

CANADIAN NATIONAL RAILWAY CO  
Form SUPPL  
October 30, 2013  
Table of Contents

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General Instruction II.K of Form F-9  
File No. 333-177633

**PROSPECTUS SUPPLEMENT**

**October 29, 2013**

**(To Prospectus Dated November 4, 2011)**

**US\$600,000,000**

**Canadian National Railway Company**

**US\$350,000,000 Floating Rate Notes due 2015**

**US\$250,000,000 4.50% Notes due 2043**

The Floating Rate Notes due 2015 (the "Floating Rate Notes") will bear interest at a rate equal to three-month LIBOR plus 0.20%, which rate will be reset quarterly. Interest on the Floating Rate Notes is payable quarterly on February 6, May 6, August 6 and November 6 of each year, commencing on February 6, 2014. Interest on the 4.50% Notes due 2043 (the "Fixed Rate Notes" and, together with the Floating Rate Notes, the "Offered Securities") is payable semi-annually on May 7 and November 7 of each year, commencing on May 7, 2014. The Fixed Rate Notes are redeemable, in whole or in part, at the option of Canadian National Railway Company at any time and from time to time, upon not less than 30 nor more than 60 days' notice, at the applicable redemption price and subject to the conditions set forth herein. See "Description of Offered Securities - Optional Redemption".

The Offered Securities will be senior unsecured, general obligations of the Company and will rank equally with all of the Company's existing and future senior unsecured indebtedness, but will be effectively junior to obligations of the Company's subsidiaries. See "Description of Offered Securities - General".

**This offering is made by a Canadian issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare this prospectus supplement and the accompanying prospectus in accordance with the disclosure requirements of all the provinces and territories of Canada. Prospective investors in the United States should be aware that such requirements are different from those of the United States.**

**Prospective investors should be aware that the acquisition of the Offered Securities described herein may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be fully described herein.**

**The enforcement by investors of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Company is a Canadian corporation, that some of its officers and directors are residents of Canada, that some of the underwriters or experts named in the registration statement are residents of Canada and that a substantial portion of the assets of the Company and said persons may be located outside the United States.**

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These securities have not been approved or disapproved by the U.S. Securities and Exchange Commission (the SEC) or any U.S. state securities regulator nor has the SEC or any U.S. state securities regulator passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Floating Rate Note	Total	Per Fixed Rate Note	Total
Public offering price <sup>(1)</sup>	100.000%	US\$350,000,000	98.222%	US\$245,555,000
Underwriting commissions	0.250%	US\$875,000	0.875%	US\$2,187,500
Proceeds to the Company (before expenses) <sup>(1)</sup>	99.750%	US\$349,125,000	97.347%	US\$243,367,500

(1) Plus accrued interest, if any, from November 7, 2013, if settlement occurs after that date.

The underwriters are offering the Offered Securities subject to various conditions. The underwriters expect to deliver the Offered Securities to purchasers in book-entry form only through the facilities of The Depository Trust Company on or about November 7, 2013.

**There is no established trading market through which the Offered Securities may be sold and investors may not be able to resell the Offered Securities purchased under this prospectus supplement and the accompanying prospectus. This may affect the pricing of the Offered Securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation.**

In connection with the offering of the Offered Securities, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Offered Securities. Such transactions, if commenced, may be discontinued at any time. See Underwriting .

**The underwriters are affiliates of banks which are members of a syndicate of financial institutions that has made available to the Company a revolving credit facility. Accordingly, under applicable Canadian securities laws, the Company may be considered a connected issuer of such underwriters. See Underwriting .**

### *Joint Book-Running Managers*

**BofA Merrill Lynch**

**Citigroup**

**J.P. Morgan**

*Senior Co-Managers*

**BNP PARIBAS**

**HSBC**

*Co-Managers*

**BMO Capital Markets**

**RBC Capital Markets**

**Scotiabank**

**TD Securities**

**Wells Fargo Securities**

**Mitsubishi UFJ Securities**

**US Bancorp**

**Table of Contents**

We have not, and the underwriters have not, authorized anyone to provide you with any information other than that contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus we file with the SEC. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not, and the underwriters are not, making an offer of these Offered Securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus or any related free writing prospectus we file with the SEC is accurate as of any date other than the date hereof or the date of such incorporated information. Our business, financial condition, results of operations and prospects may have changed since those respective dates.

**TABLE OF CONTENTS**

	<b>Prospectus Supplement</b>	<b>Page</b>
<u>Documents Incorporated By Reference</u>		S-3
<u>Use of Proceeds</u>		S-4
<u>Consolidated Capitalization</u>		S-4
<u>Earnings Coverage Ratios</u>		S-4
<u>Description of Offered Securities</u>		S-5
<u>Material U.S. Federal Income Tax Consequences</u>		S-14
<u>Material Canadian Income Tax Consequences</u>		S-15
<u>Underwriting</u>		S-16
<u>Legal Matters</u>		S-18
<u>Independent Auditors</u>		S-18
	<b>Prospectus</b>	<b>Page</b>
<u>Documents Incorporated By Reference</u>		2
<u>Available Information</u>		3
<u>Statement Regarding Forward-Looking Information</u>		3
<u>The Company</u>		4
<u>Use of Proceeds</u>		4
<u>Consolidated Capitalization</u>		4
<u>Earnings Coverage Ratios</u>		5
<u>Description of Securities</u>		5
<u>Plan of Distribution</u>		9
<u>Risk Factors</u>		9
<u>Taxation</u>		9
<u>Legal Matters</u>		10
<u>Independent Auditors</u>		10
<u>Enforceability of Civil Liabilities under the U.S. Federal Securities Laws</u>		10
<u>Documents Filed as Part of The Registration Statement</u>		10

In this prospectus supplement, unless the context otherwise indicates, the Company, CN, we, us and our each refer to Canadian National Railway Company and its subsidiaries. All dollar amounts referred to in this prospectus supplement are in Canadian dollars unless otherwise specifically expressed.

**Table of Contents**

**DOCUMENTS INCORPORATED BY REFERENCE**

The following documents, filed with the securities commission or other similar authority in each of the provinces and territories of Canada, are incorporated by reference in, and form an integral part of, this prospectus supplement and the accompanying prospectus:

- (1) the Annual Information Form of the Company dated February 1, 2013 for the year ended December 31, 2012;
- (2) the audited consolidated financial statements of the Company for the years ended December 31, 2012 and 2011 and notes related thereto, together with the Reports of Independent Registered Public Accounting Firm thereon and on the effectiveness of the Company's internal control over financing reporting;
- (3) the Company's Management's Discussion and Analysis for the year ended December 31, 2012;
- (4) the Company's Management Information Circular dated March 12, 2013 prepared in connection with the Company's annual meeting of shareholders held on April 23, 2013;
- (5) the unaudited interim consolidated financial statements of the Company for the three months and nine months ended September 30, 2013 and notes related thereto; and
- (6) the Company's Management's Discussion and Analysis related to the three months and nine months ended September 30, 2013.

Any document of the type referred to in the preceding paragraph and all material change reports (excluding confidential material change reports) filed by the Company with securities commissions or similar authorities in the provinces and territories of Canada subsequent to the date of this prospectus supplement and prior to the termination of any offering under this prospectus supplement shall be deemed to be incorporated by reference into this prospectus supplement and the accompanying prospectus.

**Any statement contained in this prospectus supplement or the accompanying prospectus or in a document incorporated or deemed to be incorporated by reference in this prospectus supplement or the accompanying prospectus shall be deemed to be modified or superseded, for purposes of this prospectus supplement and the accompanying prospectus, to the extent that a statement contained in this prospectus supplement or the accompanying prospectus or in any other subsequently filed document that also is, or is deemed to be, incorporated by reference in this prospectus supplement or the accompanying prospectus modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement or the accompanying prospectus.**

Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary, Canadian National Railway Company, 935 de La Gauchetière Street West, Montreal, Québec, H3B 2M9 (telephone: (514) 399-7091), and are also available electronically at [www.sedar.com](http://www.sedar.com).

**Table of Contents****USE OF PROCEEDS**

The net proceeds to the Company from the sale of the Offered Securities will be approximately US\$592 million after deducting the underwriting commissions and other expenses related to the offering. The Company plans to use such net proceeds for general corporate purposes, including the redemption and refinancing of outstanding indebtedness.

**CONSOLIDATED CAPITALIZATION**

The following table sets forth the consolidated capitalization of the Company as at December 31, 2012 and September 30, 2013 based on U.S. generally accepted accounting principles ( U.S. GAAP ) and the latter as adjusted to give effect to the issuance of the Offered Securities assuming the use of proceeds therefrom for the redemption and refinancing of outstanding indebtedness.

The data under the columns As at December 31, 2012 and As at September 30, 2013 in the table below has been derived from, and should be read in conjunction with, our audited consolidated financial statements for the year ended December 31, 2012 and our unaudited interim consolidated financial statements for the nine months ended September 30, 2013 and the related notes thereto, respectively, incorporated by reference in this prospectus supplement and the accompanying prospectus.

	As at December 31, 2012	As at September 30, 2013 (in millions)	As adjusted as at September 30, 2013
Current portion of long-term debt	\$ 577	\$ 1,488	\$ 878
Long-term debt	6,323	6,010	6,010
Offered Securities <sup>(1)</sup>			614
<b>Total debt</b>	<b>6,900</b>	<b>7,498</b>	<b>7,502</b>
<b>Shareholders' equity</b>			
Common shares	4,108	4,036	4,036
Accumulated other comprehensive loss	(3,257)	(3,080)	(3,080)
Retained earnings	10,167	10,611	10,611
<b>Total shareholders' equity</b>	<b>11,018</b>	<b>11,567</b>	<b>11,567</b>
<b>Total capitalization</b>	<b>\$ 17,918</b>	<b>\$ 19,065</b>	<b>\$ 19,069</b>

(1) Converted into Canadian dollars using the following exchange rate: US\$1.00 = \$1.0303 as at September 30, 2013.

**EARNINGS COVERAGE RATIOS**

The following earnings coverage ratios are calculated for the twelve-month periods ended December 31, 2012 and September 30, 2013 and give effect to the issuance of all long-term debt of the Company and repayment and redemption thereof since the beginning of such twelve-month periods, respectively and the issuance of the Offered Securities assuming the use of proceeds therefrom for the redemption and refinancing of outstanding indebtedness, as if these transactions had occurred on the first day of such twelve-month periods, respectively.

Based on U.S. GAAP, the Company's interest expense requirements would have amounted to approximately \$354 million and \$361 million for the twelve-month periods ended December 31, 2012 and September 30, 2013, respectively. The Company's earnings before interest expense and income taxes for the twelve-month periods ended December 31, 2012 and September 30, 2013 would have been approximately \$4,000 million and \$3,898 million, respectively, which is 11.3 times and 10.8 times the Company's interest expense requirements for such periods.

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**Table of Contents**

**DESCRIPTION OF OFFERED SECURITIES**

The description of the Offered Securities in this prospectus supplement supplements the description of the Company's securities contained in the accompanying prospectus. If the descriptions contained in these documents are inconsistent, the description contained in this prospectus supplement controls. Capitalized terms used but not defined herein have the meanings given to them in the accompanying prospectus.

Unless otherwise indicated, references to "CN", the "Company", or "we" in this Description of Offered Securities are to Canadian National Railway Company but not to any of its subsidiaries.

**General**

The Offered Securities will be issued in fully registered form in minimum denominations of US\$2,000 and integral multiples of US\$1,000 in excess thereof under an indenture dated as of June 1, 1998 as amended from time to time (the "U.S. Indenture") between the Company and The Bank of New York Mellon, as trustee (the "U.S. Trustee"). The aggregate principal amount of the Floating Rate Notes will be initially limited to US\$350,000,000 and the aggregate principal amount of the Fixed Rate Notes will be initially limited to US\$250,000,000. The U.S. Indenture does not limit the amount of debt securities that may be issued by the Company. The Offered Securities will be senior unsecured, general obligations of the Company and will rank equally with all of the Company's existing and future senior unsecured debt.

The Company conducts a substantial portion of its operations through its subsidiaries. Claims of creditors of the Company's subsidiaries generally have priority with respect to the assets and earnings of those subsidiaries over the claims of creditors of the Company, including holders of the Offered Securities. The Offered Securities therefore are effectively subordinated to creditors of the Company's subsidiaries. The Offered Securities are also subordinated to any liabilities of the Company that are secured by any of the Company's assets including, without limitation, those under capital leases.

The Company and its subsidiaries may incur additional obligations in the future.

The Floating Rate Notes and the Fixed Rate Notes will mature on November 6, 2015 and November 7, 2043, respectively. The Fixed Rate Notes are subject to earlier optional redemption as described under "Optional Redemption" below. The Offered Securities are not entitled to the benefit of any sinking fund.

Transfers of the Offered Securities are registrable and principal is payable at the corporate trust office of the U.S. Trustee at 101 Barclay Street, Floor 7E, New York, New York 10286, Attention: Global Trust Services. The Offered Securities will initially be issued in global form. See "Global Securities" below.

**Interest on the Floating Rate Notes**

We will pay interest on the Floating Rate Notes at a rate per annum equal to three-month LIBOR plus 0.20%, which rate will be reset quarterly as described below. We will pay interest on the Floating Rate Notes quarterly in arrears on February 6, May 6, August 6 and November 6 of each year, commencing on February 6, 2014 (each an "interest payment date") in each case to the holder of record of such Floating Rate Notes on January 22, April 21, July 22 and October 22, as applicable, immediately preceding the interest payment date for such Floating Rate Notes.

Interest on the Floating Rate Notes will accrue from, and including, November 7, 2013 (the "Original Issue Date"), to, but excluding, the first interest payment date for the Floating Rate Notes and then from, and including, the immediately preceding interest payment date for the Floating Rate Notes to which interest has been paid or duly provided for to, but excluding, the next interest payment date for the Floating Rate Notes or the maturity date for the Floating Rate Notes, as the case may be. We refer to each of these periods as an "interest period." The amount of accrued interest that we will pay for any interest period can be calculated by multiplying the principal amount of the Floating Rate Notes by an accrued interest factor. This accrued interest factor is computed by adding the interest factor calculated for each day from the Original Issue Date, or from the last interest payment date for the Floating Rate Notes to which interest has been paid or duly provided for, to the date for which accrued interest is being calculated. The interest factor for each day is computed by dividing the interest rate applicable to that day by 360. If the maturity date

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**Table of Contents**

of the Floating Rate Notes falls on a day that is not a business day, we will pay principal and interest on the next succeeding day that is a business day, with the same effect as if payment were made on the due date, except that if that business day is in the next succeeding calendar month, the interest payment date will be the immediately preceding business day.

The term *business day* with respect to the Floating Rate Notes means any day other than a Saturday, a Sunday or a day on which banking institutions in New York City are authorized or obligated by law to close; provided that such day is also a London business day. *London business day* means any day on which commercial banks are open for business, including dealings in U.S. dollars, in London.

The interest rate on the Floating Rate Notes will be calculated by the calculation agent, which will be an independent investment banking or commercial banking institution of international standing appointed by us, and will be equal to three-month LIBOR plus 0.20%, except that the interest rate in effect for the period from the Original Issue Date to but excluding February 6, 2014, the initial interest reset date, as defined below, will be established by us as the rate for deposits in U.S. dollars having a maturity of three months commencing on the Original Issue Date that appears on the Designated LIBOR Page, as defined below, as of 11:00 a.m., London time, on November 5, 2013, plus 0.20%. The calculation agent will reset the interest rate on each interest payment date, each of which we refer to as an *interest reset date*. The second London business day preceding an interest reset date will be the *interest determination date* for that interest reset date. The interest rate in effect on each day that is not an interest reset date will be the interest rate determined as of the interest determination date pertaining to the immediately preceding interest reset date, except that the interest rate in effect for the period from and including the Original Issue Date to but excluding the initial interest reset date will be the initial interest rate. The interest rate in effect on any day that is an interest reset date will be the interest rate determined as of the interest determination date pertaining to that interest reset date.

*LIBOR* will be determined by the calculation agent in accordance with the following provisions:

- (1) With respect to any interest determination date, LIBOR will be the rate for deposits in U.S. dollars having a maturity of three months commencing on the first day of the applicable interest period that appears on the Designated LIBOR Page as of 11:00 a.m., London time, on that interest determination date. If no such rate appears, then LIBOR, in respect to that interest determination date, will be determined in accordance with the provisions described in (2) below.
- (2) With respect to an interest determination date on which no rate appears on the Designated LIBOR Page, as specified in (1) above, the calculation agent will request the principal London offices of each of four major reference banks in the London interbank market, as selected by us, to provide the calculation agent with its offered quotation for deposits in U.S. dollars for the period of three months, commencing on the first day of the applicable interest period, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that interest determination date and in a principal amount that is representative for a single transaction in U.S. dollars in that market at that time. If at least two quotations are provided, then LIBOR on that interest determination date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, then LIBOR on the interest determination date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., in New York City, on the interest determination date by three major banks in New York City selected by us for loans in U.S. dollars to leading European banks, having a three-month maturity and in a principal amount that is representative for a single transaction in U.S. dollars in that market at that time; provided, however, that if the banks selected by us are not providing quotations in the manner described in this sentence, LIBOR determined as of that interest determination date will be LIBOR in effect on that interest determination date.

*The Designated LIBOR Page* means the Reuters screen *LIBOR01* page, or any successor page on Reuters selected by us with the consent of the calculation agent, or if we determine that no such successor page shall exist on Reuters, an equivalent page on any successor service selected by us with the consent of the calculation agent.

**Interest on the Fixed Rate Notes**

Interest will accrue on the principal amount of the Fixed Rate Notes at the annual rate of 4.50%, from and including the Original Issue Date to but excluding the date on which the principal amount is paid in full. Interest

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**Table of Contents**

accrued on the Fixed Rate Notes will be payable semi-annually in arrears on May 7 and November 7 of each year, commencing on May 7, 2014 in each case to the holder of record of such Fixed Rate Notes on April 22 or October 23 preceding the next interest payment date. Interest on the Fixed Rate Notes will be computed on the basis of a 360-day year of twelve 30-day months.

If any interest, principal or other payment to be made in respect of the Fixed Rate Notes would otherwise be due on a day that is not a business day, payment may be made on the next succeeding day that is a business day, with the same effect as if payment were made on the due date. The term "business day" in respect of the Fixed Rate Notes means any day other than a Saturday, a Sunday or a day on which banking institutions in New York City are authorized or obligated by law to close.

**Optional Redemption**

The Floating Rate Notes will not be redeemable at the option of the Company.

The Fixed Rate Notes will be redeemable, in whole or in part, at the option of the Company at any time and from time to time, upon not less than 30 nor more than 60 days' notice. The redemption price for the Fixed Rate Notes to be redeemed on any redemption date that is prior to May 7, 2043 will be equal to the greater of (i) 100% of the principal amount of the Fixed Rate Notes to be redeemed and (ii) as determined by an Independent Investment Banker, the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 15 basis points, plus, in either case, accrued and unpaid interest thereon to the date of redemption. The redemption price for the Fixed Rate Notes to be redeemed on any redemption date that is on or after May 7, 2043 will be equal to 100% of the principal amount of the Fixed Rate Notes being redeemed on the redemption date, plus accrued and unpaid interest on the Fixed Rate Notes to the redemption date. Unless the Company defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Fixed Rate Notes or portions thereof called for redemption on such date.

*Comparable Treasury Issue* means the United States Treasury security selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Fixed Rate Notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Fixed Rate Notes.

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

*Independent Investment Banker* means one of the Reference Treasury Dealers appointed by the Company.

*Reference Treasury Dealer* means each of Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated plus two other securities dealers selected by the Company or their affiliates which are primary U.S. Government securities dealers and their respective successors; provided, however, that if any of the foregoing or their affiliates shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer.

*Reference Treasury Dealer Quotations* means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 P.M. (New York City time) on the third business day preceding such redemption date.

*Treasury Rate* means, with respect to any redemption date with respect to the Fixed Rate Notes, the rate per annum equal to the semi-annual equivalent yield to maturity of, or interpolated (on a day count basis) from, the



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**Table of Contents**

Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

**Change of Control Repurchase Event**

If a change of control repurchase event occurs with respect to either or both of the Floating Rate Notes or the Fixed Rate Notes, unless we have exercised our right to redeem the Fixed Rate Notes as described above, we will be required to make an offer to each holder of either or both of the Floating Rate Notes or the Fixed Rate Notes, as the case may be, to repurchase all or any part (in minimum denominations of US\$2,000 and integral multiples of US\$1,000 in excess thereof) of that holder's Floating Rate Notes or Fixed Rate Notes, as the case may be, at a repurchase price in cash equal to 101% of the aggregate principal amount of such securities repurchased plus any accrued and unpaid interest on the securities repurchased to, but not including, the date of repurchase. Within 30 days following a change of control repurchase event or, at our option, prior to a change of control, but after the public announcement of the change of control, we will mail a notice to each holder, with a copy to the U.S. Trustee, describing the transaction or transactions that constitute or may constitute the change of control repurchase event and offering to repurchase securities on the payment date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed. The notice shall, if mailed prior to the date of consummation of the change of control, state that the offer to purchase is conditioned on a change of control repurchase event occurring on or prior to the payment date specified in the notice. The Company will comply with the requirements of Rule 14e-1 under the U.S. Securities Exchange Act of 1934, as amended, (the Exchange Act), and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Offered Securities as a result of a change of control repurchase event. To the extent that the provisions of any securities laws or regulations conflict with the change of control repurchase event provisions of the Offered Securities, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the change of control repurchase event provisions of the Offered Securities by virtue of such conflict.

On the repurchase date following a change of control repurchase event, the Company will, to the extent lawful:

- (1) accept for payment all Floating Rate Notes and Fixed Rate Notes or portions of Floating Rate Notes and Fixed Rate Notes, as applicable, properly tendered pursuant to its offer;
- (2) deposit with the U.S. Trustee an amount equal to the aggregate purchase price in respect of all Floating Rate Notes and Fixed Rate Notes or portions of Floating Rate Notes and Fixed Rate Notes, as applicable, properly tendered; and
- (3) deliver or cause to be delivered to the U.S. Trustee the Offered Securities properly accepted, together with an officers' certificate stating the aggregate principal amount of Offered Securities being purchased by the Company.

The U.S. Trustee will promptly deliver by wire transfer to each holder of Offered Securities properly tendered the purchase price for the Offered Securities, and the U.S. Trustee will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new security equal in principal amount to any unpurchased portion of any Offered Securities surrendered; provided that each new security will be in a minimum denomination of US\$2,000 and integral multiples of US\$1,000 in excess thereof.

The Company will not be required to make an offer to repurchase the Floating Rate Notes or the Fixed Rate Notes, as applicable, upon a change of control repurchase event if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for an offer made by the Company and such third party purchases all Floating Rate Notes or Fixed Rate Notes, as applicable, properly tendered and not withdrawn under its offer.

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

*below investment grade ratings event* means, with respect to the Floating Rate Notes or the Fixed Rate Notes, as the case may be, on any day within the 60-day period (which period shall be extended so long as the rating of the

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**Table of Contents**

Floating Rate Notes or the Fixed Rate Notes, as the case may be, is under publicly announced consideration for a possible downgrade by any of the rating agencies) after the earlier of (1) the occurrence of a change of control; or (2) public notice of the occurrence of a change of control or the intention by the Company to effect a change of control, the Floating Rate Notes or the Fixed Rate Notes, as the case may be, are rated below investment grade by at least two of three rating agencies if there are three rating agencies, or all of the rating agencies if there are less than three rating agencies. Notwithstanding the foregoing, a below investment grade ratings event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular change of control (and thus shall not be deemed a below investment grade ratings event for purposes of the definition of change of control repurchase event hereunder) if the rating agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable change of control (whether or not the applicable change of control shall have occurred at the time of the ratings event).

*change of control* means the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any person or group (as those terms are used in Section 13(d)(3) of the Exchange Act), other than the Company or its subsidiaries, becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the combined voting power of the Company's voting stock or other voting stock into which the Company's voting stock is reclassified, consolidated, exchanged or changed measured by voting power rather than number of shares.

*change of control repurchase event* means the occurrence of both a change of control and a below investment grade ratings event with respect to the Floating Rate Notes or the Fixed Rate Notes, as the case may be.

*DBRS* means DBRS Limited.

*investment grade* means a rating of Baa3 or better by Moody's (or its equivalent under any successor rating categories of Moody's); a rating of BBB- or better by S&P (or its equivalent under any successor rating categories of S&P); a rating of BBB (low) or better by DBRS (or its equivalent under any successor rating categories of DBRS); and the equivalent investment grade credit rating from any additional rating agency or rating agencies selected by the Company.

*Moody's* means Moody's Investors Service, Inc.

*rating agency* means (1) each of Moody's, DBRS and S&P; and (2) if any of Moody's, DBRS and S&P ceases to rate the Offered Securities or fails to make a rating of the Offered Securities publicly available for reasons outside of the Company's control, a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) of the Exchange Act, selected by the Company (as certified by the Company's Chief Executive Officer or Chief Financial Officer) as a replacement agency for Moody's, DBRS and S&P, or all of them, as the case may be.

*S&P* means Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc.

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

The change of control repurchase event feature of the Floating Rate Notes and Fixed Rate Notes may in certain circumstances make more difficult or discourage a sale or takeover of the Company and, thus, the removal of incumbent management. The Company could, in the future, enter into certain transactions, including asset sales, acquisitions, refinancings or other recapitalizations, that would not constitute a change of control repurchase event under the Floating Rate Notes or Fixed Rate Notes, but that could increase the amount of indebtedness outstanding at such time or otherwise affect the Company's capital structure or credit ratings on the Floating Rate Notes and Fixed Rate Notes.

The Company may not have sufficient funds to repurchase all the Floating Rate Notes or Fixed Rate Notes upon a change of control repurchase event.

## **Table of Contents**

### **Further Issues**

The Company may from time to time, without notice to or the consent of any registered holders, create and issue further notes ranking equally and ratably with either of the Floating Rate Notes or the Fixed Rate Notes. Those further notes will have the same terms (except for the issue date, the issue price and, if applicable, the initial interest payment date) as to status, redemption or otherwise and will be consolidated and form a single series with the Floating Rate Notes or Fixed Rate Notes, as the case may be.

### **Modification and Waiver**

The U.S. Indenture permits the Company and the U.S. Trustee, with the consent of the holders of not less than a majority in principal amount of Outstanding Securities (as defined in the U.S. Indenture) of each series of the Offered Securities affected by the modifications, and the applicable required consent of any other series of Outstanding Securities affected by the modifications, to modify the U.S. Indenture or any supplemental indenture or the rights of the holders of such series, except that no such modification shall, without the consent of the holders of all such Outstanding Securities so affected thereby, (i) extend the fixed maturity of any Outstanding Security issued pursuant to the U.S. Indenture, reduce the principal amount thereof or reduce the rate or extend the time of payment of interest thereon, or reduce any redemption premium thereon, or (ii) reduce the aforesaid percentage of Outstanding Securities necessary to modify the U.S. Indenture or any supplemental indenture.

The U.S. Indenture also permits the Company and the U.S. Trustee, without the consent of the holders of the Offered Securities, to enter into indentures supplemental to the U.S. Indenture for certain purposes, including (i) to change or eliminate any of the provisions of the U.S. Indenture; provided that any such change or elimination (A) shall neither (1) apply to any Security of any series created prior to the execution of such supplemental indenture and entitled to the benefit of such provision nor (2) modify the rights of the holders of any such Security with respect to such provision or (B) shall become effective only when there is no such Security outstanding or (ii) to cure any ambiguity or to correct or supplement any provision contained in the U.S. Indenture or in any supplemental indenture which may be defective or inconsistent with any other provision contained in the U.S. Indenture or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under the U.S. Indenture as shall not adversely affect the interests of holders of Securities of any series issued pursuant to the U.S. Indenture.

The holders of at least a majority in principal amount of the Outstanding Securities of any series of the Offered Securities can consent, or cause the U.S. Trustee, on behalf of the holders of the entire series, to waive compliance with certain provisions of the U.S. Indenture.

### **Events of Default**

An event of default (an Event of Default ) with respect to any series of the Offered Securities means any of the following events : default for 30 days in payment of interest on that series; default in payment of principal (or premium, if any) on that series; default in the deposit of any mandatory sinking fund payment on that series; default by the Company in the performance of any of the other covenants or warranties in the U.S. Indenture relating to that series which shall not have been remedied within a period of 90 days after notice by the U.S. Trustee or holders of at least 25% in aggregate principal amount of the Offered Securities of that series then outstanding; or certain events of bankruptcy, insolvency or reorganization of the Company. The U.S. Indenture provides that the U.S. Trustee shall, with certain exceptions, notify the holders of Securities of each series issued pursuant to the U.S. Indenture of Events of Default known to it and affecting that series within 90 days after occurrence. The U.S. Trustee is protected if it withholds notice of any default (except in the payment of principal of or interest or premium, if any, on any series of Securities issued pursuant to the U.S. Indenture or the making of any mandatory sinking fund payment) to the holders so affected if the U.S. Trustee considers it in the interest of such holders to do so.

The U.S. Indenture provides that if an Event of Default with respect to any series of the Offered Securities issued pursuant to the U.S. Indenture shall have occurred and be continuing, either the U.S. Trustee or the holders of at least 25% in aggregate principal amount of the Offered Securities of that series then outstanding may declare the principal of all the Offered Securities of that series to be due and payable immediately, but upon certain conditions such declaration may be annulled and past defaults (except, unless theretofore cured, a default in payment of principal of or interest or

## **Table of Contents**

premium, if any, on that series of the Offered Securities) may be waived by the holders of a majority in principal amount of the Offered Securities of that series then outstanding.

Subject to the provisions of the U.S. Indenture relating to the duties of the U.S. Trustee, in case an Event of Default with respect to any series of the Offered Securities issued pursuant to the U.S. Indenture shall occur and be continuing, the U.S. Trustee shall be under no obligation to exercise any of the rights or powers in the U.S. Indenture at the request or direction of any of the holders of such series, unless such holders shall have offered to the U.S. Trustee reasonable security or indemnity. Subject to such provisions for indemnification and certain limitations contained in the U.S. Indenture, the holders of a majority in principal amount of the Securities of each series issued pursuant to the U.S. Indenture affected by an Event of Default and then outstanding shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the U.S. Trustee under the U.S. Indenture in respect of that series. The U.S. Indenture requires the annual filing by the Company with the U.S. Trustee of a report as to compliance with certain covenants contained in the U.S. Indenture.

### **Restriction on Secured Debt**

For each series of the Offered Securities, the Company has covenanted in the U.S. Indenture that if in the future it, or any of its Subsidiaries, shall secure any indebtedness for money borrowed, or any guarantees of such indebtedness, now or hereafter existing, by any mortgage, pledge, hypothec, lien, security interest, privilege, conditional sale or other title retention agreement or similar encumbrance (a Mortgage) on any present or future Railway Properties or on shares of stock of any Railroad Subsidiary of the Company (Secured Debt), the Offered Securities shall be secured by the Mortgage equally and ratably with such other indebtedness or guarantee thereby secured, unless, after giving effect to such creation, issuance, incurrence, assumption or guarantee, the sum of the aggregate amount of all outstanding Secured Debt of the Company and its Subsidiaries would not exceed an amount equal to 10% of the Consolidated Net Tangible Assets. For Secured Debt that provides for an amount less than the principal amount thereof to be due and payable upon the acceleration of its final maturity, the principal amount of the Secured Debt at any time its principal amount is measured shall be the principal amount due and payable on the Secured Debt if the Secured Debt were to be accelerated at that time.

The foregoing restriction on secured debt does not apply to and there shall be excluded from Secured Debt in any computation thereto: (i) any Mortgage created on Railway Properties acquired or constructed after the first date on which the series of Offered Securities were issued, within 180 days after the time of purchase or construction and commencement of full operation thereof, whichever is later, as security for the payment of any part of the purchase price or construction cost of such Railway Properties, (ii) in certain cases where the Company or any Subsidiary acquires Railway Properties subject to a pre-existing Mortgage or acquires a corporation with Railway Properties subject to such pre-existing Mortgage or acquires, merges with or is consolidated with a corporation whose shares or indebtedness are subject to a pre-existing Mortgage, (iii) to any conditional sales agreement or other title retention agreement with respect to Railway Properties acquired after the first date on which the series of Offered Securities were issued or (iv) in certain cases, to refundings or renewals of the foregoing or of any secured debt of the Company or any of its Subsidiaries outstanding as of the first date on which the series of Offered Securities were issued. As used in such covenant, the term Railway Properties means all main and branch lines of railway located in Canada or the United States, including all real property used as the right of way for such lines, and the term Railroad Subsidiary means a Subsidiary whose principal assets are Railway Properties. As used in the U.S. Indenture, the term Subsidiary means a corporation of which the majority of the outstanding voting shares is owned, directly or indirectly, by the Company or by one or more Subsidiaries of the Company; provided that no corporation shall become or shall be deemed to be a Subsidiary of the Company for purposes of the U.S. Indenture if, and so long as, the Company does not control such entity by reason of any law, regulation, executive order or other legal requirement, including, without limitation, pursuant to any voting trust or similar arrangement entered into in connection with the acquisition of such corporation by the Company pending regulatory approval of such acquisition, and the term Consolidated Net Tangible Assets means, at any date, the total amount of assets of the Company determined on a consolidated basis after deducting all liabilities due within one year, all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles and all appropriate adjustments on account of minority interests of other persons holding stock of the Subsidiaries, as set forth or reflected on the most recent consolidated balance sheet of the Company.

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## **Table of Contents**

### **Defeasance**

The Company (a) will be discharged ( legal defeasance ) from any and all obligations in respect of a series of the Offered Securities (except for certain obligations including the obligation to register the transfer or exchange of the Offered Securities of the applicable series, to replace destroyed, lost or stolen Offered Securities of the applicable series, to maintain paying agencies and to compensate and indemnify the U.S. Trustee) or (b) need not comply ( covenant defeasance ) with certain covenants including those described above under Restriction on Secured Debt , and certain Events of Default as specified in the U.S. Indenture (such as those arising out of the failure to comply with such covenants) will no longer constitute Events of Default with respect to the Offered Securities of the applicable series, in each case upon the irrevocable deposit with the U.S. Trustee, in trust, of money and/or securities of or guaranteed by the U.S. government or any agency or instrumentality thereof (or certificates evidencing an ownership interest therein) which, through the payment of interest and principal in respect thereof in accordance with their terms, will provide cash at such times and in such amounts as will be sufficient to pay the principal of (and premium on, if any) and the interest on the Offered Securities of the applicable series at Stated Maturity (as defined in the U.S. Indenture) or upon redemption in accordance with the terms of the Securities of that series (the Defeasance Trust ). Such defeasances may be effected only if, among other things, (i) the Company has delivered to the U.S. Trustee an opinion of counsel to the effect that holders of the applicable series of the Offered Securities will not recognize income, gain or loss for United States federal or Canadian income tax purposes as a result of such defeasance and will be subject to tax in the same manner and at the same times as if such defeasance had not occurred and, in the case of legal defeasance pursuant to clause (a), indicating that a ruling to such effect has been received from or published by the U.S. Internal Revenue Service or that since the date of the U.S. Indenture there has been a change in applicable U.S. federal income tax law to such effect and (ii) the creation of the Defeasance Trust will not violate the United States Investment Company Act of 1940, as amended.

### **Global Securities**

Upon original issuance, each series of the Offered Securities will be represented by one or more global securities (the Global Securities ) having an aggregate principal amount equal to that of the Offered Securities of such series represented thereby. Each Global Security will be deposited with, or on behalf of, The Depository Trust Company ( DTC ), as depository, and registered in the name of Cede & Co. (or such other nominee as may be designated by DTC), as nominee of DTC. The Global Securities will bear legends regarding the restrictions on exchanges and registration of transfer thereof referred to below and any other matters as may be provided for by the U.S. Indenture.

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

Notwithstanding any provision of the U.S. Indenture or the Offered Securities described herein, no Global Security may be exchanged in whole or in part for Offered Securities registered, and no transfer of a Global Security in whole or in part may be registered, in the name of any person other than DTC or any nominee of DTC for such Global Security unless (i) DTC has notified the Company that it is unwilling or unable to continue as depository for the Global Security or has ceased to be qualified to act as such as required pursuant to the U.S. Indenture or (ii) there shall have occurred and be continuing an Event of Default with respect to the Offered Securities represented by such Global Security.

All Offered Securities issued in exchange for a Global Security or any portion thereof will be registered in such names as DTC may direct.

## **Table of Contents**

As long as DTC, or its nominee, is the registered holder of a Global Security, DTC or such nominee, as the case may be, will be considered the sole owner and holder of such Global Security and the Offered Securities represented thereby for all purposes under the Offered Securities and the U.S. Indenture. Except in the limited circumstances referred to above, owners of beneficial interests in a Global Security will not be entitled to have such Global Security or any Offered Securities represented thereby registered in their names, will not receive or be entitled to receive physical delivery of certificated Offered Securities in exchange therefor and will not be considered to be the owners or holders of such Global Security or any Offered Securities represented thereby for any purpose under the Offered Securities or the U.S. Indenture. All payments of principal of and interest on a Global Security will be made to DTC or its nominee, as the case may be, as the holder thereof. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in definitive form. These laws may impair the ability to transfer beneficial interests in a Global Security.

Ownership of beneficial interests in a Global Security will be limited to institutions that have accounts with DTC or its nominee ( participants ) and to persons that may hold beneficial interests through participants or indirect participants. In connection with the issuance of any Global Security, DTC will credit, in its book-entry registration and transfer system, the respective principal amounts of Offered Securities represented by the Global Security to the accounts of its participants. Ownership of beneficial interests in a Global Security will be shown only on, and the transfer of those ownership interests will be effected only through, records maintained by DTC s participants and indirect participants. Payments, transfers, exchanges, notices and other matters relating to beneficial interests in a Global Security may be subject to various policies and procedures adopted by DTC from time to time. None of the Company or the U.S. Trustee or any of their respective agents will have any responsibility or liability for any aspect of DTC s or any participant s records relating to, or for payments or notices on account of, beneficial interests in a Global Security, or for maintaining, supervising or reviewing any records relating to such beneficial interests.

## **Certain Notices**

With respect to any Offered Securities represented by a Global Security, notices to be given to the holders of the Offered Securities will be deemed to have been fully and duly given to the holders when given to DTC, or its nominee, in accordance with DTC s policies and procedures. The Company believes that DTC s practice is to inform its participants of any such notice it receives, in accordance with its policies and procedures. Persons who hold beneficial interests in the Offered Securities through DTC or its direct or indirect participants may wish to consult with them about the manner in which notices and other communications relating to the Offered Securities may be given and received through the facilities of DTC. Neither the Company nor the U.S. Trustee will have any responsibility with respect to those policies and procedures or for any notices or other communications among DTC, its direct and indirect participants and the beneficial owners of the Offered Securities in global form.

With respect to any Offered Securities not represented by a Global Security, notices to be given to the holders of the Offered Securities will be deemed sufficient if mailed to the holders within the period prescribed for the giving of such notice.

Neither the failure to give any notice nor any defect in any notice given to a particular holder will affect the sufficiency of any notice given to another holder.

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**Table of Contents**

**MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES**

The following describes the material U.S. federal income tax consequences of the ownership and disposition of the Offered Securities to initial U.S. Holders (as defined below) purchasing an Offered Security at its issue price. The issue price of an Offered Security will equal the first price at which a substantial amount of such series of Offered Securities is sold to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) for money. If you purchase an Offered Security for a price other than its issue price, the rules governing amortizable bond premium or market discount may apply to you. You should consult your tax adviser regarding the applicability of these rules to you. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the Code), final, temporary and proposed Treasury regulations, revenue rulings, administrative pronouncements and judicial decisions, all as currently in effect and all as of the date hereof, any of which are subject to change, possibly on a retroactive basis. Moreover, this summary applies only to initial purchasers who hold Offered Securities as capital assets within the meaning of Section 1221 of the Code and does not describe all of the tax consequences that may be relevant to holders in light of their special circumstances, including alternative minimum tax and Medicare contribution tax consequences, or to holders subject to special rules, such as financial institutions, regulated investment companies, partnerships or other entities classified as partnerships for U.S. federal income tax purposes, dealers or traders in securities, persons holding Offered Securities as a hedge or integrated transaction, tax-exempt entities or U.S. persons whose functional currency is not the U.S. dollar.

As used herein, the term U.S. Holder means a beneficial owner of an Offered Security that is, for U.S. federal income tax purposes, (i) a citizen or individual resident of the United States, (ii) a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any State thereof or the District of Columbia, or (iii) an estate or trust the income of which is subject to U.S. federal income tax regardless of its source.

*Certain Contingent Payments.* We will be obligated to make payments of additional amounts if we repurchase all or any part of the Offered Securities upon the occurrence of a Change of Control Repurchase Event, as described under Description of Offered Securities Change of Control Repurchase Event. We intend to take the position that the possibility of such payments does not result in the Offered Securities being treated as contingent payment debt instruments under the applicable Treasury regulations. Our position is not binding on the U.S. Internal Revenue Service (IRS). If the IRS takes a contrary position, you may be required to accrue interest income based upon a comparable yield (as defined in the Treasury regulations) determined at the time of issuance of the Offered Securities (which is not expected to differ significantly from the actual yield on the Offered Securities), with adjustments to such accruals when any contingent payments are made that differ from the payments based on the comparable yield. In addition, any income on the sale, exchange, retirement or other taxable disposition of the Offered Securities would be treated as interest income rat