

SOLICITATION BY AND ON BEHALF OF  
**Pershing Square Capital Management, L.P., Pershing Square, L.P., Pershing  
Square II, L.P. and Pershing Square International, Ltd.**  
FOR THE SUPPORT OF THE HOLDERS OF COMMON SHARES OF  
**CANADIAN PACIFIC RAILWAY LIMITED**

This amended and restated proxy circular, including any further supplements hereto or amendments and restatements hereof (together, the "Circular"), prepared by Pershing Square Capital Management, L.P. on behalf of itself and as investment manager to and on behalf of each of Pershing Square, L.P., Pershing Square II, L.P. and Pershing Square International, Ltd. (collectively, "Pershing Square", "we" or "our"), solicits your **SUPPORT** for a **Change in the Directors of Canadian Pacific Railway Limited**.

Pershing Square is not asking shareholders to send a form of proxy at this time, as Canadian Pacific Railway Limited ("Canadian Pacific" or the "Company") has yet to formally call its 2012 annual general shareholders meeting or issue formal notice of the meeting and its management information circular. The Company has publicly announced that the meeting will be held on Thursday, May 17, 2012 in Calgary, Alberta. Accordingly, Pershing Square has prepared and filed this Circular in order that it may at this time have discussions with shareholders regarding its nominees for election to the Canadian Pacific Board of Directors in compliance with the solicitation requirements under applicable Canadian corporate and securities laws.

Pershing Square is soliciting your support and, ultimately, intends to solicit BLUE forms of proxy, in support of the election at the Company's 2012 annual general shareholders meeting, of the following nominees as directors of Canadian Pacific in place of a subset of the nominees to be proposed for election by the Company in its proxy materials: William A. Ackman, Gary F. Colter, Paul G. Haggis, Paul C. Hilal, Rebecca MacDonald and Dr. Anthony R. Melman.

Further details concerning our proposed nominees are contained in this Circular.

Once Canadian Pacific has formally called and issued notice of its 2012 annual general shareholders meeting together with its management information circular, we expect to issue a further supplement to or amendment and restatement of this Circular (the "Final Pershing Square Circular") containing further disclosure concerning our proposal, including our vision for the Company and our reasons for seeking to elect our proposed nominees to the Board of Directors of the Company in place of a subset of the nominees to be proposed by the Company in its proxy materials, together with additional details concerning the completion and return of proxies to be provided by Pershing Square for use at the meeting. **WE URGE SHAREHOLDERS TO MONITOR AND REVIEW OUR PUBLIC DISCLOSURE FOR FURTHER INFORMATION, INCLUDING THE FINAL PERSHING SQUARE CIRCULAR, AS IT BECOMES AVAILABLE.**

Amended and Restated as of February 22, 2012

## **NOTICE TO UNITED STATES SHAREHOLDERS**

This solicitation of proxies is not subject to the requirements of Section 14(a) of the United States Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"). Accordingly, this solicitation is made in the United States with respect to securities of Canadian Pacific in accordance with Canadian corporate and securities laws and this Circular has been prepared in accordance with disclosure requirements applicable in Canada. The Company shareholders in the United States should be aware that these Canadian requirements are different from the requirements applicable to proxy statements under the U.S. Exchange Act.

## **FORWARD-LOOKING STATEMENTS AND INFORMATION**

Information included, attached to or incorporated by reference, if any, into the Circular, may contain forward-looking statements or forward-looking information. All statements and information, other than statements of historical fact, included or incorporated by reference in this Circular are forward-looking statements and forward-looking information, including, without limitation, statements regarding activities, events or developments that Pershing Square expects or anticipates may occur in the future. These forward-looking statements and information can be identified by the use of forward-looking words such as "will", "expect", "intend", "plan", "estimate", "anticipate", "believe" or "continue" or similar words and expressions or the negative thereof. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements and information are based will occur or, even if they do occur, will result in the plans, results or performance expected. We caution readers of the Circular not to place undue reliance on forward-looking statements and information contained in the Circular, which are not a guarantee of performance, events or results and are subject to a number of risks, uncertainties and other factors that could cause actual results, performance or events to differ materially from those expressed or implied by such forward-looking statements or information. These factors include general economic and market conditions, changes in law, changes in management, changes in board composition, actions of Canadian Pacific and its subsidiaries or competitors, the ability to implement business strategies and plans and pursue business opportunities and conditions in the railway and transportation industries. Canadian Pacific's shareholders are cautioned that all forward-looking statements and information involve risks and uncertainties, including those risks and uncertainties detailed in the continuous disclosure and other filings of Canadian Pacific and its subsidiary Canadian Pacific Railway Company with applicable Canadian securities commissions, copies of which are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com). We urge you to carefully consider those factors.

The forward-looking statements and information contained in the Circular are expressly qualified in their entirety by this cautionary statement. The forward-looking statements and information included in the Circular are made as of the date of the Circular and Pershing Square undertakes no obligation to publicly update such forward-looking statements or information to reflect new information, subsequent events or otherwise, except as required by applicable laws.

## **CURRENCY**

Unless otherwise indicated, all amounts in this Circular are stated in Canadian dollars.

## **AMENDED AND RESTATED CONCERNED SHAREHOLDER PROXY CIRCULAR**

### **BACKGROUND AND REASONS FOR THIS SOLICITATION**

This amended and restated information circular, including any further supplements hereto or amendments and restatements hereof (together, the "Circular") and any form(s) of proxy and/or voting instruction form(s) subsequently furnished in connection with the Circular, is being provided in connection with the solicitation by and on behalf of Pershing Square Capital Management, L.P. on behalf of itself and on behalf of each of the funds it manages (collectively, "Pershing Square", "we" or "our") of your support for, and, ultimately, for proxies to be used at the upcoming annual general meeting of holders of common shares (the "Shares") of Canadian Pacific Railway Limited ("Canadian Pacific" or the "Company"), scheduled to be held on Thursday, May 17, 2012 in Calgary, Alberta, and at any and all adjournment(s) or postponement(s) of such meeting (the "Meeting"). Pershing Square Capital Management, L.P. is acting in its capacity as investment manager to Pershing Square, L.P., Pershing Square II, L.P. and Pershing Square International, Ltd. William Ackman is the Chief Executive Officer of Pershing Square Capital Management, L.P. and the Managing Member of its general partner, PS Management GP, LLC. The information contained in this Circular is given as of the date of this Circular, except where otherwise noted.

**This solicitation is not made by or on behalf of management of the Company.**

Pershing Square is soliciting your support, and ultimately intends to solicit **BLUE** forms of proxy for use at the Meeting, for the election as directors of Canadian Pacific of the following six nominees (the "Shareholder Nominees") of Pershing Square in place of a subset of the nominees to be proposed for election by the Company in its proxy materials:

William A. Ackman  
Gary F. Colter  
Paul G. Haggis  
Paul C. Hilal  
Rebecca MacDonald  
Dr. Anthony R. Melman

Once the Company has formally called and issued a notice of the Meeting and its management information circular (the "Management Circular"), Pershing Square expects to issue a further supplement to or amendment and restatement of this Circular (the "Final Pershing Square Circular") containing additional information concerning our proposal, including our vision for the Company and our reasons for seeking to elect the Shareholder Nominees to the Board of Directors of the Company, as well as providing a **BLUE** form of proxy and/or voting instruction form to be completed, signed and returned to Pershing Square or its appointed agent, for use at the Meeting. In addition, in the Final Pershing Square Circular and in the form of proxy we may also make a recommendation as to which nominees of Canadian Pacific should not be elected at the Meeting.

Pershing Square currently expects that it will send the Final Pershing Square Circular to all holders of Shares of Canadian Pacific (the "Shareholders") by mail, together with a **BLUE** form of proxy that Shareholders will be asked to return. The Final Pershing Square Circular will provide instructions for the completion and return of the form of proxy to be provided by Pershing Square for use at the Meeting. Shareholders are urged to monitor Pershing Square's press releases and other filings in the coming days, weeks and months, to ensure they have all information and are able to take the necessary action within the prescribed time periods in order to show their support for Pershing Square's proposed changes to the Company's Board of Directors and senior management.

**Your support and, ultimately, your vote at the Meeting, are very important to the future of your investment in the Company. Shareholders willing to express their support for Pershing Square may contact Kingsdale Shareholder Services Inc. at 1-866-581-1514 toll-free in North America, or at 1-416-867-2272 outside of North America (collect calls accepted), or by email at [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com).**

We expect that you will receive, in due course, a formal notice of the Meeting and Management Circular from the Company soliciting proxies and a management form of proxy, in connection with the Meeting. **WE URGE YOU NOT TO EXECUTE OR RETURN ANY MANAGEMENT PROXY. IF YOU DO RETURN A MANAGEMENT PROXY, YOU WILL HAVE THE LEGAL RIGHT TO CHANGE YOUR VOTE – TO DO SO, SIMPLY SIGN, DATE AND RETURN THE BLUE FORM OF PROXY TO BE PROVIDED BY PERSHING SQUARE WITH THE FINAL PERSHING SQUARE CIRCULAR.**

Pershing Square is acting on behalf of ALL Shareholders and is seeking to improve Canadian Pacific's long-term performance, not to control the Board of Directors or the Company. As fellow Shareholders, we firmly believe it is time for real change in the direction of Canadian Pacific and have serious concerns regarding the current management of the Company. Accordingly, Pershing Square is currently proposing the election of six Shareholder Nominees. Pershing Square believes that the election of the Shareholder Nominees will revitalize the Board of Directors of the Company and allow for a change in the Company's senior management that will result in substantial improvements in the operating performance of the Company.

## **MATTERS TO BE ACTED UPON – ELECTION OF DIRECTORS**

### **Current Board of Directors**

The current Board of Directors of the Company comprises the following 15 individuals: John Cleghorn, Tim Faithfull, Richard George, Frederic Green, Krystyna Hoeg, Richard Kelly, The Honourable John Manley, Linda Morgan, Madeleine Paquin, Michael Phelps, Roger Phillips, David Raisbeck, Hartley Richardson, Tony Ingram and Edmond Harris. Pershing Square does not currently know which of these individuals Canadian Pacific will nominate for election to the Board of Directors at the Meeting, however, we expect details will be provided in the Company's Management Circular, once filed.

Pershing Square currently intends to seek the election of the six Shareholder Nominees proposed below in lieu of six of the nominees to be proposed for election by Canadian Pacific in its proxy materials. At this stage, Pershing Square is not making a recommendation as to which nominees of Canadian Pacific it believes should not be elected to the Board of Directors at the Meeting. If Pershing Square makes such a recommendation, such recommendation will be set out in the Final Pershing Square Circular that will be issued after the Company files and mails its Management Circular outlining its proposed nominees for election to the Board of Directors.

### **Board of Directors Size**

As indicated above, Pershing Square does not currently know the number of nominees that Canadian Pacific will propose for election at the Meeting in its Management Circular and other proxy materials. Pershing Square may through an amendment or supplement to this Circular nominate a different number of Shareholder Nominees depending, in part, on the number of nominees that Canadian Pacific ultimately proposes in its Management Circular and other proxy materials.

Once Canadian Pacific has issued a formal notice of the Meeting and its Management Circular, we expect to issue a Final Pershing Square Circular containing further disclosure concerning our proposal, including our vision for the Company and our reasons for seeking to elect the Shareholder Nominees to the Board of Directors of the Company in place of a subset of nominees to be proposed by Canadian Pacific, together with additional details concerning the completion and return of **BLUE** proxies to be provided by Pershing Square for use at the Meeting.

### Shareholder Nominees

Pershing Square proposes to nominate the six highly qualified and experienced individuals set out below for election to the Board of Directors at the upcoming Meeting. With the exception of William Ackman and Paul Hilal who are affiliated with Pershing Square, no other Shareholder Nominee is an affiliate or associate of Pershing Square or the Company. Mr. Colter, Mr. Haggis, Ms. MacDonald and Dr. Melman are independent of Pershing Square, with no prior business or personal relationship with Pershing Square or Mr. Ackman, and are resident Canadians. Following the election of the Shareholder Nominees, we expect that the resulting Board of Directors of the Company will continue to be composed of a majority of independent directors. Further information with respect to these nominees is set forth below.

<b>Name, Province or State and Country of Residence of Nominee<sup>(1)</sup></b>	<b>Present Principal Occupation and Occupation(s) for the Previous Five Years</b>	<b>Number of Shares Beneficially Owned or Controlled<sup>(2)</sup></b>
William A. Ackman New York, New York U.S.A.	Chief Executive Officer of Pershing Square Capital Management, L.P. (investment adviser) and Managing Member of its general partner, PS Management GP, LLC (since 2003)	24,159,888 Common Shares <sup>(3)</sup>
Gary F. Colter Mississauga, Ontario Canada	President of CRS Inc. (since 2002) (corporate restructuring, strategic and management consulting company)	Nil
Paul G. Haggis Canmore, Alberta Canada	Chairman of Alberta Enterprise Corporation (Alberta venture fund) (since March 2009)  Former President and Chief Executive Officer of Ontario Municipal Employees Retirement System (OMERS) (pension plan) (September 2003 to March 2007)	Nil
Paul C. Hilal New York, New York U.S.A.	Partner of Pershing Square Capital Management, L.P. (since 2006) (investment adviser)  Former Managing Partner of Caliber Capital Management, L.P. (August 2002 to December 2005) (investment firm)	Nil

<b>Name, Province or State and Country of Residence of Nominee<sup>(1)</sup></b>	<b>Present Principal Occupation and Occupation(s) for the Previous Five Years</b>	<b>Number of Shares Beneficially Owned or Controlled<sup>(2)</sup></b>
Rebecca MacDonald Toronto, Ontario Canada	Executive Chair (since 2007) and Director of Just Energy Group Inc. (independent marketer of deregulated gas and electricity)	Nil
Dr. Anthony R. Melman Toronto, Ontario Canada	Chairman and Chief Executive Officer of Nevele Inc. (since 2006) (provider of strategic business and financial services)  Former Special Advisor, Strategic Acquisitions to Onex Corporation (January 2006 to December 2007) (private equity investment firm)  Former Vice President and Managing Director of Onex Corporation (mid-1984 to January 2006)	Nil

Notes:

- (1) None of the Shareholder Nominees has been or is currently a director of the Company, nor has any of the nominees held any other position or office with the Company or any of its affiliates.
- (2) The information concerning the Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, not being within the knowledge of Pershing Square, has been furnished by the respective Shareholder Nominees. Unless otherwise indicated, (a) beneficial ownership is direct and (b) the person indicated has sole voting and investment power.
- (3) The Shares are beneficially held, or owned or controlled by Pershing Square, L.P., Pershing Square II, L.P. and Pershing Square International, Ltd. and by Pershing Square Capital Management, L.P., as the investment manager and adviser to the forgoing funds. Mr. Ackman is the Managing Member of PS Management GP, LLC, the general partner of Pershing Square Capital Management, L.P.

William A. Ackman, age 45

Mr. Ackman is the founder and Chief Executive Officer of Pershing Square Capital Management, L.P., an investment adviser with \$11 billion of assets under management, founded in 2003 and registered with the United States Securities and Exchange Commission, and the Managing Member of its general partner. Pershing Square is a concentrated research-intensive fundamental value investor in long- and occasionally short-term investments in the public markets, typically focusing on large-cap and mid-cap companies. Investors in Pershing Square's managed funds include university endowments, public and private U.S., Canadian and European pension funds, individuals, charitable foundations and sovereign wealth funds. Mr. Ackman is a director of the J.C. Penney Company, Inc. (NYSE:JCP), Chairman of the Board of The Howard Hughes Corporation (NYSE:HHC), and a director of Justice Holdings Ltd. (LSE:JUSH), a London Stock Exchange listed company. He is also a member of the Board of Dean's Advisors of the Harvard Business School and a Trustee of the Pershing Square Foundation, which has made more than \$130 million in grants towards inner city education, global health care delivery, poverty alleviation, human rights, venture philanthropy, urban planning and the arts. Mr. Ackman received an M.B.A. from Harvard Business School and a Bachelor of Arts magna cum laude from Harvard College. Mr. Ackman is a resident of New York, New York.

Gary F. Colter, age 66

Mr. Colter is the President of CRS Inc., a corporate restructuring, strategic and management consulting company, which he founded in 2002. Previously, Mr. Colter spent 34 years with KPMG Canada and its predecessor firm Peat Marwick, where he was a Partner for 27 years, holding various senior positions, including Vice Chairman of Financial Advisory Services and member of the Management Committee from 1989 to 1998. From 1998 to 2000, Mr. Colter was Global Managing Partner of Financial Advisory Services and a member of a then new International Executive Team for KPMG International. In 2002, he retired as Vice Chairman of KPMG Canada. Since 2002, Mr. Colter has been a director of Owens-Illinois Inc. (NYSE:OI), the largest manufacturer of glass bottles in the world, where he serves on the Governance and Audit Committees and previously Chaired the Audit Committee for over six years. In 2003, he joined the board of Canadian Imperial Bank of Commerce ("CIBC") (TSX:CM; NYSE:CM), a chartered Canadian bank and financial services institution, where he Chairs the Governance Committee and serves on the Audit Committee. He previously served on the Compensation Committee and Chaired the Audit Committee of CIBC for over five years and the Risk Committee for one year. In 2004, he joined the board of Core-Mark Holding Company, Inc. (NASDAQ:CORE), a leading North American manufacturer of fresh and broad-line supply solutions to the convenience retail industry. Mr. Colter is Chair of the Governance Committee and serves on the Audit Committee of Core-Mark. He previously chaired the Compensation Committee for over three years. In 2005, he joined the board of Retirement Residences REIT, a company that provides accommodation, care and services for seniors. In 2007, the company was purchased by Public Service Pension Investment Board and changed its name to Revera Inc. Mr. Colter is Chair of Revera's Audit Committee and serves on the Governance Committee. From 2003 to 2006, Mr. Colter was a director of Saskatchewan Wheat Pool Inc., now Viterra Inc. (TSX:VT). Mr. Colter was Chair of the Audit Committee and a member of the Strategic and Business Planning Committee. Mr. Colter has a B.A. (Honours) in Business Administration from the Ivey Business School of the University of Western Ontario, and is a Fellow Chartered Accountant. He resides in Mississauga, Ontario.

Paul G. Haggis, age 59

Mr. Haggis is currently Chairman of Alberta Enterprise Corporation, a venture capital initiative created by the Alberta Government that invests in funds that finance early stage technology companies. From 1996 to 2001, he served as President and Chief Executive Officer for Alberta Treasury Branches Inc. (now, ATB Financial, Inc.) (ATB), a Crown corporation and the largest Alberta-based financial institution, now with assets of over \$30 billion. He began the first nine years of his career in corporate banking and, in 1988, he joined Metropolitan Life (now, MetLife, Inc.) (NYSE:MET), as Vice-President and Treasurer of its Canadian operations. He subsequently held several senior positions there from 1988 to 1996, including as President and CEO of Metropolitan Trustco and Metropolitan Financial Advisors Ltd. and COO for MetLife's Canadian operations. From 2003 to 2007, Mr. Haggis was President and Chief Executive Officer of the Ontario Municipal Employees Retirement System (OMERS), one of Canada's largest pension plans. From 2000 to 2003, he was a director of the Public Sector Pension Investment Board (PSPIB), where he also served as Interim CEO during 2003. During 2002, he was Executive Vice-President, Development and Chief Credit Officer of Manulife Financial (TSX:MFC; NYSE:MFC). Prior to OMERS, Mr. Haggis served as President and CEO of Edmonton-based Princeton Developments Ltd., a commercial real estate development company. Mr. Haggis is the former Chair of the Board of Borealis Infrastructure Management Inc. and of the Investment Committee of the Insurance Corporation of British Columbia. Since 2008, Mr. Haggis has served as a director and Chair of the Audit Committee of Advantage Oil & Gas Ltd. (TSX:AVV;

NYSE:AVV), an intermediate oil and natural gas company headquartered in Calgary with properties in Western Canada. Mr. Haggis is currently a director of a number of other companies, including: C.A. Bancorp Inc. (TSX:BKP), a Canadian merchant bank (since 2009), where he also serves as Chairman; Liberty Silver Corporation (TSX:LSL), a mineral exploration and development company (since March 2011), where he also Chairs the Governance Committee; and UBC Investment Management Trust Inc., the investment manager of the University of British Columbia (since 2010). He is also a former director/trustee and Audit Committee Chair of Prime Restaurants Inc. and the Royal Ontario Museum. He is a graduate of the University of Western Ontario and a certified Chartered Director through McMaster University. Mr. Haggis is a former officer of the Canadian Armed Forces Reserve, and a resident of Canmore, Alberta.

Paul C. Hilal, age 45

Mr. Hilal is a Partner at Pershing Square Capital Management, L.P., which he joined in 2006. From 2002 to 2005, he was the Managing Partner of Caliber Capital Management, LP, an investment firm. From 1998 to 2001, he ran the information technology sector investment program at Hilal Capital Management. From 1992 to 1997, Mr. Hilal was a Principal at Broadview Associates, providing mergers and acquisitions advisory services to information technology companies. From 1999 to 2000, Mr. Hilal served as the Chairman of the Board and Interim Chief Executive Officer of Worldtalk Communications Corporation. He served as a Director of Ceridian Corporation in 2007, prior to its sale to the Thomas H. Lee Company. He received an A.B. degree in Biochemistry from Harvard College in 1988, a J.D. from Columbia University School of Law in 1992, and an M.B.A. from Columbia University School of Business in 1992. Mr. Hilal is a resident of New York, New York.

Rebecca MacDonald, age 58

Ms. MacDonald is a founder and current Executive Chair of Just Energy Group Inc. (TSX:JE; NYSE:JE), a Toronto-based independent marketer of deregulated gas and electricity, with annual sales of \$3 billion. Just Energy currently supplies more than 3.5 million customers across Canada and the United States, having signed its first customer in 1997. Ms. MacDonald has been a director of Just Energy since 2001 and has held the position of Executive Chair since 2007. In 1989, she founded Energy Marketing Inc., the first company which targeted small customers under Canadian natural gas deregulation, which she subsequently sold. Following the sale of that business, in 1995 she founded another company which aggregated customers within the U.K. natural gas deregulation, which was also sold. Ms. MacDonald served as President and Chief Executive Officer of Just Energy prior to becoming Executive Chair in 2007. Ms. MacDonald is a member of the Board of Governors of the Royal Ontario Museum. She founded the Rebecca MacDonald Centre for Arthritis and Autoimmune Disease at Mount Sinai Hospital in Toronto. She is Vice-Chair of the Board of Directors of Mount Sinai Hospital. Previously, she was a director of the Arthritis Society. In 2002, Ms. MacDonald received the Rotman Canadian Woman Entrepreneur of the Year Lifetime Achievement Award. That same year, the University of Toronto, Rotman School of Business named her Canadian Woman Entrepreneur of the Year. She was also named the top woman chief executive officer for each year from 2003 to 2009 by Profit Magazine. She was named Ontario Entrepreneur of the Year by Ernst & Young in 2003. In 2009, Ms. MacDonald received the Canadian Horatio Alger Award for demonstrated community leadership. She received an honorary degree from the University of Victoria in 2010. Ms. MacDonald is a resident of Toronto, Ontario.



Dr. Anthony R. Melman, age 64

Dr. Melman is the Chairman and Chief Executive Officer of Nevele Inc., providing strategic business and financial advice to a wide range of businesses. Previously, Dr. Melman was a Managing Director (until 2006) and a Special Advisor, Strategic Acquisitions (2006 to 2007) at Onex Corporation (TSX:OCX), a private equity investment firm, which he joined as a Partner and Vice President at its inception in 1984. At Onex, Dr. Melman led or participated in the company's bids for Labatt and Air Canada, and the acquisitions of Sky Chefs Inc., Beatrice Canada and electronics maker Celestica Inc. (TSX:CLS; NYSE:CLS), IBM's manufacturing arm. Together with Celestica's management team he developed Celestica from a single-facility manufacturing operation in Toronto with under US\$1 billion in annualized sales in 1996, to a global public company listed on both the New York and Toronto Stock Exchanges with over US\$10 billion in sales by 2001. Prior to joining Onex, Dr. Melman served as a Senior Vice President of the Canadian Imperial Bank of Commerce in charge of worldwide merchant banking, project financing, acquisitions and other specialized financing activities. Since 2010, Dr. Melman has served as a director and Chair of the Budget and Finance Committee of the Ontario Lottery and Gaming Corporation. He is a past director of Celestica Inc., ProSource Inc. and the University of Toronto Asset Management Corporation. He was, until February 2, 2012, Chair of The Baycrest Centre for Geriatric Care, one of the world's premier academic health sciences centres focused on aging. Dr. Melman will continue as a director of the Baycrest Centre, but has now assumed the role of Chair of Baycrest Global Solutions, a for-profit corporation that will commercialize the intellectual property, assets and technologies of the Baycrest Centre. He is also the former Chair of the Childhood Cancer Charitable Council of the Pediatric Oncology Group of Ontario (POGO) and a member of the Board of Governors of Mount Sinai Hospital. In 2011, Dr. Melman was appointed Chair of the Board of Directors of Cogniciti Inc., a for-profit joint venture created by Baycrest and MaRS Discovery District, an organization that helps science, technology and social entrepreneurs build their companies. Dr. Melman was born in Johannesburg, South Africa, and is a Canadian citizen. He holds a Bachelor of Science degree in Chemical Engineering from the University of the Witwatersrand, an M.B.A. degree (Gold Medalist) from the University of Cape Town and a Ph.D. in Finance from the University of the Witwatersrand. He is a resident of Toronto, Ontario.

Each of the Shareholder Nominees named herein has consented to being named in this Circular and to serving as a director of Canadian Pacific and, if elected, will hold office until the close of the next annual meeting of Shareholders or until his or her successor is elected or appointed, unless his or her office is earlier vacated. If elected, the Shareholder Nominees intend to discharge their duties as directors of the Company consistent with all applicable legal requirements, including fiduciary obligations imposed on all corporate directors.

None of the Shareholder Nominees is, or has been, within 10 years before the date of the Circular, a director or executive officer of any company (including Canadian Pacific) that, while acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days (an "order");
- (b) was subject to an order that was issued after the proposed director ceased to be a director or executive officer and which resulted from an event that occurred while that person was acting in the capacity as director or executive officer; or

- (c) or within a year of ceasing to act in the capacity of a director or executive officer, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

None of the Shareholder Nominees is, as of the date of this Circular, or has been within 10 years before the date of this Circular, bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Except as disclosed below, none of the Shareholder Nominees is to be elected under any arrangement or understanding between such Shareholder Nominee and any other person or company, except as described herein.

In connection with the proxy solicitation contemplated hereby, Pershing Square has entered into customary indemnification agreements with each Shareholder Nominee with respect to the nomination of such individual as a director of Canadian Pacific at the Meeting. Additionally, each Shareholder Nominee has delivered a consent to Pershing Square, consenting to be named as a nominee and to serve as a director of Canadian Pacific, if elected. The indemnification agreements provide, among other things, that:

- Pershing Square will reimburse each Shareholder Nominee for reasonable out-of-pocket expenses arising from or in connection with such person's participation in the proxy solicitation described in the Circular; and
- Pershing Square will, subject to certain exceptions and to the extent permitted by applicable law, indemnify and hold each Shareholder Nominee harmless from and against all losses, claims, damages, liabilities and expenses (including, without limitation, reasonable attorneys' fees) incurred by such nominee in connection with any action, suit or similar proceeding brought by any third party, and also advance expenses in the event such nominee becomes a party to litigation arising out of or relating to this proxy solicitation.

## HOW PERSHING SQUARE WILL VOTE

At the upcoming Meeting, the representatives of Pershing Square currently intend, unless instructed otherwise, to cast the votes represented by each proxy to be provided by Pershing Square and deposited by Shareholders in favour of Pershing Square's proxyholders **FOR** the election of the six Shareholder Nominees to the Board of Directors of the Company in place of a subset of nominees to be proposed for election by the Company, although the actual number of Shareholder Nominees may be different, depending, in part, on the number of directors nominated by Canadian Pacific for election at the Meeting. Pershing Square has not yet formed a recommendation as to which nominees of Canadian Pacific should not be elected to the Board of Directors at the Meeting. If Pershing Square makes such a recommendation, such recommendation will be set out in the Final Pershing Square Circular and its **BLUE** form of proxy. See "Matters to be Acted Upon – Election of Directors" at pages 4 through 10 of this Circular for further details.

## GENERAL PROXY INFORMATION

### *Appointment of Proxies*

The persons to be named as proxyholders in the **BLUE** form of proxy to be provided by Pershing Square once the Company has issued a formal notice of the Meeting and its Management Circular are anticipated to be William A. Ackman or failing him, Paul C. Hilal. Mr. Ackman is the Chief Executive Officer of Pershing Square Capital Management, L.P. and the Manager Member of its general partner, PS Management GP, LLC, and is also one of the proposed Shareholder Nominees. Mr. Hilal is a Partner at Pershing Square Capital Management, L.P. and is also one of the proposed Shareholder Nominees.

**A Shareholder has the right to appoint a person or company (who need not be a Shareholder) other than the persons designated in any form of proxy provided to the Shareholder, to represent the Shareholder at the Meeting. You will be able to exercise this right by striking out those names appearing on the form of proxy and inserting the name of the person you wish to appoint as your representative in the blank space provided in the form of proxy to be provided or by submitting another appropriate form of proxy.** If you beneficially own your Shares but are not the registered holder, see "– Non-Registered (Beneficial) Holders of Shares" at pages 13 to 14 of this Circular for important information about how to appoint a representative of Pershing Square as proxyholder for your Shares.

A properly completed form of proxy will automatically revoke an earlier form of proxy deposited by you in respect of the Meeting. If you are a registered holder of Shares you may also revoke any proxy you have already given to management or any other form of proxy previously given by you by attending the Meeting and indicating your wish to vote in person.

### *Corporate Shareholders*

Any Shareholder that is a corporation may by resolution of its directors or other governing body authorize such person as it thinks fit to exercise in respect of and at the Meeting the same powers on behalf of the corporation as that corporation could exercise if it were an individual shareholder personally present, including the right (unless restricted by such resolution) to appoint a proxyholder to represent such corporation. Evidence in writing of the appointment of any such representative should accompany a corporate shareholder's completed proxy.

### ***Revocation of Proxies***

A registered holder of Shares that gives a proxy, may revoke it:

1. by completing and signing a valid proxy bearing a later date and returning it in accordance with the instructions contained in the **BLUE** form of proxy to be provided by Pershing Square, or as otherwise provided in the Final Pershing Square Circular, once made available to Shareholders; or
2. by depositing an instrument in writing executed by you or by your attorney authorized in writing, as the case may be: (i) at the registered office of the Company at any time up to and including the last business day preceding the day the Meeting or any adjournment or postponement of the Meeting is to be held, or (ii) with the Chairman of the Meeting prior to its commencement on the day of the Meeting or any adjournment or postponement of the Meeting; or
3. in any other manner permitted by law.

If you are the beneficial owner, but not the registered holder, of your Shares, see "– Non-Registered (Beneficial) Holders of Shares" at pages 13 to 14 of this Circular for instructions on how to revoke any proxies you give in connection with the Meeting.

### ***Voting of Shares Represented by Proxy***

The Pershing Square representatives designated in the proxy to be deposited by you once such **BLUE** form of proxy is made available by Pershing Square, and as provided in this Circular and the Final Pershing Square Circular, will vote your Shares represented by that proxy in accordance with your instructions on any ballot that may be called at the Meeting.

If you specify a choice with respect to voting in the proxy to be provided by Pershing Square, your Shares will be voted accordingly. **If you do not specify a choice in such proxy or in an otherwise valid proxy, your Shares to which the proxy pertains will be voted FOR the election of the six Shareholder Nominees to the Board of Directors of the Company in place of a subset of the nominees to be proposed for election by the Company, and/or otherwise as will be described in the Final Pershing Square Circular.**

**The BLUE form of proxy to be provided by Pershing Square in connection with the Final Pershing Square Circular and the upcoming Meeting will confer discretionary authority upon the persons named therein to vote in the judgment of those persons in respect of amendments or variations, if any, to matters identified in the Company's formal notice of meeting to accompany the Management Circular and other matters, if any, which may properly come before the Meeting.** As of the date of this Circular, Pershing Square knows of no other matters to come before the Meeting other than as set forth herein, and expects further details will be set out in the Company's Management Circular once filed and mailed by the Company. Should any other matters properly come before the Meeting, Shares represented by the relevant proxies will be voted on those matters in accordance with the judgment of the Pershing Square representatives designated in the **BLUE** form of proxy to be provided by Pershing Square.

### ***Non-Registered (Beneficial) Holders of Shares***

Only registered holders of Shares, or the persons they appoint as their proxyholders, will be entitled to vote at the Meeting. However, in many cases, Shares beneficially owned by a holder (a "Non-Registered Holder"), are registered in the name of either:

1. an intermediary (each an "Intermediary") that the Non-Registered Holder deals with in respect of Shares. Intermediaries include banks, trust companies, securities dealers or brokers, and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or
2. a depository (such as The Canadian Depository for Securities Limited in Canada or Cede & Co. in the United States).

Pershing Square expects that it will make copies of its Final Pershing Square Circular and a **BLUE** form of proxy and/or voting instruction form available to the Intermediaries or their designates for onward distribution to Non-Registered Holders in connection with the Meeting, once the Company has issued a formal notice of the Meeting and its Management Circular. Intermediaries will be required to forward copies of the Final Pershing Square Circular and any form of proxy or voting instruction form provided to them to Non-Registered Holders. If you are a Non-Registered Holder and receive the Final Pershing Square Circular or receive a **BLUE** form of proxy or voting instruction form on behalf of Pershing Square, please sign and return the form of proxy or voting instruction form in accordance with the directions provided by your Intermediary and set out in such form.

**Without specific instructions, Intermediaries will be prohibited from voting shares for their clients. Therefore, Non-Registered Holders should ensure that instructions respecting the voting of their Shares are communicated to the appropriate person by the appropriate time. A Non-Registered Holder cannot use a voting instruction form to vote Shares directly at the Meeting. Voting instructions must be returned sufficiently in advance of the Meeting to have those Shares voted. Further details will be set out in the applicable form of proxy or voting instruction form provided to Shareholders at the appropriate time. Each Intermediary has its own procedures which should be carefully followed by Non-Registered Holders to ensure that your Shares are voted by the Intermediary on your behalf at the Meeting.** These procedures may allow for voting by telephone, via the Internet, by mail and/or by facsimile. The applicable instructions for each such method of voting will be set out in the form of proxy or voting instruction form provided to you directly by the Intermediary.

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of Shares they beneficially own. **If you are a Non-Registered Holder, you have the right to attend and vote your Shares directly at the Meeting.** If you are a Non-Registered Holder and you wish to attend and vote your Shares at the upcoming Meeting (or have a person other than those named in the form of proxy attend and vote on your behalf), you should insert your name (or the name of the person whom you wish to designate to attend and vote on your behalf) in the blank space provided in such form of proxy or, where a voting instruction form is provided, follow the corresponding instructions on the form. **In either case, you should carefully and promptly follow the instructions of your Intermediary and/or its service company.**

The majority of brokers and nominees now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communications Solutions, Canada and its counterpart in the United States ("Broadridge"). Broadridge typically mails voting instruction forms to the Non-Registered Holders and asks Non-Registered Holders to return the forms to Broadridge. Broadridge then tabulates the results of

all instructions received and provides appropriate instructions respecting the voting of Shares to be represented at the Meeting. A Non-Registered Holder receiving a voting instruction form from Broadridge cannot use that form to vote Shares directly at the Meeting. The form must be returned to Broadridge well in advance of the Meeting in order to have the Shares voted. Each Non-Registered Holder should contact his or her Intermediary and carefully follow the voting instructions provided by such Intermediary. If you are a Non-Registered Holder and wish to vote your Shares in person at the Meeting, you should contact your Intermediary and follow their instructions for completion and return of the form of proxy or voting instruction form provided to you directly by them, once received.

A Non-Registered Holder will be entitled to revoke a form of proxy or voting instruction form given to an Intermediary at any time by written notice to the Intermediary in accordance with the instructions given to the Non-Registered Holder by its Intermediary. It should be noted that revocation of proxies or voting instructions by a Non-Registered Holder can take several days or even longer to complete and, accordingly, any such revocation should be completed well in advance of the deadline prescribed in the form of proxy or voting instruction form to ensure it is given effect in respect of the Meeting.

The securityholder materials may be sent to both registered Shareholders and Non-Registered Holders. If you are a Non-Registered Holder, and Pershing Square or its agent sends the Final Pershing Square Circular and other Meeting materials directly to you, your name and address and information about your holdings of securities will have been obtained in accordance with applicable securities regulatory requirements from the Company or from the Intermediary holding the Shares on your behalf.

### ***Solicitation of Proxies***

This solicitation is made by Pershing Square and is not made by or on behalf of management of the Company. Proxies may be solicited by mail, telephone, telecopier, email or other electronic means, as well as by newspaper or other media advertising and in person by managers, directors, officers and employees of Pershing Square who will not be specifically remunerated therefor. In addition, Pershing Square may solicit proxies in reliance upon the public broadcast exemption to the solicitation requirements under applicable Canadian corporate and securities laws, conveyed by way of public broadcast, including press release, speech or publication and any other manner permitted under applicable Canadian laws. Pershing Square may engage the services of one or more agents and authorize other persons to assist it in soliciting proxies on behalf of Pershing Square. The costs incurred in the preparation and mailing of this Circular and the Final Pershing Square Circular and the solicitation will be borne directly and indirectly by Pershing Square.

Pershing Square has entered into an agreement with Kingsdale Shareholder Services Inc. ("Kingsdale") pursuant to which Kingsdale has agreed that it will act as Pershing Square's proxy agent should Pershing Square commence a formal solicitation of forms of proxies. Pursuant to this agreement, Kingsdale would receive a fee of \$100,000, plus an additional fee of \$6.00 for each call to or from Canadian Pacific shareholders. In addition, Kingsdale may be entitled to a success fee on the successful completion of Pershing Square's solicitation, as determined by Pershing Square in consultation with Kingsdale.

In addition, Pershing Square, certain of its members, directors, officers and employees and the Shareholder Nominees may solicit proxies by mail, telephone, telecopier, the Internet and personal solicitation or by way of public broadcast, as well as by newspaper or other media advertising. For example, it is expected that Brian N. Welch and/or Roy J. Katzovicz and/or one or more of the Shareholder Nominees may attend in-person meetings with institutional shareholders and other significant shareholders. Any members or employees of Pershing Square and their affiliates or other persons who

solicit proxies on behalf of Pershing Square will do so for no additional compensation, and none of the Shareholder Nominees will receive any special compensation in connection with the solicitation. Banks, brokerage houses and other custodians, nominees and fiduciaries will be requested to forward Pershing Square's solicitation materials to customers for whom such persons hold Shares, and Pershing Square will reimburse them for their reasonable out-of-pocket expenses for doing so.

The entire expense of preparing, assembling, printing and mailing the Circular and related materials and soliciting proxies will be borne by Pershing Square.

No person is authorized to give information or to make any representations other than those contained in the Circular and, if given or made, such information or representations must not be relied upon as having been authorized to be given or made.

## **OUTSTANDING SHARES & PRINCIPAL HOLDERS**

### ***Shareholders Entitled to Vote***

The Company announced that it will hold its Meeting on May 17, 2012 in Calgary, Alberta. While the Company has yet to formally call the Meeting or announce a record date for the Meeting, we expect the record date for notice of the Meeting and for voting in respect of the Meeting to be no more than 60 days in advance of the Meeting and that each Shareholder of record as of the record date fixed by the Company will be entitled to one vote for each Share held on each matter to come before the Meeting.

According to the Company's most recently filed management's discussion and analysis dated October 25, 2011 ("Q3 MD&A") in respect of the three and nine month interim periods ended September 30, 2011, an aggregate of 169,667,924 Shares was issued and outstanding as at October 21, 2011. Although currently unknown to Pershing Square, we expect that the number of outstanding Shares and the number of Shares entitled to be voted on each matter to be acted on at the Meeting will be determined as of a record date established by the Company for the Meeting and will be set out in the Management Circular to be provided by the Company in connection with the Meeting.

### ***Principal Holders***

Except as set forth below, information regarding the beneficial ownership, control or direction over Shares held other than by Pershing Square is not within the knowledge of Pershing Square. For this information, please refer to the Management Circular to be provided by the Company in connection with the Meeting, once made available to Shareholders.

As of the date of this Circular, affiliates or associates of Pershing Square own an aggregate of 24,159,888 Shares, representing approximately 14.2% of the total Shares issued and outstanding as disclosed by the Company in its Q3 MD&A as at October 21, 2011. Pershing Square intends to vote all of its Shares, together with any additional Shares acquired by Pershing Square prior to the record date fixed for the Meeting by the Company, **FOR** the election of the six Shareholder Nominees to the Board of Directors of the Company in place of a subset of the nominees to be proposed for election by the Company, and/or otherwise as will be described in the Final Pershing Square Circular.

## **EXECUTIVE COMPENSATION, INDEBTEDNESS, MANAGEMENT CONTRACTS AND EQUITY COMPENSATION PLANS**

Information regarding the compensation of executives and directors of the Company (including the information prescribed by Form 51-102F6 – *Statement of Executive Compensation*), the indebtedness of the Company's directors and officers or their respective associates and about management contracts that may be in place at the Company and securities authorized for issuance under the Company equity compensation plans is not within the knowledge of Pershing Square. For this information, please refer to the Company's management information circular dated March 24, 2011 filed in respect of the Company's prior shareholders meeting held on May 12, 2011 and to the Company's Management Circular anticipated in respect of the upcoming Meeting, once made available to Shareholders by the Company, and other continuous disclosure filed by the Company on SEDAR at [www.sedar.com](http://www.sedar.com).

## **INTEREST IN MATERIAL TRANSACTIONS AND MATTERS TO BE ACTED UPON AT THE MEETING**

Except as otherwise disclosed in this Circular, to the knowledge of Pershing Square, neither Pershing Square nor any of its managing members, directors or officers, or any associates or affiliates of the foregoing, or any of the Shareholder Nominees or their respective associates or affiliates, has:

- any material interest, direct or indirect, in any transaction since the beginning of the Company's most recently completed financial year or in any proposed transaction (other than the proposed changes and transactions contemplated in this Circular) that has materially affected or will materially affect the Company or any of its subsidiaries; or
- any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter currently known to be acted on at the Meeting, other than the election of directors.

Except as disclosed above, information concerning any material interests, direct or indirect, of any director or executive officer of the Company, any other "informed person" (as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations*), any person (other than Pershing Square) who, to the knowledge of the directors or officers of the Company, beneficially owns or exercises control or direction over securities carrying more than 10% of the voting rights attached to any class of outstanding voting securities of the Company or any associate or affiliate of any of the foregoing, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries, or in any matter to be acted upon at the Meeting, is not within the knowledge of Pershing Square. For this information, please refer to the Management Circular to be provided by the Company in connection with the Meeting, once made available to Shareholders.



### **INFORMATION CONTAINED IN THIS CIRCULAR**

Certain information concerning the Company contained in this Circular has been taken from or is based upon publicly available documents or records on file with Canadian securities regulatory authorities and other public sources. Although Pershing Square has no knowledge that would indicate that any statements contained in this Circular that are taken from or based upon those documents and records or other public sources are untrue or incomplete, Pershing Square does not assume and expressly disclaims any responsibility for the accuracy or completeness of the information taken from or based upon those documents, records and other public sources, or for any failure by the Company to disclose publicly events or facts that may have occurred or that may affect the significance or accuracy of any such information, but that are unknown to Pershing Square.

This Circular does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation of an offer or proxy solicitation. The delivery of this Circular will not, under any circumstances, create an implication that there has been no change in the information set forth herein since the date as of which such information is given in this Circular.

### **INFORMATION REGARDING CANADIAN PACIFIC**

Additional information relating to the Company, including its Annual Information Form and the Company's prior management information circular dated March 24, 2011 and the Management Circular in respect of the upcoming Meeting (once filed by the Company), is or is expected to be filed with Canadian Securities Administrators. This information can be accessed through SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Company's comparative financial statements and management's discussion and analysis for the three and nine month interim periods ended September 30, 2011 and its most recently completed financial year. Copies of the Company's financial statements and management's discussion and analysis may be obtained by any person without charge by contacting the Company, at Suite 500, 401 – 9th Avenue S.W., Calgary, Alberta, T2P 4Z4, Attention: Corporate Secretary. The Company's auditor is Deloitte & Touche LLP.

**CERTIFICATE**

The contents and the sending of this Circular have been approved by Pershing Square.

Amended and Restated as of February 22, 2012

**On behalf of:**

**Pershing Square Capital Management, L.P.**

**Pershing Square, L.P.**

**Pershing Square II, L.P.**

**Pershing Square International, Ltd.**

**By: Pershing Square Capital Management, L.P.**

**By: PS Management GP, LLC, its General Partner**

By:

(signed) William A. Ackman

Name: William A. Ackman

Title: Managing Member