

**CANADIAN NATIONAL RAILWAY
COVERED HOPPER PLACEMENT GUARANTEE
Last updated June 23, 2016**

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

Canadian National (CN) may offer up to **300 cars** from the covered hopper fleet. The number of cars committed to this program may change during various option periods. Equipment available for placement outside of the guarantee program will be ordered through the car distribution and allocation program.

Car guarantee 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 guaranteed equipment placement at their loading station.

Receivers with ownership or management control may bid for guaranteed equipment 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 guarantees 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 car guarantees 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

Guaranteed car placement offers will be published on the CN website by noon Tuesday of each week for periods in which offers are being made.

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

The CN will typically offer equipment guarantees for up to eight (8) weeks. The offer period will be announced not less than two (2) weeks prior to the guarantee 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 guarantee 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 which car guarantees will be offered 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 guarantees.

On a weekly basis, results of the auction (number of cars offered, number of cars 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 guarantees 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 guarantees are not available for the secondary market, (non-transferable and non-negotiable).

Customer must list the specific date wanted for the guarantee 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 placement of guaranteed equipment during the placement period) will be the return of the guarantee payment amount, plus a penalty equal to fifty percent (50%) of the guarantee payment amount.

Customer penalty for non-use is forfeiture of guarantee amount. If customer cannot accept cars due to loading of other cars, customer may cancel order and forfeit the guarantee payment, 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.

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.