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.

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.

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).

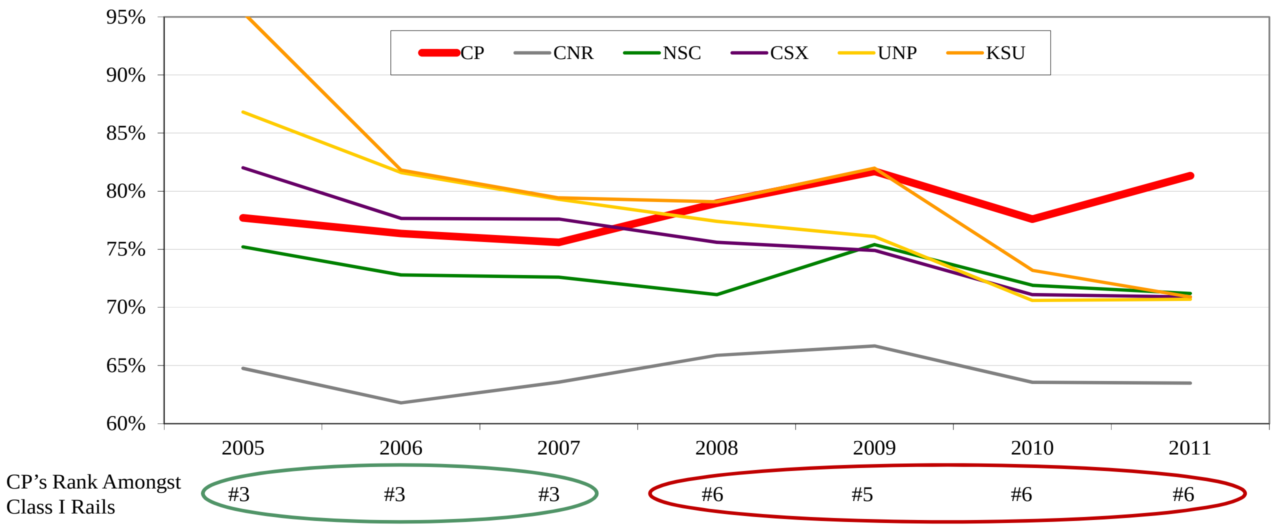
- **Mismanagement of Operations** – Mr. Green and the Board have mismanaged CP's physical assets and its talented employees, resulting in poor operating performance.

    - **Industry-Worst Operating Performance** – CP's key indicator of performance – its operating ratio[2] – 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.

- 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**):

Operating Ratio by Year



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.

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.

- **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.

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

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.

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.

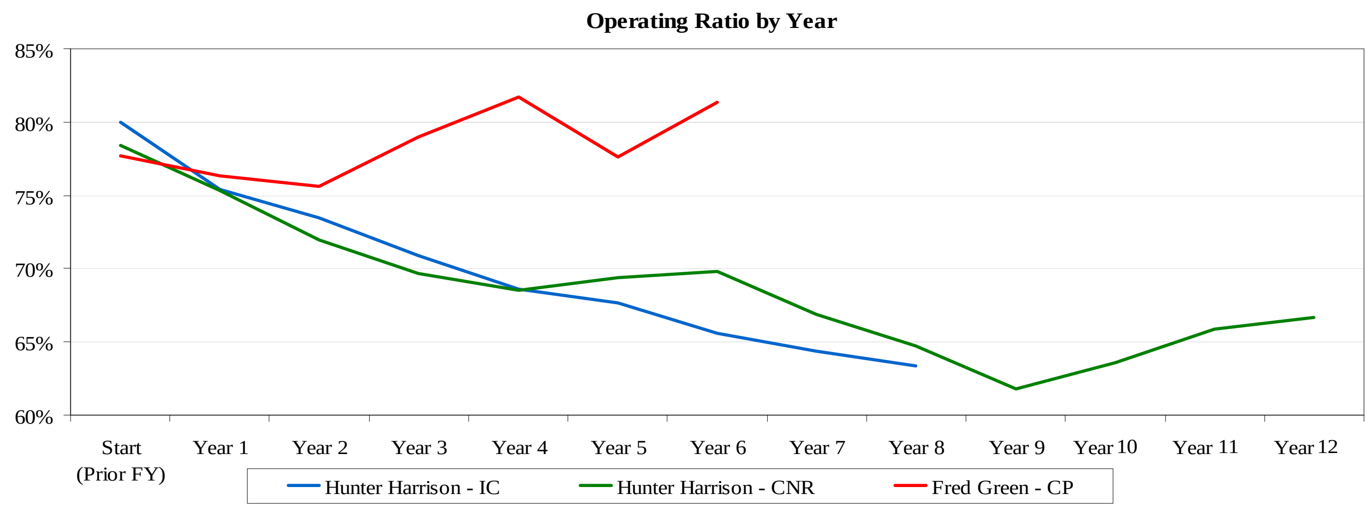
- **Culture Change** – He transformed the corporate cultures of IC and CNR into disciplined, rigorous, "can do," "no excuses," "failure-is-not-an-option" cultures that enabled IC and CNR to deliver unparalleled service quality, asset utilization, labour productivity, and operating efficiency. Uniquely 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):



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.

- "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 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.

- **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.

<u>Our Recommendations:</u>

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

We ask you to vote **<u>FOR</u>** all seven Nominees for Management Change on the **<u>BLUE</u>** 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.

<u>or</u>

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 **<u>AGAINST</u>** 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 <u>www.CPRising.ca</u>**, 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 <u>FOR</u> all seven Nominees for Management Change.

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