



About Investing

1. Key Considerations

What to consider before becoming a shareholder

There are benefits and risks when investing your money in any company. It's important you are aware of what purchasing shares is all about. You should know where your money is going and what can happen to your money once it has been used to purchase shares.

Below are a few key points regarding the benefits and risks you take when you put your money into the shares of a company. If you are not familiar with investing, you should consult a professional financial advisor to get a more detailed overview of investing money. Fees resulting from such consultation are the sole responsibility of the Participant.

Benefits of being a shareholder

- If the share price increases from the time you buy them, you make money.
- You may receive dividends from the company from time to time, being an amount of cash for each share you own.
- Most types of shares provide the shareholder the right to vote (one vote per share).
- You own part of the company.

Risks of being a shareholder

- If the share price decreases from the time you buy them, you lose money.
- The stock market can be unpredictable.
- There's no guarantee you'll make money.
- There's no guarantee you won't lose money.

2. Driving Share Value

The number one driver of share price is profit. Investors buy shares in a company if they believe the shares will increase in value. But other factors can make investors more cautious about putting their money in stock. This happens when:

- future earnings are not clear, therefore profits are less certain;
- interest rates rise, increasing the appeal of safer investments like bonds; or
- inflation rises, decreasing the value of future profits.

3. The Tax Implications of Investing in Shares

Investing in the shares of a company is different from investing in a Retirement Savings Plan (RSP). Taxes cannot be deferred and losses cannot be used as a tax deduction against employment income.

Any investment gains you receive will be considered taxable capital gains. Losses or gains on one investment can be applied against gains or losses on other investment income.

Any contribution made by the company to your account is considered a taxable benefit.

Tracking Share Value

Note: The example below reflects Canadian Pacific Limited shares. When CPR shares become publicly traded in October, the CP stock symbol will then represent CPR shares.

36 INVESTING Tuesday, Aug 14, 2001

Toronto continued

365-day High	low	Stock	sym	Div	High	Low	Close	Chg	Vol (100s)	Yield ratio	P/E
27.40	25.96	CIBC	CMPRT	0.40	26.66	26.57	26.57	-0.04	27	5.7	
56.20	37.25	Cdn Natural	CNQ	0.56	47.20	46.25	46.55	-0.35	2065	0.9	
66.95	37.80	Cdn Pacific	CP		61.05	60.05	60.90	+0.55	30770	1.4	5.8

High and low stock price in last 365 days

Stock symbol used by brokers to get instant information on current trading status

Current dividend annualized (i.e. 14¢ per share x 4 quarters)

Today's high, low and closing (last) trade prices

Dividend (D) yield calculated as D/Share Price

Price Earnings Ratio calculated as Share Price divided by earnings per share in last four quarters

Volume of shares traded this day in 100s (i.e. 3,077,000)

Change in price from previous day of trading





A) Plan Summary

The Employee Share Purchase Plan (subject to applicable approvals) gives you the opportunity to buy CPR shares. You can choose to contribute between one and six percent of your eligible earnings to the Plan, through regular payroll deductions.

As an incentive for enrolment, any employee joining the Plan before December 31, 2001 will be eligible for an enhanced match of one dollar for every dollar contributed before December 31, 2002, to a maximum of \$1,000 Canadian (\$650 US) (subject to certain conditions). For those who join the Plan before December 31, 2001, CPR will contribute 33 cents for every dollar contributed to the Plan beyond the first \$1,000 Canadian, or for all contributions after December 31, 2002 (subject to certain conditions). If you join the Plan after December 31, 2001, CPR will contribute 33 cents for every dollar you contribute to the Plan, on an ongoing basis (subject to certain conditions).

This Plan and individual employee accounts will be administered by Computershare (formerly the Trust Company of Bank of Montreal). Computershare will use contributions to regularly purchase CPR shares (stock symbol "CP") on The Toronto Stock Exchange (TSE) for your account.

Shares in your account purchased with funds contributed by CPR will "vest", or become yours to sell or hold, if the corresponding shares purchased with your contributions remain in the Plan for a minimum of four consecutive full calendar quarters from the time of purchase (i.e. all shares purchased from January 1 to March 31, 2002 will vest on April 1, 2003). You can sell or withdraw shares in your account any time (subject to certain restrictions). However, if you sell or withdraw any shares prior to the vesting date, you will not be entitled to the associated shares purchased with CPR's contributions.

B) Plan Details

1. Administration of the Plan

- CPR has selected Computershare as the Plan Administrator. All Plan related transactions will be handled by Computershare.
- Examples of the Plan Administrator's duties include: handling Plan transactions such as purchases, changes in contribution levels and suspension of participation; maintaining accounts, records, and forms; issuing quarterly statements; answering account inquiries; delivering notices of meetings, forms of proxy, statements, and other material required to be distributed by CPR to holders of CPR common shares, etc.
- The Plan Administrator will purchase shares for your account during the last week of each month. These shares will be purchased with the funds received from company and participant contributions. Any funds received during the last week of the month will be used for purchasing shares during the following month.

2. Who is Eligible to Participate?

You are eligible to participate if you receive Eligible Earnings and are:

- a regular, non-union employee - either full-time or part-time; or
- a regular unionized employee - full-time, part-time or seasonal, represented by an Eligible Bargaining Unit, including those on furlough and spare board.

If you are on leave of absence without pay, you will be eligible to participate in the plan when you return to work.

3. Joining the Plan

- To enrol in the Plan, complete the Enrolment/ Change form at the back of this package and return

it to the Plan Administrator (mail and fax information is located at the bottom of the form). *Please remember to indicate your desired contribution amount.*

- Payroll deductions will start once the completed form is received and processed by both the Plan Administrator and CPR.
- You can choose to speak to a representative through the Plan Administrator's call centre.

4. Contributing to the Plan

Participant Contributions

- You can contribute between one and six percent of your pre-tax Eligible Earnings through payroll deduction. All contributions are based on whole percentages.
- If your Eligible Earnings change, the deductions are automatically adjusted accordingly.
- The Plan Administrator will purchase the shares in the last week of the month, with all contributions received prior to the purchase date.
- The appropriate shares will be distributed to each participant as soon as possible after each purchase.
- This Plan does not allow lump sum contributions.

Company Contributions

- As an incentive for enrolment, any employee joining the Plan before December 31, 2001 will be eligible for an enhanced match of one dollar for every dollar contributed before December 31, 2002, to a maximum of \$1,000 Canadian (\$650 US).
- In addition, for those who join the Plan before December 31, 2001, CPR will contribute 33 cents for every dollar you contribute to the Plan beyond the first \$1,000 Canadian, or for all contributions after December 31, 2002.

- If you join the Plan after December 31, 2001, CPR will contribute 33 cents for every dollar you contribute to the Plan, on an ongoing basis.
- To keep the Company's Contributions, all corresponding shares purchased with your contributions must remain in the Plan for a minimum of four consecutive full calendar quarters from the time of purchase (i.e. all shares purchased with participant and CPR's contributions from January 1 to March 31, 2002 must remain in your account until April 1, 2003 for CPR's contribution to vest).

Changing your contribution level

- Changes can be made to contribution levels once per calendar quarter.
- To change contribution levels complete an Enrolment/Change form and return it to the Plan Administrator (mail and fax information is located at the bottom of the form). If additional forms are required, please contact the CPR Employee Services Line at 1-866-319-3900, 319-3900 in Calgary, or via email at HR-HELP or HR-HELP@cpr.ca.
- When changing contribution levels, the Plan Administrator must receive the form no later than two weeks before the last day of that quarter.
- The change will take effect once the completed form is received and processed by both the Plan Administrator and CPR.

Voluntary suspension of contributions

- Payroll deductions can be stopped any time. To suspend contributions, complete an Enrolment/Change form and return it to the Plan Administrator (mail and fax information is located at the bottom of the form). If additional forms are required, please contact the CPR Employee Services Line at 1-866-319-3900, 319-3900 in Calgary, or via email at HR-HELP or HR-HELP@cpr.ca.





- The change will take effect once the completed form is received and processed by both the Plan Administrator and CPR.
- However, if you choose to suspend contributions, there is a six-month waiting period before you can re-start contributions to the Plan.
- If contributions are suspended for four consecutive full calendar quarters, your Plan account will be closed and share certificates will be issued to you.
- While contributions are suspended, you will remain eligible for Company Contributions made before the suspension.

Resuming contributions

- To resume contributions after the six-month waiting period expires, complete an Enrolment/Change form and return it to the Plan Administrator (mail and fax information is located at the bottom of the form). If additional forms are required, please contact the CPR Employee Services Line at 1-866-319-3900, 319-3900 in Calgary, or via email at HR-HELP or HR-HELP@cpr.ca.
- Contributions will resume once the completed form is received and processed by both the Plan Administrator and CPR.

Leaves of absence

- You can continue to make contributions via payroll deduction while on an approved leave of absence as long as you continue to receive Eligible Earnings (e.g. maternity leave).
- If you are not receiving Eligible Earnings during a leave of absence, contributions will be suspended and will resume once you return to work. If you do not return to work within four consecutive full calendar quarters, your account will be closed and share certificates will be issued to you.

5. Voluntary Sale or Withdrawal of Shares

- You can instruct the Plan Administrator to sell or withdraw any or all Unrestricted or Restricted whole Shares in your Plan account any time by sending the Plan Administrator a completed Withdrawal/Termination form at the back of this package.
- When selling or withdrawing shares under this Plan, Unrestricted Shares will automatically be sold or withdrawn before the Restricted Shares in your account.
- If you sell or withdraw any Restricted Shares, you will not be entitled to any Unvested Shares associated with those shares.
- If you sell shares, the Plan Administrator will issue your proceeds via cheque or direct deposit, less any Brokerage Fees, or other similar charges related to the sale (See Fee Schedule - Appendix B).
- If you withdraw shares, the Plan Administrator will transfer and deliver the share certificates to you.
- Fractional shares can only be withdrawn when your Plan account is terminated. The proceeds will be issued via cheque or direct deposit.
- If you make more than one sale or withdrawal during a Plan Year (January 1 – December 31) you will be suspended from contributing to the plan for six months.
- You are solely responsible for the payment of all taxes and fees associated with any sale of shares.

6. Termination of Participation in the Plan

Termination of participation

- You can end your participation in the Plan any time. To terminate your participation in the Plan, complete a Withdrawal/Termination form and return it to the Plan Administrator (mail and fax information is located at the bottom of the form). If additional forms are required, please contact the CPR Employee Services Line at 1-866-319-3900, 319-3900 in Calgary, or via email at HR-HELP or HR-HELP@cpr.ca. *Please remember to indicate how the proceeds of sale should be distributed, if applicable.*
- When terminating your account, you can choose to sell the shares or receive a share certificate. You will be responsible for all fees associated with these transactions, which will be deducted from your proceeds (See Fee Schedule - Appendix B).
- You are not entitled to any Unvested Shares.
- The Plan Administrator will send you a letter confirming the closing of your account within 30 days of receiving notification of your termination from the Plan.

Automatic termination from the Plan

- The Plan Administrator will terminate your participation in the Plan if you have a zero balance or have not contributed for four consecutive full calendar quarters. Share certificates will be issued and the Plan Administrator will deduct any resulting fees from your proceeds (See Fee Schedule - Appendix B). Dividends received during the period do not qualify as contributions for the purposes of determining inactivity.

Rejoining the Plan

- If your account is terminated, there is a six-month waiting period before you are eligible to re-enrol in the Plan. To re-enrol in the Plan, complete and send an Enrolment/Modification form to the Plan Administrator. If additional forms are required, please contact the CPR Employee Services Line at 1-866-319-3900, 319-3900 in Calgary, or via email at HR-HELP or HR-HELP@cpr.ca.

Resignations and termination with cause

- Under these circumstances, the Plan Administrator will close your account according to the Termination of Participation rules set out in Section 9 of the Plan Terms and Conditions.

Termination in other circumstances

- In the event of death, retirement or involuntary termination without cause, the Plan Administrator will close your account according to the Termination of Participation rules outlined in Section 9 of the Plan Terms and Conditions. All Unvested Shares in your account will vest immediately.
- In the event of death, the Legal Representative must notify the Plan Administrator within 90 calendar days regarding what to do with the deceased participant's account. Any time after this 90-day period the Plan Administrator will issue share certificates for whole shares, and a cash payment for fractional shares.

7. Market Fluctuation

- The value of your assets in the Plan will fluctuate based on the market value of CPR shares.
- Changes in the price of the shares will result in gains or losses. There is no guarantee or reimbursement under this Plan if CPR's share price decreases.





C) Accessing Information

1. Call Centre Services

Plan Administrator's call centre

- To speak to a representative at Computershare's Call Centre for information about the Plan, assistance with transactions such as a sale or withdrawal, or information about your account, call Computershare's toll-free line at **1-800-736-1755**. The Call Centre is open weekdays from 8:30 am to 8 pm Eastern Time.

CPR's HR Service Centre

- To obtain forms and for all other inquiries, contact the HR Service Centre through CPR's Employee Services Line at 1-866-319-3900, 319-3900 in Calgary, or via email at HR-HELP or HR-HELP@cpr.ca.

D) Other Important Information

1. Dividend Payments

- Any dividends paid by CPR will be automatically re-invested in CPR shares and allocated to your account.

2. Account Statements

- The Plan Administrator will mail account statements to you at the end of every calendar quarter.

3. Reports and voting

- As a participant in the Plan you have the right to vote by proxy, one vote per share, excluding Unvested Shares.
- The Plan Administrator will deliver notices of meetings and forms of proxy to all Plan Participants.

4. Income Taxes

- CPR's contributions under the Plan will be treated as a taxable benefit for the year in which the contribution is made. For those shares purchased with CPR contributions that are forfeited and have not vested, you will be entitled to a tax deduction equal to the amount of the taxable benefit.
- Taxes cannot be deferred and losses cannot be used as a tax deduction against employment income.
- Any dividends received from CPR will be taxable in the year you receive them.
- Fifty percent of any capital gains resulting from the sale of shares in your account will be taxable in the year in which the shares are sold.
- Capital losses can be applied against other share investment gains.
- Any company contributions, brokerage or other fees paid by CPR under the Plan are a taxable benefit to participants.
- The Plan Administrator will provide you with all appropriate tax forms and receipts.

Note: Canadian tax laws are complex and subject to change. Each participant is responsible for determining how such tax laws and changes may affect his or her tax position. Participants should contact a professional accountant to determine what effect, if any, participation in the Plan may have on their tax and other responsibilities. Fees resulting from such consultation are the sole responsibility of the participant.

5. Mailing Address Change

- The Plan Administrator will receive the mailing address currently stored on CPR's HR information system. Any change in address should be reported to CPR's HR Service Centre by calling the Employee Services Line at 1-866-319-3900, 319-3900 in Calgary, or via email at HR-HELP or HR-HELP@cpr.ca.

6. Accessing Forms

- Forms for the Plan are included at the back of this package. Please make copies of the forms for future use. If additional forms are required, please contact the CPR Employee Services Line at 1-866-319-3900, 319-3900 in Calgary, or via email at HR-HELP or HR-HELP@cpr.ca.





Glossary

Definitions of key terms you will find throughout your Employee Share Purchase Plan materials.

Brokerage Fees

The commission fees charged by the investment firms that handle the buying and selling of shares on the stock market on investors' behalf.

Capital Gains

The profit investors make when they sell their previously purchased shares for more than their original purchase price. Capital gains are taxable under Canadian tax laws.

Capital Losses

The loss investors incur when they sell their previously purchased shares for less than their original purchase price. Capital losses can be used as a tax deduction against other investment gains under Canadian tax laws.

Common shares

An investment in the capital of a corporation. Also known as stock or equity. Many companies have several different types, or classes, of shares. These often have different prices and pay different dividends.

Dividend

A portion of the profit distributed to shareholders by the company. When a dividend is paid, you receive a certain amount for each share you own. Companies are not obligated to pay dividends and may choose to reinvest in the business.

Eligible Earnings

The regular base pay paid through the CPR or affiliate payroll system for the relevant period, excluding overtime, bonus, bridging and other special or one-time payments.

Plan Year

For the purposes of CPR's Employee Share Purchase Plan, a plan year will be from January 1 to December 31 each calendar year. (The exception is 2001, when the plan year will be from October 1, 2001, the first day of the plan, to December 31, 2001.)

Proxy Vote

Directing the Plan Administrator to vote on shareholder issues, on your behalf.

Restricted Shares

Any shares purchased with participant contributions within the previous four consecutive full calendar quarters.

Share Price

The price of shares on the stock market at any given time. Share prices fluctuate in value due to several factors, including the company's prospects, the state of the industry, the general economic climate, and a host of other reasons.

Shareholder

One who owns shares of stock in a company.

Stock Exchange

A marketplace where buyers and sellers meet to trade securities (i.e. stock, mutual funds, bonds, derivatives). CPR's shares will be traded on both The Toronto Stock Exchange (TSE) and The New York Stock Exchange (NYSE).

Unrestricted Shares

Any shares which are not Restricted or Unvested.

Unvested Shares

Any shares purchased with company contributions within the previous four consecutive full calendar quarters.

Vesting Period

The length of time before an employee gains possession of the shares purchased with company contributions.

