



PERSHING SQUARE CAPITAL MANAGEMENT, L.P.

888 SEVENTH AVENUE, 42ND FLOOR
NEW YORK, NY 10019
P: 212-813-3700 F: 212-286-1133

January 3, 2012

Canadian Pacific Railway Ltd.
Gulf Canada Square
401 9 Ave SW - Suite 500
Calgary, AB T2P 4Z4
Canada

Dear Mr. Cleghorn:

I write in response to your letter which I received from the press this morning. I too am troubled by inaccurate press reports about Canadian Pacific. To set the record straight, neither I nor any representative of Pershing Square has made any inaccurate statements to the press. Your letter, however, includes a number of statements that should be corrected so that Canadian Pacific's stakeholders are fully apprised of the facts.

Contrary to your statement in the letter that no one at Canadian Pacific expressed an interest in meeting with Mr. Harrison, on the Saturday after our Wednesday, November 2 meeting, you called me at home and asked that I arrange a meeting with him. Neither you nor Canadian Pacific expressed concern about Hunter's contract with Canadian National at that time. Rather, on that Saturday call and in subsequent communications, it was I who explained to you (and subsequently in communications among our respective counsel) that Hunter was subject to a non-compete agreement which would prohibit him from meeting or speaking with representatives of Canadian Pacific until January 1, 2012.

Contrary to your statement in the letter that we 'acknowledged' that we have no plan to improve Canadian Pacific's operating performance, we do have a plan, and we have made that plan clear both in our initial meeting and in subsequent communications with you. Our plan is to transform Canadian Pacific from the worst performing railroad in North America into one of the best by effectuating a cultural and operational transformation of Canadian Pacific which begins with a new leader.

Hunter has successfully implemented Precision Scheduled Railroading at Canadian National, which has continued to be the best performing North American railroad since his retirement. We believe there is tremendous untapped operating potential at Canadian Pacific, a company with irreplaceable assets and hardworking and highly talented employees. We and, we expect, the vast majority of the company's employees,

shareholders, analysts, and other stakeholders believe that Hunter can realize this potential if given the opportunity to instill a disciplined operating plan and performance-oriented culture with no excuses. We believe it is the senior-most leadership of the company that must be changed, namely Fred Green, in order for this potential to be unlocked.

Hunter's track record, demonstrated first at Illinois Central and then at Canadian National, speaks for itself. One need only read the accurate and glowing press reports which appeared this weekend about his tenure and accomplishments at Canadian National to understand what Hunter's contribution can be to Canadian Pacific.

Hunter invented Precision Scheduled Railroading and he successfully implemented it at both Illinois Central and Canadian National. He is intimately familiar with Canada's customers, unions, and relevant regulations. He can hit the ground running and effect the transformation faster, better, and with less risk than any alternative candidate, while incorporating the lessons he has learned from the prior two transformations.

In order for Hunter to be successful, he must have the full support and backing of the board of directors. For this reason, we have asked for two board seats so that we can work with the board and Hunter to effectuate the changes that are required.

While I am greatly appreciative of the company offering me a board seat, I am unwilling to sign what you describe in your letter as "customary arrangements." The so-called customary arrangement to which you refer is a standstill agreement that no other director of Canadian Pacific has been asked to sign, and which would eliminate many of our basic shareholder rights. As our counsel has previously explained to yours, I am unwilling to sign a standstill arrangement for doing so will neuter my ability to be an effective director.

Among other things, the standstill agreement you proposed requires me to vote all of our shares in favor of each of the board's nominees for election and vote with the board's recommendations with respect to any matter proposed by shareholders of the company. In essence, in exchange for one board seat, I am being asked to support the recommendations of a majority of the board and each director's nomination whether I am in agreement with these recommendations or not. In light of our 14.2% stake in the company and given Canadian Pacific's substantial underperformance over the last ten years, I am unwilling to tie my hands.

I was also disappointed that the nominating committee was unwilling to meet with our other proposed director despite his flying with me from New York to Calgary on a Sunday night so that we could accommodate the board's schedule. The committee's unwillingness to even meet our proposed candidate further emphasized the importance to me of the need to have more than one Pershing Square representative on the board.

January 3, 2012
Page 3 of 3

Fortunately, there are a number of statements in your letter with which I agree wholeheartedly. With respect to Tony Ingram and Ed Harris, we are supportive of their addition to the board as they both bring valuable railroad industry expertise.

I am also in agreement that our dialogue to date has been constructive. In order to make further progress, I would like to arrange a meeting with Hunter Harrison and our other proposed director candidate so that the board can evaluate Hunter and our second director's candidacy. Hunter and we will make ourselves available at the time and place of your choosing. We ask that such a meeting take place as soon as practicable. I can't imagine there is anything more important and time sensitive for this board to consider.

I look forward to hearing from you.

Pershing Square Capital Management, L.P.
Sincerely,

A handwritten signature in black ink, appearing to be 'W. Ackman', with a long horizontal stroke extending to the right.

William A. Ackman
Chief Executive Officer