



CP RISING

Together, We Can Put CP Back On Track
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For questions or assistance, please contact Pershing Square's proxy solicitor in Canada, Kingsdale Shareholder Services Inc., at 1-866-851-3214 toll-free in North America, or 1-416-867-2272 outside of North America (collect calls accepted), or by e-mail at contactus@kingsdaleshareholder.com, or Pershing Square's proxy solicitor in the United States, D.F. King & Co., Inc., at 1-800-659-5550 toll-free in North America, or 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at cpinfo@dfking.com. To keep current with further developments and information about voting your shares, visit www.CPRising.ca.

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The following pages contain a letter from Bill Ackman, founder and CEO of Pershing Square, to fellow shareholders of Canadian Pacific. In summary, the letter makes the following key points:

- Fred Green's and the Board's poor decisions, ineffective leadership and inadequate stewardship have destroyed shareholder value.
- Under the direction of the Board and Mr. Green, CP's total return to shareholders from the inception of Mr. Green's CEO tenure to the day prior to Pershing Square's investment was **negative 18%** while the other Class I North American railways delivered strong positive total returns to shareholders of 22% to 93%.¹
- Pershing Square's objective is simple, straightforward and perfectly aligned with that of its fellow shareholders: to restructure the board to one committed to a transformation of CP, and to replace the CEO with a leader who can enable the Company to perform to its greatest possible potential.
- Only CEO change, a major Board restructuring and a cultural "reboot" will enable CP to recover from six years of mismanagement.
- CP needs a CEO who can transform its "culture of excuses" into one of performance and accountability.
- Electing the seven Nominees for Management Change will reset the Board's culture and composition, ensure that shareholders' voices will be heard, and deliver an unequivocal shareholder mandate that will catalyze essential management change.
- Pershing Square has identified a CEO candidate with the best long-term track record in the industry, legendary railroad CEO Hunter Harrison. Hunter is a change agent with deep railroad operating experience and a thorough familiarity with all aspects of the Canadian rail industry.
- If a reconstituted Board appoints Hunter as CEO, Pershing Square is convinced that he will lead CP back to its historic greatness, benefiting shareholders, employees, customers and the economy.

Pershing Square's Recommendations:

- **Vote FOR all seven Nominees for Management Change**
- **WITHHOLD votes from all 15 incumbent directors
or vote for up to nine incumbent directors**
- **Vote AGAINST the advisory resolution on executive compensation**

¹ In this proxy circular, total return to shareholders assumes dividends are reinvested in shares and, except where the context otherwise requires, are shown from May 6, 2006 (the date Mr. Green became CEO) to September 22, 2012 (the date before Pershing Square's initial purchases of CP shares).

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The Nominees for Management Change

CP RISING

April 4, 2012

Dear Fellow Shareholder:

On September 23rd of last year, the Pershing Square funds began acquiring a stake in Canadian Pacific Railway Limited that would eventually reach more than 14% of the company. We spent \$1.4 billion of our capital – the largest single initial commitment we have made to any investment – on CP stock because we believed changing CP's CEO would end six years of mismanagement and value destruction and unlock CP's enormous potential. As a potential replacement, we identified the railroad CEO with the best long-term track record in the industry, former Canadian National Railway ("CNR") CEO Hunter Harrison, and recruited him to take the CEO job.

We have spent the last several months attempting to convince the current Board of the need for change, in particular the need to replace the current CEO, Fred Green. Despite the overwhelming case for change, the Board has continued to unanimously support Mr. Green. As a result, we believe a major board restructuring and a mandate from shareholders are necessary in order for CP to realize its inherent value.

On May 17th, 2012, at CP's annual meeting of shareholders, you will have the opportunity to make your voice heard and shape CP's future by voting for the Nominees for Management Change – seven new independent directors committed to both resetting CP's board and corporate culture and changing its CEO. This election is perhaps the most important annual election in the company's history. Together, we can reverse nearly six years of value destruction, and put CP back on track to achieve its great potential.

We believe that long-term shareholder return is the best judge of the performance of a company's board of directors and its management. Under the direction of the current Board and Mr. Green, CP's total return to shareholders prior to our investment was **negative 18%** while the other Class I North American railways delivered strong positive total returns to shareholders of 22% to 93%.

As shareholders have begun to believe in the potential for management change, CP's stock has risen substantially. Since the date before our initial purchases on September 23rd, CP's stock has risen 63%. Today's mid \$70s share price reflects the probability that CEO change and board restructuring are on the way – a 90% chance according to one recent independent investment research report.

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Over the past several months, we and Hunter Harrison have met with other shareholders who collectively control an additional 50% of CP, and have heard their views and shared ours. At a public Town Hall Meeting we held on February 6th, 2012 in Toronto, we described the dismal record that had convinced us that Mr. Green should be replaced, and we introduced and interviewed Hunter Harrison (for those of you who did not participate in the Town Hall, you can watch a replay of our presentation at www.CPRising.ca). The feedback from our fellow shareholders has been steadfast and overwhelmingly consistent: shareholders want Mr. Green replaced and are excited about CP's potential under a new CEO and restructured Board.

We seek your vote in support of the seven Nominees for Management Change and our mission to raise CP from its current position as the worst performing Class I railroad in North America to its rightful place as one of the best. These nominees – four outstanding members of the Canadian business community; a distinguished veteran railroad executive with 40 years of experience, Stephen C. Tobias; and two representatives from Pershing Square – will add fresh perspectives to the current Board and reset its culture. The five non-Pershing Square nominees are not Pershing Square representatives; they are independent, high-integrity executives who have had no relationship to, or connection with, Pershing Square prior to this proxy contest.

Board change is essential for CP to realize its potential, but by itself it is not enough. CP needs a new CEO, one who can transform its culture of excuses into a culture of execution, performance and accountability; one with a proven track record of leading underperforming railroads to best-in-class performance. We believe that Hunter Harrison, the legendary railroad CEO with the best track record in the business, is the right person for the job. Hunter is ready, eager and able to lead a turnaround of CP. If a reconstituted Board appoints Hunter as CEO, we are convinced that he will lead CP back to its historic greatness, benefiting shareholders, employees, customers and the economy.

This may well be the most important election in Canadian Pacific's history. With your vote, you can help transform the future of the Company.

Who We Are, What We Seek

Pershing Square is an \$11 billion investment fund that generates returns through active and passive investment strategies. Through shareholder activism, we seek to increase the performance and value of companies in our portfolio by catalyzing management or structural changes. In most cases, a constructive private dialogue with management and/or an incumbent board suffices to quickly and quietly catalyze the needed change. Sometimes, the changes we and our fellow shareholders need can only be achieved by replacing some or all of a company's board. In these cases, we present shareholders with a choice by nominating an alternate slate of strong independent directors committed to increasing shareholder value. In connection with activist investments, we seek to remain in close touch with our fellow shareholders – seeking out their ideas, concerns, and preferences. Doing so enables us to more effectively advocate on behalf of all shareholders, and to drive a better outcome for all.

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We own more than 14% of CP's common shares – making us the company's largest shareholder – and we are committed to the Company's success over the long term. Our objective is simple, straightforward and perfectly aligned with that of our fellow shareholders: to restructure the board to one committed to a transformation of CP, and to replace the CEO with a leader who can enable the Company to perform to its greatest possible potential. If the Nominees for Management Change are elected, we are confident that we can help CP achieve optimal performance and deliver maximum long-term value to shareholders and other stakeholders, including customers and employees.

The Status Quo is Not Working

During Mr. Green's six-year tenure as CEO, CP has underperformed its potential and its peers, and underserved its customers, shareholders, and other stakeholders. Responsibility for these disappointments rests squarely with Mr. Green and, ultimately, the incumbent Board. Poor judgment, imprudence and mismanagement of CP's operations, capital, and executive ranks have damaged the Company and reduced shareholder value.

Sometimes an incumbent CEO is not the right person to lead a company through the specific challenges it faces at a particular point in its history. Sometimes a board does not function as an effective steward, even though its membership includes directors who have achieved notable accomplishments in prior capacities. Respectfully, we believe Mr. Green is not the right CEO to lead CP's capable employees, and we believe only CEO change, a major Board restructuring and a cultural "reboot" will enable CP to recover from six years of mismanagement.

Some of the Board's and Mr. Green's failures are outlined below. For a more extensive discussion, please review our Town Hall Meeting presentation and webcast (www.CPRising.ca).

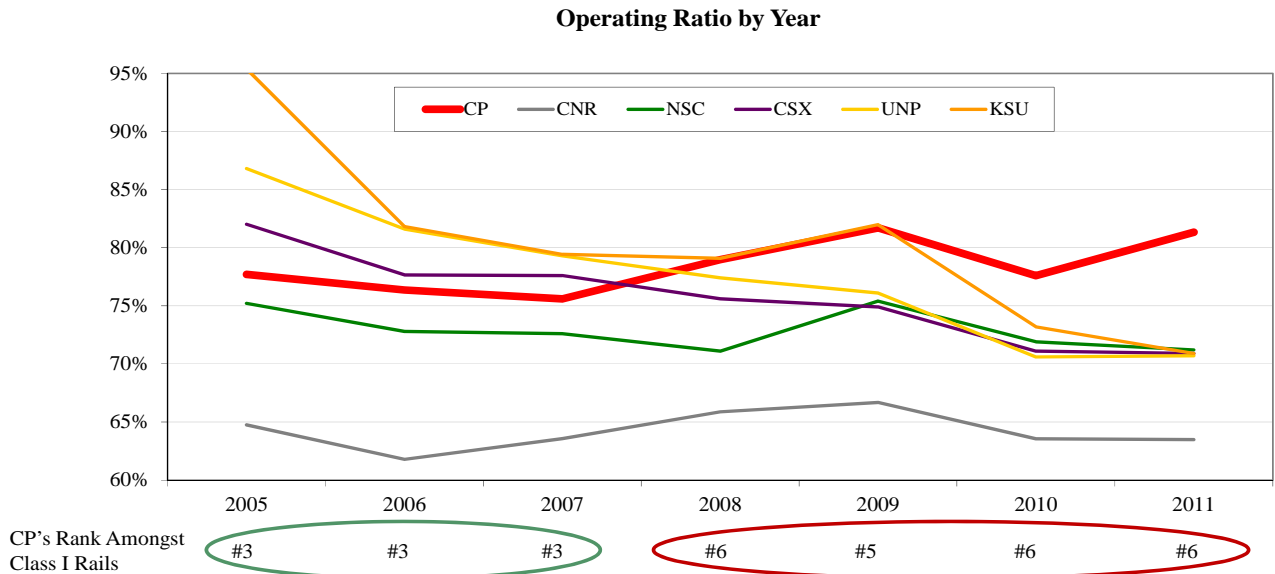
- **Mismanagement of Operations** – Mr. Green and the Board have mismanaged CP's physical assets and its talented employees, resulting in poor operating performance.
 - **Industry-Worst Operating Performance** – CP's key indicator of performance – its operating ratio² – highlights the Company's industry-worst operating performance. Notably, CP's closest comparable and competitor – Canadian National Railway Company (CNR) – has the best operating ratio (63.5% in 2011 or a full 17.8 percentage points better than CP's), enabling it to generate nearly twice the profit for each dollar of revenue as CP. Over Mr. Green's tenure, CP's pre-tax operating profit has declined 1% despite the inclusion of profits from a substantial acquisition. Excluding the profits from that acquisition, we estimate that pre-tax operating profits have declined 10% or more.

² An operating ratio measures total operating expenses as a percentage of revenues. A lower operating ratio is better.

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- Over the six years since Mr. Green became CEO, other railroads have substantially improved their performance, but **CP's operating ratio deteriorated (i.e., increased) by 3.6 percentage points from the middle of the pack to last place.** This deterioration is due to Mr. Green's mismanagement of CP's physical assets and talented employees. The following chart compares CP's operating ratio versus its competitors during Mr. Green's tenure (**CP is in red and lower is better**):



As the above chart illustrates, the operating ratios of every other North American railroad improved (i.e., declined) over Fred Green's tenure, while CP's, uniquely, deteriorated (i.e., increased).

- **Failure to Serve Customers Has Led to Market Share Losses** – Poor management leads to poor service and market share losses. Compared to its principal competitor CNR, CP has longer transit times per mile, less reliable transit times, and less reliable railcar availability. As a result, CP has lost market share to CNR over the last six years, including 7.4 percentage points of intermodal market share, despite CP's completing a substantial acquisition during that period. This underscores the critical and urgent importance of improving service levels because customers vote with their feet.
- **Mismanagement of Capital** – The Board's and Mr. Green's inadequate and imprudent stewardship of shareholder capital over the past six years has further harmed CP and its shareholders.
 - **Overpayment for the DM&E** – In 2008, under Mr. Green's leadership and with the Board's approval, CP purchased the Dakota, Minnesota & Eastern Railroad (DM&E) at a price of approximately 18 times pre-tax operating profit.³ The consensus among the investment

³ Including deferred maintenance.

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community at the time and since has been that CP grossly overpaid for DM&E, by many accounts by over 30%.

- **Excessive Borrowings to Finance the DM&E Purchase, and Poor Share Buyback Decisions, Resulted in Substantial Shareholder Dilution** – Having overpaid for the DM&E, the Board and Mr. Green compounded the problem by financing the DM&E acquisition with excessive debt, contributing to an over-leveraging of the Company's balance sheet. As a result, during the depths of the financial crisis in February 2009, CP had to raise equity by selling \$511 million of stock at fire-sale prices – at \$36.75 per share – when they had previously completed repurchasing \$517 million of stock at \$63.03, only 14 months earlier, materially diluting shareholder value. At the same time, other railroads, whose balance sheets had been protected by boards and management with more effective and prudent oversight, created substantial shareholder value by repurchasing their shares at extremely attractive prices during the financial crisis.
- **Mishandled Capital Investment** – CP's balance sheet mismanagement limited CP's capital investment during the recession – a time when materials, third-party labour costs, and the **opportunity** cost of network disruption are the least costly. Even as the Board and Mr. Green failed to make important fluidity-enhancing capital investments at opportune times, they squandered shareholder capital on excessive locomotive and car stock. For instance, even though CP's locomotive productivity is already demonstrably below that of CNR, CP has announced that it will spend \$500 million for new and replacement locomotives. This new capital commitment comes just a year after Ed Harris – CP's then-COO and current Board member – stated in 2010: "[CP] doesn't need more locomotives. [CP] already has one of the best fleets that I've ever seen in my travels whether as a consultant or a prior executive." (CP Analyst Day June 2010)
- **Inadequate Returns on Capital** – The bottom line report card on the incumbent Board and management's **stewardship** of shareholder capital is CP's return on invested capital (ROIC). CP's ROIC was only 7.1% for 2011, a full 3.6 percentage points lower than CNR's.
- **Mismanagement of Executive Ranks** – One of a board's and CEO's critical functions is attracting, retaining, developing, managing and holding accountable a company's executive ranks. Fred Green and the Board have failed to properly manage CP's executive ranks.
 - **Management Instability** – The Board and Mr. Green have presided over a revolving door with **five COO changes**, and **three CFO changes** in fewer than six years. This instability has handicapped CP's operations and financial functions.
 - **Lack of Accountability** – Mr. Green has proposed and attempted to implement "detailed plan" after "detailed plan" after "**detailed** plan" over his tenure (over 10 distinct plans and initiatives in all). Each plan was rolled out with fanfare and promises for substantial improvements. Each was accompanied with claims of impressive progress and improved metrics. Yet, none of these detailed plans reversed CP's deteriorating performance. The Board nevertheless continues to refuse to hold Mr. Green accountable for his failure to execute. Instead, the Board is now embracing yet another "multi-year plan" – much of which is a rebranding of prior initiatives – accompanied by yet another raft of claims of progress and promises.

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- **Mismanagement of Executive Compensation** – Despite Mr. Green's unacceptable performance during his tenure, the Board continues to compensate him as though his performance has been meritorious. This failure to properly manage executive compensation has materially contributed to CP's decline.
 - **Unacceptably Low Performance Targets** – The Board has set Mr. Green's individual performance objectives so low that even though CP has consistently and substantially lagged behind its peers, the Board has deemed Mr. Green to have met all but one of those individual performance objectives during his tenure.
 - **Excessive CEO Compensation** – The Board has paid Mr. Green \$32 million from 2006-2011, even though total returns to shareholders were **negative 18%** over the same period (the date before Pershing Square's initial purchases of CP shares), a period during which every other Class I North American railroad delivered solid returns.
 - **Excessive Management Compensation** – Even as CP's performance has languished, the Board increased the Cost of Management Ratio (named executive officer compensation as a percentage of net income) from 1.2% of net income in 2006 to 2.5% in 2011. Stated simply, income to shareholders has languished while compensation to executive management has increased.
- **Weak Ownership Commitment** – The Board's current directors (excluding Mr. Green) collectively have an equity stake of less than 0.3% in CP, and nearly all of these equity interests were granted as director compensation.

In summary, poor decisions, ineffective leadership and inadequate stewardship by current CEO Mr. Green and the CP Board, compounded by a deficient corporate culture, have severely degraded CP, Canada's iconic railroad. All stakeholders – customers, employees, and shareholders – and the economy have suffered from this failure.

The Solution: A Restructured Board and the Right New CEO

Electing the seven Nominees for Management Change will reset the Board's culture and composition, ensure that shareholders' voices will be heard, and deliver an unequivocal shareholder mandate that will catalyze essential management change.

We believe the Nominees for Management Change are the right directors and Hunter Harrison is the right new CEO for the job. We are confident that upon meeting Hunter and considering the alternatives, the reconstituted Board in its entirety will conclude that Hunter Harrison is the ideal CEO choice.

Why Hunter Harrison?

Hunter Harrison is a seasoned chief executive with a proven, unrivaled track record of operational and cultural transformation. He is a change agent with deep railroad operating experience and a thorough familiarity with all aspects of the Canadian rail industry, including its customers, freight flows, terminal operators, unions (and union leaders), suppliers, regulations, terrain, and weather patterns.

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Recognition for Hunter's achievements includes, among others, the rail industry's highest honors:

- Railroader of the Year, Railway Age (2002)
- CEO of the Year, Globe and Mail (2007)
- Railroad Innovator Award, Progressive Railroading (2009)
- International Executive of the Year, Canadian Chamber of Commerce (2009)

Hunter led the transformations of two underperforming and culturally dysfunctional railroads – the Illinois Central (IC) and CNR – into best-in-class operators whose record-breaking efficiency remains unrivaled to this day by any other North American Class I railroad. In the process, he improved service dramatically, and those improvements drove customers and market share to his railroads. Finally, he built teams of seasoned leaders to succeed him that are among the most admired in the industry.

Comparing the track records of Hunter and Mr. Green makes the case for change clear:

	Hunter Harrison		Fred Green
	<u>IC</u>	<u>CNR</u>	<u>CP</u>
Starting Operating Ratio ("OR")	80.0%	78.4%	77.7%
<u>Year 4 of Tenure</u>			
Operating Ratio	68.6%	68.5%	81.7%
<i>Improvement Over Starting OR</i>	<i>11.4%</i>	<i>9.9%</i>	<i>-4.0%</i>
<u>Best Operating Result</u>			
Operating Ratio	63.4%	61.8%	75.6%
<i>Improvement Over Starting OR</i>	<i>16.6%</i>	<i>16.6%</i>	<i>2.1%</i>
<u>Terminal Operating Result</u>			
Operating Ratio	63.4%	66.7%	81.3%
<i>Improvement Over Starting OR</i>	<i>16.6%</i>	<i>11.7%</i>	<i>-3.6%</i>
<u>Return to Shareholders</u>			
<i>Total Returns (Including Dividends)</i>	<i>450%</i>	<i>350%</i>	<i>-18%</i>

Note: An operating ratio measures total operating expenses as a percentage of revenues; a lower operating ratio is better.

As you can see, Hunter led IC and CNR to operating ratio improvements of 16.6 percentage points and 11.7 percentage points, respectively, over the course of his tenure, while Mr. Green has presided over a 3.6 percentage point deterioration in CP's operating ratio. Hunter drove positive shareholder returns of approximately 450% and 350% over his tenure, in sharp contrast to the negative 18% return over Mr. Green's tenure.

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Hunter achieved these dramatic improvements through his two-fold approach:

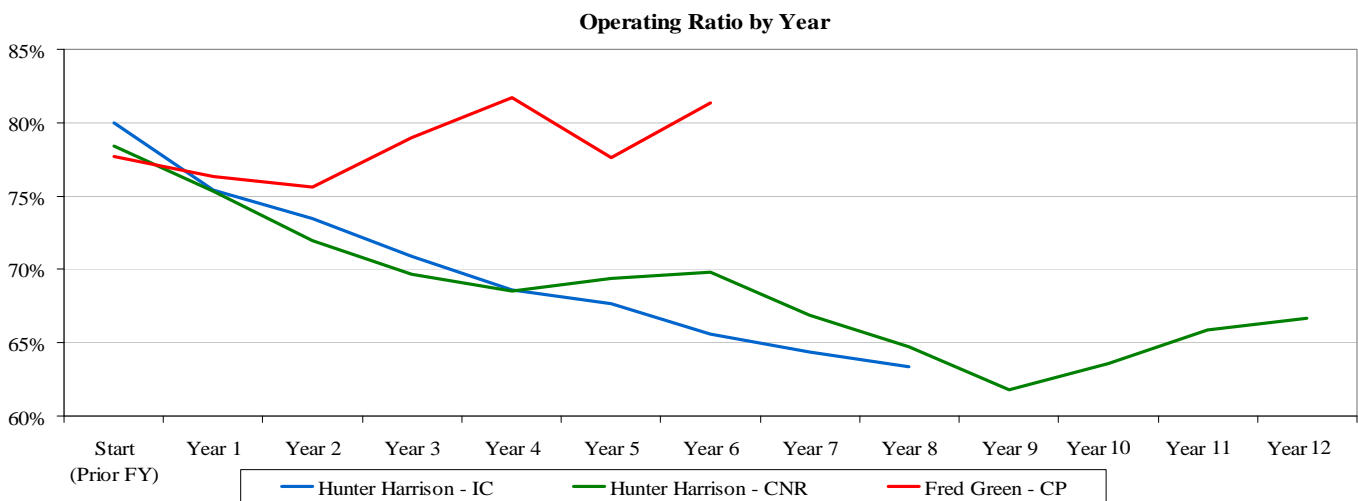
- **Operational Transformation** – He transformed railroad operations by implementing Precision Scheduled Railroading – an operating model he developed and applied with great success for over two decades. Hunter literally "wrote the book" on this approach (in fact he has written two), and his pioneering operating methods have been embraced throughout the industry.
- **Culture Change** – He transformed the corporate cultures of IC and CNR into disciplined, rigorous, "can do," "no excuses," "failure-is-not-an-option" cultures that enabled IC and CNR to deliver unparalleled service quality, asset utilization, labour productivity, and operating efficiency. Uniquely in the industry, through off-site gatherings today known as "Hunter Camps," Hunter was able to achieve organization-wide culture change with remarkable speed and effectiveness.

Both the operational and cultural elements of this approach are necessary for success. Neither on its own can maximize a railroad's potential. Superb execution of each of these two elements enabled Hunter to drive massive performance improvements in his past assignments and provides him with the background and experience to achieve the same at CP. The solid support of IC's and CNR's shareholders, and the prudent and responsible support of the well-functioning boards of those railroads, allowed Hunter to implement his two-fold approach and to deliver results that remain to this day unrivaled.

The Hunter Effect – Pace and Magnitude of Improvement

Hunter has targeted reducing CP's operating ratio by about 13 percentage points from the high 70s% to 65% within four years of his appointment as CEO. This target assumes just 2% to 3% volume growth and normal price increases, with the vast majority of the operating ratio improvement deriving from factors under management's control – asset utilization and labour productivity.

To put that target into perspective, the chart below shows Hunter's remarkable impact on IC's and CNR's operating ratios, and compares his performance with Mr. Green's results (CP is in red and lower is better):



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As the chart shows, Hunter was able to produce consistent, immediate and dramatic operating ratio improvement at both IC and CNR of about 6.5 percentage points in his first two years alone, and about 10.7 percentage points in his first four years. Within eight or nine years, he drove the operating ratios of both railroads to the low 60s%, levels that were unprecedented, and today remain unmatched by any other railroad.

Hunter's target of a 65% operating ratio for CP in year four is, in our opinion, eminently achievable. This level is only 3.5 percentage points lower than the operating ratios he achieved in year four at IC and CNR. Importantly, Hunter has some big "headstarts" going into this project that he did not have at CNR, notably his familiarity with all aspects of the Canadian rail industry.

Furthermore, Hunter is not likely to face the headwinds that obstructed his prior successes: a declining price environment while he ran IC, the integration of lower-margin acquisitions while he ran CNR, and resistance to adopting his then-unproven (but now industry-envied) operating plan and philosophy.

The unique "head starts" Hunter would enjoy at CP as a result of his prior Canadian experience, and the unique headwinds he endured in his previous turnarounds that are not present here. This gives us confidence that Hunter will – if given the chance – achieve his 65% operating ratio target in the four-year time frame he has forecasted.

The company and its hired consultant have expressed skepticism about Hunter's ability to achieve his stated goals. While only time can prove Hunter right, there is one thing that we think we and other shareholders can know for certain. Supported by shareholders and a well-functioning restructured Board, Hunter will lead CP closer to its full potential, and with greater certainty and speed, than Mr. Green could possibly achieve.

What the Analysts Say

Here's what some leading independent financial analysts have said about the possibility of Hunter replacing Mr. Green:⁴

- "[Hunter Harrison] has been the **gold standard with respect to leadership, cultural transformation, and operational improvement** within the North American railroad industry. His success at Canadian National is legendary as he was able to quickly and effectively implement his scheduled/precision railroad concepts... So the question of the day from our perspective is: **Why is the Canadian Pacific Board of Directors stiff arming the Pershing Square Group which has lined up the best railroader of our lifetime to implement his tried and proven precision/scheduled railroading strategy on a railroad that has been a reasonably consistent laggard among North American railroads?**" (John Larkin of Stifel Nicolaus, January 27, 2012, emphasis added)
- "If Mr. Harrison is appointed CEO, it would provide a **clear catalyst for operating improvement and margin expansion.**" (Thomas Wadewitz of JP Morgan, January 4, 2012, emphasis added)

⁴ Permission to use these quotes was neither sought nor received.

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- "Hard not to take sides . . . Despite Canadian Pacific Board's concerns over the disruption of a management change, it's difficult to argue with the potential to install the **best operating rail executive of the current era**, Hunter Harrison... we highlight the improvement Harrison drove at Burlington Northern, Illinois Central and ultimately CN, **a body of work unrivaled by any other rail executive...**" (Christian Wetherbee of Citi, January 17, 2012, emphasis added)
- "Hunter directed the improvement in the operating ratio at CN and Illinois Central by more than 1500 bps, and the **change in culture of CN from a Crown Corporation to the most efficient in the industry**, and has **worked in the same region and thus knows the customers, regulators, regulations, and national infrastructure players, executed ground breaking union agreements**, and has CEO experience...CP's management has been called to task for its industry worst operating ratio (~10 pct points worse than peers, ~18 pct points worse than CN), an issue it has been working to overcome since its rollout earlier this decade of its Integrated Operating Plan." (Ken Hoexter of BofA Merrill Lynch, January 12, 2012, emphasis added)
- "He walked us through his elegantly simple precision railroad vision, which has been applied incredibly successfully at the Illinois Central Gulf Railroad and, most recently, at the Canadian National Railway... After listening to Harrison's compelling remarks, **one would be hard pressed to think of a reason why the Pershing Square slate of Directors would not be elected at the Canadian Pacific [annual meeting] and why Hunter Harrison should not be subsequently appointed CEO** of that company. In our opinion, **no railroad could benefit as much from his accumulated wisdom, his passion, and his leadership capabilities** than could Canadian Pacific. **This appears to be a rare 'no-brainer' to us.**" (John Larkin of Stifel Nicolaus, February 17, 2012, emphasis added)
- "**Board argument against Hunter seems to ignore his track record.** CP's management and several members of the board repeatedly presented a view that Hunter Harrison would be bad for the company. Given Hunter's stellar track record at both Illinois Central and CNI, we believe this argument is not credible." (Thomas Wadewitz of JP Morgan, March 27, 2012)

The Nominees for Management Change

While replacing Mr. Green as CEO is essential, revitalizing CP also depends on a fundamental restructuring of the Board. To effect this change, we are asking shareholders to elect the seven Nominees for Management Change to CP's 16-person Board. Doing so will give the reconstituted Board, and CP, the best possible chance for a fresh start.

The Nominees for Management Change share our goal for CP to reach its potential and become a best-in-class railroad. The Nominees for Management Change consist of five independent directors including four highly regarded Canadian business leaders and a distinguished veteran railroad executive with 40 years of experience. These five nominees are each wholly independent of, and have no commercial relationships with, CP or Pershing Square.

Two of the Nominees for Management Change are Pershing Square affiliates, myself and Paul Hilal. Paul leads our investment in CP and has valuable railroad industry expertise. I am the CEO of Pershing Square and oversee the firm and each of our investments. Electing Paul and myself will give Pershing Square board representation

For questions or assistance, please contact Pershing Square's proxy solicitor in Canada, Kingsdale Shareholder Services Inc., at 1-866-851-3214 toll-free in North America, or 1-416-867-2272 outside of North America (collect calls accepted), or by e-mail at contactus@kingsdaleshareholder.com, or Pershing Square's proxy solicitor in the United States, D.F. King & Co., Inc., at 1-800-659-5550 toll-free in North America, or 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at cpinfo@dfking.com. To keep current with further developments and information about voting your shares, visit www.CPRising.ca.

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that is proportionate to our more than 14% shareholding in CP and will ensure that a shareholder value perspective receives appropriate attention on the Board and on all Board committees.

All seven of the Nominees for Management Change are eager to work cooperatively with nine incumbent directors toward maximizing CP's future. With all seven of the Nominees for Management change elected, and with a strong shareholder mandate, we are confident that once this contest is over, the reconstituted Board will be able to work harmoniously together to lead the company to the brightest possible future.

Who are the Nominees for Management Change?

As the founder and CEO of Pershing Square, I am proud of our investment track record and the long-term value creation we have generated for all stakeholders in the companies in which we actively invest. I currently serve as a director of J.C. Penney (NYSE: JCP), as the Chairman of the Howard Hughes Corporation (NYSE: HHC), and a director of Justice Holdings Ltd (LSE: JUSH). In addition to substantial public company board experience, I believe that my investment and capital allocation experience in a wide array of businesses and assets will enable me to make a substantial contribution to CP. In particular, I expect that I can assist the CP board in the oversight of CP's pension assets so that it can improve its long-term rate of return, thereby reducing the risks and costs of pension underfunding. I also believe that my expertise in real estate will enable me to assist CP in maximizing the value of unproductive or otherwise ancillary real estate assets.

The other Nominees for Management Change are:

- **Gary Colter (governance, accounting, strategic and restructuring expertise)**, a highly respected accountant and consultant with deep board experience. Gary was Vice Chair of KPMG Canada. He currently serves on the boards of CIBC (TSX: CM; NYSE: CM), Core-Mark (Nasdaq: CORE), and Owens-Illinois (NYSE: OI) and was formerly a director of Viterra Inc. (TSX: VT). He is currently CEO of CRS, a restructuring and strategy management consulting firm.
- **Paul Haggis (executive leadership and institutional transformation expertise)**, the business leader whose insourcing initiatives helped him lead, as its CEO, OMERS' transformation into one of Canada's highest performing pension funds. He played a similar role as CEO in transforming the underperforming Alberta Treasury Branches into an efficient modern financial enterprise. Previously, he was COO of MetLife in Canada. Today, he serves as the Chairman of the public/private venture capital firm, Alberta Enterprise Corporation, created by the government of Alberta, and as Chairman of CA Bancorp (TSX: BKP).
- **Paul Hilal (shareholder perspective; railroad industry expertise; investment banking experience)**, one of the two Pershing Square nominees. Paul has extensive railroad expertise and has spent much of the last few months visiting with our fellow CP shareholders alongside Hunter Harrison. Prior to Pershing Square, he was Founder and Managing Partner of investment firm Caliber Capital Management. Prior to Caliber, he was a Partner at Hilal Capital. Paul also chaired and served as interim CEO of publicly traded Worldtalk Communications (Nasdaq: WTLK) before its sale to Tumbleweed Communications. He is a former Principal at M&A adviser Broadview Associates and a former director of Ceridian Corporation (NYSE: CEN), a former Pershing Square investment.

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- **Rebecca MacDonald (entrepreneurial experience; business expertise)**, one of Canada's most successful entrepreneurs having built several successful businesses. Most recently, she founded Just Energy (TSX: JE; NYSE: JE), a \$3 billion marketer of gas and electricity where she serves as Executive Chair. Previously, she founded Energy Marketing Inc., Canada's first natural gas marketer serving small- and medium-sized customers.
- **Tony Melman (strategic and financial acumen; shareholder value creation)**, a former Managing Director of Onex Corporation who subsequently served as its special adviser on strategic acquisitions. His extensive previous board experience includes serving as Chairman of Baycrest Hospital and director of Celestica Inc. (TSX: CLS). He is currently a Director and Chairman of the Ontario Lottery and Gaming Corporation's Budget & Finance Committee, and Chairman and CEO of Nevele, a provider of strategic business and financial advice.
- **Stephen Tobias (distinguished veteran railroad operations executive)**, has 40 years of experience in the railroad industry. From 1998 to 2009 he served as Vice Chairman and COO of Norfolk Southern Corporation (NYSE: NSC), a leading Class I railroad in North America. He joined NSC as a Junior Engineer in 1969, and served in various operating positions in NSC, including Vice-President – Strategic Planning, Senior Vice-President – Operations, and Executive Vice-President – Operations. Under his leadership as COO or EVP of Operations, the NSC operations team earned 15 of their 20 consecutive Harriman Gold Medal Awards for the best safety performance of any railroad in the United States. The NSC operations team under Tobias' leadership drove substantial growth while simultaneously reducing NSC operating ratio 10 percentage points to 71% by the time he retired, a full four percentage points more efficient than the next most efficient US Class I railroad. This impressive feat was accomplished while NSC faced the challenge of integrating the acquisition of a substantial portion of The Consolidated Rail Corporation. He was awarded the railroad industry's most recognized honor, Railway Age's "Railroader of the Year" in 2008. He has also served on the boards of TTX Company and the Transportation Technology Center, Inc., and was a member and Chairman of the Safety and Operations Management Committee and the Security Committee of the Association of American Railroads. He is currently a director of Plum Creek Timber Co. Inc. (NYSE: PCL).

Each of the seven Nominees for Management Change, if elected, is committed to using his or her own independent business judgment, gained over decades of business leadership, to create long-term value for CP and its stakeholders. Each believes in the necessity of CEO change, and that the selection of a new CEO is a decision that must be made by the reconstituted Board in its entirety after appropriate consideration.

For more complete biographies, see "Matters to be Acted Upon – Election of Directors" in the accompanying proxy circular.

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Our Recommendations:

- Vote **FOR** all seven Nominees for Management Change
- **WITHHOLD** votes from all 15 incumbent directors
or vote for up to nine incumbent directors
- Vote **AGAINST** the advisory resolution on executive compensation

We ask you to vote **FOR** all seven Nominees for Management Change on the **BLUE** form of proxy or voting instruction form enclosed herewith.

In deciding how to vote with respect to incumbent directors, we ask you to consider the following alternatives:

Withhold votes from all 15 incumbent directors – Voting for all seven of the Nominees for Management Change and withholding votes from all 15 of the incumbent nominees is the single most powerful way for shareholders to signal their support for change. Using this approach gives the reconstituted Board a clear mandate for change by increasing the vote count of the Nominees for Management Change, and reducing the vote count of the incumbent directors who are re-elected. A strong mandate gives the reconstituted Board clear direction from shareholders, and will help it function effectively in working towards our shared goal over the coming years.

or

Vote for up to nine incumbent directors – Vote for all seven Nominees for Management Change and for up to nine incumbent directors whom you believe will work cooperatively with the Nominees for Management Change in accordance with the shareholders' mandate for management change.

Please note that you may only vote for a total of 16 directors. The 16 directors who receive the most votes will comprise the future board of CP.

In addition, in order to express your concern about CP's executive compensation practices, we ask you to vote **AGAINST** CP's advisory resolution on executive compensation.

Where You Can Find More Information

We have summarized our case in this letter. Please read the accompanying proxy circular and feel free to **visit** www.CPRising.ca, where you can review the detailed presentation we gave at the Town Hall held on February 6, 2012, watch the webcast of that event, and review other relevant materials. Also, if you have any questions or comments for me or the other Nominees for Management Change, please do not hesitate to submit them on the website. We commit to respecting the confidentiality of the source of any feedback we receive. You are welcome to submit comments anonymously if you prefer.

Help Put CP Back on Track: If you prefer CEO change and a Board with fresh perspectives, vote FOR all seven Nominees for Management Change.

For questions or assistance, please contact Pershing Square's proxy solicitor in Canada, Kingsdale Shareholder Services Inc., at 1-866-851-3214 toll-free in North America, or 1-416-867-2272 outside of North America (collect calls accepted), or by e-mail at contactus@kingsdaleshareholder.com, or Pershing Square's proxy solicitor in the United States, D.F. King & Co., Inc., at 1-800-659-5550 toll-free in North America, or 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at cpinfo@dfking.com. To keep current with further developments and information about voting your shares, visit www.CPRising.ca.

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Please vote your shares by completing, signing and returning the **BLUE** form of proxy or voting instruction form enclosed with our proxy materials by fax or by mail, or vote your shares on the internet or over the telephone (as available). We strongly recommend that you vote **FOR** all seven Nominees for Management Change.

Vote only your **BLUE** form of proxy or voting instruction form today. Pershing Square is using a "universal" form of proxy and voting instruction form, which includes the names of all of the director nominees and other matters to be considered at the meeting. We urge you to **IGNORE** any white form of proxy or voting instruction form received from CP as it will not allow you to vote for all seven Nominees for Management Change. If you have previously voted on the white form of proxy or voting instruction form sent to you by CP, you may revoke your vote by executing the enclosed **BLUE** form of proxy or voting instruction form, or by voting on the internet, by fax, by mail or over the telephone (as available). Only your latest dated form of proxy or voting instruction form will be counted.

Full instructions on how to vote, including examples of how to complete your forms in order to support the Nominees for Management Change, are set out in the accompanying proxy circular, and can also be found at www.CPRising.ca. If you have any problems voting your **BLUE** proxy or require assistance, please contact our proxy solicitors, Kingsdale Shareholder Services Inc., 1-866-851-3214 toll-free in North America, or 1-416-867-2272 outside North America (collect calls accepted), or D.F. King & Co., Inc., 1-800-659-5550 toll-free in North America, or 1-212-269-5550 outside of North America (collect calls accepted).

Thank you for working to restore CP to its rightful position as a leader among Class I North American railroads.

PERSHING SQUARE CAPITAL MANAGEMENT, L.P.

Sincerely,



William A. Ackman

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THIS DOCUMENT IS IMPORTANT FOR YOUR FINANCIAL INTERESTS AND REQUIRES YOUR IMMEDIATE ATTENTION.

PROXY CIRCULAR

SOLICITATION OF PROXIES 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 ANNUAL MEETING OF THE HOLDERS OF COMMON SHARES OF

CANADIAN PACIFIC RAILWAY LIMITED

TO BE HELD ON MAY 17, 2012

This Proxy Circular solicits **BLUE** proxies and voting instruction forms as opposed to those solicited by management of Canadian Pacific Railway Limited. Vote only your "universal" **BLUE** proxy today.

PERSHING SQUARE RECOMMENDS:

- Vote **FOR** the election of all SEVEN "Nominees for Management Change" as Directors of Canadian Pacific Railway Limited at the Annual Meeting of Shareholders to be held on May 17, 2012.
- Either **WITHHOLD** votes from all 15 Incumbent Management Nominees or vote for up to nine Incumbent Management Nominees.
- Vote **AGAINST** acceptance of Canadian Pacific's approach to executive compensation (Say on Pay).

IN ORDER TO BE DEPOSITED WITH THE COMPANY'S REGISTRAR AND TRANSFER AGENT IN TIME TO BE USED AT THE MEETING, WE URGE YOU TO VOTE YOUR BLUE PROXY OR VOTING INSTRUCTION FORM SO THAT IT IS RECEIVED BY KINGSDALE SHAREHOLDER SERVICES INC. PRIOR TO 9:00 A.M. (TORONTO TIME) ON MAY 16, 2012, HOWEVER, WE WILL MAKE EVERY EFFORT TO CONTINUE TO ACCEPT AND TABULATE VOTES RECEIVED UP UNTIL THE TIME OF THE MEETING. SEE "GENERAL PROXY INFORMATION" FOR FULL DETAILS.

This proxy circular, including the letter to shareholders dated April 4, 2012, which is incorporated herein, and any further supplements or amendments and restatements hereof or thereof (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 **BLUE** forms of proxy and voting instruction forms in support of a Change in the Directors of Canadian Pacific Railway Limited.

EVEN IF YOU HAVE PREVIOUSLY DEPOSITED A WHITE PROXY OR GIVEN VOTING INSTRUCTIONS IN SUPPORT OF THE INCUMBENT MANAGEMENT NOMINEES, YOU MAY STILL CHANGE YOUR VOTE, OPPOSE MANAGEMENT AND SUPPORT THE NOMINEES FOR MANAGEMENT CHANGE. Please follow the instructions set forth under "General Proxy Information" in this Circular to vote your BLUE proxy or voting instruction form today.

April 4, 2012

For questions or assistance, please contact Pershing Square's proxy solicitor in Canada, Kingsdale Shareholder Services Inc., at 1-866-851-3214 toll-free in North America, or 1-416-867-2272 outside of North America (collect calls accepted), or by e-mail at contactus@kingsdaleshareholder.com, or Pershing Square's proxy solicitor in the United States, D.F. King & Co., Inc., at 1-800-659-5550 toll-free in North America, or 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at cpinfo@dfking.com. To keep current with further developments and information about voting your shares, visit www.CPRising.ca.

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**QUESTIONS OR REQUESTS FOR ASSISTANCE MAY BE DIRECTED
TO OUR PROXY SOLICITORS:**

IN CANADA



The Exchange Tower
130 King Street West, Suite 2950, P.O. Box 361
Toronto, Ontario M5X 1E2
www.kingsdaleshareholder.com

North American Toll-Free Phone:

1-866-851-3214

Email: contactus@kingsdaleshareholder.com

Facsimile: 416-867-2271

Toll-Free Facsimile: 1-866-545-5580

**Outside North America, Banks and Brokers
Call Collect: 416-867-2272**

IN THE UNITED STATES

D.F. KING & CO., INC.

48 Wall Street, 22nd Floor
New York, New York
U.S.A. 10005
www.dfking.com

North American Toll-Free Phone:

1-800-659-5550

Email: cpinfo@dfking.com

Facsimile: 212-709-3305

Toll-Free Facsimile: 1-800-328-6193

**Outside of North America, Banks and Brokers
Call Collect: 212-269-5550**

IF YOU EXPERIENCE ANY PROBLEMS VOTING YOUR BLUE PROXY, PLEASE CONTACT KINGSDALE SHAREHOLDER SERVICES INC. OR D.F. KING & CO., INC. AT THE NUMBERS ABOVE, AND THEY WILL BE ABLE TO ASSIST YOU TO ENSURE YOUR VOTE IS COUNTED AT THE MEETING.

VOTE ONLY YOUR "UNIVERSAL" BLUE PROXY TODAY

For questions or assistance, please contact Pershing Square's proxy solicitor in Canada, Kingsdale Shareholder Services Inc., at 1-866-851-3214 toll-free in North America, or 1-416-867-2272 outside of North America (collect calls accepted), or by e-mail at contactus@kingsdaleshareholder.com, or Pershing Square's proxy solicitor in the United States, D.F. King & Co., Inc., at 1-800-659-5550 toll-free in North America, or 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at cpinfo@dfking.com. To keep current with further developments and information about voting your shares, visit www.CPRising.ca.

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**REGISTERED SHAREHOLDERS (YOU HOLD A PHYSICAL SHARE
CERTIFICATE REGISTERED IN YOUR NAME)
THERE ARE 4 WAYS TO VOTE USING YOUR BLUE PROXY:**

<p>1. VOTE BY INTERNET</p> <p>Go to www.proxyvote.com specified on your BLUE proxy and then follow the voting instructions on the screen. You will require a Control Number (located on the front of your BLUE proxy) to identify yourself to the system.</p>	<p>2. VOTE BY FAX</p> <p>Mark, sign and date your BLUE proxy and return it by facsimile to 1-905-507-7793 or 1-514-281-8911.</p>	<p>3. VOTE BY MAIL</p> <p>Mark, sign and date your BLUE proxy and return it in the postage prepaid envelope provided to:</p> <p>Proxy Tabulation, P.O. Box 2800 Stn LCD Malton, Mississauga, Ontario L5T 2T8</p>	<p>4. VOTE BY TELEPHONE</p> <p>Shareholders who wish to vote by phone should call Kingsdale Shareholder Services Inc. at 1-866-851-3214 toll-free in North America or 1-416-867-2272 outside of North America (collect calls accepted).</p>
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**CANADIAN BENEFICIAL SHAREHOLDERS (YOU HOLD SHARES THROUGH
A CANADIAN INTERMEDIARY OR DEPOSITARY)
THERE ARE 4 WAYS TO VOTE USING YOUR BLUE VIF/PROXY:**

<p>1. VOTE BY INTERNET</p> <p>Go to www.proxyvote.com specified on your BLUE VIF/proxy and then follow the voting instructions on the screen. You will require a Control Number (located on the front of your BLUE VIF/proxy) to identify yourself to the system.</p>	<p>2. VOTE BY FAX</p> <p>Mark, sign and date your BLUE VIF/proxy and return it by facsimile to 1-905-507-7793 or 1-514-281-8911.</p>	<p>3. VOTE BY MAIL</p> <p>Mark, sign and date your BLUE VIF/proxy and return it in the postage prepaid envelope provided to:</p> <p>Proxy Tabulation, P.O. Box 2800 Stn LCD Malton, Mississauga, Ontario L5T 2T8</p>	<p>4. VOTE BY TELEPHONE</p> <p>Shareholders who wish to vote by phone should call Kingsdale Shareholder Services Inc. at 1-866-851-3214 toll-free in North America or 1-416-867-2272 outside of North America (collect calls accepted).</p>
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**UNITED STATES BENEFICIAL SHAREHOLDERS (YOU HOLD SHARES THROUGH
A U.S. INTERMEDIARY OR DEPOSITARY)
THERE ARE 4 WAYS TO VOTE USING YOUR BLUE VIF/PROXY:**

<p>1. VOTE BY INTERNET</p> <p>Please go to the voting website listed on your BLUE VIF/proxy and then follow the voting instructions on the screen. You will require a Control Number (located on the front of your BLUE VIF/proxy) to identify yourself to the system.</p>	<p>2. VOTE BY FAX</p> <p>Mark, sign and date your BLUE VIF/proxy and return it by facsimile to the fax number(s) listed on your BLUE VIF/proxy.</p>	<p>3. VOTE BY MAIL</p> <p>Mark, sign and date your BLUE VIF/proxy and return it in the postage prepaid envelope provided to the address set out on the envelope.</p>	<p>4. VOTE BY TELEPHONE</p> <p>Shareholders who wish to vote by phone should call D.F. King & Co., Inc., at 1-800-659-5550 toll-free in North America, or 1-212-269-5550 outside of North America (collect calls accepted).</p>
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As Pershing Square is using a "universal" form of proxy or "universal" voting instruction form, which includes the names of all of the director nominees to be considered at the Meeting, including the nominees proposed by Canadian Pacific, and the other matters to be considered at the Meeting, we recommend you not use any other proxy regardless of how you propose to vote. Shareholders are urged to **IGNORE** any white form of proxy or white voting instruction form received from Canadian Pacific. Only the **BLUE** proxy and voting instruction form includes the names of all seven Nominees for Management Change proposed by Pershing Square, whereas Canadian Pacific's white form of proxy and voting instruction form only contains the names of six of our seven nominees. Accordingly, only the **BLUE** proxy or voting instruction form is complete and will allow you to cast your votes in respect of all of the director nominees and other matters being considered at the Meeting.

VOTE ONLY YOUR "UNIVERSAL" BLUE PROXY TODAY.

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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. 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

Certain information included in, attached to or incorporated by reference into, the Circular, contains forward-looking statements or forward-looking information within the meaning of applicable securities laws, including in respect of Pershing Square's and Canadian Pacific's respective priorities, plans and strategies for Canadian Pacific and Canadian Pacific's anticipated financial and operating performance and business prospects. 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: changes in strategies, plans or prospects; general economic, industry, business and market conditions; changes in management and 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; risks associated with agricultural production; the availability and pricing of commodities; the effects of competition and pricing; risks associated with volume growth and pricing; industry capacity and fluctuations in market supply and demand; inflationary pressures, including increasing utility and fuel prices; potential increases in maintenance and operating costs; potential legal and regulatory claims, proceedings or investigations; ability to realize any anticipated or planned cost savings; disruptions or changes in the credit or securities markets; risks and liabilities associated with derailments and the transportation of dangerous goods; timing of completion of capital and maintenance projects; changes in applicable laws and regulations; foreign currency and interest rate fluctuations; labour strikes or lock-outs or unexpected changes in labour productivity; and various other events that could disrupt Canadian Pacific's operations, including severe or unusual weather conditions, droughts, floods, avalanches, earthquakes, war, acts of terrorism and security threats. Canadian Pacific's shareholders are cautioned that all forward-looking statements and information involve known and unknown risks and uncertainties, including those risks and uncertainties

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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. 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.

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PROXY CIRCULAR

This proxy circular, including the letter to shareholders dated April 4, 2012, which is incorporated herein, and any further supplements or amendments and restatements hereof or thereof (together, the "Circular"), and the accompanying **BLUE** form of proxy or **BLUE** voting instruction form, are furnished in connection with the solicitation 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") of proxies to be used at the annual general meeting of holders (the "Shareholders") of common shares (the "Shares") of Canadian Pacific Railway Limited ("Canadian Pacific" or the "Company"), scheduled to be held at the Sheraton Suites Calgary Eau Claire, 255 Barclay Parade S.W. in Calgary, Alberta, on Thursday, May 17, 2012, at 8:00 a.m. (Calgary time) and at any and all adjournments or postponements 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 Circular amends, restates, supersedes and replaces all prior circulars of Pershing Square prepared in respect of the Meeting, including its proxy circular dated January 24, 2012 and the amended and restated proxy circular dated February 22, 2012.

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

Pershing Square is soliciting your support and BLUE forms of proxy and BLUE voting instruction forms for use at the Meeting for the election as directors to the Board of Directors of Canadian Pacific (the "Board") of all of the following SEVEN nominees (the "Nominees for Management Change") of Pershing Square in place of seven of the nominees proposed for election by the Company:

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

You recently received a management proxy circular dated March 22, 2012 (the "Management Circular") and a management form of proxy from management of Canadian Pacific soliciting proxies in connection with the Meeting. There are currently 15 directors serving on the Board of Directors of Canadian Pacific (the "Current Board"). According to the Management Circular, Canadian Pacific is proposing 16 directors for election to the Board, 15 of whom are incumbent members of the Current Board (the "Incumbent Management Nominees"). In the Management Circular, Canadian Pacific has also resolved to increase the size of the Board to 16 directors and has proposed William A. Ackman, one of Pershing Square's Nominees for Management Change, as its 16th nominee.

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IMPORTANT INFORMATION

If you support Pershing Square, you should VOTE FOR the election of all SEVEN Nominees for Management Change using only the BLUE form of proxy or voting instruction form accompanying this Circular and disregard any other form of proxy or voting instruction form.

Pershing Square also recommends that you either WITHHOLD votes from the election of all 15 Incumbent Management Nominees or vote for up to nine of the Incumbent Management Nominees.

Pershing Square also recommends that you vote AGAINST acceptance of Canadian Pacific's approach to executive compensation (Say on Pay).

If you support Pershing Square and the election of the seven Nominees for Management Change and you select more than nine Incumbent Management Nominees for election to the Board on the BLUE proxy, then only your votes "for" the seven Nominees for Management Change and the first nine Incumbent Management Nominees listed on the BLUE proxy will be counted, and any votes cast "for" any of the remaining Incumbent Management Nominees will not be counted. For greater certainty, Shareholders will not be permitted to vote "for" the election of more than a total of 16 nominees for election to the Board, and only votes cast "for" the first 16 nominees listed on the BLUE proxy will be counted, and any votes cast "for" those nominees listed after the first 16 named on the BLUE proxy will not be counted.

In order to be deposited with the Company's registrar and transfer agent in time to be used at the Meeting, we urge you to vote your BLUE proxy or voting instruction form so that it is received by Kingsdale Shareholder Services Inc. prior to 9:00 a.m. (Toronto time) on May 16, 2012, however, we will make every effort to continue to accept and tabulate votes received up until the time of the Meeting. They will then be forwarded to Canadian Pacific.

VOTE ONLY YOUR BLUE PROXY TODAY. As Pershing Square is using a "universal" form of proxy or "universal" voting instruction form, which includes the names of all of the director nominees to be considered at the Meeting, including the Incumbent Management Nominees proposed by Canadian Pacific, and other matters to be considered at the Meeting, we recommend you not use any other proxy regardless of how you propose to vote. Pershing Square urges Shareholders to complete, sign and return only the BLUE form of proxy or BLUE voting instruction form and to IGNORE any white form of proxy or white voting instruction form received from Canadian Pacific. Only the BLUE proxy and voting instruction form includes the names of all seven Nominees for Management Change proposed by Pershing Square, whereas Canadian Pacific's white form of proxy and voting instruction form only contains the names of six of our seven nominees. Accordingly, only the BLUE proxy or voting instruction form is complete and will allow you to cast your votes in respect of all of the director nominees and other matters being considered at the Meeting.

See "General Proxy Information" beginning at page 23 of this Circular for additional information about the voting process and procedures.

For questions or assistance, please contact Pershing Square's proxy solicitor in Canada, Kingsdale Shareholder Services Inc., at 1-866-851-3214 toll-free in North America, or 1-416-867-2272 outside of North America (collect calls accepted), or by e-mail at contactus@kingsdaleshareholder.com, or Pershing Square's proxy solicitor in the United States, D.F. King & Co., Inc., at 1-800-659-5550 toll-free in North America, or 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at cpinfo@dfking.com. To keep current with further developments and information about voting your shares, visit www.CPRising.ca.

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Your vote at the Meeting is very important to the future of your investment in the Company. If, after reading this Circular, you agree with Pershing Square that the Nominees for Management Change will better serve your interests as a Shareholder, please immediately vote your Shares in accordance with the instructions set out in the enclosed **BLUE** form of proxy or voting instruction form. If you experience any problems or require assistance voting your **BLUE** proxy, contact Pershing Square's proxy solicitor in Canada, Kingsdale Shareholder Services Inc., at 1-866-851-3214 toll-free in North America, or at 1-416-867-2272 outside of North America (collect calls accepted), or by e-mail at contactus@kingsdaleshareholder.com, or Pershing Square's proxy solicitor in the United States, D.F. King & Co., Inc., at 1-800-659-5550 toll-free in North America, or at 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at cpinfo@dfking.com, and they will be able to assist you to ensure your vote is counted at the Meeting.

To vote your Shares, please carefully follow the instructions under the section of this Circular entitled "General Proxy Information" beginning at page 23 of this Circular and set out in the enclosed **BLUE** form of proxy or **BLUE** voting instruction form. Depending on how your Shares are held, you may be entitled to vote by Internet, fax, mail and/or telephone. Even if you plan to attend the Meeting, to ensure your vote is counted at the Meeting, you should return your **BLUE** form of proxy or **BLUE** voting instruction form in accordance with the enclosed instructions.

EVEN IF YOU HAVE PREVIOUSLY DEPOSITED A WHITE PROXY OR GIVEN VOTING INSTRUCTIONS IN SUPPORT OF THE INCUMBENT MANAGEMENT NOMINEES, YOU MAY STILL CHANGE YOUR VOTE, OPPOSE MANAGEMENT AND SUPPORT THE NOMINEES FOR MANAGEMENT CHANGE BY COMPLETING AND SUBMITTING A BLUE PROXY OR GIVING VOTING INSTRUCTIONS IN ACCORDANCE WITH THE BLUE PROXY OR VOTING INSTRUCTION FORM. A BLUE PROXY VOTED LATER THAN ANY PREVIOUSLY SUBMITTED MANAGEMENT PROXY OR VOTING INSTRUCTIONS WILL AUTOMATICALLY REVOKE ANY PRIOR PROXY OR VOTING INSTRUCTIONS GIVEN.

REASONS FOR THIS SOLICITATION AND PLANS FOR CANADIAN PACIFIC

The purpose of this solicitation by and on behalf of Pershing Square is to solicit proxies from the Shareholders to seek the election of all seven of the Nominees for Management Change to the Board. The Nominees for Management Change are highly experienced and qualified business leaders from a broad range of sectors, all of whom share our goal for Canadian Pacific to reach its potential and become a best-in-class railroad and are committed to both resetting Canadian Pacific's Board and corporate culture and changing its CEO. These nominees – four outstanding members of the Canadian business community; a distinguished veteran railroad executive with 40 years of experience in the industry, Stephen C. Tobias; and two representatives of Pershing Square – will add fresh perspectives to the current Board and reset its culture. Each of the Nominees for Management Change is committed to using his or her own independent business judgment, gained over decades of business leadership, to create long-term value for all of Canadian Pacific's Shareholders. Each believes in the necessity of CEO change, and that the selection of a new CEO is a decision that must be made by the reconstituted Board in its entirety after appropriate consideration.

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Pershing Square's key reasons for making this solicitation and our plans for Canadian Pacific are set out in the accompanying letter to Shareholders dated April 4, 2012, which letter forms an integral part of and is incorporated by reference into this Circular. A copy of this Circular, including the accompanying letter to Shareholders and any other documents incorporated by reference into the Circular from time to time may be obtained, on request, without charge from Pershing Square's proxy solicitors in Canada and in the U.S. by contacting them at the respective numbers and addresses set out on the back page of this Circular, or may be obtained on SEDAR at www.sedar.com.

Any statement contained in the Circular or a document incorporated or deemed to be incorporated by reference in the Circular shall be deemed to be modified or superseded for purposes of the Circular to the extent that a statement contained in the Circular or in any other subsequently filed document which also is or is deemed to be incorporated by reference in the Circular modifies or supersedes such statement. The making of a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. Any statement so modified or superseded shall not be deemed to constitute a part of the Circular, except as so modified or superseded. Any forward-looking statements or information included in any document incorporated or deemed to be incorporated by reference in the Circular are made as of the date of such document, 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. For further information, see "Forward-Looking Statements and Information" at page 1 of this Circular.

ABOUT PERSHING SQUARE

Pershing Square is an \$11 billion investment fund that generates returns through active and passive investment strategies. 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. Pershing Square is Canadian Pacific's single largest shareholder, owning more than 14% of the outstanding Shares, and is committed to Canadian Pacific's success over the long-term. Through shareholder activism, Pershing Square seeks to increase the performance and value of companies in its portfolio by catalyzing management or structural changes. In most cases, a constructive private dialogue with management and/or an incumbent board suffices to quickly and quietly catalyze the needed change. Sometimes, however, the changes we and our fellow shareholders need can only be achieved by replacing some or all of a company's board. In these cases, we present shareholders with a choice by nominating an alternate slate of strong independent directors committed to increasing shareholder value, as is the case with Canadian Pacific. In this case, Pershing Square's objective is simple, straightforward and perfectly aligned with that of its fellow Shareholders: to restructure the Board to one committed to a transformation of Canadian Pacific, and to replace the President and Chief Executive Officer with a leader who can enable Canadian Pacific to perform to its greatest possible

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potential. If the Nominees for Management Change are elected, we are confident that we can help Canadian Pacific achieve optimal performance and deliver maximum long-term value to Shareholders and other stakeholders, including customers and employees.

In connection with activist investments, Pershing Square seeks to remain in close touch with its fellow shareholders – seeking out their ideas, concerns, and preferences. Doing so enables us to more effectively advocate on behalf of all shareholders, and to drive a better outcome for all.

William Ackman is the Chief Executive Officer of Pershing Square Capital Management, L.P., the investment manager to Pershing Square, L.P., Pershing Square II, L.P. and Pershing Square International, Ltd., and the Managing Member of its general partner, PS Management GP, LLC. Further information concerning Pershing Square and its plans for Canadian Pacific can be found at www.CPRising.ca.

MATTERS TO BE ACTED UPON – ELECTION OF DIRECTORS

Current Board of Directors

The Current Board of the Company comprises the following 15 individuals: John E. Cleghorn, Tim W. Faithfull, Richard L. George, Frederic J. Green, Edmond L. Harris, Krystyna T. Hoeg, Tony L. Ingram, Richard C. Kelly, The Honourable John P. Manley, Linda J. Morgan, Madeleine Paquin, Michael E.J. Phelps, Roger Phillips, David W. Raisbeck, and Hartley T. Richardson.

Incumbent Management Nominees

The Management Circular states that Canadian Pacific has resolved to increase the size of its Board and is proposing that 16 directors be elected at the Meeting to 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. In addition to nominating all 15 incumbent directors for re-election to the Board, Canadian Pacific has also proposed William A. Ackman, the Chief Executive Officer of Pershing Square and one of our Nominees for Management Change, as an additional nominee. Accordingly, Canadian Pacific's 16 nominees proposed for election to the Board are: John E. Cleghorn, Tim W. Faithfull, Richard L. George, Frederic J. Green, Edmond L. Harris, Krystyna T. Hoeg, Tony L. Ingram, Richard C. Kelly, The Honourable John P. Manley, Linda J. Morgan, Madeleine Paquin, Michael E.J. Phelps, Roger Phillips, David W. Raisbeck, Hartley T. Richardson, and William A. Ackman.

Pershing Square recommends that you vote FOR the election of all SEVEN Nominees for Management Change. Pershing Square also recommends that you either WITHHOLD your votes from the election of all 15 Incumbent Management Nominees or vote for up to nine of the Incumbent Management Nominees. In deciding how to vote with respect to the Incumbent Management Nominees, we ask Shareholders to consider the following alternatives:

- **Withhold from all 15 Incumbent Management Nominees** – Voting for all seven of the Nominees for Management Change and withholding your votes from all 15 of the Incumbent Management Nominees is the single most powerful way for Shareholders to signal their

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support for change. Doing so will not prevent Shareholders from filling all 16 available slots, since under Canadian Pacific's voting policy a nominee need not receive a majority vote in order to be elected. Using this approach gives the reconstituted Board a clear mandate for change by increasing the vote count of the Nominees for Management Change, and reducing the vote count of the Incumbent Management Nominees who are re-elected. A strong mandate gives the reconstituted Board clear direction from Shareholders, and will help it function effectively in working towards our shared goal over the coming years.

OR

- **Vote for Up to Nine Incumbent Management Nominees** – Vote for all seven Nominees for Management Change and for up to nine Incumbent Management Nominees whom you believe will work cooperatively with the Nominees for Management Change in accordance with the Shareholders' mandate for management change.

The 16 directors who receive the most "for" votes at the Meeting will comprise the future Board of Canadian Pacific. Please note that you may only vote for a total of 16 nominee directors. If you support the election of the seven Nominees for Management Change and you select more than nine Incumbent Management Nominees "for" election to the Board on the **BLUE** proxy, then only your votes "for" the seven Nominees for Management Change and the first nine Incumbent Management Nominees listed in the **BLUE** proxy will be counted, and any votes cast "for" any of the remaining Incumbent Management Nominees will not be counted. For greater certainty, Shareholders will not be permitted to vote "for" the election of more than a total of 16 nominees for election to the Board, and only votes cast "for" the first 16 nominees listed on the **BLUE** proxy will be counted, and any votes cast "for" those nominees listed after the first 16 named on the **BLUE** proxy will not be counted.

Nominees for Management Change

Pershing Square is nominating the seven highly qualified and experienced individuals set out below for election to the Board at the Meeting. With the exception of William Ackman and Paul Hilal, who are affiliated with Pershing Square, no other Nominee for Management Change is an affiliate or associate of Pershing Square. Mr. Colter, Mr. Haggis, Ms. MacDonald, Dr. Melman and Mr. Tobias are all independent of Pershing Square, with no prior business or personal relationship with Pershing Square or Mr. Ackman, and, with the exception of Mr. Tobias, all are resident Canadians. All of the Nominees for Management Change qualify as independent of Canadian Pacific under applicable Canadian securities laws, and also qualify as independent members of the Board pursuant to Canadian Pacific's adopted standards for director independence set out at Schedule C to its Management Circular.

Following the election of the Nominees for Management Change, we expect that the resulting Board will continue to be composed of a majority of independent directors. Further biographical information with respect to these nominees, as well as details concerning the unique strengths and experience they will bring to the Board of Canadian Pacific, is set forth below.

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Name, Province or State and Country of Residence of Nominee ⁽¹⁾	Present Principal Occupation and Occupation(s) for the Past Five Years	Number of Shares Beneficially Owned or Controlled ⁽²⁾	Public Company Board and Committee Membership(s) for the Past Five Years
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 ⁽³⁾	<p><u>Current:</u></p> <p>The Howard Hughes Corporation (NYSE:HHC) (Director and Chairman of the Board (since November 2010))</p> <p>J.C. Penney Company, Inc. (NYSE:JCP) (Director (since February 2011))</p> <p>Justice Holdings Ltd. (LSE:JUSH) (Director (since April 2011))</p> <p><u>Past:</u></p> <p>General Growth Properties Inc. (Director (2009-2010))</p>
Gary F. Colter Mississauga, Ontario Canada	President of CRS Inc. (corporate restructuring, strategic and management consulting company) (since 2002)	Nil	<p><u>Current:</u>⁽⁴⁾</p> <p>Owens-Illinois Inc. (NYSE:OI) (Director and member of Audit Committee (since 2002); and member of Corporate Governance Committee (since 2003))</p> <p>Canadian Imperial Bank of Commerce (TSX:CM; NYSE:CM) (Director (since 2003); member (since 2003) and Chair (since 2010) of Corporate Governance Committee; and member of Audit Committee (2003-2009 and since 2012))</p> <p>Core-Mark Holding Company, Inc. (NASDAQ:CORE) (Director and member of Audit Committee (since 2004); and member (since 2004) and Chair (since 2008) of Corporate Governance Committee)</p> <p><u>Past:</u>⁽⁴⁾</p> <p>Retirement Residences REIT (now Revera Inc.) (Director (since 2005); member (since 2005) and Chair (since 2006) of Audit Committee; and member of Corporate Governance and Compensation Committees (since 2007))</p> <p>Saskatchewan Wheat Pool Inc. (now Viterra Inc. (TSX:VT)) (former Director; former Chair of Audit Committee; and former member of Strategic and Business Planning Committee (2003-2006))</p>

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Name, Province or State and Country of Residence of Nominee ⁽¹⁾	Present Principal Occupation and Occupation(s) for the Past Five Years	Number of Shares Beneficially Owned or Controlled ⁽²⁾	Public Company Board and Committee Membership(s) for the Past Five Years
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	<u>Current:</u> ⁽⁵⁾ Advantage Oil & Gas Ltd. (TSX:AVV; NYSE:AVV) (Director (since October 2008) and Chair of Audit Committee (since July 2009)) C.A. Bancorp Inc. (TSX:BKP) (Director (since February 2009) and Chairman of the Board (since July 2011)) Liberty Silver Corporation (TSX:LSL) (Director (since March 2011); Chair of Corporate Governance Committee and member of Audit and Compensation Committees (since July 2011)) <u>Past:</u> Prime Restaurants Inc. (former Director and former Chair of Audit Committee and Disclosure Committee; former member of Governance Committee (2009-2011))
Paul C. Hilal New York, New York U.S.A.	Partner of Pershing Square Capital Management, L.P. (investment adviser) (since 2006) Former Managing Partner of Caliber Capital Management, L.P. (investment firm) (August 2002 to December 2005)	Nil	<u>Current:</u> – <u>Past:</u> Ceridian Corporation (NYSE:CEN) (former Director (2007))
Rebecca MacDonald Toronto, Ontario Canada	Founder and Executive Chair (since 2007) and Director of Just Energy Group Inc. (independent marketer of deregulated gas and electricity)	Nil	<u>Current:</u> Just Energy Group Inc. (TSX:JE; NYSE:JE) (Director (since 1997) and Executive Chair (since 2007)) <u>Past:</u> –

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Name, Province or State and Country of Residence of Nominee ⁽¹⁾	Present Principal Occupation and Occupation(s) for the Past Five Years	Number of Shares Beneficially Owned or Controlled ⁽²⁾	Public Company Board and Committee Membership(s) for the Past Five Years
Dr. Anthony R. Melman Toronto, Ontario Canada	Chairman and Chief Executive Officer of Nevele Inc. (provider of strategic business and financial services) (since 2006) Former Special Advisor, Strategic Acquisitions to Onex Corporation (private equity investment firm) (January 2006 to December 2007) Former Vice President and Managing Director of Onex Corporation (mid-1984 to January 2006)	12,500 Common Shares	<u>Current:</u> – <u>Past:</u> Celestica Inc. (TSX:CLS) (former Director (1996-2008))
Stephen C. Tobias Garnett, South Carolina U.S.A.	Former Vice Chairman and Chief Operating Officer of Norfolk Southern Corporation (Class I railroad) (1998 to 2009)	–	<u>Current:</u> Plum Creek Timber Company, Inc. (NYSE:PCL) (Director (since 2001) and member of the Compensation Committee (since 2002) and Corporate Governance and Nominating Committee (since 2005)) <u>Past:</u> Plum Creek Timber Company, Inc. (former Chair of Compensation Committee (2003-2005))

Notes:

- (1) None of the Nominees for Management Change has been or is currently a director of the Company, nor have 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 Nominee for Management Change. 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.

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- (4) Mr. Colter serves as a director and Chair of the Audit Committee and a member of the Governance Committee and the Compensation Committee of Revera Inc.; however, since 2007, Revera Inc. has been a private company. In addition, Mr. Colter is: (i) a former Chair of the Audit Committee of Owens-Illinois Inc. (2003 to 2009); (ii) a former member of the Compensation Committee of Canadian Imperial Bank of Commerce ("CIBC") (2010 to 2011), a former Chair of the Audit Committee of CIBC (2003 to 2009) and a former member of the Risk Management Committee of CIBC (2009 to 2010); and (iii) a former member (2004 to 2011) and Chair (2004 to 2008) of the Compensation Committee of Core-Mark Holding Company, Inc.
- (5) Mr. Haggis is also a former Chair of the Audit Committee of C.A. Bancorp (2009 to 2010).



William A. Ackman, age 45

Bill 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). 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. In addition to his substantial public company board experience, Mr. Ackman's investment and capital allocation experience in a wide array of businesses and assets enable him to make a substantial contribution to Canadian Pacific, including in assisting the Board in the oversight of Canadian Pacific's pension assets to improve its long-term rate of return; his expertise in real estate is also expected to enable him to assist Canadian Pacific in maximizing the value of unproductive or otherwise ancillary real estate assets. 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.

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Gary F. Colter, age 66

Gary 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.

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Paul G. Haggis, age 60

Paul 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.), 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, 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. He is a resident of Canmore, Alberta.

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Paul C. Hilal, age 45

Paul Hilal is a Partner at Pershing Square Capital Management, L.P., which he joined in 2006. Mr. Hilal has extensive railroad expertise and has spent much of the last few months visiting with Shareholders alongside Hunter Harrison. 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 (NASDAQ:WTLK), before its sale to Tumbleweed Communications. He served as a Director of Ceridian Corporation (NYSE:CEN) 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

Rebecca 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 3.75 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 and a member of the Board of the Horatio Alger Association of Canada. 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

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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. Anthony 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 continues 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.

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Stephen C. Tobias, age 67

Stephen Tobias is a 40-year veteran of the railroad industry and the former Vice Chairman and Chief Operations Officer of Norfolk Southern Corporation ("Norfolk Southern") (NYSE:NSC), the leading Class I railroad in the U.S. and one of North America's most successful Class I railroads, a position in which he served from 1998 to 2009. Mr. Tobias began his career in 1969 when he joined Norfolk & Western Railway (a predecessor to Norfolk Southern) as a Junior Engineer and moved up the ranks, serving in various operating positions at Norfolk Southern, until appointed as Vice President of Transportation in 1989. Before being appointed Vice Chairman and COO in 1998, Mr. Tobias also served as Vice President of Strategic Planning, Senior Vice President of Operations and Executive Vice President of Operations. He has extensive board experience in the railroad and transportation industries, including serving as a director of TTX Company, the largest railcar leasing company in North America; the Association of American Railroads ("AAR"), an industry organization focused on improving the safety and productivity of rail transportation; Transportation Technology Center, Inc., a wholly-owned subsidiary of the AAR and world-class transportation research and testing organization; and Norfolk Southern's subsidiary Norfolk Southern Railway Company. He was also a member and Chairman of AAR's Safety and Operations Management Committee and the AAR's Security Committee. Mr. Tobias is currently a member of the board of directors of Plum Creek Timber Company, Inc. ("PCL") (NYSE:PCL), and is also a member of the Compensation and the Corporate Governance and Nominating Committees of its board of directors. PCL manages timber lands and is the largest private landowner in the United States. He is a member of The Citadel Military College of South Carolina Board of Visitors, The Citadel Foundation (Chairman), and was a member of the Virginia Business Council. In 2008, Mr. Tobias was awarded Railway Age's "Railroader of the Year" award. Mr. Tobias has a B.A. in History from The Citadel Military College of South Carolina, and is a graduate of the Harvard Business School's Advanced Management Program. He is a former Captain of the United States Army. Mr. Tobias is a resident of Garnett, South Carolina.

Each of the Nominees for Management Change has consented to being named in this Circular and to serving as a director of Canadian Pacific and meets the director eligibility requirements established under applicable Canadian law and by Canadian Pacific. If elected, each Nominee for Management Change 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 Nominees for Management Change intend to discharge their duties as directors of the Company consistent with all applicable legal requirements, including fiduciary obligations imposed on all corporate directors. The Nominees for Management Change are highly experienced and qualified business leaders from a broad range of sectors. Each of the Nominees for Management Change is committed to using his or her own independent business judgment, gained over decades of business leadership, to create long-term value for all of Canadian Pacific's Shareholders. Each believes in the necessity of CEO change, and that the

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selection of a new CEO is a decision that must be made by the reconstituted Board in its entirety after appropriate consideration.

If elected, the Nominees for Management Change intend to work together with those Incumbent Management Nominees who are re-elected to the Board to seek the cultural and operational transformations needed for Canadian Pacific to reach its potential, including the replacement of Fred Green, the current President and Chief Executive Officer of the Company. Pershing Square is seeking your support for the election of all of the Nominees to Management Change and our mission to raise Canadian Pacific from its current position as the worst performing Class I railroad in North America to its rightful place as one of the best.

Pershing Square believes that Board change is essential for Canadian Pacific to reach its potential, but by itself, it is not enough. Canadian Pacific needs a new Chief Executive Officer, one who can transform its culture of excuses into a culture of execution, performance and accountability; one with a proven track record of leading under-performing railroads to best-in-class performance. Pershing Square believes that Hunter Harrison, the legendary railroad CEO with the best track record in the business, is the ideal candidate for this position. If a reconstituted Board appoints Mr. Harrison as Canadian Pacific's CEO, Pershing Square believes that he will lead Canadian Pacific back to its historic greatness, benefiting its Shareholders, employees, customers and other stakeholders and the economy.

Additional Information

None of the Nominees for Management Change 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.

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None of the Nominees for Management Change 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 Nominees for Management Change is to be elected under any arrangement or understanding between such Nominee for Management Change and any other person or company, except as described herein.

In connection with the proxy solicitation contemplated hereby, Pershing Square has entered into an indemnification agreement with each Nominee for Management Change with respect to the nomination of such individual as a director of Canadian Pacific at the Meeting. Additionally, each Nominee for Management Change has established his or her eligibility to serve as a director and 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 Nominee for Management Change 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 Nominee for Management Change 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.

Litigation between Canadian National and Hunter Harrison

Canadian National Railway Company ("Canadian National") has sued its former CEO E. Hunter Harrison in a United States federal court in Chicago, Illinois (Canadian National Railway Co. v. Harrison, Case No. 1:12-CV-00493, United States District Court for the Northern District of Illinois). Canadian National has requested that the Court declare that Canadian National was entitled and is entitled moving forward to not make certain payments owed Mr. Harrison under existing agreements between Canadian National and Mr. Harrison. Canadian National also seeks to recover payments already made to Mr. Harrison under a supplemental executive retirement plan.

Canadian National is not currently asking the Court to prevent or delay Mr. Harrison from becoming CEO of Canadian Pacific. In its complaint, Canadian National generally asserts that its decision to terminate payments was based on Mr. Harrison's involvement with Pershing Square with respect to its investment in Canadian Pacific and that this involvement allegedly breached certain forfeiture and confidentiality provisions in his employment agreement and under a restricted stock unit plan. Notwithstanding these assertions, Pershing Square has not been named as a defendant in the claim. Certain funds managed by Pershing Square have agreed to indemnify Mr. Harrison in connection with Canadian National's claims against certain losses he may suffer, including in relation to certain benefits

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payable by Canadian National, arising out of Mr. Harrison's relationship with Pershing Square relating to Canadian Pacific or the solicitation of proxies from Shareholders at the Meeting. Pershing Square's obligation to indemnify Mr. Harrison will terminate if Mr. Harrison takes a position with Canadian Pacific or any other company and that causes him to incur losses (or would have caused him to incur losses had they not previously been incurred). Mr. Harrison has denied all allegations and filed his own counterclaims for breach of contract, wrongful denial of benefits under U.S. federal law, and defamation. Mr. Harrison has informed Pershing Square that he intends to vigorously contest Canadian National's claims and aggressively pursue his counterclaims. Pershing Square believes that nothing in the Canadian National proceedings will impair Mr. Harrison's ability to serve as CEO of Canadian Pacific, if appointed to that position.

OTHER MATTERS TO BE ACTED UPON

Advisory Vote on Executive Compensation – "Say on Pay"

Based on the Management Circular, the Board has proposed a non-binding advisory vote on the Company's approach to executive compensation, commonly known as "Say on Pay". The resolution asks Shareholders to vote on an advisory basis "for" or "against" acceptance of the Company's approach to executive compensation as disclosed in the Management Circular. Pershing Square recommends that Shareholders vote **AGAINST** acceptance of the Company's approach to executive compensation.

Pershing Square believes that an effective compensation policy should not only set proper performance targets and compensate management appropriately, but also be actively monitored by the Board and its compensation committee so that the policy continues to serve those goals. The Company's existing compensation policy fails on all of these counts.

- **Pay Should be for Performance** – Even though Canadian Pacific has consistently and substantially lagged behind its peers, and its operating performance and value have deteriorated materially over Mr. Green's six-year tenure, management is consistently deemed to have met its individual performance objectives. From 2006 to 2011, the Board increased the Cost of Management Ratio (named executive officer compensation as a percentage of net income) from 1.2% of net income in 2006 to 2.5% in 2011 even though total returns to Shareholders were **negative 18%** during that period (through the date Pershing Square began accumulating shares). Given the disparity between management compensation and the Company's performance, the Board is clearly not setting the right goals to incentivize management, or is measuring management's performance against those goals too leniently. Stated simply, income to Shareholders has languished while compensation to executive management has increased. In other words, pay is not for performance.
- **Fails to Properly Monitor Management** – An effective compensation policy provides an effective tool for the Board and compensation committee to monitor management. It is both the stick and the carrot to keep management honest. This Board has failed to use the stick part of the compensation policy. When Fred Green failed in 2008 to meet an individual performance objective the Board deemed him to have missed, the Board removed that individual performance objective in 2009. Instead of using the compensation policy to help

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keep management on track, the Board lowered the bar. An effective compensation policy should do the opposite.

- **Distorted Total Shareholder Return** – The Company failed to take any action to normalize the positive impact Pershing Square's investment and campaign for change has had on the "Total Shareholder Return" ("TSR") component of the performance share unit ("PSUs") grants made to management, including CEO Fred Green. While it is generally appropriate for the Company to link payouts to TSR, the compensation committee should have exercised its discretion to adjust the level of payouts or asked management to waive the 2009 PSU payout for the 3-year performance period ended December 31, 2011 to counteract management being rewarded on the basis of the inflated TSR caused by Pershing Square's activities. An effective compensation policy should be properly monitored by the Board and compensation committee to make sure the policy continues to serve its goals.

Based on all of the reasons set out above, Pershing Square recommends that Shareholders vote, and, unless otherwise instructed, the representatives named in the enclosed **BLUE** proxy intend to cast the votes represented by such **BLUE** proxy, **AGAINST** acceptance of the Company's approach to executive compensation as disclosed in the Management Circular.

Appointment of Auditor

Based on the Management Circular, the Board has proposed that the firm Deloitte & Touche LLP, Chartered Accountants, be re-appointed as Canadian Pacific's auditor until the close of the next annual meeting of Shareholders and that the Board be authorized to set the remuneration of such auditor.

Pershing Square recommends that Shareholders vote, and, unless otherwise instructed, the representatives named in the enclosed **BLUE** proxy intend to cast the votes represented by such **BLUE** proxy, **FOR** the reappointment of Deloitte & Touche LLP as the auditor of Canadian Pacific to hold office until the next annual general meeting of Shareholders and to authorize the Board to fix its remuneration.

For questions or assistance, please contact Pershing Square's proxy solicitor in Canada, Kingsdale Shareholder Services Inc., at 1-866-851-3214 toll-free in North America, or 1-416-867-2272 outside of North America (collect calls accepted), or by e-mail at contactus@kingsdaleshareholder.com, or Pershing Square's proxy solicitor in the United States, D.F. King & Co., Inc., at 1-800-659-5550 toll-free in North America, or 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at cpinfo@dfking.com. To keep current with further developments and information about voting your shares, visit www.CPRising.ca.

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RECOMMENDATION TO CANADIAN PACIFIC SHAREHOLDERS

PERSHING SQUARE RECOMMENDS:

- Vote **FOR** the election of **all** seven Nominees for Management Change as Directors of Canadian Pacific.
- Either **WITHHOLD** your votes from the election of all 15 Incumbent Management Nominees or vote for up to nine Incumbent Management Nominees whom you believe will work cooperatively with the Nominees for Management Change.
- Vote **AGAINST** acceptance of Canadian Pacific's approach to executive compensation (Say on Pay).

If you support the election of the seven Nominees for Management Change and you select more than nine Incumbent Management Nominees for election to the Board on the **BLUE** proxy, then only your votes "for" the seven Nominees for Management Change and the first nine Incumbent Management Nominees listed on the **BLUE** proxy will be counted, and any votes cast "for" any of the remaining Incumbent Management Nominees will not be counted. For greater certainty, Shareholders will **not** be permitted to vote "for" the election of more than a total of 16 nominees for election to the Board, and only votes cast "for" the first 16 nominees listed on the **BLUE** proxy will be counted, and any votes cast "for" those nominees listed after the first 16 named on the **BLUE** proxy will not be counted.

Pershing Square also recommends that you vote **FOR** the reappointment of Deloitte & Touche LLP as the auditor of Canadian Pacific and to authorize the Board to fix its remuneration. See "Other Matters to be Acted Upon" above for further details.

USE ONLY THE "UNIVERSAL" BLUE PROXY TO VOTE YOUR SHARES.

As Pershing Square is using a "universal" form of proxy or "universal" voting instruction form, which includes the names of all of the director nominees to be considered at the Meeting, including the Incumbent Management Nominees proposed by Canadian Pacific, and other matters to be considered at the Meeting, we recommend you not use any other proxy regardless of how you propose to vote. Pershing Square urges Shareholders to complete, sign and return only the **BLUE** form of proxy or **BLUE** voting instruction form and to **IGNORE** any white form of proxy or white voting instruction form received from Canadian Pacific. Only the **BLUE** proxy and voting instruction form includes the names of all seven Nominees for Management Change proposed by Pershing Square, whereas Canadian Pacific's white form of proxy and voting instruction form only contains the names of six of our seven nominees. Accordingly, only the **BLUE** proxy or voting instruction form is complete and will allow you to cast your votes in respect of all of the director nominees and other matters being considered at the Meeting.

For questions or assistance, please contact Pershing Square's proxy solicitor in Canada, Kingsdale Shareholder Services Inc., at 1-866-851-3214 toll-free in North America, or 1-416-867-2272 outside of North America (collect calls accepted), or by e-mail at contactus@kingsdaleshareholder.com, or Pershing Square's proxy solicitor in the United States, D.F. King & Co., Inc., at 1-800-659-5550 toll-free in North America, or 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at cpinfo@dfking.com. To keep current with further developments and information about voting your shares, visit www.CPRising.ca.

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HOW BLUE PROXIES WILL BE VOTED

At the Meeting, the representatives of Pershing Square named in the accompanying BLUE form of proxy or voting instruction form currently intend, unless instructed otherwise, to cast the votes represented by each proxy or form deposited by Shareholders, as follows:

- **FOR** the election of all SEVEN Nominees for Management Change;
- **WITHHOLD** votes from the election of all 15 Incumbent Management Nominees;
- **AGAINST** acceptance of the Company's approach to executive compensation as disclosed in the Management Circular; and
- **FOR** the reappointment of Deloitte & Touche LLP as the auditor of Canadian Pacific and to authorize the Board to fix its remuneration.

For further details, see "Matters to be Acted Upon – Election of Directors" and "Other Matters to be Acted Upon" at pages 7 through 21 of this Circular.

Pershing Square notes that none of the Incumbent Management Nominees have consented to serve on the Board with the participation of Pershing Square's Nominees for Management Change. However, given that Canadian Pacific has proposed each of the Incumbent Management Nominees for election at the Meeting and has indicated that each such nominee is eligible and willing to serve as a director if elected, Pershing Square expects that those Incumbent Management Nominees that are elected to the Board will provide their consent to serve as directors along with Pershing Square's Nominees for Management Change. If you support the election of the seven Nominees for Management Change and you select more than nine Incumbent Management Nominees for election to the Board on the BLUE proxy, then only your votes "for" the first nine Incumbent Management Nominees listed on the BLUE proxy will be counted, and any votes cast "for" any of the remaining Incumbent Management Nominees will not be counted.

GENERAL PROXY INFORMATION

Appointment of Proxies

The persons named as proxyholders in the accompanying BLUE form of proxy are William A. Ackman or failing him, Paul C. Hilal, or failing him, Brian N. Welch, or failing him, Roy J. Katzovicz. 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 Nominees for Management Change. Mr. Hilal is a Partner at Pershing Square Capital Management, L.P. and is also one of the Nominees for Management Change. Roy J. Katzovicz and Brian N. Welch are also employees of Pershing Square Capital Management, L.P.

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 may exercise this right by striking out those

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names appearing on the applicable form of proxy and inserting the name of the person you wish to appoint as your representative in the blank space provided in such form of proxy 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 27 to 29 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

If you are the registered holder of your Shares, you may revoke a proxy previously given:

1. by completing and signing a valid proxy bearing a later date and returning it in accordance with the instructions contained in the accompanying **BLUE** form of proxy, or as otherwise provided in this Circular;
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 27 to 29 of this Circular for instructions on how to revoke any proxies you give in connection with the Meeting.

For questions or assistance, please contact Pershing Square's proxy solicitor in Canada, Kingsdale Shareholder Services Inc., at 1-866-851-3214 toll-free in North America, or 1-416-867-2272 outside of North America (collect calls accepted), or by e-mail at contactus@kingsdaleshareholder.com, or Pershing Square's proxy solicitor in the United States, D.F. King & Co., Inc., at 1-800-659-5550 toll-free in North America, or 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at cpinfo@dfking.com. To keep current with further developments and information about voting your shares, visit www.CPRising.ca.

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Voting of Shares Represented by Proxy

The Pershing Square representatives designated in the **BLUE** form of proxy to be deposited by you as provided in this 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 **BLUE** form of proxy deposited by you as provided in this Circular, 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 seven Nominees for Management Change; WITHHELD from the election of all 15 Incumbent Management Nominees; AGAINST acceptance of Canadian Pacific's approach to executive compensation; and FOR the reappointment of the auditor of Canadian Pacific and to authorize the Board to fix its remuneration.**

Pershing Square recommends that you vote **FOR** the election of **all SEVEN** Nominees for Management Change as directors of Canadian Pacific and either **WITHHOLD** your votes from the election of all 15 Incumbent Management Nominees or vote for up to nine Incumbent Management Nominees whom you believe will work cooperatively with the Nominees for Management Change. **If you vote FOR the SEVEN Nominees for Management Change and also vote FOR more than nine of the 15 Incumbent Management Nominees, only the votes in respect of the SEVEN Nominees for Management Change and the first nine Incumbent Management Nominees listed in the BLUE proxy that have received a FOR vote will be counted. For greater certainty, Shareholders will not be permitted to vote "for" the election of more than a total of 16 nominees for election to the Board, and only votes cast "for" the first 16 nominees listed on the BLUE proxy will be counted, and any votes cast "for" those nominees listed after the first 16 named on the BLUE proxy will not be counted.**

In order to be deposited with the Company's registrar and transfer agent in time to be used at the Meeting, we urge you to vote your **BLUE** proxy or voting instruction form so that it is received by Kingsdale Shareholder Services Inc. prior to 9:00 a.m. (Toronto time) on May 16, 2012, however, we will make every effort to continue to accept and tabulate votes received up until the time of the Meeting. They will then be forwarded to Canadian Pacific.

We note that in an unusual departure from its historical practice, Canadian Pacific has not established any cut-off time by which proxies must be submitted in order to be voted at the Meeting. Accordingly, Shareholders will be entitled to submit proxies any time up to, and including, at the Meeting. Shareholders should be advised that we expect that the absence of any proxy cut-off deadline may cause substantial delays in determining the outcome of the Meeting, including in particular the tabulation and reconciliation of votes cast in respect of each of the nominees proposed by Pershing Square and Canadian Pacific for election as directors to the Board. Pershing Square will make every effort to work with Canadian Pacific to ensure that a mutually acceptable protocol for the conduct of the Meeting is put in place that will safeguard the rights and interests of the Shareholders of Canadian Pacific, and ensure that the Meeting is conducted properly and efficiently. To the extent necessary, Pershing Square will apply to the Court in advance of the Meeting for directions and other relief in respect of the adoption and implementation of acceptable protocol. Any such protocol must ensure that the results of the Meeting

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can and will be tabulated fairly and accurately, and reported to Shareholders without undue delay at the Meeting.

The accompanying **BLUE** form of proxy confers 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 dated March 22, 2012 accompanying 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 in the Management Circular. 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.

Registered Shareholders

A registered Shareholder (a Shareholder who holds a physical share certificate and whose name appears on such share certificate(s)) will receive, or will have already received, a **BLUE** form of proxy. This **BLUE** form of proxy entitles you to vote by Internet, fax, mail and/or telephone in accordance with the following instructions.

- *To vote by Internet:* Go to <http://www.proxyvote.com>, as specified on the **BLUE** proxy, and then follow the voting instructions on the screen. Shareholders will require a Control Number (located on the front of the **BLUE** proxy) to identify themselves to the system. If your **BLUE** proxy does not contain a Control Number, you will not be able to vote via the Internet.
- *To vote by Fax:* Properly complete, sign and date your **BLUE** proxy and return it by facsimile to 1-905-507-7793 or 1-514-281-8911.
- *To vote by Mail:* Properly complete, sign and date the **BLUE** proxy and return it in the postage prepaid envelope provided to Proxy Tabulation, P.O. Box 2800 Stn LCD Malton, Mississauga, Ontario L5T 2T8.
- *To vote by Telephone:* Call Pershing Square's proxy solicitor in Canada, Kingsdale Shareholder Services Inc., at 1-866-851-3214 toll-free in North America, or 1-416-867-2272 outside of North America (collect calls accepted). Shareholders will require a Control Number (located on the front of the **BLUE** proxy) to identify themselves. If your **BLUE** proxy does not contain a Control Number, our proxy solicitors will be able to assist you in obtaining one.

If you support Pershing Square and the Nominees for Management Change and want to vote your proxy in accordance with Pershing Square's recommendations as set out in this Circular, you should complete, sign and date your **BLUE** proxy and submit it using one of the methods described above, in accordance with the mocked-up sample form of proxy accompanying this Circular. Full instructions for how to vote can also be found at www.CPRising.ca.

For questions or assistance, please contact Pershing Square's proxy solicitor in Canada, Kingsdale Shareholder Services Inc., at 1-866-851-3214 toll-free in North America, or 1-416-867-2272 outside of North America (collect calls accepted), or by e-mail at contactus@kingsdaleshareholder.com, or Pershing Square's proxy solicitor in the United States, D.F. King & Co., Inc., at 1-800-659-5550 toll-free in North America, or 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at cpinfo@dfking.com. To keep current with further developments and information about voting your shares, visit www.CPRising.ca.

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Non-Registered (Beneficial) Holders of Shares

Only registered holders of Shares, or the persons they appoint as their proxyholders, will be entitled to attend in person and vote at the Meeting. However, in the majority of 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 has distributed copies of this Circular and a **BLUE** form of proxy or voting instruction form ("VIF") to the Intermediaries or their designates for onward distribution to Non-Registered Holders in connection with the Meeting. Intermediaries are required to forward copies of this Circular and any form of proxy or VIF provided to them to Non-Registered Holders, unless a Non-Registered Holder has waived the right to receive them. If you are a Non-Registered Holder and have received these materials, please sign and return the **BLUE** form of proxy or VIF in accordance with the directions provided by your Intermediary and set out in such form.

Without specific instructions, Intermediaries are generally 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 VIF to vote Shares directly at the Meeting. Voting instructions must be returned sufficiently in advance of the Meeting to have those Shares voted. 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 fax.

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of Shares they beneficially own. Generally, Non-Registered Holders who have not waived the right to receive meeting materials will receive, or will have already received, either a **BLUE** VIF or, less frequently, a **BLUE** form of proxy. Non-Registered Holders should carefully follow the procedures set out in the applicable VIF or form of proxy, which generally provide for the following, depending on which type of form you receive:

- **BLUE** VIF: In most cases, Non-Registered Holders will receive, along with the Circular, a **BLUE** VIF (similar to the example reproduced below) that must be completed, signed and dated by the Non-Registered Holder in accordance with the directions on the VIF (where permissible in accordance with the instructions indicated, it is recommended you vote the Shares represented by the VIF via the Internet by going to the website specified on the **BLUE** VIF, and then follow the voting instructions on the screen, or submit a completed, signed and dated VIF by fax or mail).

For questions or assistance, please contact Pershing Square's proxy solicitor in Canada, Kingsdale Shareholder Services Inc., at 1-866-851-3214 toll-free in North America, or 1-416-867-2272 outside of North America (collect calls accepted), or by e-mail at contactus@kingsdaleshareholder.com, or Pershing Square's proxy solicitor in the United States, D.F. King & Co., Inc., at 1-800-659-5550 toll-free in North America, or 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at cpinfo@dfking.com. To keep current with further developments and information about voting your shares, visit www.CPRising.ca.

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- **BLUE Proxy:** Less frequently, a Non-Registered Holder may receive, along with the Circular, a **BLUE** form of proxy that has already been signed by the Intermediary and which is restricted as to the number of Shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. In these cases, the Non-Registered Holder who wishes to submit a **BLUE** proxy should properly complete the **BLUE** proxy and submit it by fax or by mail, as specified, to one of the number(s) or location(s) indicated on the **BLUE** proxy.
- ***In all cases,*** if you are a Non-Registered Holder and are having trouble voting your Shares or wish to vote your Shares by telephone, you should contact Pershing Square's proxy solicitor in Canada, Kingsdale Shareholder Services Inc., at 1-866-851-3214 toll-free in North America, or 1-416-867-2272 outside of North America (collect calls accepted), or Pershing Square's proxy solicitor in the United States, D.F. King & Co., Inc., at 1-800-659-5550 toll-free in North America, or 1-212-269-5550 outside of North America (collect calls accepted), and they will be able to assist you to ensure your vote is counted at the Meeting.

If you are a Non-Registered Holder and support Pershing Square and the Nominees for Management Change and want to vote your **BLUE** VIF or proxy in accordance with Pershing Square's recommendations as set out in this Circular, you should complete, sign and date your **BLUE** VIF or proxy received from your Intermediary and submit it using one of the methods described above, in accordance with the mocked-up samples of VIFs accompanying this Circular, as applicable, depending on whether you are a Canadian or U.S. Non-Registered Holder. We would note that while the VIFs for Canadian and U.S. Non-Registered Holders are, in all material respects, the same, the lay-out of each is slightly different and, accordingly, we have enclosed mocked-up samples of each to assist both Canadian and U.S. Non-Registered Holders in completing their VIFs. Full instructions for how to vote can also be found at www.CPRising.ca.

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 Meeting (or have a person other than those named in the **BLUE** form of proxy or VIF 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 VIF 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 VIFs 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 VIF 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 **BLUE** form of proxy or VIF provided to you directly by them.

For questions or assistance, please contact Pershing Square's proxy solicitor in Canada, Kingsdale Shareholder Services Inc., at 1-866-851-3214 toll-free in North America, or 1-416-867-2272 outside of North America (collect calls accepted), or by e-mail at contactus@kingsdaleshareholder.com, or Pershing Square's proxy solicitor in the United States, D.F. King & Co., Inc., at 1-800-659-5550 toll-free in North America, or 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at cpinfo@dfking.com. To keep current with further developments and information about voting your shares, visit www.CPRising.ca.

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A Non-Registered Holder is entitled to revoke a form of proxy or VIF 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 VIF to ensure it is given effect in respect of the Meeting.

These securityholder materials are being sent to both registered Shareholders and Non-Registered Holders. If you are a Non-Registered Holder, and Pershing Square or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the Company or from the Intermediary holding the Shares on your behalf.

By choosing to send these securityholder materials to you directly, Pershing Square (and not the Intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your **BLUE** proxy or voting instructions as specified in the request for voting instructions.

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 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 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 solicitor in Canada. Pursuant to this agreement, Kingsdale will 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.

Pershing Square has also entered into an agreement with D.F. King & Co., ("D.F. King") pursuant to which D.F. King has agreed that it will provide certain consulting and related services, including acting as Pershing Square's proxy solicitor in the United States. Pursuant to this agreement, D.F. King will receive an initial fee of \$75,000 and an additional fee of \$100,000 upon the mailing of final proxy materials, plus an additional fee for telephone calls and telecommunication charges in an amount to be agreed upon by the parties. In addition, D.F. King may be entitled to a success fee on the successful completion of Pershing Square's solicitation, as determined by Pershing Square in consultation with D.F. King.

For questions or assistance, please contact Pershing Square's proxy solicitor in Canada, Kingsdale Shareholder Services Inc., at 1-866-851-3214 toll-free in North America, or 1-416-867-2272 outside of North America (collect calls accepted), or by e-mail at contactus@kingsdaleshareholder.com, or Pershing Square's proxy solicitor in the United States, D.F. King & Co., Inc., at 1-800-659-5550 toll-free in North America, or 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at cpinfo@dfking.com. To keep current with further developments and information about voting your shares, visit www.CPRising.ca.

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In addition, Pershing Square, certain of its members, directors, officers and employees and the Nominees for Management Change may solicit proxies by mail, telephone, telecopier, the Internet, e-mail or other electronic means and personal solicitation or by way of public broadcast, as well as by newspaper or other media advertising. 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 Nominees for Management Change 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 this 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 has announced that each Shareholder of record at the close of business on March 22, 2012 (the "Record Date"), the record date established for notice of the Meeting and for voting in respect of the Meeting, will be entitled to one vote for each Share held on each matter to come before the Meeting.

According to the Management Circular, the number of Shares entitled to vote on each matter to be acted on at the Meeting as of March 22, 2012 was 170,856,685 Shares. In determining the number of outstanding Shares, Pershing Square has relied exclusively on the disclosure relating to the outstanding Shares as of March 22, 2012 set out in the Management Circular.

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.

As of the date of this Circular, affiliates or associates of Pershing Square own an aggregate of 24,159,888 Shares, representing approximately 14.1% of the total Shares issued and outstanding as of the Record Date.

For questions or assistance, please contact Pershing Square's proxy solicitor in Canada, Kingsdale Shareholder Services Inc., at 1-866-851-3214 toll-free in North America, or 1-416-867-2272 outside of North America (collect calls accepted), or by e-mail at contactus@kingsdaleshareholder.com, or Pershing Square's proxy solicitor in the United States, D.F. King & Co., Inc., at 1-800-659-5550 toll-free in North America, or 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at cpinfo@dfking.com. To keep current with further developments and information about voting your shares, visit www.CPRising.ca.

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Pershing Square intends to vote all of its Shares as follows:

- **FOR** the election of all SEVEN Nominees for Management Change;
- **WITHHOLD** votes from the election of all 15 Incumbent Management Nominees;
- **AGAINST** acceptance of the Company's approach to executive compensation as disclosed in the Management Circular; and
- **FOR** the reappointment of Deloitte & Touche LLP as the auditor of Canadian Pacific and to authorize the Board to fix its remuneration.

Pershing Square reserves the right to change its intentions regarding the voting of its own Shares. If Pershing Square changes its intentions, it will notify Shareholders of the change by press release and in any other manner required pursuant to applicable securities laws.

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 Management Circular, and other continuous disclosure filed by the Company on SEDAR at 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 Nominees for Management Change 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 in respect of their ownership of securities of Canadian Pacific), other than the election of directors.

For questions or assistance, please contact Pershing Square's proxy solicitor in Canada, Kingsdale Shareholder Services Inc., at 1-866-851-3214 toll-free in North America, or 1-416-867-2272 outside of North America (collect calls accepted), or by e-mail at contactus@kingsdaleshareholder.com, or Pershing Square's proxy solicitor in the United States, D.F. King & Co., Inc., at 1-800-659-5550 toll-free in North America, or 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at cpinfo@dfking.com. To keep current with further developments and information about voting your shares, visit www.CPRising.ca.

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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.

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 dated March 5, 2012 and the Management Circular dated March 22, 2012, is available on SEDAR at www.sedar.com. Financial information is provided in the Company's comparative annual financial statements and management's discussion and analysis for the year ended December 31, 2011. 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.

For questions or assistance, please contact Pershing Square's proxy solicitor in Canada, Kingsdale Shareholder Services Inc., at 1-866-851-3214 toll-free in North America, or 1-416-867-2272 outside of North America (collect calls accepted), or by e-mail at contactus@kingsdaleshareholder.com, or Pershing Square's proxy solicitor in the United States, D.F. King & Co., Inc., at 1-800-659-5550 toll-free in North America, or 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at cpinfo@dfking.com. To keep current with further developments and information about voting your shares, visit www.CPRising.ca.

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CERTIFICATE

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

April 4, 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:



Name: William A. Ackman
Title: Managing Member

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QUESTIONS OR REQUESTS FOR ASSISTANCE MAY BE DIRECTED
TO OUR PROXY SOLICITORS:

IN CANADA



The Exchange Tower
130 King Street West, Suite 2950, P.O. Box 361
Toronto, Ontario M5X 1E2
www.kingsdaleshareholder.com

North American Toll-Free Phone:

1-866-851-3214

Email: contactus@kingsdaleshareholder.com

Facsimile: 416-867-2271

Toll-Free Facsimile: 1-866-545-5580

**Outside North America, Banks and Brokers
Call Collect: 416-867-2272**

IN THE UNITED STATES

D.F. KING & CO., INC.

48 Wall Street, 22nd Floor
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U.S.A. 10005
www.dfking.com

North American Toll-Free Phone:

1-800-659-5550

Email: cpinfo@dfking.com

Facsimile: 212-709-3305

Toll-Free Facsimile: 1-800-328-6193

**Outside of North America, Banks and Brokers
Call Collect: 212-269-5550**

IF YOU EXPERIENCE ANY PROBLEMS VOTING YOUR BLUE PROXY, PLEASE CONTACT KINGSDALE SHAREHOLDER SERVICES INC. OR D.F. KING & CO., INC. AT THE NUMBERS ABOVE, AND THEY WILL BE ABLE TO ASSIST YOU TO ENSURE YOUR VOTE IS COUNTED AT THE MEETING.

As Pershing Square is using a "universal" form of proxy or "universal" voting instruction form, which includes the names of all of the director nominees to be considered at the Meeting, including the Incumbent Management Nominees proposed by Canadian Pacific, and other matters to be considered at the Meeting, we recommend you not use any other proxy regardless of how you propose to vote. Pershing Square urges Shareholders to complete, sign and return only the BLUE form of proxy or BLUE voting instruction form and to IGNORE any white form of proxy or white voting instruction form received from Canadian Pacific. Only the BLUE proxy and voting instruction form includes the names of all seven Nominees for Management Change proposed by Pershing Square, whereas Canadian Pacific's white form of proxy and voting instruction form only contains the names of six of our seven nominees. Accordingly, only the BLUE proxy or voting instruction form is complete and will allow you to cast your votes in respect of all of the director nominees and other matters being considered at the Meeting.

VOTE ONLY YOUR "UNIVERSAL" BLUE PROXY TODAY

For questions or assistance, please contact Pershing Square's proxy solicitor in Canada, Kingsdale Shareholder Services Inc., at 1-866-851-3214 toll-free in North America, or 1-416-867-2272 outside of North America (collect calls accepted), or by e-mail at contactus@kingsdaleshareholder.com, or Pershing Square's proxy solicitor in the United States, D.F. King & Co., Inc., at 1-800-659-5550 toll-free in North America, or 1-212-269-5550 outside of North America (collect calls accepted), or by e-mail at cpinfo@dfking.com. To keep current with further developments and information about voting your shares, visit www.CPRising.ca.

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