CANADIAN NATIONAL RAILWAY CO
Form 11-K
June 10, 2014

Securities and Exchange Commission
Washington, D.C. 20549

Form 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(D) OF
THE SECURITIES ACT OF 1934

For the fiscal year ended: December 31, 2013

Commission file numbers: 333-163862 and 333-53420

CANADIAN NATIONAL RAILWAY COMPANY
UNION SAVINGS PLAN FOR U.S. OPERATIONS
(Full title of the plan)

CANADIAN NATIONAL RAILWAY COMPANY
(Name of issuer of securities)

935 de La Gauchetiere St. West, Montreal, Quebec, Canada H3B 2M9
(Address of issuer's principal executive offices)

CANADIAN NATIONAL RAILWAY COMPANY
UNION SAVINGS PLAN FOR U.S. OPERATIONS

Financial Statements and Supplemental Schedule
As of December 31, 2013 and 2012
(With Report of Independent Registered Public Accounting Firm Thereon)

CANADIAN NATIONAL RAILWAY COMPANY
UNION SAVINGS PLAN FOR U.S. OPERATIONS

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All other schedules required by 29 CFR 2520.103-10 of the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable or required.

Report of Independent Registered Public Accounting Firm

The Plan Administrator
Canadian National Railway Company
Union Savings Plan for U.S. Operations:

We have audited the accompanying statements of net assets available for benefits of Canadian National Railway Company Union Savings Plan for U.S. Operations (the Plan) as of December 31, 2013 and 2012, and the related statement of changes in net assets available for benefits for the year ended December 31, 2013. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2013 and 2012, and the changes in net assets available for benefits for the year ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule H, line 4i – schedule of assets (held at end of year) as of December 31, 2013 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

(signed)

KPMG LLP

Chicago, Illinois
June 10, 2014

CANADIAN NATIONAL RAILWAY COMPANY
UNION SAVINGS PLAN FOR U.S. OPERATIONS
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2013 AND 2012

	2013	2012
Plan interest in Canadian National Railway Master Trust, at fair value (note 6)	$ 259,646,708	$ 224,761,702
Receivables:		
Participants' loan reimbursement	187,892	149,717
Participants' contributions	807,658	685,804
Employer's contribution	112,313	93,571
Notes receivable from participants	10,555,132	8,569,621
Total receivables	11,662,995	9,498,713
Net assets available for benefits at fair value	271,309,703	234,260,415
Adjustment from fair value to contract value for interest in Canadian National Railway Master Trust relating to fully benefit-responsive investment contracts	(237,159)	(501,589)
Net assets available for benefits	$ 271,072,544	$ 233,758,826

See accompanying Notes to Financial Statements.

CANADIAN NATIONAL RAILWAY COMPANY
UNION SAVINGS PLAN FOR U.S. OPERATIONS
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2013

		2013
Plan interest in investment income of the Canadian National Railway Master Trust (note 6)	$	44,395,599
Interest income on notes receivable from participants		439,746
Contributions:		
Participants'		16,304,633
Employer's		2,182,783
Rollovers		564,513
Total contributions		19,051,929
Transfer in of plan assets (note 4)		2,579,569
Deductions from net assets:		
Participants’ distributions		28,247,940
Transfer out of plan assets (note 4)		807,133
Administrative expenses		98,052
Total deductions		29,153,125
Net increase		37,313,718
Net assets available for benefits, beginning of year		233,758,826
Net assets available for benefits, end of year	$	271,072,544

See accompanying Notes to Financial Statements.

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CANADIAN NATIONAL RAILWAY COMPANY
UNION SAVINGS PLAN FOR U.S. OPERATIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

1. DESCRIPTION OF PLAN

Canadian National Railway Company (CN or the Company), directly and through its subsidiaries, is engaged in the rail and related transportation business.

The following description of the Canadian National Railway Company Union Savings Plan for U.S. Operations (the Plan) provides only general information. Participants should refer to the summary plan description for a more complete description of the Plan's provisions.

General
The Plan covers eligible union employees of Illinois Central Railroad Company, Grand Trunk Western Railroad Incorporated, Chicago, Central and Pacific Railroad Company, Wisconsin Central Limited (WC), Sault Ste. Marie Bridge Company, Bessemer and Lake Erie Railroad Company and the Pittsburgh and Conneaut Dock Company. Grand Trunk Corporation, which owns directly or indirectly all of the above U.S. affiliates of CN, is the Plan's sponsor. Grand Trunk Corporation is a holding company owned by CN. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

On January 1, 2013, Elgin, Joliet and Eastern Railway Company (EJ&E), an employer previously included in the Plan, was merged into Wisconsin Central Limited. This does not result in any change to the eligibility or benefits of EJ&E employees.

The Plan is a defined contribution plan, offering all eligible employees an opportunity to defer annually from 1% to 100% of their eligible earnings, subject to the legal limits allowed by the Internal Revenue Service (IRS), for contribution to various investment funds. These funds and their investment objectives are described in Note 3. Eligible employees may participate in the Plan any time on or after their date of hire.

Administration of the Plan
The Grand Trunk Corporation Board of Directors has delegated responsibility for the general operation and administration of the Plan and for carrying out and interpreting the Plan's provisions to the Investment Committee of Savings Plans of U.S. Operations (Investment Committee).

Trustee and Record Keeper
The Investment Committee has appointed Fidelity Management Trust Company (FMTC) as trustee and Fidelity Investments Institutional Operations Company, Inc. as transfer agent and record keeper of the Plan. Other affiliated Fidelity companies provide certain ministerial recordkeeping and administrative services to the Plan pursuant to an agreement entered into with the Plan Sponsor.

Contributions
Eligible participants may elect to make contributions to the Plan in amounts ranging from 1% to 100% of their annual eligible earnings on a before-tax basis subject to certain limitations. Such contributions are withheld from each participant's compensation and deposited in the appropriate fund in accordance with the participant's directives. Consistent with provisions established by the IRS, the Plan's limit on pre-tax contributions by a participant was $17,500 for 2013. Participants who are at least age 50 by the end of a particular plan year and have contributed the maximum 401(k) deferral amount allowed under the Plan for that year are eligible to contribute an additional portion

of their annual eligible earnings on a before-tax basis as “catch-up” contributions, up to the annual IRS limit of $5,500 for 2013.

For employees who are members of participating unions, the Company generally contributes to the account balance of the Plan participants a “matching contribution” equal to 25% of the first 4% of annual eligible earnings the participant defers (a maximum Company match of 1% of eligible earnings) in accordance with such unions' respective collective bargaining agreements. The Company does not match the participants' "catch-up" contributions.

Participants may elect to rollover amounts from other qualified plans or individual retirement account into the Plan provided that certain conditions are met.

Participant Accounts
Participants direct the investment of their account balance into a broad range of investment funds offered by the Plan. The Plan record keeper maintains an account balance in the name of each participant to which each participant's pre-tax contributions, the Company's contributions, and share of net earnings, losses and expenses, if any, of the various investment funds, are recorded. Interest, dividends, and realized and unrealized gains and losses on investment of the funds are allocated directly to each participant's account. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting
Participants are fully vested in their account balance at the time of contribution, including the Company's matching contribution and related earnings from such contributions.

Distributions
Participants are eligible for a distribution of the Plan benefits upon termination of service, whether by disability, retirement, death, or termination of employment from the Company.In the event of financial hardship, as defined in the Plan, participants may withdraw amounts from their Plan accounts while they are still employed. Participants who have attained age 59½ may request a distribution of all or a portion of the value in the account. Withdrawals by the participant before attaining age 59½ generally are subject to a penalty of 10%.

Notes Receivable from Participants
Participants may borrow from their accounts by taking one loan with a minimum amount of $1,000, and a maximum amount of $50,000, reduced by the participant's highest outstanding loan balance in the prior one-year period (if any) or 50% of their vested account balance. General purpose loans must be repaid within 5 years; if the funds are used to construct or purchase a primary residence, funds must be repaid within 10 years. The interest rate on the loans is equal to the prevailing prime rate as of the beginning of the calendar quarter in which the participant applies for the loan plus 1%, which ranged from 4.0% to 10.5% for loans outstanding at December 31, 2013. Principal and interest are paid in equal installments through employee payroll deductions. Participants may prepay the entire outstanding loan balance at any time without penalty. Loans deemed to be in default are recorded as distributions.

At December 31, 2013 and 2012, loans outstanding were $10,555,132 and $8,569,621, respectively, net of deemed defaulted loans of $792,116 and $699,547, respectively, with maturity dates through November 2023.

Termination of Service
Upon termination of service, a participant may leave their account in the Plan, or may elect to receive the value of their account in a lump-sum payment or as a direct transfer to another qualified retirement plan subject to certain conditions. However, a participant with an account balance of $5,000 or less may select from the latter two options only.

Expenses

All administrative expenses are paid from Plan assets. The Investment Committee, appointed by the Board of Directors, employs an independent investment consultant to evaluate investment options, conduct fund searches, and monitor fund manager activity, of which the fees incurred are paid from Plan assets. In addition, certain investment related expenses reduced investment income presented in the accompanying statement of changes in net assets available for benefits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The financial statements of the Plan are prepared under the accrual method of accounting.

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The statement of net assets available for benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

Use of Estimates
The preparation of the financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires the Plan Administrator to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation
The Plan's investments are stated at fair value. The fair value of the Plan's interest in the Canadian National Railway Master Trust (Master Trust) is based on the specific interest that each plan has in the underlying participant directed investment options. Investments in mutual funds and money market funds are valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded. Common stocks are valued at the last reported sales price or closing price by the national securities exchange on which it trades. The CN Stock Fund is tracked on a unitized basis, whereby the value of a unit reflects the combined market value of CN common stock and the cash investments held by the fund. The Master Trust's interest in the Fidelity Managed Income Portfolio II (FMIP II), which is fully benefit-responsive, is presented at fair value, which represents NAV, of units held by the Master Trust, with separate disclosure of the adjustment from fair value to contract value, which is equal to principal balance plus accrued interest. The fair value of the FMIP II is calculated by the issuer utilizing quoted market prices, most recent bid prices in the principal market in which securities are normally traded, pricing services and dealer quotes. The fair value of underlying wrapper contracts is calculated by the issuer using a discounted cash flow model which considers (i) recent fee bids as determined by recognized dealers, (ii) discount rate and (iii) the duration of the underlying portfolio securities.

The statements of net assets available for benefits includes the fair value of the underlying assets and wrap contracts of the FMIP II based on the proportionate ownership of the Plan.

As of December 31, 2013, there were no reserves against the wrap contracts' carrying values due to credit risks of the issuers. Interest rates are reviewed on a monthly basis for resetting. Certain events could limit the ability of the Plan to transact at contract value with the issuers of the contracts held by the FMIP II. Such events could include, but are not limited to, the following: the establishment of a defined contribution plan that competes with the Plan for

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contributions, substantive modification to the FMIP II or the administration of the FMIP II, change in law, regulation or administrative ruling applicable to the Plan that could have a material adverse effect on cash flow, transfer to a competing investment option, and failure of the Plan to qualify under the applicable sections of the Internal Revenue Code of 1986, as amended (the Code). Withdrawals initiated by the Plan Sponsor will normally be provided at contract value as soon as practicable following the required twelve months written notice. Withdrawals initiated by Plan participants may be made on any business day and are processed on the same business day. Transfers made by Plan participants from the FMIP II cannot be reinvested into competing investments, money market or fixed income funds, for ninety days from the date of the transfer. The Plan does not believe that the occurrence of any of these events, which could limit the Plan's ability to transact at contract value with participants, is probable.

The average yields earned by the FMIP II were approximately 1.59% and1.73% at December 31, 2013 and 2012, respectively. The average yields earned by the FMIP II based on the actual interest rates credited to participants were approximately 1.14% and 1.28% at December 31, 2013 and 2012, respectively.

The methods described above may produce a fair value calculation that may not be indicative of net asset value or reflective of future fair values. Furthermore, while the Plan's valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Notes Receivable from Participants
Notes receivable from participants are measured at their unpaid principal balance plus accrued but unpaid interest. Delinquent participant loans are reclassified as a distribution based upon the terms of the Plan document.

Security Transactions and Related Investment Income
Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date, and interest income is recorded on the accrual basis.

Net appreciation (depreciation) of investments includes the realized gains and losses on the sale of securities and the unrealized appreciation and depreciation in the fair value of investments.

Distributions
Distributions to participants or beneficiaries are recorded upon payment.

Contributions Receivable
Contributions receivable are the amounts due, as of the date of the financial statements, to the Plan from the Company and participants. Participant contributions from employee payroll deductions made subsequent to the Plan's year-end attributable to the preceding Plan year are accrued, as are Company contributions coinciding with these salary deferrals, if any.

3. DESCRIPTION OF INVESTMENT FUNDS

Participants direct the investment of their account balance into a broad range of investment funds offered by the Plan, within the Master Trust. The Investment Committee may add, remove or replace any investment funds as appropriate and as allowed by the Plan document and the Statement of Investment Policy.

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