

CANADIAN NATIONAL RAILWAY
PRIORITY COVERED HOPPER SUPPLY PROGRAM

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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 or 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

A participant may bid for prioritized car supply provided the participant is covered under the following eligibility criteria:

- All participants or parties must have an approved line of credit in good standing with CN
- Ownership or management control of a grain elevator/loading point on CN in Illinois, Iowa, Minnesota, Mississippi, Tennessee or Wisconsin
- 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.
- Elevator/receiver facilities must be switched by CN or open to switching at common stations.
- In its sole discretion, CN may consider bids from elevator facilities on CN connections 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

CAR SUPPLY SCHEDULE AND BIDDING

The latest offer schedule specifying the number and type of units up for bidding and weekly offer periods will be published every week on the CN website by noon Tuesday. Requirements for valid bids are as follows

- CN will set the minimum bid on a weekly basis. 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.
- Unit sizes of 25-car blocks will be limited to origins of less than 105-car spot loading capacity
- Unit sizes of 105-car blocks will be limited to origins of 105-car or greater
- The maximum equipment supply for all elevator facilities located on a short-line connection is not more than one hundred five (105) cars
- Bids must be received between 8:00am and 5:00pm Central Time on Thursday following the date of offer.
- All interested bids should be sent via email to graincarauctionUS@cn.ca.

Any bids that fail to meet the above requirements will be considered invalid and ignored.

RESULTS AND PAYMENT

All participants who have placed bids will receive communication of results by email by noon Friday following close of bidding.

Results of the auction (number of units offered, number of units awarded, minimum winning bid, etc) will be posted to the CN website by noon Friday following close of bidding

Successful bids for confirmed by CN 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.

CAR ORDERING

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 ten (10) days before or after the want date in order to be considered timely filled.

Customers cannot use weekly auction units (along with any other commercial products) at an eligible origin that will result in multiple spots in a week unless authorized by CN.

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, the 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 supply period.

There will be limited force majeure provisions to protect both customers and CN against acts of God, war, insurrection, strike, lockout, embargoes, derailments, act of government or governmental agency, or any other similar cause beyond its control.

DEMURRAGE RULES

Demurrage provision provided in tariff CN 9000 series will apply.