

CANADIAN NATIONAL RAILWAY

PRIORITY COVERED HOPPER SUPPLY PROGRAM

Last updated: September 9, 2020

This program has been created to assist on-line grain elevators and receivers in being able to prioritize a portion of their covered hopper requirements.

Canadian National (CN) may offer up to **300 cars (in unit sizes of 25-car blocks to 105-car blocks)**, from the covered hopper fleet. The number of cars committed to this program may change during various option periods. Equipment available for supply outside of the program will be ordered through the general car distribution and allocation program.

Car supply charges will be in addition to all other freight charges and will be billed to the origin elevator or destination receiver that is the successful bidder for transportation capacity.

PARTICIPANT ELIGIBILITY

Firms with ownership or management control of a grain elevator/loading point in Illinois, Iowa, Minnesota, Mississippi, Tennessee or Wisconsin on CN may bid for prioritized car supply at their loading station.

Receivers with ownership or management control may bid for prioritized car supply to be placed for loading in Illinois, Iowa, Minnesota, Mississippi, Tennessee or Wisconsin on the CN for loading to a specific destination.

Parties not owning/controlling elevators/loading points may also participate in the auction. In order for any Party to participate in the auction, they must be a CN customer and have an approved line of credit in good standing with CN.

Elevator/receiver facilities must be switched by CN or open to switching at common stations.

Elevator facilities on CN connections may bid for car supply when for CN roadhaul.

Receivers located on the Kansas City Southern (KCS) and/or Columbus & Greenville Railway (CAGY) in Louisiana and Mississippi, may bid for prioritized car supply for CN roadhaul.

CN reserves the right to restrict the number of cars to be allotted to non-CN served shippers and receivers.

PROGRAM PARAMETERS

The number of units offered will be published on the CN website by noon Tuesday of each week for periods in which offers are being made.

The supply period will be seven (7) days in length (Sunday through Saturday).

The CN will typically offer units for up to eight (8) weeks. The offer period will be announced not less than two (2) weeks prior to the supply period.

Bids will be received between 8:00am and 5:00pm Central Time on Thursday following the date of offer. Winning bids will be announced by noon Friday following close of bidding.

The maximum equipment supply for all elevator facilities located on a short-line connection is not more than one hundred five (105) cars.

Bids should be sent via email to graincarauctionUS@cn.ca.

The minimum price bid for offered units is set at US\$150 per car. Equipment will be allocated to the highest bidder. In the event there are identical bids for available equipment, CN will conduct a lottery to select those bids which will receive equipment.

On a weekly basis, results of the auction (number of units offered, number of units awarded, minimum winning bid, etc) will be posted to the CN website.

Successful bids for equipment will be confirmed by CN and will be invoiced accordingly. Payment will be due within seven (7) days of confirmation. All bid payments must be processed and paid using electronic funds transfer. Equipment under this program are customer loading elevator or receiver facility-specific. Destinations are restricted to CN points in the United States, as well as KCS and CAGY receivers. Equipment under this program are not available for the secondary market, (non-transferable and nonnegotiable).

Customer must list the specific date wanted for the supply period selected. Successful bidders must give a minimum of seven (7) days advance notice of origin elevator selected prior to want date.

CN must place cars within seven (7) days before or after the want date in order to be considered timely filled.

NON - PERFORMANCE PENALTIES

CN penalty (non-supply of prioritized equipment during the supply period) will be the return of the winning bid amount, plus a penalty equal to fifty percent (50%) of the winning bid amount.

Customer penalty for non-use is forfeiture of winning bids amount. If customer cannot accept cars due to loading of other cars, customer may cancel order and forfeit the winning bid, or request that CN attempt to place equipment again. CN may attempt to do so at any time within 15 days of the guarantee period.

Force Majeure: The term "Force Majeure" shall include Acts of God (including flood, earthquake, tornado, hurricane or other natural disaster), act of public enemy, war, insurrection, terrorism, embargo, fire or explosion, lock-out, strike or other labour dispute, derailment, or an unforeseeable circumstance beyond the control of the parties against which it would be unreasonable for the affected party to take precautions and which the affected party cannot avoid even by using its best efforts. However, it is understood that lack of financial resources on the part of either party shall not be deemed to be a circumstance beyond that party's control. For greater clarity, nothing in this definition shall require either party to settle any labour dispute or make any agreement affecting labour, which in its judgment is not compatible with its best interests.

Neither CN nor any customer shall be liable for any failure to perform any of their respective obligations while such performance is prevented or delayed by any cause or condition of Force Majeure. Any party seeking to invoke Force Majeure for relief shall notify the other party by any reasonable means as soon as reasonably practicable following the date of commencement of a Force Majeure event and shall similarly notify the other party within a reasonable time following the end of a Force Majeure event. Upon request of the unaffected party, the invoking party shall submit to the other party all relevant information concerning the nature of the Force Majeure event and of its effect upon the performance of

the invoking party's obligations. Notwithstanding any other provisions and except as provided for in the below section, Force Majeure cannot be invoked for relief from either party's obligations with respect to the payment of money. Any relief accorded for Force Majeure shall be of no greater scope and of no longer duration than is reasonably required by the Force Majeure event and such relief shall be conditional upon the invoking party making all reasonable efforts to mitigate or limit any resulting damage to the non-invoking party.

DEMURRAGE RULES

Demurrage provision provided in tariff CN 9000 series will apply.