

On January 31, 2009, CN completed its US\$300 million acquisition of the principal lines of the EJ&E from United States Steel Corporation. The closing follows the January 23, 2009 effective date of the Surface Transportation Board's (STB) December 24, 2008 decision approving the transaction.

The EJ&E assets acquired by CN include 198 miles of track encircling the City of Chicago from Waukegan, Ill., on the north, to Joliet, Ill., on the west, to Gary, Ind., on the south-east, and then to South Chicago. The Transtar subsidiary of United States Steel Corporation retained the railroad assets, equipment, and employees that support the Gary Works site in northwest Indiana and the steelmaking operations of United States Steel Corporation.

Railroading in Chicago

Chicago is widely regarded as the transportation hub of North America. Roughly 700 passenger trains and 500 freight trains go through the Chicago region every day. Approximately one third of America's goods moved by rail go to, from, or through the Chicago area, making it the world's third busiest intermodal hub, after Hong Kong and Singapore. Despite the importance of Chicago to the North American rail system, congestion and infrastructure issues are significantly impeding its efficiency and productivity. CN rail lines converge in Chicago, coming into the city from five different directions. In some cases, it can take a CN freight train longer to go from the north side to the south side of Chicago than it does to go from Chicago to Winnipeg, a distance of approximately 860 miles.

A critical link

The lines acquired through the EJ&E transaction bridge what has been the missing link in CN's network in the Chicago area, providing a way around – rather than through – Chicago. Furthermore, as CN's trains are rerouted from the existing Chicago terminal rail network onto the EJ&E, line capacity in greater Chicago will be freed up, easing congestion and benefiting other rail users.

CN plans to invest US\$100 million for integration, new connections, and infrastructure improvements to add capacity on the EJ&E line and to allow network synergies to be realized over time. CN has also committed over US\$60 million to mitigate the impact of increased rail traffic on the communities surrounding the EJ&E.

Step-by-step integration

CN will apply its proven business model in implementing the acquisition, using the same careful, step-by-step approach employed in previous transactions, to ensure a flawless, safe, and efficient combination of the two operations.

CN remains fully committed to appropriately mitigating the environmental impacts of the acquisition on communities along the EJ&E. CN has demonstrated this through its comprehensive voluntary mitigation plan, which was adopted by the STB in its mitigation requirements, as well as through the Company's voluntary mitigation agreements reached with the majority of the communities located along the line.

Customers of CN and the former EJ&E, the City of Chicago, over a million residents, and the rail network will all benefit from the streamlined rail operations and reduced congestion in the Chicago region overall, as a result of the EJ&E acquisition.

CN acquisition of the EJ&E rail lines

