CANADIAN NATIONAL RAILWAY CO
Form SUPPL
July 29, 2016
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PROSPECTUS SUPPLEMENT

July 28, 2016

(To Prospectus Dated January 5, 2016)

US$650,000,000

Canadian National Railway Company

3.200% Notes due 2046

Interest on the 3.200% Notes due 2046 (the Offered Notes) is payable semi-annually on February 2 and August 2 of each year, commencing on February 2, 2017. The Offered 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 Notes Optional Redemption .

The Offered Notes 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 Notes 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 Notes 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 a majority 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.

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 Offered Note	Total
Public offering price[1]	98.914%	US$642,941,000
Underwriting commissions	0.875%	US$5,687,500
Proceeds to the Company (before expenses)[1]	98.039%	US$637,253,500

(1) Plus accrued interest, if any, from August 2, 2016, if settlement occurs after that date.

The underwriters are offering the Offered Notes subject to various conditions. The underwriters expect to deliver the Offered Notes to purchasers in book-entry form only through the facilities of The Depository Trust Company and its direct and indirect participants, including Euroclear Bank N.V./S.A. (Euroclear) and Clearstream Banking, société anonyme (Clearstream), on or about August 2, 2016.

There is no established trading market through which the Offered Notes may be sold and investors may not be able to resell the Offered Notes purchased under this prospectus supplement and the accompanying prospectus. This may affect the pricing of the Offered Notes 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 Notes, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Offered Notes. 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 | **RBC Capital Markets** | **Wells Fargo Securities**

Senior Co-Managers

Citigroup | **HSBC**

Co-Managers

BMO Capital Markets

BNP PARIBAS

MUFG

Scotiabank

SMBC Nikko

TD Securities

US Bancorp

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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 Notes 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, thereof or the date of such incorporated information. Our business, financial condition, results of operations and prospects may have changed since those respective dates.

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Prospectus Supplement

Prospectus

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.

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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, 2016 for the year ended December 31, 2015;

(2) the audited consolidated financial statements of the Company for the years ended December 31, 2015 and 2014 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 financial reporting;

(3) the Company s Management s Discussion and Analysis for the year ended December 31, 2015;

(4) the unaudited interim consolidated financial statements of the Company for the three months and six months ended June 30, 2016;

(5) the Company s Management s Discussion and Analysis for the three months and six months ended June 30, 2016; and

(6) the Company s Management Information Circular dated March 8, 2016 prepared in connection with the Company s annual meeting of shareholders held on April 26, 2016.

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.

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USE OF PROCEEDS

The net proceeds to the Company from the sale of the Offered Notes will be approximately US$636 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 and share repurchases.

CONSOLIDATED CAPITALIZATION

The following table, presented in millions of Canadian dollars, sets forth the consolidated capitalization of the Company as at December 31, 2015 and as at June 30, 2016 and as adjusted to give effect to the issuance of the Offered Notes.

The data under the columns As at December 31, 2015 and As at June 30, 2016 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, 2015 and our unaudited interim consolidated financial statements for the six months ended June 30, 2016 and the related notes thereto, respectively, prepared in accordance with United States generally accepted accounting principles (U.S. GAAP) incorporated by reference in this prospectus supplement and the accompanying prospectus.

	As at December 31, 2015	As at June 30, 2016	As adjusted as at June 30, 2016
Current portion of long-term debt	$ 1,442	$ 1,238	$ 1,238
Long-term debt	8,985	9,084	9,084
Offered Notes[(1)]			822
Total debt	10,427	10,322	11,144
Shareholders equity			
Common shares	3,705	3,722	3,722
Common shares in Share Trusts	(100)	(77)	(77)
Additional paid-in capital	475	365	365
Accumulated other comprehensive loss	(1,767)	(1,913)	(1,913)
Retained earnings	12,637	12,716	12,716
Total shareholders equity	14,950	14,813	14,813
Total capitalization	$ 25,377	$ 25,135	$ 25,957

(1) Converted into Canadian dollars using the following exchange rate: US$1.00 = $1.2917 as at June 30, 2016.

EARNINGS COVERAGE RATIOS

The following earnings coverage ratio is calculated for the twelve-month periods ended December 31, 2015 and June 30, 2016 and gives 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, and the issuance of the Offered Notes, as if these transactions had occurred on the first day of such twelve-month periods.

The Company s interest expense requirements would have amounted to approximately $485 million and $498 million for the twelve-month periods ended December 31, 2015 and June 30, 2016, respectively. The Company s earnings before interest expense and income taxes for the twelve-month periods ended December 31, 2015 and June 30, 2016 would have been approximately $5,313 million and $5,382 million, respectively, which is 11.0 times and 10.8 times the Company s interest expense requirements for such periods.

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DESCRIPTION OF OFFERED NOTES

The description of the Offered Notes 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 Notes are to Canadian National Railway Company but not to any of its subsidiaries.

General

The Offered Notes 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 Offered Notes will be initially limited to US$650,000,000. The U.S. Indenture does not limit the amount of debt securities that may be issued by the Company. The Offered Notes 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 Notes. The Offered Notes therefore are effectively subordinated to creditors of the Company s subsidiaries. The Offered Notes 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 Offered Notes will mature on August 2, 2046. The Offered Notes are subject to earlier optional redemption as described under Optional Redemption below. The Offered Notes are not entitled to the benefit of any sinking fund.

Transfers of the Offered Notes 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 Notes will initially be issued in global form. See Global Securities below.

Interest on the Offered Notes

Interest will accrue on the principal amount of the Offered Notes at the annual rate of 3.200%, from and including August 2, 2016 (the Original Issue Date) to but excluding the date on which the principal amount is paid in full. Interest accrued on the Offered Notes will be payable semi-annually in arrears on February 2 and August 2 of each year, commencing on February 2, 2017 (each an interest payment date) in each case to the holder of record of such Offered Notes on January 16 or July 16 preceding the next interest payment date. Interest on the Offered 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 Offered 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 (and without any interest or other payment in respect of any delay), with the same effect as if payment were made on the due date. The term business day in respect of the Offered 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.

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Optional Redemption

The Offered 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 Offered Notes to be redeemed on any redemption date that is prior to February 2, 2046 (the date that is six months prior to the maturity date of the Offered Notes) will be equal to the greater of (i) 100% of the principal amount of the Offered 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 that would be due if the Offered Notes matured on February 2, 2046, the date that is six months prior to the maturity date of the Offered Notes, (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 20 basis points, plus, in either case, accrued and unpaid interest thereon to the date of redemption. The redemption price for the Offered Notes to be redeemed on any redemption date that is on or after February 2, 2046 (the date that is six months prior to the maturity date of the Offered Notes) will be equal to 100% of the principal amount of the Offered Notes being redeemed on the redemption date, plus accrued and unpaid interest on the Offered 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 Offered Notes or portions thereof called for redemption on such date. The Trustee shall have no obligation to calculate any redemption price or applicable premium, if any.

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 Offered Notes (assuming for this purpose, that the Offered Notes matured on the date that is six months prior to the maturity date of the Offered 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 Offered 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 (i) Merrill Lynch, Pierce, Fenner & Smith Incorporated and RBC Capital Markets, LLC, and a Primary Treasury Dealer (as defined herein) selected by Wells Fargo Securities, LLC, and their respective successors; and (ii) 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 Offered Notes, the rate per annum equal to the semi-annual equivalent yield to maturity of, or interpolated (on a day count basis) from, the 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.

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Change of Control Repurchase Event

If a change of control repurchase event occurs with respect to the Offered Notes, unless we have exercised our right to redeem the Offered Notes as described above, we will be required to make an offer to each holder of the Offered Notes, 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 Offered Notes 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 Offered Notes 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 Offered Notes, 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 Notes 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 Offered Notes or portions of Offered Notes 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 Offered Notes or portions of Offered Notes properly tendered; and

(3) deliver or cause to be delivered to the U.S. Trustee the Offered Notes properly accepted, together with an officers certificate stating the aggregate principal amount of Offered Notes being purchased by the Company.

The U.S. Trustee will promptly deliver by wire transfer to each holder of Offered Notes properly tendered the purchase price for the Offered Notes, 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 Notes 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 Offered Notes 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 Offered Notes 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 Offered Notes on any day within the 60-day period (which period shall be extended so long as the rating of the Offered Notes 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 Offered Notes are rated below investment grade by at least two of

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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 Offered Notes.

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 Notes or fails to make a rating of the Offered Notes 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 Offered 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 Offered 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 Offered Notes.

The Company may not have sufficient funds to repurchase all the Offered Notes upon a change of control repurchase event.

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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 the Offered 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 Offered Notes. If any further notes are not fungible with the Offered Notes for United States federal income tax purposes, such further notes will not have the same CUSIP number as the Offered Notes.

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 the Offered Notes 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 Notes, 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 Offered Notes can consent, or cause the U.S. Trustee, on behalf of the holders of all the Offered Notes, 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 the Offered Notes means any of the following events: default for 30 days in payment of interest on the Offered Notes; default in payment of principal (or premium, if any) on the Offered Notes; default by the Company in the performance of any of the other covenants or warranties in the U.S. Indenture relating to the Offered Notes 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 Notes 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 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 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 the Offered Notes shall have occurred and be continuing, either the U.S. Trustee or the holders of at least 25% in aggregate principal amount

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of the Offered Notes then outstanding may declare the principal of all the Offered Notes 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 premium, if any, on the Offered Notes) may be waived by the holders of a majority in principal amount of the Offered Notes 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 the Offered Notes 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 the Offered Notes, 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

In respect of the Offered Notes, 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 Notes 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 thereof: (i) any Mortgage created on Railway Properties acquired or constructed after the first date on which the series of Offered Notes 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 Offered Notes 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 Offered Notes 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

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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.

Defeasance

The Company (a) will be discharged (legal defeasance) from any and all obligations in respect of the Offered Notes (except for certain obligations including the obligation to register the transfer or exchange of the Offered Notes, to replace destroyed, lost or stolen Offered Notes, 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 Notes, 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 Notes at Stated Maturity (as defined in the U.S. Indenture) or upon redemption in accordance with the terms of the Offered Notes (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 Offered Notes 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, the Offered Notes will be represented by one or more global securities (the Global Securities) having an aggregate principal amount equal to that of the Offered Notes represented thereby. Each Global Security will be deposited with, or on behalf of, The Depository Trust Company (DTC), as depositary, 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 Notes described herein, no Global Security may be exchanged in whole or in part for Offered Notes registered, and no transfer of a Global Security

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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 depositary 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 Notes represented by such Global Security.

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

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 Notes represented thereby for all purposes under the Offered Notes 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 Notes represented thereby registered in their names, will not receive or be entitled to receive physical delivery of certificated Offered Notes in exchange therefor and will not be considered to be the owners or holders of such Global Security or any Offered Notes represented thereby for any purpose under the Offered Notes 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 Notes 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, which include Euroclear and Clearstream. 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.

Euroclear was created in 1968 to hold securities for participants of Euroclear and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing and interfaces with domestic markets in several markets in several countries. Euroclear is operated by Euroclear Bank S.A./N.V. under contract with Euroclear Clearance Systems S.C., a Belgian cooperative corporation. All operations are conducted by the Euroclear operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear operator, not the cooperative. The cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the underwriters. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Clearstream is incorporated under the laws of Luxembourg as a professional depositary. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream participants, thereby eliminating the need for physical movement of certificates. Clearstream provides Clearstream participants with, among other things, services for safekeeping, administration, clearance and establishment of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic

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markets in several countries. As a professional depositary, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector. Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, and may include the underwriters. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant either directly or indirectly.

Certain Notices

With respect to any Offered Notes represented by a Global Security, notices to be given to the holders of the Offered Notes 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 Notes 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 Notes 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 Notes in global form.

With respect to any Offered Notes not represented by a Global Security, notices to be given to the holders of the Offered Notes 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.

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 Notes to initial U.S. Holders (as defined below) purchasing the Offered Notes in this offering at the issue price for the Offered Notes which we assume will be the public offering price indicated on the cover of this prospectus supplement. 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 purchasers who hold Offered Notes 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 U.S. Holders in light of their special circumstances, including alternative minimum tax and Medicare contribution tax consequences, or to U.S. 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 Notes as an integrated transaction, tax-exempt entities or 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 Note that is, for U.S. federal income tax purposes, (i) a citizen or individual resident of the United States, (ii) a corporation 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 of the Offered Notes upon the occurrence of a Change of Control Repurchase Event, as described under Description of Offered Notes Change of Control Repurchase Event. We intend to take the position that the possibility of such payments does not result in the Offered Notes being treated as contingent payment debt instruments under the applicable Treasury regulations. Our position is not binding on the U.S.

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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 Notes (which is not expected to differ significantly from the actual yield on the Offered Notes), with adjustments to such accruals when any contingent payments are made that differ from the projected payments based on the comparable yield. In addition, any income on the sale, exchange, retirement or other taxable disposition of the Offered Notes would be treated as interest income rather than as capital gain. You should consult your tax adviser regarding the tax consequences if the Offered Notes were treated as contingent payment debt instruments. The remainder of this discussion assumes that the Offered Notes are not treated as contingent payment debt instruments.

Interest on the Offered Notes. Interest accrued or received in respect of an Offered Note generally will be included in gross income as ordinary interest income at the time the interest accrues or is received in accordance with your usual method of accounting for U.S. federal income tax purposes. Interest income earned with respect to an Offered Note will constitute foreign-source income for U.S. federal income tax purposes, which may be relevant in calculating the foreign tax credit limitation. The rules governing foreign tax credits are complex and, therefore, you should consult your tax adviser regarding the availability of foreign tax credits in your particular circumstances.

Sale, Exchange or Retirement of the Offered Notes. Upon the sale, exchange or retirement of an Offered Note, you generally will recognize gain or loss equal to the difference between the amount realized (not including any amounts attributable to accrued and unpaid interest, which will be taxed as described under Interest on the Offered Notes above) and your tax basis in the Offered Note. Your tax basis in an Offered Note generally will be equal to the cost of the Offered Note. Gain or loss generally will be U.S.-source income for purposes of computing your foreign tax credit limitation. In addition, this gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement, you have held the Offered Note for more than one year. Long-term capital gain of a non-corporate U.S. Holder is generally taxed at preferential rates. The deductibility of capital losses is subject to certain limitations.

Information Reporting and Backup Withholding

Information returns may be filed with the IRS in connection with payments on the Offered Notes and the proceeds from a sale or other disposition of the Offered Notes. You may be subject to U.S. backup withholding on these payments if you fail to provide your taxpayer identification number and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding will be allowed as a credit against your federal income tax liability and may entitle you to a refund, provided that the required information is furnished to the IRS.

MATERIAL CANADIAN INCOME TAX CONSEQUENCES

The following is a summary of the principal Canadian federal income tax considerations under the Income Tax Act (Canada) (the Income Tax Act) generally applicable to the holders of the Offered Notes sold pursuant to this prospectus supplement who, for the purpose of the Income Tax Act, are not resident or deemed to be resident in Canada, hold their Offered Notes as capital property, are not specified shareholders of the Company or persons who do not deal at arm s length with a specified shareholder of the Company for purposes of the thin capitalization rule contained in subsection 18(4) of the Income Tax Act, deal at arm s length with the Company (and any transferee resident or deemed to be resident in Canada to whom the holder disposes of Offered Notes), do not use or hold and are not deemed to use or hold the Offered Notes in carrying on business in Canada and are not insurers that carry on an insurance business in Canada and elsewhere (the Non-Resident Holders). **THIS SUMMARY IS GENERAL IN NATURE AND IS NOT EXHAUSTIVE OF ALL POSSIBLE CANADIAN TAX CONSEQUENCES. ACCORDINGLY, PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS FOR ADVICE WITH RESPECT TO**

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THEIR PARTICULAR CIRCUMSTANCES, INCLUDING ANY CONSEQUENCES OF AN INVESTMENT IN THE OFFERED NOTES ARISING UNDER TAX LAWS OF ANY PROVINCE OR TERRITORY OF CANADA OR TAX LAWS OF ANY JURISDICTION OTHER THAN CANADA.

This summary is based on the current provisions of the Income Tax Act, the regulations thereunder, our counsel s understanding of the current administrative practice of the Canada Revenue Agency, and the current provisions of the international tax convention entered into by Canada and the United States, but does not otherwise take into account or anticipate changes in the law, whether by judicial, governmental or legislative decisions or action, nor is it exhaustive of all possible Canadian federal income tax consequences. This summary does not take into account or consideration tax legislation of any province or territory of Canada or any jurisdiction other than Canada. This summary is of a general nature only and is not intended to be, and should not be interpreted as, legal or tax advice to any particular holder of an Offered Notes including the Non-Resident Holders.

Under applicable federal law, the Company is not required to withhold tax from interest or principal paid or credited by it on the Offered Notes to Non-Resident Holders.

No other tax on income (including taxable capital gains) is payable in respect of the purchase, holding, redemption or disposition of the Offered Notes or the receipt of interest or any premium thereon by Non-Resident Holders with whom the Company deals at arm s length. Under the Income Tax Act, related persons (as defined therein) are deemed not to deal at arm s length and it is a question of fact whether persons not related to each other deal at arm s length.

UNDERWRITING

Subject to the terms and conditions set forth in the pricing agreement, dated the date of this prospectus supplement, between the Company and the underwriters named below, for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBC Capital Markets, LLC and Wells Fargo Securities, LLC are acting as representatives, the Company has agreed to sell to each of the underwriters, and each of such underwriters has severally agreed to purchase, the principal amount of Offered Notes set forth opposite its name below:

Underwriters	Principal Amount of Offered Notes
Merrill Lynch, Pierce, Fenner & Smith Incorporated	US$136,500,000
RBC Capital Markets, LLC	