

IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, NOVA SCOTIA AND  
NEWFOUNDLAND AND LABRADOR

AND

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

AND

IN THE MATTER OF  
PUROLATOR HOLDINGS LTD.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia and Newfoundland and Labrador (the "Jurisdictions") has received an application from Purolator Holdings Ltd. ("Purolator Holdings") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation relating to the delivery of an offer and issuer bid circular and any notices of change or variation thereto, minimum deposit periods and withdrawal rights, take-up of and payment for securities tendered to an issuer bid, disclosure, restrictions upon purchases of securities, identical consideration and collateral benefits (collectively, the "Issuer Bid Requirements") shall not apply to repurchases of Series B Common Shares of Purolator Holdings ("ESOP Shares") from registered retirement savings plans ("RRSPs") of permanent full-time and regularly scheduled part-time employees of Purolator Holdings or Purolator Courier Ltd. ("Purolator Courier") resident in Canada and having at least six months of service ("Employees");

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

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 -- *Definitions*;

AND WHEREAS Purolator Holdings has represented to the Decision Makers that:

1. Purolator Holdings was incorporated on February 5, 1962, under the *Business Corporations Act* (Ontario) and has its head office in Mississauga, Ontario. Purolator Holdings is a holding company which, through its wholly-owned subsidiary, Purolator Courier, carries on a national and international transportation business. Purolator Holdings is not a reporting issuer (or equivalent) in any of the Jurisdictions.

2. As of March 8, 2004, the issued and outstanding Series A Common Shares of Purolator Holdings were owned by: Canada Post Corporation and its affiliates as to approximately 92.7%; Barry Lapointe Holdings Ltd. as to approximately 7.2%; and by certain members of management of Purolator Holdings and Purolator Courier as to approximately 0.1%.

3. Purolator Courier was amalgamated on June 1, 1989, under the *Canada Business Corporations Act* and is a wholly-owned subsidiary of Purolator Holdings. Purolator Courier carries on business in all of the provinces and territories of Canada and has approximately 12,400 full-time and part-time employees resident in Canada. Purolator Courier is not a reporting issuer (or equivalent) in any of the Jurisdictions.

4. Effective January 1, 2000, Purolator Holdings and Purolator Courier implemented the 2000 employee share ownership plan (the "2000 ESOP"), currently in effect, in order to provide eligible employees of Purolator Holdings and Purolator Courier with an opportunity to purchase ESOP Shares through a process of payroll deductions.

5. As of March 8, 2004, there were approximately 1,153,521 ESOP Shares issued and outstanding under the 2000 ESOP, all of which are held by Computershare Trust Company of Canada, as Administrative Agent for holders of ESOP Shares under the 2000 ESOP.

6. Employee shareholders will be entitled to one vote for each ESOP Share held at all meetings of shareholders of Purolator Holdings voting together as a class with the holders of Series A Common Shares, and will be entitled to participate in any distribution of the assets of Purolator Holdings (after payment of Purolator Holdings' debts and liabilities and subject to the rights of holders of any shares of Purolator Holdings ranking in priority or preference to the holders of Series A Common Shares and ESOP Shares) on a per share basis equally with holders of Series A Common Shares in the event of a liquidation, dissolution or winding-up of Purolator Holdings, whether voluntary or involuntary, or any other distribution of the assets of Purolator Holdings among its shareholders for the purpose of winding-up its affairs.

7. Employee shareholders will receive copies of the audited annual financial statements of Purolator Holdings as well as regular statements with details of ESOP Shares held and payroll deduction funds collected.

8. Purolator Holdings and Purolator Courier now propose to create and implement a new employee share ownership plan (the "2004 ESOP") in addition to its 2000 ESOP. The 2004 ESOP has been designed to promote and recognize employee commitment to Purolator Holdings and Purolator Courier, to enhance employee loyalty, involvement and teamwork, to attract and retain employees interested in

long term commitment and to share Purolator Holdings' financial success with Employees.

9. Pursuant to the terms of the 2004 ESOP, Purolator Holdings will offer to all Employees the opportunity to purchase ESOP Shares.

10. Participation in the 2004 ESOP is voluntary and Employees will not be induced to participate in the 2004 ESOP by expectation of employment or continued employment with Purolator Holdings or Purolator Courier.

11. Because no market exists, or is expected to develop, for the ESOP Shares, the price at which ESOP Shares are issued will be determined by a formula based on the shareholders' equity of Purolator Holdings and the earnings of Purolator Holdings in the three years preceding any issuance (the "Formula Price").

12. Computershare Trust Company of Canada, or such other Canadian trust company as may be selected by Purolator Holdings from time to time in its discretion (the "Transfer Agent"), will be retained as transfer agent for the ESOP Shares and as administrator of the 2004 ESOP.

13. Employees who wish to participate in the 2004 ESOP will subscribe for the purchase of ESOP Shares through a process of payroll deduction. Employees will be able to contribute up to \$780 each year toward the purchase of ESOP Shares. Funds deducted from Employees' wages will be deposited in accounts with, and held in trust by, the Transfer Agent. At the end of each fiscal quarter, and following the determination of the Formula Price for each ESOP Share in respect of such quarter, the monies accumulated by the Transfer Agent will be used to purchase ESOP Shares on behalf of Employees.

14. For every five ESOP Shares purchased by Employees and held for at least one year, Employees will be entitled to receive one additional ESOP Share (a "Matching Share"). To effect the issuance of Matching Shares, Purolator Courier will pay a cash bonus to each eligible Employee equal to the product obtained by multiplying (i) the number of Matching Shares to which each such Employee is entitled, and (ii) the subscription price for such Matching Shares (i.e., the Formula Price in respect of the quarter in which the entitlement to receive Matching Shares arises). Each Employee will then direct the full amount of such cash bonus to Purolator Holdings in consideration for the issuance of Matching Shares.

15. Employees will be able to purchase ESOP Shares personally or through RRSPs to be administered by the Transfer Agent. Transfers of ESOP Shares held by Employees to other Employees or to third parties will be prohibited.

16. Because no market exists, or is expected to develop, for the ESOP Shares, Employees will be permitted to resell ESOP Shares back to Purolator Holdings during a fixed period after each fiscal quarter following the determination of the

Formula Price in respect of that quarter. Employees will also be required to resell their ESOP Shares back to Purolator Holdings upon ceasing to be an Employee at the Formula Price in respect of the most recently ended fiscal quarter.

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

AND WHEREAS each of the Decision Makers 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 under the Legislation is that the Issuer Bid Requirements shall not apply to repurchases by Purolator Holdings of ESOP Shares (including Matching Shares) from RRSPs of Employees pursuant to the 2004 ESOP.

April 20, 2004.

"Paul M. Moore"

"Susan Wolburgh-Jenah"

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Issuer exempt from the issuer bid requirements in respect of repurchases of securities from RRSP accounts of employees pursuant to the terms of its employee share ownership plan.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as amended, ss. 93(3)(d), 95 to 100 and 104(2)(c).