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Subject Company: Norfolk Southern Corporation (Commission File No. 001-8339)

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Subject to future developments, additional documents regarding the proposed transaction may be filed with the SEC. Investors and security holders are urged to read such disclosure documents regarding the proposed transaction, if and when they become available, because they will contain important information. Investors and security holders may obtain a free copy of the disclosure documents (when they are available) and other documents filed by CP with the SEC at the SEC s website at www.sec.gov. The disclosure documents and these other documents may also be obtained for free from CP at http://www.cpr.ca/en/investors or by directing a request to Canadian Pacific Railway Limited, 7550 Ogden Dale Road S.E., Calgary, Alberta, Canada, T2C 4X9, Attention: Office of the Corporate Secretary.

Participants in Solicitation

CP and its directors, executive officers and other employees may be deemed to be participants in any solicitation of CP or NS shareholders in connection with the proposed transaction. Information about CP s executive officers and directors is available in CP s Annual Report on Form 40-F for the year ended December 31, 2014, which was filed with the SEC on February 23, 2015. Additional information about the interests of potential participants will be included in any proxy statement filed in connection with the proposed transaction.

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This communication contains certain forward-looking information within the meaning of applicable securities laws relating, but not limited, to CP s proposal to NS regarding a possible business combination, the anticipated results and benefits of the proposed transaction and matters relating to regulatory approvals and changes. This forward-looking information also includes, but is not limited to, statements concerning expectations, beliefs, plans, goals, objectives, assumptions and statements about possible future events, conditions, and results of operations or performance. Forward-looking information may contain statements with words or headings such as financial expectations , key assumptions , anticipate , believe , expect , plan , will , outlook , should or similar words suggesting future ou

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The following is a transcript from an investor teleconference held on December 8, 2015

Transcript

CP Addresses the Financial Community

December 8, 2015

Participants:

E. Hunter Harrison, CEO Canadian Pacific

Keith Creel, President & COO Canadian Pacific

Mark Erceg, EVP & CFO Canadian Pacific

Paul Guthrie, Special Counsel to the CEO

James Clements, VP Strategic Planning & Transportation Services

William Ackman, Pershing Square

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Sharon and I will be your conference operator today. At this time, I would like to welcome everyone to Canadian Pacific s Conference Call today. The slides accompanying today s call are available at www.cpr.ca. All lines have been placed on mute to prevent background noise. After the speakers remarks, there will be a question-and-answer session. [Operator Instructions]

I would now like to introduce Nadeem Velani, VP Investor Relations to begin the conference.

Nadeem Velani

Thank you, Sharon. Good morning and thanks for joining us. I m proud to have with me here today Hunter Harrison, our Chief Executive Officer; Andrew Reardon, Chairman of CP s Board; Mark Erceg, our Executive Vice President and Chief Financial Officer; Paul Guthrie, Special Counsel to the CEO; Keith Creel, President and Chief Operating Officer; James Clements, Vice President-Strategic Planning and Transportation Services; and joining us today, Bill Ackman, member of Canadian Pacific s Board and Pershing Square Capital Management Founder.

Before we begin, I want to remind you this presentation contains non-GAAP measures outlined on slide four. The formal remarks will be followed by Q&A. In the interest of time, we would appreciate if you limit your questions to two.

It is now my pleasure to introduce our CEO, Hunter Harrison.

E. Hunter Harrison

Thank you, Nadeem, and good morning to everyone. Thanks so much for joining us. My job today is to facilitate and try to provide some clarity to this whole issue now that we re faced with. I ve gotten a lot of questions from the audience here about why now why we re trying to do this transaction.

And let me just give you a little bit of background. We came out of the we and the rail industry came out of 2014 with some substantial amount of criticism about the lack of infrastructure in being able to handle traffic throughout North America. And we addressed those concerns very seriously and we took a look at enhancing infrastructure and doing some things differently. And we found that we were met with oppositions from local communities with kind of a not in my backyard mentality.

So, we are faced with an issue that we re a common carrier. We don t have a choice about hauling these goods. At the same time, we have communities that would prefer not to see infrastructure added into their backyard. And at the same time, people are opposing consolidations or merger actions. So, the question we ve got is what do we do? What do we do in the future? What do we do in the East? What do we do with additional growth if that infrastructure cannot be added? So, as we went through those issues, one of the things that quickly came up was potential consolidations, where we believe and we ve talked a lot publicly that, that we think we can, without adding infrastructure, add capacity to do, particularly, the infrastructure east of the Pacific Railroad.

Now, we engaged in very brief conversations with the CSX for only, really, one day and that was kind of blown out of proportion. And then, we were getting requests from the shareholder community saying, your numbers have been pretty compelling. Looks like she s done an excellent job. Why will you not take those tight numbers and marry up with the Eastern Road, for example, and create even greater synergies to solve some these issues.

And so, we started down that road to explore those opportunities. And now, we ve come to this point where we ve had one meeting with our friends at Norfolk Southern, that was Mr. Squires and I face-to-face. We have tried to engage in one of our top priorities is just to get the Norfolk Southern to sit down and engage in a dialogue with us. And we see no downside there.

So, what we re going to try to do today is go through several important buckets. We re going to talk about the trust structure, and Paul Guthrie is going to speak to that. James Clements is going to talk more about the regulatory environment and some of what we think are rather unique ideas to improve some of the competitive landscape, once again, without adding infrastructure.

Mark Erceg, relatively new Chief Financial Officer is going to talk more about the latest structure of the deal. And Keith is going to talk about some of the operational issues. And then, finally, Bill Ackman is going to talk to us more from a shareholder perspective and Pershing Square is experienced in the past.

Let me just take one minute to clarify a couple of issues that are kind of a little [indiscernible] (05:57) to me. I ve been involved in several of these transactions and it s been referenced that and as to the potential CNIC or [ph] KCSIC (06:15), excuse me, merger in the Kansas City which was turned down as a result of the trust and that s totally untrue. It was not. Kansas City s sudden change of mind at the latest means the truck structure was now in question.

In the case of the CNIC merger, people have talked about disruption. They ve talked about all of these things that mergers do. That merger was okayed in advance. They gave away some of their oversight, responsibilities. They are very complementary of the job that the two organizations have done for the shipping public. And just because one [indiscernible] (06:54) implement a merger success, that doesn t mean another came.

And finally one little piece, one little tidbit I d bring to your attention is I had a visit with the then CEO of Norfolk Southern back in the mid-2000s when they invited me over to their office car in Augusta, Georgia and at that time, I think it was 2006, brought to my attention that they were very pleased that they were helpful, that they could have a quarterly results that started with a six. Now, that s effectively 10 years ago, and they re trying to still get to the point of starting with a six.

So, I think it raises some real issues as we go forward about the potential credibility of what can and cannot be accomplished. So, I ll have some additional remarks at the end, and we re going to we plan to have a Q&A session. And we re here as long as you want to ask questions.

I think the other group the call is limited to one hour, and we re willing to stay here as long as it takes to explain our proposal to the public and mostly importantly to the shareholders because it s really what this is all about, is creating shareholder value.

So, with that, Mark, let me turn things over to you, so if you can outline the proposal for us.

Mark J. Erceg

Thanks, Hunter. As Hunter just indicated, we remain committed to our strategic vision, which is to create an integrated transcontinental railroad with the scale and the reach necessary to deliver unsurpassed level of safety and service to our customers and our communities, while also increasing competition and creating significant shareholder value for both NS and CP shareholders.

And consistent with that, we have modified our already generous offer in three important ways. First, we re prepared to dramatically reduce the regulatory risk by agreeing to close the transaction into a voting trust which Paul Guthrie is going to explain to you shortly. Second, we ve made our offers significantly more attractive financially by agreeing to use a trust structure, and that shareholders will now receive their cash and their stock considerably faster than before.

And just as importantly, we ve agreed to increase NS s pro forma ownership from 41% to 47%, allowing NS shareholders to more fully participate in and benefit from the significant value creation we expect to create through this transaction. And finally, we re prepared to complete our due diligence within three weeks in order to expedite the transaction.

Now, if we put all this together, we get a revised offer of $32.86 in cash and $0.451 shares of stock and a new investment grade company which will trade on both the TFX and the NYSE under an as of yet to be determined new ticker symbol. And so boiling it all down, because NS shareholders will receive cash and stock considerably faster than before, and with much less risk I might add, and because of the increase in pro forma ownership, our revised offer actually represents a 77% premium versus NS s unaffected stock price of $79.14 a share which provides 30% more value than our previous offer. And probably just for clarity, I should mention that CP shareholders would exchange their shares on a one-for-one basis which would result in 53% pro forma ownership for existing CP shareholders.

And now after a lot of careful study, we believe there s an enormous amount of value which can be unleashed by combining our two great railroads. Between pre-merger, what we re calling operational improvements, and what we re also referring to as post-merger combination synergies, we expect to capture an incremental $1.8 billion, and that s USD per year. Operational improvements like fuel efficiency, velocity improvements, improved asset utilization, yard and thermal consolidation, and workforce optimization, which we would expect to manage via natural attrition, those will all begin upon trust approval and phase in over four years. And these operational improvements represent over 70% of the value that we ve identified through our studies.

Now, it s very important to understand that these operational improvements are not contingent upon final STB approval. And to be clear, we re not shooting for the moon here. Rather than that pretty much across the board, we re just looking to move NS up to the industry standards, and we re very confident that we can do that.

So, just as one example, let s just take fuel efficiency. Right now, CP uses one gallon from a 1,000 gross ton-miles. Now, in contrast, NS uses 1.28 gallons. That s obviously an enormous difference by simply bringing NS s fuel efficiency in line with the Class 1 industry average of 1.12, we can save CAD 100 million per year.

Now, combination synergies from extended reach and longer length of haul, market share gains from improved service and Interline efficiency, those will only become available upon full STB approval. And at which time, they will also phase in over a four-year period.

And then, in addition, to the operational improvements and the combination synergies, we also see an opportunity for meaningful tax efficiencies, which we believe will result in an effective tax rate below 30% for the combined entity. And then, finally, we expect to uncover and monetize redundant or underutilized assets along the way, although we ve not specifically factored that into our analysis.

Now, beyond the significant value CP-NS combination would create, our offer also gives NS shareholders best of interest in the combined network with better growth prospects than what either one of us would be able to achieve on our own. And I should add a larger, more diversified book of business, which is less dependent on commodities which, as we all know, have been and can be very volatile.

So, for example, thermal coal, that currently represents about 15% of NS s business, but by contrast, it only represents 1% of CP s business. So, if we put these two companies together, we ll both have a more sustainable business and stable business going forward. The last thing I should probably quickly point out is that we plan to combine these two historic companies in a very responsible way by maintaining a strong investment grade balance sheet, leverage when the trust closes is expected to be about four times, which will be BBB at S&P and Baa2 at Moody s.

And then because of the significant cash flow of the combined entity, we plan to quickly deleverage, and by 2017, we expect our leverage to be 2.8 times which we believe which would support a BBB+ plus or Baa1 equivalent credit rating. And with that, let me turn the call over to Paul Guthrie. Paul is going to explain in detail how a voting trust really works because there s been a lot of miscommunication on this topic recently.

Paul A. Guthrie

Thank you very much, Mark. Paul Guthrie. I d like to address both the voting trust and regulatory matters before I turn this over to my colleague, James Clements. As contemplated by the 2001 merger rules. CP will apply for authority to use a voting trust. Under the rule, CP will have to show how the proposed trust would insulate the transaction from unlawful control violation and why use of a voting trust would be in the public interest.

First, let me say that there has been an assumption that CP s plan would put NS into trust. In fact, CP contemplates that either company could be put into trust, and at this time, we are leaning towards putting CP in trust. It is clear that Hunter Harrison going to NS, as the CEO, is greatly in the public interest. We are confident that his proven track record will result in NS being a better railroad. We expect that approval for voting trust will be forthcoming and anticipate such approval would occur some two to three months after our application. I d like to turn you to the first of the slides that s entitled STB criteria for voting trust approval. And I m going to take you through a few points on that slide.

On the left-hand side, you will see the number one, an insulation from unlawful control violation. An independent trustee would be appointed to oversee either CP or NS while in trust. Whether CP or NS is in trust, Mr. Harrison will be CEO of NS and will sever all economic and other ties with CP including stock and pension rights.

Under the second bucket, consistent with the public interest. The public benefits will result from improved operational efficiency, asset utilization, service, economic efficiency, fuel consumption and competition. If the transaction is ultimately rejected by the STB and either CP or NS must be divested, operational improvements will have materially increased the value of NS benefiting all shareholders. This public interest benefits outweigh any risk that the transaction is not approved.

I d like now to take you to the first of the time line charts, STB trust approval. All that I would like to say on this chart is on May 2016 or earlier, which you ll see at the right-hand side of this chart, close into trust and at that time, the shareholders will be provided with shares in the new public company and cash.

The second chart, the STB merger approval time line just sets out the approximate time line for this transaction. I don t have any further comments on it.

I d like to turn you to the slide that s entitled, Voting Trust Precedent. On the left-hand side of this slide, you will see a very pertinent example. This is the CN-IC merger from 1999 and it s very pertinent of course because it involved Hunter Harrison. Hunter Harrison resigned from IC and joined CN as COO. IC was held in voting trust pending the STB approval.

The operational improvements began upon Mr. Harrison s arrival. The transaction was approved and the trust is solved. The five year oversight period was shortened due to successful integration. All of this was done any service disruption.

On the right hand side, we set out one of an example of other transactions. This one is G&W and Rail America. This is the latest transaction that involved the voting trust. That was in 2012. As I said, there are other examples of this.

I d now like to turn you to the slide that deals with the regulatory matters in general. It s entitled exceeding the public interest standard for mergers. First of all, let me say that a lot is being said and written, so I m quite recently about the difficulties of overcoming the regulatory standards.

We are confident that the current STB Board will judge our application based on its merits under the proper legal standard. And when they do, they will act favorably on it. So I d like to take you to left hand box. This is the public interest standard and this is under sustainable and demonstrable gains in important public benefits.

First of all, service and safety improvements. The merger will result in an efficient, reliable, single line service. It will ease Chicago congestion. Under sustainable economic and environmental benefits, it will increase equipment utilization, reduce fuel consumption, streamline facilities, create company through efficiencies, not in new construction and it will reduce highway congestion.

On the right-hand side and my colleague, James Clements will be talking about this in a moment. There will be an enhanced there s a necessity to show enhanced competition. This merger will create a stronger railroad better positioned

to compete. It will open new competitive opportunities. The proposed access model will introduce meaningful competition.

Let me say in closing that the public interest is a balancing act. The proposed end-to-end CPNS merger does not result in any potential anti-competitive impact nor is there any reason to assume that other carries would feel the need to merge in order to compete. It creates a balanced competitive industry.

Thank you, James.

James Clements

Thanks, Paul. CP is proposing to change the status quo and introduce an innovative approach to pricing and service that will enhance competition for our customers. The first piece is about bottlenecks, and I think it s important for me to outline what a bottleneck is and what we re proposing to do. Today, in the industry, if you have a move from A to C on this chart, and there s a competitive alternative for a portion of the move B to C, this is a situation that results in a bottleneck. The segment from A to B is what is called the bottleneck segment. As a carrier that moves from A to C, CP in this example, we do not have to quote a rate from A to B. We only have to provide the shipper with a rate through to C. They don t have access to the competitive alternative of B to C. Where we would go with the proposal is we would provide the customer the alternative to see what the option of B to C is by providing them with a rate from A to B, as well as a rate from A to C because that s what they d like. They are then free to make their own choice based on the alternatives and the competition that would exist.

We don t think that this is an onerous option for the shippers or for the railway. In fact, it s got direct parallels to how we price today in Canada. And we re also not the only ones that think this will enhance competition. This is what shippers are asking for today in the U.S. regulatory environment. And then to further competition, we are also proposing what we are calling modified terminal access.

In terminal areas, CP would allow another carrier to come onto its railway in order to serve CP serve shippers when we are not providing service or we re not providing competitive rates to the customers that we serve in those terminal areas. Again, we don t see this as an onerous option for us to provide to the shipping community because we are in charge of our fate here. If we do a good job, and we provide service, which is one of our core principles, and we provide competitive rates, then we re not going to be faced with the other carrier coming across our networks.

The other thing I want to make clear here is this is not open access. We re not allowing a second railway to just run all over our network and come on service shipper at one of the points and run across our network wherever they want to take that traffic. It is simply an option where the second carrier can come in at the terminal area, go to that customer and provide that service to them, and take it back to their railways to haul it across their network.

I think this is a compelling competitive alternative, but I m not the only one. Today, the STB is allowed to grant this as a remedy to shippers if they determine that a railway in our terminal area is providing anti-competitive -ype service or rates. And so , we are just bringing simply bringing forward and simplifying this remedy that has been contemplated by the STB that s allowing access for the shipper and options. If we take these two pieces together, both the terminal access and quoting the bottleneck rates, we will provide enhanced options and competition to the shippers across all of our network.

Now, you may have some questions about short lines. And when we look at that, we would also be proposing that we remove the paper barriers for the short lines that we don t own the track and where the lease line the remedies that I ve just described in terms of bottleneck pricing and terminal access would be allowed to any of the leased lines on the CP-NS network.

This framework plus the service and reach for the combined network provides competition to all of the shippers in the proposed transaction. And now, I ll hand it over to Keith.

Keith E. Creel

All right. Thanks, James. I m going to spend my time and my comments providing color from the operational perspective. To set the record straight. Last week, I listened to Jim s comments and the NS team s comments and have reflected on them and thought about them, and it s apparent to me just simply said with all due respect, NS does not understand the facts of our transformational journey that we started mid-2012 at Canadian Pacific.

NS does not understand the way we run an efficient railway day-to-day, ship-to-ship, week-to-week. In spite of the naysayers back in 2012, it seems like it was yesterday when they all said that we couldn t. And this team has taken with this operating model this company, this franchise from being an industry laggard to an industry leader. And it s done day-to-day by implementing a scheduled railroading operating model that focuses on sustainable principles, not cut-to-the-bone principles: providing service, improving the service for our customers, asset utilization, turning assets, sweating assets, making assets use in a very asset-intensive industry more efficient; controlling our cost, not cutting cost to the bone; understanding what your cost should be in controlling and creating a disciplined, so that you progressively and constructively manage those cost.

Developing people. People have the votes, the key asset that make this happen day in and day out in a railway industry, and doing it all safely, respecting the communities we operate in and through respecting our employees, respecting our moral and professional obligation to run the railway safely. If you execute this properly, it creates sustainable profitable results that, yes, produce a very strong operating ratio, and yes, produce a strong cash flow, which as an operating officer excites me with an ability to reinvest back at the physical plant to sustain those results at a long-term basis.

Be it, number one, call for cash protect to safe operation at the railroad. Number two, invest in our physical plant so that we can do things more efficiently, more productively, be it in our terminal, be it on line of road, be it in our yards. And finally, invest to increase our capacity to grow with our customers today and in the future.

These facts speak for theirselves as you can see on the chart that we provided for the industry. Since the turnaround began in 2012, over 2,000 basis-points improvement in the operating ratio. While significantly, significantly increasing our capital spend of over CAD 400 million more annually. Probably what I would suggest reflects the cut-to-the-bone philosophy.

So, now let s frame it up from a service perspective. CP customers at this railway since 2012 have benefited from increased and improved transit times across every lane that we operate in. So, if you re a customer that owns your own cars, I would say that matters. And it matters because you don t need to own the same number of cars today that you would have owned in 2012 before this turnaround began.

Now I want to speak specifically to service-oriented truck-competitive traffic. I believe that s the exact quote that was used. By definition, to me, better said in the industry, that s domestic intermodal business. This is another area that we ve created significant success contrary to the naysayers or the lack of understanding at the NS here on the Canadian Pacific Railway where we ve revised the service schedule. Back in 2013, we cut a day off of our key domestic routes going from Toronto, to Calgary, to Vancouver, and our customers that have benefited from this has awarded this company and recognized that service improvement with over 20% growth since those operational service improvements and changes were made. But to suggest that we don t understand sensitive truck-competitive traffic is not just fact-based.

Now let s talk about Chicago. Hunter mentioned this. How soon we forget. I m an operating guy that actually lives in Chicago. I ve lived there almost the last decade of my life. Blood, sweat, and tears for two railroads, not one, trying to manage efficient operations through a very capacity-constrained Chicago terminal. The single largest interchange location in North America is in Chicago. So, for any railroad to suggest that the industry would not benefit, that our customers would not benefit, that their customers would not benefit from rerouting and moving traffic away from that congested gateway, to me, again, is not fact-based, is not substantiated.

If you understand Chicago, Chicago is a place that depends upon the Belt carriers in Chicago. The Belt Railway specifically, as you on the chart, for the lack of a better term, is the heart of Chicago when it comes to operations.

All the major Class 1 railroads interchange traffic in Chicago. All that operate in Chicago interchange in the belt. We re all very dependent upon the belt. When the belt runs well, Chicago has the chance of running well. But when I say run well, it s gradual at best. But it suggests that you should, again, take our suggestions that we can improve efficiency and create capacity in Chicago with a grain of salt, as I ve read by some STB commissioners, to me, again, is reckless. I would suggest to you and those in industry that clearly understand the pains associated with 2014 as that s set in STB hearings and explains how Chicago worked and explained how this industry for Chicago for the weather was in complete gridlock that affected this entire country, to suggest that an improved Chicago doesn t serve the public interest again, I think, is unfounded, is not fact-based, and it s irresponsible.

And I would also suggest in closing before I turn it over to Bill, those current today serving STB commissioners that held those hearings, that took those phone calls, that dealt with concerned shippers when this country was in gridlock, I would suggest they would agree with my reflection on the memories of the impact of better Chicago.

So, with that, I ll turn it over to Bill for his comments.

William A. Ackman

Thank you, Keith. So, Hunter asked me to give a perspective the investor perspective on the transaction. And so, I m going to begin with what I would call a flowchart. If you start on the if you look at this transaction, there are really two choices. You can stay with the stand-alone plan, and the stand-alone plan, Jim Squires has a goal of getting to a 65 OR in five years. Alternatively, you can pursue a merger with CP. We believe the transaction could be executed, due diligence completed by the end of the year, and then we file an application for trust. If the trust was not approved, again, what we believe to be a very unlikely event, you re back to square one with Jim Squires. If the trust is approved, Hunter Harrison would immediately join Norfolk Southern railroad and would run the railroad, and start implementing the benefits that we ve heard about here.

Just thinking about it, touching on what Paul Guthrie had to say, if you put CP in a trust in Northbrook-Southern, it s outside of the trust. Hunter s simply leaving Canadian Pacific and joining the Norfolk Southern railroad as a CEO. Hunter is a other than the employment contract we have with him that ties him up for another 20 months or so, he s a free agent. He s free to leave, absent that contract and go take another job, and he would take another job and run another railroad, and that is certainly that the STB really has nothing to play a role in.

With respect to CP staying in trust, well, the good news is that CP is being run extremely well and has been run extremely well by Hunter and by Keith, and I think Keith demonstrated when Hunter had to take an absent earlier in the year when Keith was effectively the new CEO of the company during that period of time. How well this railroad runs with Keith at the helm.

Assuming the trust is approved, that we expect on May 1 closing. On that date, shareholders will receive CAD 32.86 in cash and 0.451 shares of a new company. We re calling it CP-NS and the Canadian Pacific shareholders would turn in their stock certificates and they would get a share in the new CP-NS on a one-per-one basis. This is an entirely new company. Because Hunt has new management, Hunter s the CEO. It s got a new capital structure as part of the transaction. It s a holding company that owns interest in two railroads. One, Canadian Pacific s held in trust, one is held outright, and it s going to have a different business plan going forward. And we believe that company has enormous value, and I m going to take you to the details on that transaction on the valuation.

About, call it, 18 months later, on December 31, we expect to have an answer from the STB. And at this point, I think it s difficult to precisely estimate the probability, although, we think it is likely that it gets approved, certainly more likely than not. But let s assume it s doesn t get approved. In that circumstance, the holding company, or CPNS, would have an obligation to distribute either CP or NS to shareholders in a spinoff to separate the two companies. Hunter would continue as CEO of NS. Keith would continue as CEO of Canadian Pacific, and shareholders could choose to retain both either or none of those shares in that circumstance.

All of the operational benefits, however, that Hunter will implement during the period of time while we re waiting for the merger approval will endure to the benefit of the long-term NS shareholders. The STB approved the transaction, then the merger closes, CPNS becomes one company, and then the management team and the company consolidate, means we get the benefit of synergies.

Turn to the next page. Not only is this a substantially more value-creating transaction, it s less risky. And the reason why it s less risky is here we have proven management. And in the case of Jim Squires, Jim is not a proven railroad operating executive, and this is the first time NS has put forth a intermediate or goal in terms of an OR target. They have been stuck in a low 70s OR, it will show you for the last 20 years. And it s a real leap of faith for people to assume that all of a sudden, beginning a week or so after the CP offer, the company now has a plan to get to a 65 OR.

So, if you want that plan, that s worth CAD 90 a share according to analysts estimates. The stock is trading above that. You should sell your stock in NS. If you want this plan, and what would happen to our plan, there would be a merger enclose of trust. Hunter would become CEO of NS, Keith would run CP, and we follow the path as I described before.

In the event the merger does not close, the non-closing scenario, the stock of CP-NS on the day of closing, the stock certificate you receive we believe will be valued at CAD 125 a share. If the transaction ultimately close, the stock would have been valued at CAD 140 a share.

So, the right way to think about it is it s worth CAD 125 plus you have some probability of receiving an extra CAD 15 of value depending upon your estimate of the probability of that transaction.

If you go to page 5, I ll talk briefly about the NS plan, which calls for a 65% OR by 2020. As I made a point before, this is the first time they ve issued medium or long-term guidance. And you can hear in this analyst s own words, I quote, the city analyst Norfolk s standalone case lacks detail upside, we credit NS for diverging from its tradition of not issuing financial guidance [indiscernible] (36:50) OR and EPS growth targets lacked the necessary detail or upside to convince shareholders that further overtures from CP would be worth ignoring .

Now, let s look at the long-term record. Let s look at the last 10 years that Hunter was referring to. This is a chart of all the Class 1 railroads, all seven. The bright red line is CP from 2006 to the present and the black line is NS. And you note, beginning in 2006, looks like around a 73% operating ratio and today, something north of the 71% ratio it s bounced around in that corridor. But really, there s been no progress made in the last 10 years.

Now, if you look at it, on a relative basis, NS was the number two railroad in terms of operating performance for 2006, 2007 and 2008. And then, if you look at it in the last really five years, it s gone from it s in the bottom of the pack and most recently and now is dead last at number seven.

If you let s assume for a moment that NS is able to achieve a 65% OR in five years. Let s look at analysts estimates going again back to Citi quote, based on our math, NS target for a sub-65% OR in 2020 was largely priced into the valuation prior to CP s proposal, assuming 4% revenue growth, a 65% 2020 OR and further buyback activity of CAD 750 million to CAD 1 billion annually, we see 2020 EPS of roughly CAD 9, assigning a 14 multiple and a 10% discount rate implies a mid- CAD 80s to mid-CAD 90s valuation in line with the current merger affected stock price and up modestly from the CAD 80 price pre-offer. So, that s you re upside case in a stand-alone circumstance.

As we pointed out, the synergies here, the substantial majority of them are created by improving Norfolk Southern Railroad. And those will be achieved regardless as to whether or not the ultimate merger is approved. If you look at the chart at the bottom, CAD 1.260 billion of pre-merger operational improvements that Hunter will implement along with the rest of the NS team. And then layered on to that, the transaction closes, we have additional cost synergies of CAD 270 million. We have some revenue synergies of CAD 225 million and we have annual tax savings begin at CAD 200 million per year. So, the benefits are material the transaction closes. But you still get, call it, two-thirds of the benefits even if the merger does not open if we get approved.

In terms of benefits to the public, those have been outlined quite well by the team. But one of the counterpoints that has been by NS, they state, even if the proposed combination were ultimately to be cleared, would be subject to a wide range of onerous conditions that would reduce the value of the stock consideration that has been proposed.

What s interesting here is there is no obligation for the company to go forward with the merger. The STB comes back and imposes conditions that are too onerous, that would destroy shareholder value, then the companies will simply separate, a spinoff will take place, the merger will not take place, and you ll have Keith running CP, Hunter running NS, and shareholders will already have received the CAD 33 per share in cash 18 months prior to that STB denial.

If you look at the next page, this just kind of line up each transaction. So, in the standalone plan, you get CAD 0 upfront. And the fair value of the equity, if you believe that management can execute on a 65% OR by in five years, you get CAD 90 a share, which is less than the current market price from the stock. The CEO, Jim Squires, he does not have a proven track record for turning around railroads.

If you look at the two CP scenarios, and the day of transaction closes in May, you get call it CAD 33 a share in cash, you get a 0.451 interest in a new company, which will be valued that interest will be worth about CAD 92 a share at the time, and for a total combined value of CAD 125 million, and you get proven management Keith at CP, Hunter at NS, with a superb long-term track record. Again, in the approval transaction, where the STB goes forward, you get CAD 140 of value and that same excellent operating team.

So, how do you value this transaction, because there s been a lot of misleading about this? Even some analysts get it wrong, to be honest. And the point we re making here is, if this were a cash transaction, you could simply line up CAD 90 versus CAD 120. Clearly, one is better than another. Or even if it were a very large company buying a small company, you could look at the value of the acquiring company stock and say, oh, I m getting half a share of that, I can value that. But here, what you have is you have two companies that on an unaffected basis had almost identical market caps. CP at CAD 23 billion market cap, NS at CAD 24 million market cap. Now, these two companies are coming together. And when these companies come together, a lot of changes take place.

Number most importantly, we have a new CEO at Norfolk Southern, a new operating plan, a new approach to railroading. Number two, you re going to have a different capital structure. Number three, you re going to have precision schedule railroading which is not the way the business has been implemented historically. So it s a completely different NS.

You re also going to have an ownership in CP run by Keith. So, again, you re getting an interest in a holding company. Instead of owning just one company, CP, it owns two. It has a different capital structure, a different management team, a more diversified base of operations, bigger scale, a larger market cap. It s a completely different enterprise.

And in a transaction like this, you don t value the company based on where a CP stock trades today because the new company doesn t yet exist. You have to value the company based on what it will look like when the transaction closes. So, what will it look like?

Well, to get to that answer, first we walk through the assumptions that we used which we believe are conservative. I think I m being [ph] crude (42:42) as I m sure analysts will come up with their own numbers, but we start with kind of the base assumptions. So, the base revenue assumption we use is consensus estimate through 2018. In terms beyond 2018, we assume 3% revenue growth which we think is a conservative assumption. We don t give any revenue synergies because this is, again, a base revenue assumption. We have a base operating ratio and we use again, consensus estimates. And then in the case of OR, stays at 58% for CP and 68% for NS beyond 2018, again excluding operational efficiencies.

Let me layer on top of that the operational efficiencies. We assume basically a four-year phase-in for the transaction closing in May. So, 17% of synergies are achieved from May 1 to December 31, accumulatively another 25% gets you to 42% by the end of 2017. And another 25% by the end of 2018; another 25% by the end of 2019. And the last subperiod, you get the full synergies in 2020.

Now, my experience with Hunter Harrison, last time he told me it would take four years, and it took two-and-a-half. And what I like about 71-year-old CEOs is they re motivated to get things done promptly, so that s I would say, these are probably the most conservative estimates in terms of the synergy realization.

In terms of the post-merger combination synergies of about $0.5 billion, we just phased those in 25% a year. And again we think this is conservative. Tax synergies obviously we get immediately. But no value for real estate or asset monetization. And if you look at how much asset value, excess locomotives, other equipment that were extracted from CP, we ve got many, many years left of deferred locomotive purchases because of that monetization that it can be very material.

And let me point out, real estate. This is a particular area of mine, what seemed interesting about Norfolk Southern is vast ownership of real estate and some of the most valuable real estates, markets in the world, the northeast and [ph] certain (44:37) parts of the south of this country.

Taxes, we assumed a 27.5% tax rate for CP and a 36.2% for NS. This is NS while in trust, but again the likely outcomes at CP will be in trust and there are no tax benefits while the entities held in trust. Post-transaction, the combined entity will have a tax rate below 30%. In terms of CapEx, we used consensus estimates, and we make flat CapEx as a percentage of sales.

In terms of valuation, we use a 17-multiple 2021 EPS, which we expect to be CAD 27, assuming STB approval, for 16 multiple, 2021 of CAD 25 with no STB approval. The reason for the slightly higher multiple is as the company generates more earnings, there s more free cash flow conversion. And this turns into about a low-20s free cash flow multiple for the company, and we use P/E multiples that are similar to where CP and CN trades because they are higher margins and they re higher free cash flow conversion. And then we discount those we guide the company based on 2021 earnings and 2020. And then we discount back the value of the stock at a 9% discount rate.

And how does that look? Let s go to the next page in transaction valuation. You start with the earnings estimates at CAD 25 and CAD 27 for 2021, a forward multiple of 16 to 17 times. The fair value of CP at the time, CAD 399, CP this is CP/NS, excuse me CAD 399, CAD 464. We discount that back to the present. We convert it into U.S. dollars, and the U.S. dollar value of the company, $204 to $237 a share. So, the CP stock that today or closed yesterday at CAD 176, we believe in mid that s I guess the Canadian version, we think will be worth between CAD 271 and CAD 315, and the U.S. stock which closed in $130 or so, we believe, will be worth $204 to $237 a share. So, you get a sense of how much value creation there is on the closing of the transaction.

Breaking this down into stock and cash, the NS shareholders receive 0.451 shares, so 0.451 times the U.S. dollar value of CP, you get to $92 at $33 in cash, and you get total fair value of $125. In the STB case, it s worth at $140. And so you have to probabilistically discount that $140. So, somewhere $125 and $140 is fair value. And that means a premium to the stand-alone plan of 39% to 55% and a premium to the unaffected price of 58% to 77%. These are two of the biggest one of the biggest premiums I ve seen for any transaction, particularly one of this scale. But this is a complicated way to describe the valuation. I figured people would like a simple version. I like simplicity.

So, we go to next page, a much simpler way to think about CP. So, what we ve done here is we calculate the new CP-NS 2017 EPS. It is based on the assumptions we used before and assuming that only 42% of the premier to operational improvements and [ph] 40% (47:46) of the post-merger synergies are achieved by the end of 2017. So, this is analysts can do their own assessment, but we believe the company will earn approximately $12.29 in 2017.

Our valuation on the previous page comes up with a $204 to $237 valuation for CP-NS. That s a 16.6 to 19.3 multiple of 2017 earnings. And we think this multiple range is conservative, because again NS will be in a transformational turnaround at this point in time. CP still has very substantial growth. And so, earnings will grow much more quickly in a standard rail at this point in time. So, we think 16 take the low end of the range, 16.6 times at the very conservative valuation.

In order for the CP-NS deal to be superior to the stand-alone 90 valuation, CP only needs to trade at a CAD 170 a share or

$128. So, basically, the stock can go down from where it is today and still is a better deal than the stand-alone plan. So, if it trades at 10.4 times earnings, it s still a better deal than the stand-alone plan.

So, let s look at the track records of the team. Hunter Harrison s track record is very well known. I guess there are a number of risk arbitrageurs on the phone who don t know Hunter that well, but let me tell you a little about him. He ran Illinois Central from 1989 to 1997, made the best-performing railroad in North America 2,000 basis points, lower operating ratio than the rest of the industry. Nearly tripled operating profit. OR went from 80% to 63% and then, as again, Hunter is focused on shareholder value, a 5.5 overturn for the investors in Illinois Central. Then he went to Canadian National when that transaction was acquired and a trust deal, and he led the transformation of CN into the best performing railroad in North America.

EBIT is up almost threefold. OR from 78% to 67%. This is 67% in 2009, which, as you know, was a recession year. A fivefold return 5.25 fold return to shareholders. I think the very important point here and this really gets to whether the changes that are being made are cut to the bone short-term changes. Even after Hunter left CN, CN has continued to improve. The OR has continued to drop, the revenues have continued to grow. These are changes that have sustainable long-term value, and then Hunter went to Canadian Pacific. Again, Hunter only knows how to increase profits by looks like threefold many lease if you look at the chart. OR from 81% to 60%, a fourfold return for shareholders, and I think this track record speaks for itself.

Now, on next page, we go through Jim Squires background. Jim is a lawyer. He s educated at a very good law school, University of Chicago Law School and graduated in 1992. And, again, this is just from the company s web site. He joined NS in 1992, so right out of law school, and he served in several law positions according to his bio. He became Vice President of Law in 2003; Senior Vice President of Law in 2004; Senior Vice President, Financial Planning in 2006; Executive Vice President, Finance in 2007; Executive Vice President, Administration in 2012: President in 2013, and then CEO in June, about six months ago and Chairman, a month or so ago. Now, if you look at this bio, obviously, it looks very different from Hunter Harrison. Yes, he s worked at a railroad since 1992. He s worked on the legal and the administrative side and the finance side, not on the operating side. And the problems at NS are not legal, they re not finance and not administration. They re operations. And Jim does not really have an operating background. I guess his first exposure to operations would have been when he became president. But from 2013 to the present, we have not seen an improvement and in the operations of the company.

Next slide, we compare the return of Canadian National versus the return of Norfolk Southern over various periods. We look at when Hunter was at CN, the OR went down 1,170 basis points. The OR increased over that same period by 410 basis points from 1998 to 2009 at Norfolk Southern. Revenue grew about the same, 5% compounded at both places.

Since Hunter retired, CN has continued to outperform NS: Three-fold the return of NS from December 2009 to the present; OR continued to drop from what was already a very low operating ratio by 780 basis points; revenues double NS s growth rate and double the improvement in NS s OR.

And then, if you look at Hunter s tenure over the last four years at CP in terms of relative returns to investors, six-fold return versus Norfolk Southern, revenues compounded annual growth rate at 7% versus negative 1%. Again, these are comparable periods of time in the railroad industry that were in comparison. These do not look like short-term improvements.

Then let s look at the very long-term record. So, Hunter joined CN, call it, 20 years ago. And that gray line that shows the operating ratio dropping like a stone over that period even after Hunter left CN, that s the CN track record. It s really remarkable. The red operating ratio is basically stable, 84 to about 81. Hunter joined CP in June of 2012 and so the OR drops again like a stone. At even more dramatic basis than the OR of much more quickly, frankly, this is my argument about the 71-year-old CEO. He works faster now than he did 20 years ago. But take a look at Norfolk Southern, 20 years and some notes with it looks found a mountainous period here during the Conrail integration but back to low 70s OR. 20 years without improvement.

And then let s talk about we ve been here before. So in 2011, we bought a 14% stake in Canadian Pacific with Hunter as our partner. We proposed him to the board of Canadian Pacific. And he said, look, you have the worst CEO in North America and we have the best and we d like to replace those two.

And the board didn t like outsiders coming in and telling them that our railroad was underperforming so they came out and said we ve got a new plan and we can beat Mr. Harrison. And they really derided our plan. And they made some remarkable statements, all of which are recorded and I encourage you to go to the CP rising website still left over from a proxy contest. You can watch our Analyst Day.

But the CEO on their Analyst Day said, curves and grades is physics and the dismissive comments by Mr. Harrison indicates a clear lack of research or understanding or both. So basically, Mr. Green said the laws of physics would not allow Hunter to achieve the results he s achieved.

They said our operating ratio targets for CP are unrealistic and lack credibility. We said the company would get to a 65 OR in four years. The company got to a sub 60 OR in three years. And then because those arguments were not having a lot of credibility with shareholders, believe it or not, the company, the board hired a consulting firm. Oliver Wyman is considered the most highly regarded consulting firm in the railroad industry.

And Oliver Wyman concluded that our multi-year plan, the company s multi-year old plan was ambitious but achievable. They also conclude the Pershing Square stated OR targets both unrealistic and unachievable. So, they paid CAD 5 million to Oliver Wyman to put at a white paper, and the white paper said, Mr. Harrison s never going to achieve these results. So, it just seems familiar to me.

So, the argument always go like this, Hunter shows up, he says, look, I can fix things. The management says, we can do better and they put out a new plan and they say, now, we re going to get it right even after 20 years of failures. Then they say, well, what Hunter says he s going to do here, is just not achievable and now you re not achievable but all the customers are going to flee and that s what s going to happen.

When you look at the track record, when you look at Illinois Central, when you look at Canadian National, when you look at Canadian Pacific, when you look at 50 years of what I can say is the greatest railroad of all time. A three-time awardee of Railroad of the Year just recent last year, so we won again. Facts could not be more historical.

The other point I want to make here is, hey, look, I m very confident that the board of Norfolk Southern is comprised of very high quality, honorable people that I have a lot of respect for. But what happens in situation like this is that pride gets in the way. And perhaps in the case of Mr. Squires, he s been at Norfolk Southern his entire of career. He s now made it to CEO. And unfortunately, Hunter showed up six months after became CEO of the Railroad. I m sure Mr. Squires would prefer to keep his job. And he s fighting awfully hard. But this is not about Mr. Squires job, and this is not about the prestige of being on the Norfolk Southern Board. It s about what s in the best interest of the owners of Norfolk Southern Railroad. It s about what s in the public interest in terms of the railroad infrastructure of the country. And in those respects, this transaction makes enormous sense and it makes no sense for a board to run out and get a white paper so called white paper rhythm the night before our presentation. What they don t even know, the whole presentation is based on CP going into trust, when in fact, the likely plan is for Norfolk Southern to go into trust. And, of course, what we learned is you can pay consultants and they ll say what you want.

With that, the facts are clear. I m going to turn it over to Mr. Hunter Harrison.

E. Hunter Harrison

Thanks, Bill, and at this point, Sharon, we re ready to take questions from the audience.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Your first question comes from Scott Group from Wolfe Research. Please go ahead.

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Scott Group Q

Yeah. Hey, thanks. Good morning, guys. So

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Good morning, Scott.

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Scott Group Q

I think voting trust structure is really key here. And the idea of putting CP in trust is new to us. So, can you discuss is there any precedent for the acquiring railroad to go into trust. And maybe just some more color, we ve heard from NS about the reasons they re so confident that trust can t get approved. Maybe, can you share any conversation you guys have had with past STB members, maybe including Linda Morgan in the past? Why do you think this structure can be approved?

And then, just with that, if at some point we learn that you couldn t run Norfolk while in trust, would you still be pursuing the transaction?

Paul A. Guthrie A

It s Paul Guthrie. First of all, no, it s premature for us to have any discussions with the STB staff that has not been done. Yes, we were blessed with having Linda Morgan, as you know, is the ex-chairperson of the STB on our board. And we had many discussions with her at the board level and at the personal level about the voting trust and other regulatory matters. I think she would be very surprised to hear that the that people say that it s impossible to have the voting trust approved by the current STB board. She was always very supportive of the fact that mergers could take place in the appropriate circumstances, and I think you ve heard this morning why it s appropriate that this merger should be approved.

A

Scott, what I wanted to add to that is that, really, the only thing that s changed in the standards is the public interest test with the trust and I it s beyond me to try to understand what s not going to be in the public interest here. And one of the reasons that we were are still trying to engage in a dialogue, that if there are advantages that our friends at NS know or understand about which company is better, put in trust, we d like to hear those and put them in the blender. But if there s no dialogue, then we are left to independently make the decision alone as to which way we should proceed. But I think that my view, when all is said and done, the trust issue is not a major hurdle.

William Ackman Q

Actually, Paul, I think the other question was is there a precedent for the acquiring company to be in trust versus the target company and maybe you can address what we ve learned on that perspective.

Paul A. Guthrie A

Well, in the CNIC situation, that, of course, was exactly that situation with and Hunter would be familiar with that.

William Ackman Q

So, CN was in trust and IC.

Paul A. Guthrie A

No. IC was in trust.

A

It was actually so what are the rules with respect to does the STB required the target from to be in trust or to either company?

A

No. Either company can be entrusted. If that s the question.

A

Right.

Scott Group Q

Okay. That s helpful. And then just second question for Hunter and also for you, Bill. So, can you guys talk about the next steps in it seems like it might be tough to reach a deal directly with NS management. So, what are the steps you guys are thinking about to get a deal done and may be improving the terms even more if it s best required? Would you consider more cash very stock? Would you consider higher price as I think many were expecting today?

And then, Bill, can you comment, if you loan any NSG stock, if you are able to own NSC stock and then do you think would you consider I mean, you re leading a proxy contest to bring this to a vote?

E. Hunter Harrison A

Well, from my standpoint, Scott, one of the things I ve learned over time, it s kind of hard to learn, but never say never. But our interest right now is to try to engage in a dialogue with Norfolk Southern. That s the best outcome for all of them. One of the things we lose sight of is whatever the outcome is here is we get two railroads to run going forward. Now, to create a lot of adversarial relationships in this is just not healthy.

So, if we could sit down and end our dialogue, that s step number one. I don t want to speculate and draw lines in the sand about what might be next. I personally think that the offer is also nice, it s very generous. I think it meets the criteria. But that s for others to decide. But I think that that s what we ll be trying to pursue.

William Ackman A

And I guess from our perspective, I can give a perspective of a shareholder activist. If I were not on the board of CP, I would be buying stock today in NS and considering seriously putting up a slide of directors as a shareholder activist. And I think the Carl Icahns of the world, the Dan Loebs, the Janas, I mean, this is an ideal activist situation. You have a transaction where the company, if the transactions goes through, is worth CAD 125 plus to NS shareholders, and if the transaction fails, you have a management team that has a CAD 90 sort of price start. So, that should motivate activist to come in. Putting aside activist, basically, I would think the big shareholders of Norfolk Southern railroad are going to pick up the phone, are going to call the management and speak to the board, and people will sort of come to their senses.

Now, I do think I think it was appropriate for the board to reject our first overture because there was uncertainty and there was value. And it s very common in a situation like this for a first offer to be rejected. Now, in response to the rejection of the offer, we ve made very material changes to the deal. We brought forward the timing 18 months, the transaction closes, you receive cash in six months instead of maybe in two years, you receive stock in a new company and a lot of more that value is being shared with shareholders.

And so this is a much higher offer. It s a 30% higher offer based on where we expect the stock to trade, and we encourage you to do your own analysis. If you don t agree with our CAD 125 value for NS, what is your 2017 earnings estimate and what multiple would you use? But you re going to get to a number where the stock s worth CAD 120, CAD 130 a share.

That s a huge premium to the market price. It s really not going to be about increasing the offer, it s about engagement. And hopefully, with this offer and with the certainty and the reduction in regulatory risk, the board will consider very seriously. Their advisors will study it and they ll make the right decision to engage.

A

And, Scott, I would just hasten to add the last point is this, not necessarily from a shareholder perspective. But the company said it doesn t matter about the price and that is all about the regulatory and all about the trust. So, they have indicated to us, it doesn t matter what the price is. So, there s no use in all that to make an additional offers that doesn t do anything with the company. Now, when we get to the point of talking to shareholder, it s a different situation, but I d just would hate when they add that.

Scott Group Q

Okay. Thank you for the time, guys.

Operator: Your next question comes from Chris Wetherbee from Citi. Please go ahead.

Chris Wetherbee Q

Thanks for the time.

A

Good morning, Chris.

Chris Wetherbee Q

Good morning. Maybe following up on that question just sort of thinking about that cash versus stock. And I sort of understand the point, and I can sort of get the picture from a valuation perspective, and that would change that with that proportion, the chain of proportions being changed between cash and the stock. But given some of the responses from the company and sort of what we re hearing from shareholders, I guess, I m just a little curious why sort of the cash component maybe didn t go up and how you think about maybe how that could be changed going forward, if it does get changed, that you d pursue this down the road. I guess I m just kind of curious about that.

Mark Erceg A

Well, I think, again, it s important to realize that the offer that we have now brought forward is substantially more financially attractive than the prior one. In the earlier scenario, cash wasn t going to change hands until the final STB approval, which would have been as late as December of 2017. Now, cash is available as early as next spring, which is considerably sooner. And we re increasing the pro forma ownership from 41% to 47%. So, in that sense, they re going to be equal participants in this transcontinental railroad that we re going to put together which is going to have, as we said earlier, CAD 1.8 billion with the synergies available to it going forward. So, this is a very, very attractive proposition from a financial standpoint versus their base case, which more or less at that point, suggests they re already overvalued.

William Ackman A

And one thing I would add is in terms of getting a transaction approved, in terms of having a transaction that shareholders are going to support. I think it s very, very important that the combined company has a strong balance sheet. And we re saying a BBB-rated company, as a result of this transaction, which is a strong investment grade credit. If we were to lever up and put more cash in the deal, it would be less valuable to the shareholders and they don t have interest in a much more levered company. Again, this is not a sale of a small company because we re really a big one. right? This is a merger of two similarly-sized companies and as important to the people who own the target as it is to the people who own the acquirer that the combined company is strong financially. And I think we ve heard this is important to the STB as well.

Chris Wetherbee Q

That s helpful. And then, just following up with the second question. Obviously, the trust structure is probably key here and you got to talk a decent amount about that but one of the other sort of pushbacks that we got from Norfolk Southern was really about some of the access ideas from a terminal access perspective and bottleneck pricing. You guys have articulated sort of your strategy is here. How do you think about the potential impact to the industry from a pricing standpoint, the pushback we ve gotten from companies in the industry is the potential risk to pricing some of the big gains have been made over the last decade or so. So, how do you think about that going forward, and what could this potentially do with anything to that dynamic?

E. Hunter Harrion A

I mean, what we ve said before, Chris, is that we re not suggesting being so presumptuous to suggest to the board what they should do. What we re saying is here s what we will do in this situation, which we think is appropriate for us and our customers, given that we re allowed to do the transaction. And, clearly, it s pro competitive, it possesses all the things that we ve ever heard from the shipping public. And this company, since I ve been associated with it and I think you ll be checking my track record where I ve been, I ve never been in that because of bottleneck. I ve never been an advocate of paper barriers. I ve never been an advocate of, and been concerned about, access. But this is not different position that we re trying to take advantage of what s the right thing to say today. Keith, do you want to add to that?

Keith Creel A

Yeah. I was going to say, just look north of the border, look to Canada, you ve got the two most financially successful, service successful, operation efficiency successful railways in the industry that, although, it s not the exact same idea, we still face the same competitive issues that you might be concerned about over at NS or CSX or any other road. And we survive and we try. If you re willing to compete and provide a service to your customers, I got to reward the business to you and you re going to do well. The ones that can do that well, will do well. The ones that can t, maybe not so much. Bt at the end of the day, we intend to be a leader in that regard.

Chris Wetherbee Q

So, it really comes down to service. All right. That s great. Thanks very much for the time. I appreciate it.

A

Yeah. Thanks, Chris.

Operator: Your next question comes from Tom Wadewitz from UBS. Please go ahead.

Thomas Wadewitz Q

Yeah. Good morning. And thanks for all the information in the call. It s great to have a lot of further details so we can understand the approach. It seems like, I know Hunter, you ve said that you re highly confident that you ll get this voting trust structure approved. It seems that we don t have much in terms of the precedents post 2001. I know you cited Genesee & Wy and RailAmerica, but that s a different type of railroad. And so, I guess, is it what is it that gives you the confidence that there wouldn t be an issue with control, which I think would be a point to say, well, yes, you leave CP and go to Norfolk, but you still know Keith well. You were the CEO and there s some element of residual control or relationship. What gives you so much confidence that wouldn t be an issue or is it just a probabilistic in how we think it s 70% and we just we got to see it s worth, we just got to go forward and see what happened.

E. Hunter Harrison A

Well, I mean, Tom, I d go back to a little bit of the precedent in the history in the past. There has never been I know the rules have changed a little bit, but there has been seldom cases of trust being turned down if you go back to the public record.

Now, all we have in this case is effectively different is talking about the public interest. I don t understand the argument that to put a company in trust is not in the public interest. I think we made a pretty compelling case of all the improvements we can make that are in the public interest. So, if it s in the public interest, if the Service Transportation Board retains oversight, why not do it?

If you cannot get a trust approved, they should have just written a law and said there s no more mergers. There has to be a mechanism, and as I understand it, there were some statements made at one of the conferences that the trust was kind of the gold standard now for approval of mergers. So, maybe I m being too logical and rational here, but this makes sense. But I just can t see the argument against it.

Keith Creel A

Let me if I could add to that, Hunter, back Tom, since you mentioned my name, I ll take you back to personal experience. Back in 1998, 1999 when IC was put in trust, Hunter was the CEO of IC, Hunter left, severed from IC, went to the Canadian National and started their journey ahead of the approval.

Now, going back to the IC, there were a lot of us that were trained and taught and developed our operating ability by Hunter and certainly, we ran the railway to make him proud, but at the end of the day, we know what the law says, we complied with the law, we respected the law and not only did they approve, they approved the deal early and they reduced the oversight period. So, I would say, experience speaks to that point significantly.

William Ackman A

If I can just add one thing. Hunter would be leaving the entity that s held in trust to go take another job. If his contract actually were over, he could do that anyway and no one would stop that. And then lastly, I d say, what s the downside? We can t with precision tell you what the probability is. We can tell you what our best judgment is. The upside, if the transaction happens is enormous. If we signed a merger agreement, lawyers will spend some legal fees over the next few weeks, we applied for a trust transaction. And let s say, it gets turned down 90 days later, no harm, no foul, there s been no negative impact on either railroad. So, I think, you just look at these things on downside versus upside, I don t see any downside than a few million dollars of legal fees, the upside is enormous.

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Mark Erceg A

And they do basically approve the trust but then ultimately come to a different final determination and you still get a significant portion of the operational improvement in that interim period. And you still then end up with an entity that s running considerably better than it is today. And your valuation is the $125. So, there is no downside in any permutation that one can put forward constructively at this point in time.

E. Hunter Harrison A

Last point, I heard this on your call the other day that we could do alliances just as easy. Well, people that talk about doing alliances, just don t understand railroading. Our weakness right now in the business and you know this as well as I, if I get a customer asking me, what our service is from Central Canada to Florida, all I can tell them is what it does going to Chicago. I have no idea what the final service is because I have no control over. So, end-to-end, okay, one quoted service and rate is powerful. And you can t do that through alliances.

Thomas Wadewitz Q Q

If I could I appreciate that really thorough response from all of you. If I could ask a second question. With respect to the final ruling on the rail combination not a voting trust but the rule on actual application for the combination, you could say, the shippers aren t the biggest hurdle here, maybe the other railroads because you re doing some pretty innovative things to help increase access and to help offer something to shippers.

I think Paul said that you don t believe CP and NS would prompt others to merge, and it wouldn t be a downstream effect. Why do you have the view that there wouldn t be downstream effects, and how do you think you kind of get over the bar of resistance that themes likely from the other railroad to the final approval of your deal? And thank you for the answer.

E. Hunter Harrison A

Let s take it a step at a time. Number one, and I don t want to paint everybody with a broad brush, but let s say railroad A objects. Why do they object? Why do they object to something that s pro-competitive? Why do they object? You know what they re objecting for? They re hiding behind this whole issue of saying, look, we like this duopoly. We don t like to have more competition brought in. We like to have paper barriers, we like to have that artificial protection, and it s being stripped from them.

Now, as far as downstream effects, look, I can make a case that the four big boys in the U.S., that somehow they d do some combination. CP doesn t have any compelling position there that s going to hurt them. So, it s their decision I don t see as automatic that they ve got to merge themselves with the two giants in the west because of something that CP is doing, This Western Canadian railroad. So, I just think it s a lot of rhetoric about nothing.

Thomas Wadewitz Q

And ultimately, Hunter, if the STB decides that s going to have downstream effects that are negative, they won t approve the merger.

E. Hunter Harrison A

That s right.

Thomas Wadewitz Q

But still the vast majority of the economic benefit, the operational improvements are you you re going to get anyway, right? And if our proposed your proposed operational changes and your offerings, the STB decides, you know what, that s going to be bad to the other railroads, they don t have to accept those proposed changes. They can propose other ones.

We can consider them and decide whether or not we want to go forward?

E. Hunter Harrison A

I guess what we should do, Tom, is let them be a part too. I m just kidding. Okay.