The Nominees for Management Change

CP RISING

April 16, 2012

Dear Fellow CP Shareholder,

Proxy contests are about trust, incentives, capabilities, and results. Do you trust the current board and management to represent your interests as a shareholder? Are their interests aligned with shareholders? Do they have what it takes to drive the value of the company over the long term? Has the current board and management fulfilled their promises to shareholders?

Prior to Pershing Square's acquisition of stock of Canadian Pacific, the total return to CP shareholders over the previous six years of CEO Fred Green's tenure was negative 18%, as the company's operating performance deteriorated and its market share declined.

During this period, the board paid Mr. Green $32 million and gave him high marks on the measures it established to evaluate his performance.

On September 23rd, Pershing Square began buying CP stock because we believed that the company's underperformance could be addressed by a change in senior management. We spent $1.4 billion to buy more than 14% of the company, the largest initial investment we have made in any company.

While the company's Chairman, John Cleghorn, told me at our first meeting in early November that he was receptive to senior management change, his thinking changed shortly thereafter.

Why, you might ask, have the board and the company's CEO been so resistant to what is blindingly obvious to the shareholders of CP? The answer is that the board's and Mr. Green's incentives are not aligned with those of shareholders.

The misalignment, in the case of Mr. Green, is for obvious reasons. It is the rare CEO who is prepared to show true accountability by resigning no matter how much value could be created for shareholders if he stepped down.

In the case of the board, the reasons for its stubborn refusal to consider a change in management are more subtle. Despite the company's track record for underperformance, this board has always believed that progress is just around the corner. Time and time again, the company has announced a new plan, shown a glimmer of operational improvement, only to fail to achieve sustained progress. The problems are probably not the plans themselves. Rather, the failure has been the execution of those plans by management and the board's inadequate oversight.

If the Nominees for Management Change are elected and the company's performance dramatically improves over the next several years, this will be a great outcome for shareholders. A strong and sustainable turnaround of CP would make clear that the company's performance failures over the last six years were not weather-related, nor due to "structural" limitations, nor any of the other litany of excuses shareholders have heard over the years. It is the rare board that would step aside and allow it to be shown that the failures of the past were due to their own failed oversight.

Our Simple Goal

Pershing Square and the seven Nominees for Management Change have one simple goal and no other agenda. Our goal is to take CP from its position as the worst performing railroad in North America to its rightful place as one of the best. Doing so will create billions of dollars of shareholder value. With a reconstituted board and a change in leadership, we are confident these goals can be achieved.

The stock price has risen by more than 64% since our initial purchase of shares, and by about 20% since we disclosed our stake and our plans for a change in the board and senior management. The current stock price reflects the substantial potential for value creation if shareholders give the Nominees for Management Change the strong mandate we need to restructure the board and replace Mr. Green.

Our Economic Incentives

We have an enormous economic incentive to achieve our simple goal. At market value, Pershing Square owns a more than $1.8 billion stake in CP, representing one-sixth of our assets. It is a large illiquid stake that requires us to provide timely updates to the market to the extent we increase or decrease our position. In light of these constraints, no investor would buy 14% of a company and join a board of directors unless it was interested in the creation of long-term shareholder value. We are 'all in' and will work extremely hard to maximize value for all shareholders and other stakeholders.

The other Nominees for Management Change have also reached into their own pockets and purchased approximately $2 million of stock in the company. They have made these purchases in recent weeks at current market prices. To their credit, they are prepared to eat their own cooking even before they have had the opportunity to sit down at the board table and begin to add value.

The Board's Economic Incentives

In comparison, the current independent directors have a nominal shareholding in the company with 0.2% of the stock. Unlike the stock you purchased or the shares we own, the board's shareholdings were not principally bought with their own cash, but were granted by the company. For each of the non-management directors, none of their shareholdings is material to their personal economic circumstance. Regardless of the performance of the company, they will continue to receive a similar dollar amount of shares and fees each year as long as they continue as directors. The longer they serve on the board, the greater their compensation, regardless of how the stock does.

Hunter Harrison's Incentives

It is also worthwhile considering the incentives of our CEO designee Hunter Harrison. Hunter is recognized as a legend in the railroad industry due to his extraordinary turnarounds of Illinois Central and Canadian National from underperformers to the best performing railroads in North America. Hunter retired from CN a little more than two years ago. Because of the enormous amount of shareholder value he created, Hunter retired a wealthy man.

Why then has Hunter put his hat in the ring to be the next CEO of Canadian Pacific?

He certainly doesn't need the money. Hunter also has nothing to prove. His successes, the resulting recognition he has received, and the legacy he has left behind speak for themselves. And, if Hunter were to fail at CP, it would tarnish his otherwise unblemished track record.

The current board has done their best to discourage Hunter from taking the job. They have made it clear they don't want him. They have even paid millions of shareholder dollars to commission a study pointing out all of CP's problems, telling Hunter and the world about CP's apparent deficiencies versus Canadian National. The board has said it loud and clear, Canadian Pacific has structural challenges and therefore Hunter's goals are unrealistic.

Never before in my career have I seen a board and management commission a study at shareholder expense and release it to the general public in an attempt to identify the company's weaknesses in order to prove its inferiority versus its competitors. We have said that CP has a culture of excuses that has interfered with its historic ability to execute. This board-commissioned consultant's report is Exhibit A for the need for culture change at CP.

Why does Hunter want this challenge?

Clearly, he loves the business and misses the action. He is also extraordinarily confident he will achieve his high aspirations for CP. And he has already put his money where his mouth is by buying $5 million of stock. But I don't think these reasons entirely explain what motivates him.

Hunter would like one more opportunity to prove himself. Again. We would like to give him that opportunity.

More Plans and More Promises

The company has promised that the first quarter's results will be strong, and that its Multi-year Plan is now on the path to better performance. Unfortunately, this is not the first such promise that short-term performance will lead the company to future success. Let's note a sample of the promises for improved performance during Mr. Green's tenure:

> ***"I told you we had a value creation strategy that works. It's delivering results, and <u>we expect our success to continue</u>."*** *(Mr. Green, November* ***2006*** *Analyst Day)*
>
> *"We have series of Vice Presidents who have sat right in front of Kathryn and I and* ***<u>stared us in the eyeballs and told us how they're going to deliver the types of improvements that Brock referred to</u>****. And because of that level of attack, level of effort, and that level of commitment,* ***we're able to sit here today and say that we've got a program*** *[Execution Excellence for Efficiency or "E3"]* ***that over the next couple of years, is another C$100 million."*** *(Mr. Green, November* ***2008*** *Analyst Day)*

Fred Green has been the CEO of CP for nearly six years. During his tenure, the company has announced 10 new plans and operational initiatives to address its chronic underperformance. When a glimmer of progress appeared, management promised that the progress would be sustained. Over time, unfortunately, the company's performance has only deteriorated until our recent involvement.

One Good Quarter? Does Not a Company Make

While we have yet to see the detailed results of the supposedly strong first quarter, we know that 90 days of good weather does not fix six years of underperformance. To quote Cormark Securities analyst David Newman:

> *"In our view, CP is clearly capitalizing on easy comps in Q1/12, given a very mild winter this year, a severe winter in Q1/11, and various events during 2009-10 (recession, slow recovery, etc.). Further, in our opinion, one quarter of solid performance does not make up for 5.5 years of underperforming its peers."*

We hope that CP's performance has begun to turn, but as the owner of 14% of the company, we are not prepared to ignore what history has demonstrated about management's and the board's inability to deliver sustained performance. Ultimately, this proxy contest is about execution, namely which board and CEO are best able to get the job done. With a reconstituted board and new leadership, CP can be one of the best railroads in North America.

With an election only 30 or so days away, it is critical that you use the BLUE proxy card to vote your shares as promptly as possible for the seven Nominees for Management Change. We encourage you to vote by Internet so that your vote is received as soon as possible. With seven of the Nominees for Management Change on the board, we have the highest probability of achieving the dramatic required changes at CP. To send the strongest possible message about the need for change, we encourage you to withhold your votes from the current directors. If you have already voted another proxy, you may change your vote for only your most recent proxy will count.

I look forward to seeing you at the shareholder meeting on May 17th.

Sincerely,

William A. Ackman

This letter contains forward-looking statements and information. Please refer to our proxy circular, which is available at www.CPRising.ca, for information regarding the risks of these statements.

For questions or assistance, please contact Pershing Square's proxy solicitor in Canada, Kingsdale Shareholder Services Inc., toll-free at 1-866-851-3214, or Pershing Square's proxy solicitor in the United States, D.F. King & Co., Inc., toll-free at 1-800-659-5550. To keep current with further developments and information about voting your shares, visit www.CPRising.ca.

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