 2010

Revenues

Revenues for the three months ended March 31, 2011, were \$4,470 million, up 119 percent as compared with the period of February 13 – March 31, 2010. The increase in revenues is directly attributable to comparing operating results for a 90-day period to one consisting of 47 days, which primarily causes most of the 103-percent increase in unit volumes. The following changes in underlying trends, based on a comparable number of days, also impacted the change in revenues:

- Consumer Products revenues included increased unit volumes within international intermodal, domestic intermodal and automotive.
- Coal revenues reflected slightly lower unit volumes.
- Industrial Products revenues included increased unit volumes primarily due to increased demand in construction products.
- Agricultural Products revenues reflected increased wheat shipments.
- Average revenue per car / unit increased for each of the four business units as a result of higher fuel surcharges, which was driven by increased fuel prices, and increased rate per car / unit.

Expenses

Operating expenses for the three months ended March 31, 2011, were \$3,379 million, an increase of \$1,865 million, or 123 percent, as compared with the period of February 13 – March 31, 2010. The majority of this increase is due to comparing expenses for a 90-day period to one consisting of 47 days. The following changes in underlying trends, based on a comparable number of days, also impacted the change in expenses:

- Increased unit volumes and wage and health and welfare inflation contributed to the increase in compensation and benefits expenses.
- Fuel expenses were impacted by higher fuel prices as well as increased locomotive fuel consumption from improved unit volumes.
- Higher volume-related costs increased purchased services expenses.
- Higher locomotive and freight car material costs and higher employee relocation and crew transportation costs increased material and other expenses.
- There were no significant changes in the underlying trends for depreciation and amortization expenses or equipment rents expenses.
- The effective tax rate for the three months ended March 31, 2011, was 36.3 percent, compared with 34.0 percent for the period of February 13 – March 31, 2010.

Predecessor Period of January 1 – February 12, 2010

Significant changes in the underlying trends affecting the Company's revenues and expenses during the Predecessor period of January 1 – February 12, 2010, were as follows:

- Sale of a line segment in the State of Washington was completed, resulting in a gain to materials and other expenses of \$74 million.

Forward-Looking Information

To the extent that statements made by the Company relate to the Company's future economic performance or business outlook, projections or expectations of financial or operational results, or refer to matters that are not historical facts, such statements are "forward-looking" statements within the meaning of the federal securities laws.

Forward-looking statements involve a number of risks and uncertainties, and actual performance or results may differ materially. For a discussion of material risks and uncertainties that the Company faces, see the discussion in Item 1A, "Risk Factors," of the Company's Annual Report on Form 10-K. Important factors that could cause actual results to differ materially include, but are not limited to, the following:

- **Economic and industry conditions:** material adverse changes in economic or industry conditions, both in the United States and globally; volatility in the capital or credit markets including changes affecting the timely availability and cost of capital; changes in customer demand, effects of adverse economic conditions affecting shippers or BNSF Railway's supplier base, and effects due to more stringent regulatory policies such as the regulation of carbon dioxide emissions that could reduce the demand for coal or governmental tariffs or subsidies that could affect the demand for grain, changes in fuel prices and other key materials and disruptions in supply chains for these materials; competition and consolidation within the transportation industry; and changes in crew availability, labor and benefits costs and labor difficulties, including stoppages affecting either BNSF Railway's operations or customers' abilities to deliver goods to BNSF Railway for shipment;

- **Legal, legislative and regulatory factors:** developments and changes in laws and regulations, including those affecting train operations or the marketing of services; the ultimate outcome of shipper and rate claims subject to adjudication; or claims, investigations or litigation alleging violations of the antitrust laws; increased economic regulation of the rail industry through legislative action and revised rules and standards applied by the U.S. Surface Transportation Board in various areas including rates and services; developments in environmental investigations or proceedings with respect to rail operations or current or past ownership or control of real property or properties owned by others impacted by BNSF Railway operations; losses resulting from claims and litigation relating to personal injuries, asbestos and other occupational diseases; the release of hazardous materials, environmental contamination and damage to property; regulation, restrictions or caps, or other controls of diesel emissions that could affect operations or increase costs; the availability of adequate insurance to cover the risks associated with operations; and

- **Operating factors:** changes in operating conditions and costs; operational and other difficulties in implementing positive train control technology, including increased compliance or operational costs or penalties; restrictions on development and expansion plans due to environmental concerns; constraints due to the nation's aging infrastructure; disruptions to BNSF Railway's technology network including computer systems and software, as well as natural events such as severe weather, fires, floods and earthquakes or man-made or other disruptions of BNSF Railway's or other railroads' operating systems, structures, or equipment including the effects of acts of terrorism on the Company's system or other railroads' systems or other links in the transportation chain.

The Company cautions against placing undue reliance on forward-looking statements, which reflect its current beliefs and are based on information currently available to it as of the date a forward-looking statement is made. The Company undertakes no obligation to revise forward-looking statements to reflect future events, changes in circumstances, or changes in beliefs. In the event the Company does update any forward-looking statement, no inference should be made that the Company will make additional updates with respect to that statement, related matters, or any other forward-looking statements.

Item 4. Controls and Procedures.

Based on their evaluation as of the end of the period covered by this quarterly report on Form 10-Q, BNSF Railway's principal executive officer and principal financial officer have concluded that BNSF Railway's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) are effective to ensure that information required to be disclosed by BNSF Railway in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms and that such information is accumulated and communicated to BNSF Railway's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Additionally, as of the end of the period covered by this report, BNSF Railway's principal executive officer and principal financial officer have concluded that there have been no changes in BNSF Railway's internal control over financial reporting that occurred during BNSF Railway's first fiscal quarter that have materially affected, or are reasonably likely to materially affect, BNSF Railway's internal control over financial reporting.

BNSF RAILWAY COMPANY and SUBSIDIARIES

PART II OTHER INFORMATION

Item 6. Exhibits.

See Index to Exhibits on page E-1 for a description of the exhibits filed as part of this report.

SIGNATURES

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.

BNSF Railway Company
(Registrant)

By: _____ /s/ Thomas N. Hund

Thomas N. Hund
Executive Vice President and Chief Financial Officer
(On behalf of the Registrant and
as principal financial officer)

Date: May 6, 2011

BNSF RAILWAY COMPANY and SUBSIDIARIES

Exhibit Index

<u>Exhibit Number and Description</u>	<u>Incorporated by Reference (if applicable)</u>			<u>Exhibit</u>
	<u>Form</u>	<u>File Date</u>	<u>File No.</u>	
3.1 Restated Certificate of Incorporation of BNSF Railway Company, dated January 17, 2005.	10-Q	7/26/2005	001-06324	3.1
3.2 By-Laws of BNSF Railway Company, as amended August 30, 2005.	10-Q	10/25/2005	001-06324	3.1
12.1 Computation of Ratio of Earnings to Fixed Charges.*				
31.1 Principal Executive Officer's Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*				
31.2 Principal Financial Officer's Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*				
32.1 Certification Pursuant to 18 U.S.C. § 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).*				

*Filed herewith

BNSF RAILWAY COMPANY and SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(In millions, except ratio amounts)
(Unaudited)

	Successor		Predecessor
	Three Months Ended March 31, 2011	February 13 – March 31, 2010	January 1 – February 12, 2010
Earnings:			
Income before income taxes	\$ 1,072	\$ 517	\$ 482
Add:			
Interest and other fixed charges, excluding capitalized interest	22	15	16
Reasonable approximation of portion of rent under long-term operating leases representative of an interest factor	62	34	35
Distributed income of investees accounted for under the equity method	1	1	–
Amortization of capitalized interest	–	–	1
Less:			
Equity in earnings of investments accounted for under the equity method	4	2	1
Total earnings available for fixed charges	\$ 1,153	\$ 565	\$ 533
Fixed charges:			
Interest and fixed charges	\$ 24	\$ 17	\$ 17
Reasonable approximation of portion of rent under long-term operating leases representative of an interest factor	62	34	35
Total fixed charges	\$ 86	\$ 51	\$ 52
Ratio of earnings to fixed charges	13.41x	11.08x	10.25x

**Principal Executive Officer's Certifications
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Matthew K. Rose, certify that:

1. I have reviewed this quarterly report on Form 10-Q of BNSF Railway Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods covered by this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2011

/s/ Matthew K. Rose
Matthew K. Rose
Chairman and
Chief Executive Officer

**Principal Financial Officer's Certifications
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Thomas N. Hund, certify that:

1. I have reviewed this quarterly report on Form 10-Q of BNSF Railway Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods covered by this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2011

/s/ Thomas N. Hund
Thomas N. Hund
Executive Vice President and
Chief Financial Officer

Certification Pursuant to 18 U.S.C. § 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)

BNSF Railway Company

In connection with the Quarterly Report of BNSF Railway Company (the "Company") on Form 10-Q for the period ended March 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Matthew K. Rose, Chairman and Chief Executive Officer of the Company, and Thomas N. Hund, Executive Vice President and Chief Financial Officer of the Company, each hereby certifies that, to his knowledge on the date hereof:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2011

/s/ Matthew K. Rose

/s/ Thomas N. Hund

Matthew K. Rose
Chairman and Chief Executive Officer

Thomas N. Hund
Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to BNSF Railway Company and will be retained by BNSF Railway Company and furnished to the Securities and Exchange Commission or its staff upon request.