

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA,
ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NOVA SCOTIA, NEW
BRUNSWICK, PRINCE EDWARD ISLAND, NEWFOUNDLAND, NORTHWEST
TERRITORIES, YUKON AND NUNAVUT

AND

IN THE MATTER OF THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE
RELIEF APPLICATIONS

AND

IN THE MATTER OF

HOLDING COMPANY DEPOSITARY RECEIPTS FOR
COMMON SHARES OF CANADIAN PACIFIC LIMITED

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland, the Northwest Territories, the Yukon and Nunavut (the "Jurisdictions") has received an application from Merrill Lynch Canada Inc. ("Merrill Lynch") in connection with a transaction (the "Transaction") whereby owners of common shares of Canadian Pacific Limited will be invited to deposit their shares with BNY Trust Company of Canada, a trust company under the *Trust and Loan Companies Act* (Canada) and regulated by the Office of the Superintendent of Financial Institutions, (the "Depositary") to receive Holding Company Depositary Receipts ("CP HOLDERS"). Merrill Lynch seeks a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the following requirements, restrictions and provisions contained in the Legislation will not apply in respect of the Transaction and CP HOLDERS (the "Prospectus and Registration Requirements"):

(a) the requirements contained in the Legislation for the Depositary to be registered to trade in connection with issuances of CP HOLDERS by the Depositary; and

(b) the requirements contained in the Legislation to file a preliminary prospectus and a prospectus and receive receipts therefor in connection with any distributions of CP HOLDERS;

AND WHEREAS Merrill Lynch seeks the following decisions from the appropriate Decision Makers in Ontario:

(a) a decision pursuant to section 80(b)(iii) of the Securities Act (Ontario), R. S. O. 1990, chapter S.5, as amended (the "Act") that the following requirements will not apply in respect of the Transaction and CP HOLDERS:

(i) the requirement in section 75 of the Act for the issuer of CP HOLDERS to report material changes;

(ii) the requirements in sections 77 to 79 of the Act for the issuer of CP HOLDERS to prepare, file, and deliver audited, comparative annual financial statements and unaudited, comparative, interim financial statements; and

(iii) the requirement in section 81(2) of the Act to file a report in place of an information circular;

(b) a decision pursuant to section 121(2) of the Act that the requirements in sections 107 to 109 of the Act requiring each "insider" (as such term is defined in the Act) to prepare and file insider reports will not apply in respect of the Transaction and CP HOLDERS;

(these requirements are, collectively, the "Continuous Disclosure Requirements")

(c) a decision pursuant to section 5.1 of Ontario Securities Commission Rule 51-501 ("Rule 51-501") that the following requirements will not apply in respect of the Transaction and CP HOLDERS:

(i) the requirement in section 2.1 of Rule 51-501 to prepare and file an annual information form (including management's discussion and analysis of financial condition and results of operations);

(ii) the requirement in section 3.1 of Rule 51-501 to deliver management's discussion and analysis of financial condition and results of operations to securityholders; and

(these requirements are collectively the "AIF and MD&A Requirements")

(d) a decision pursuant to section 7.1 of National Instrument 13-101- System for Electronic Document Analysis and Retrieval (SEDAR) ("NI") that the disclosure document to be sent to shareholders in connection with CP HOLDERS (the "HOLDERS Document") and related materials may be filed electronically through SEDAR.

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this Application;

AND WHEREAS Merrill Lynch has represented to the Decision Makers that:

1. Canadian Pacific Limited ("CP" or "Canadian Pacific") has announced a plan (the

"Reorganization") to split into five separate public companies — PanCanadian Petroleum Limited, Canadian Pacific Railway Company, Fording Inc., CP Ships Holdings Inc. and Canadian Pacific Limited (which may be renamed) (the "Successor Companies").

2. CP has announced that current owners of common shares of Canadian Pacific ("CP Shares") will receive securities of each of the Successor Companies in the Reorganization (in this Decision Document, the CP Shares and, after the Reorganization, the securities of the Successor Companies that will be evidenced by CP HOLDERS are referred to as the "CP Securities"). The details of the Reorganization, including the number and designation of the securities to be distributed, have not been announced.

3. CP HOLDERS are receipts that are designed to provide owners of CP Securities ("Shareholders") with a single instrument that evidences beneficial ownership of the CP Securities. CP HOLDERS will be issued pursuant to a deposit agreement (the "Deposit Agreement"). The Toronto Stock Exchange has conditionally approved the listing of CP HOLDERS and application has been made to list CP HOLDERS on the New York Stock Exchange.

4. CP HOLDERS are expected to help reduce the inconvenience of owning shares of the five Successor Companies.

5. Shareholders may elect to deposit all or a portion of their CP Shares (along with the applicable coordination fee and dealer fee, if applicable, described below) in order to receive an equal number of CP HOLDERS.

6. CP HOLDERS will initially be made available to Shareholders during a period expected to commence six to eight weeks prior to the anticipated completion date of the Reorganization and to end shortly before the commencement date of the Reorganization (the "Initial Deposit Period").

7. Merrill Lynch, as coordinator, will coordinate and promote the Transaction. Merrill Lynch will prepare informational, promotional and marketing materials regarding CP HOLDERS and will pay certain expenses in connection with the Transaction.

8. In consideration for the services being provided by Merrill Lynch in connection with the Transaction, Shareholders who wish to obtain CP HOLDERS during the Initial Deposit Period will pay Merrill Lynch a coordination fee of the Canadian dollar equivalent of US\$0.10 per CP HOLDER. In addition, Shareholders who wish to obtain up to 9,999 CP HOLDERS may pay a dealer fee of the Canadian dollar equivalent of US\$0.10 per CP HOLDER, which will be retained by the dealer who has deposited shares on behalf of a Shareholder. No dealer fee is payable to receive 10,000 CP HOLDERS or more.

9. For each CP Share properly deposited during the Initial Deposit Period, a Shareholder will receive one CP HOLDER prior to the completion of the Reorganization. As the shares of the Successor Companies are spun off from Canadian Pacific, such shares will be represented by CP HOLDERS.

10. During the Initial Deposit Period, a Shareholder that has deposited CP Shares with the Depositary may cancel any election previously made to receive CP HOLDERS and to withdraw the CP Shares. To effect such a withdrawal, a Shareholder would notify its dealer of its desire to withdraw. In such an event, the coordination fee, will be returned by the Depositary to the Shareholder's dealer.

11. The Depositary will not accept deposits of securities during the period between the end of the Initial Deposit Period and ending on the day that is 30 days after the completion of the Reorganization (the "Blackout Period").

12. After the termination of the Blackout Period, the Depositary will accept deposits of the appropriate number of CP Securities and issue CP HOLDERS. After the Initial Deposit Period, Shareholders will be required to pay an issuance fee of up to US\$0.10 per CP HOLDER to the Depositary in order to receive CP HOLDERS. The issuance fee is within the discretion of the Depositary and may be less than US\$0.10 per CP HOLDER.

13. CP HOLDERS will evidence the deposit with the Depositary of the CP Securities by a Shareholder and there will be no change in beneficial ownership of the CP Securities. The CP Securities will be held by the Depositary on behalf of Shareholders.

14. This Transaction will not alter the tax consequences of the Reorganization for Shareholders resident in Canada. The deposit of CP Shares will not be a disposition for Canadian federal income tax purposes. An advance income tax ruling confirming this tax treatment has been received. In addition, owners of CP HOLDERS are the owners of the CP Securities and therefore Shareholders resident in Canada will not be subject to any additional taxes as a result of evidencing their ownership of the CP Securities through the CP HOLDERS.

15. Shareholders will retain the right to receive all continuous disclosure material required to be sent to beneficial owners of the CP Securities by issuers of those securities as if the Shareholder held the CP Securities directly.

16. Shareholders will retain the right to vote the CP Securities.

17. Shareholders will retain the right to receive all dividends and other distributions from the Successor Companies (after payment of the annual fee and any expenses of the Depositary). The Depositary will forward to owners of CP HOLDERS, subject to certain limitations and net of any fees of the Depositary, any distributions of cash (including dividends), securities or property made with respect to the CP Securities.

18. Shareholders may, at any time, surrender CP HOLDERS to obtain legal title to the CP Securities. The CP Securities can be withdrawn at any time upon the surrender of CP HOLDERS pursuant to the terms of the Deposit Agreement and subject to the payment of applicable fees (including the payment to the Depositary of a cancellation fee up to US\$0.10 per CP HOLDER surrendered), taxes or governmental charges, if any. The cancellation fee is within the discretion of the Depositary and may be less than US\$0.10 per CP HOLDER.

19. In order to sell CP Securities evidenced by CP HOLDERS individually or to participate in a take-over bid relating to such securities, a holder will surrender his or her CP HOLDERS and receive delivery of each of the CP Securities. The surrender of CP HOLDERS will allow a holder to sell individual CP Securities or to deliver individual CP Securities in a take-over bid. The surrender of CP HOLDERS will involve payment of a cancellation fee of up to US\$0.10 per CP HOLDER to the Depository.

20. If an issuer of CP Securities offers to its holders any rights to subscribe for additional securities, the rights will be made available to holders of CP HOLDERS through the Depository (if practicable and if the rights and the securities to which those rights relate can be made available under applicable securities laws). Otherwise, if practicable, the rights will be disposed of and the net proceeds distributed to holders by the Depository. In all other cases the rights will lapse.

21. The Deposit Agreement provides for the automatic distribution of securities to holders of CP HOLDERS in the following circumstances:

(a) if any CP Securities cease to be outstanding as a result of, or are surrendered by the Depository in connection with, a merger, consolidation or other corporate combination of its issuer and, as a result, the Depository receives, in exchange for the securities, securities that are listed on a national securities exchange in Canada and either on a national securities exchange in the United States or through Nasdaq;

(b) if the CP Securities of an issuer are delisted from trading on their primary securities exchange in Canada or the United States and are not listed for trading on another national securities exchange in Canada or either a national securities exchange in the United States or through Nasdaq, as the case may be, within five business days from the date of such delisting;

(c) if an issuer of CP Securities is no longer a reporting issuer under Canadian securities laws (or the equivalent in the U.S.); or

(d) if the United States Securities and Exchange Commission determines that an issuer of CP Securities is an "investment company".

22. Under the Deposit Agreement, the Depository agrees to provide a number of services, customarily provided by intermediaries. These services will be performed directly or through The Canadian Depository for Securities Limited ("CDS") and its participants (including The Depository Trust Company in the United States), in accordance with the procedures customarily followed for securities registered in CDS's book-entry settlement system.

23. In exchange for providing these administrative services, the Depository will receive an annual fee of up to US\$0.015 per CP HOLDER and is also entitled to a cancellation fee of no more than US\$0.10 per CP HOLDER when CP HOLDERS are surrendered in exchange for the CP Securities.

24. Under the Deposit Agreement, the Depositary may at any time resign as Depositary. The resignation takes effect on the appointment of a successor Depositary and its acceptance of the appointment. Merrill Lynch will agree to use its reasonable efforts to identify a successor Depositary. If Merrill Lynch is unable to identify a successor within 60 days of notice of resignation by the Depositary, then the CP HOLDERS will be cancelled and the Depositary will deliver the CP Securities to the beneficial owners.

25. Merrill Lynch, acting on behalf of owners of CP HOLDERS, may remove the Depositary if the Depositary is in material breach of its obligations under the Deposit Agreement and the Depositary fails to cure such breach within thirty days after receipt by the Depositary of written notice of the default.

26. While it is used in connection with the issuance of CP HOLDERS, the HOLDERS Document will be sent to Shareholders (or dealers who act on behalf of purchasers of CP HOLDERS). The HOLDERS Document will disclose the following:

- (a) a summary of the terms of the CP HOLDERS;
- (b) a summary of the Deposit Agreement, together with a copy of the Deposit Agreement;
- (c) the procedure to be followed to obtain CP HOLDERS during the Initial Deposit Period and thereafter, and the applicable fees;
- (d) the procedure to be followed to surrender the CP HOLDERS to receive the CP Securities, and the applicable fees;
- (e) the risks associated with CP HOLDERS;
- (f) the tax consequences of obtaining and holding CP HOLDERS;
- (g) the name and address of the Depositary; and
- (h) the following covenant of Merrill Lynch.

If you have deposited securities with the Depositary and received CP HOLDERS under this document, as amended or supplemented from time to time, and if there is a misrepresentation, as defined under applicable securities laws, in this document (as amended or supplemented at the time of your deposit), you may bring an action against Merrill Lynch for (a) a refund of the fees you paid to receive your CP HOLDERS provided that the action is commenced before the earlier of (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action and (ii) the date three years from the date the plaintiff received the CP HOLDERS or (b) a refund of the fees you paid to receive your CP HOLDERS and a refund of any cancellation fees paid on surrender of your CP HOLDERS provided that the action is commenced no later than 180 days after the

date the plaintiff received the CP HOLDERS. This right is in addition to and without derogation from any other right you may have at law.

27. The maximum number of CP HOLDERS that could be issued and outstanding at any time, based on the number of CP Shares outstanding as of March 31, 2001, is approximately 314 million.

28. The following documents will be filed electronically through SEDAR on a SEDAR profile for "CP HOLDERS":

(a) while it is used in connection with the issuance of CP HOLDERS, the HOLDERS Document as amended or supplemented from time to time to reflect any changes in the disclosure;

(b) reports on Form 8-K filed with the United States Securities and Exchange Commission (or similar documents) with respect to CP HOLDERS filed quarterly or periodically if CP HOLDERS were subject to a major event;

(c) within 140 days of December 31 of each year, an audited comparative Schedule of Shares Underlying CP HOLDERS (which includes total CP HOLDERS outstanding) and an audited comparative Schedule of Distributions Received by, Annual Fees Paid to and Expenses Deducted by the Depositary and Remittances to Holders of CP HOLDERS; and

(d) in the event that the auditor who has been appointed to report on the schedules referred to in paragraph (c) above resigns or is terminated, the Reporting Package referred to in section 4.2 of National Policy 31 or in analogous provisions of any successor instrument.

AND WHEREAS pursuant to the System this Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each Decision Maker is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that the Prospectus and Registration Requirements will not apply in respect of the Transaction and CP HOLDERS as long as:

(a) Shareholders (or dealers who act on behalf of purchasers of CP HOLDERS) receive a HOLDERS document that contains:

(i) substantially the same disclosure as in the HOLDERS Document provided to the Decision Makers;

(ii) the covenant of Merrill Lynch set out in paragraph 26;

(b) the Depository shall only accept deposits of CP Shares during the Initial Deposit Period from registered dealers (acting for Shareholders); and

(c) holders of CP HOLDERS are entitled to receive, at any time, upon request and payment of a cancellation fee, their CP Securities; and

THE FURTHER DECISION of the Decision Maker in Ontario pursuant to sections 80(b) (iii) and 121(2) of the Act is that the Continuous Disclosure Requirements will not apply in respect of the Transaction and CP HOLDERS as long as the following documents are prepared and filed electronically through SEDAR on a SEDAR profile for "CP HOLDERS":

(a) while it is used in connection with the issuance of CP HOLDERS, the HOLDERS Document as amended or supplemented from time to time to reflect any changes in the disclosure;

(b) reports on Form 8-K filed with the United States Securities and Exchange Commission (or similar document) with respect to CP HOLDERS filed quarterly or periodically if CP HOLDERS were subject to a major event;

(c) within 140 days of December 31 of each year, an audited comparative Schedule of Shares Underlying CP HOLDERS (which includes total CP HOLDERS outstanding) and an audited comparative Schedule of Distributions Received by, Annual Fees Paid to and Expenses Deducted by the Depository and Remittances to Holders of CP HOLDERS substantially in the form attached to the Deposit Agreement; and

(d) in the event that the auditor who has been appointed to report on the schedules referred to in paragraph (c) above resigns or is terminated, the Reporting Package referred to in section 4.2 of National Policy 31 or in analogous provisions of any successor instrument.

DATED this 15th day of August, 2001.

Paul Moore R.

Stephen Paddon

AND THE FURTHER DECISION of the Decision Maker in Ontario pursuant to section 5.1 of Rule 51-501 and section 7.1 of NI 13-101 is that:

1. the AIF and MD&A Requirements will not will not apply in respect of the Transaction and CP HOLDERS as long as the following documents are prepared and filed electronically through SEDAR on a SEDAR profile for "CP HOLDERS":

(a) while it is used in connection with the issuance of CP HOLDERS, the HOLDERS Document as amended or supplemented from time to time to reflect any changes in the disclosure;

(b) reports on Form 8-K filed with the United States Securities and Exchange Commission (or similar document) with respect to CP HOLDERS filed quarterly or periodically if CP HOLDERS were subject to a major event;

(c) within 140 days of December 31 of each year, an audited comparative Schedule of Shares Underlying CP HOLDERS (which includes total CP HOLDERS outstanding) and an audited comparative Schedule of Distributions Received by, Annual Fees Paid to and Expenses Deducted by the Depositary and Remittances to Holders of CP HOLDERS substantially in the form attached to the Deposit Agreement; and

(d) in the event that the auditor who has been appointed to report on the schedules referred to in paragraph (c) above resigns or is terminated, the Reporting Package referred to in section 4.2 of National Policy 31 or in analogous provisions of any successor instrument; and

2. the HOLDERS Document, documents contemplated herein (including the documents identified above) and other documents relating to CP HOLDERS may be filed in electronic form through SEDAR.

John Hughes
Manager, Corporate Finance

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Distribution of Depositary Receipts which will, following the reorganization of Canadian Pacific Limited, represent common shares of the five separate companies which will be the successors to Canadian Pacific Limited; Depositary Receipts to be listed on The Toronto Stock Exchange;

- relief granted from the prospectus requirements to permit the Depositary Receipts to be distributed without a prospectus and from the registration requirements to permit the Depositary to trade in connection with issuances of the Depositary Receipts, subject to conditions which include the requirement that each purchaser receive a disclosure document which has been reviewed by the regulators and affords purchasers a contractual right of action for a misrepresentation in it;

- relief granted in Ontario only from the requirements to file material change reports, annual and interim financial statements, annual filings in lieu of information circulars, AIFs including MD&A and to deliver annual MD&A and financial statements provided that certain alternative disclosure is filed annually and periodically on SEDAR;

- relief granted in Ontario only to permit the disclosure document and the alternative continuous disclosure materials to be filed on SEDAR.

Applicable Ontario Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., ss 25, 53, 74, 75, 77, 78, 79, 80(b)(iii), 81(2), 107, 108, 109, 121(2).

418, ss. 34(1)(a), 48, 61 and 76

Applicable Ontario Rules Cited

National Instrument 13-101 - System for Electronic Document Analysis and Retrieval (SEDAR)

OSC Rule 51-501 - AIF and MD&A