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July 24, 2007

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - *Securities Act* – sections 48 and 76 - Exemption from registration and prospectus requirements - Applicant issued income participating securities (IPS); each IPS is a unit consisting of one equity security in one issuer and one debt security in another issuer; Applicant wants to redeem the debt securities via an exchange offer; the offer to redeem the debt securities does not meet the definition of an issuer bid under the Act and no exemptions from the registration and prospectus requirements are available - The applicant will treat the exchange offer as if it were an issuer bid and comply with the requirements under securities legislation applicable to issuer bids

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 48 and 76

In the Matter of
the Securities Legislation of
British Columbia, Alberta, Saskatchewan, Manitoba, Ontario,
Quebec, New Brunswick, Nova Scotia, Prince Edward Island,
Newfoundland and Labrador, Yukon Territory,
Northwest Territories and Nunavut
(the “Jurisdictions”)

and

In the Matter of
the Mutual Reliance Review System for Exemptive Relief Applications

and

In the Matter of
Student Transportation of America Ltd.
and
Student Transportation of America ULC
(collectively, the “Filer”)

MRRS Decision Document

Background

The local securities regulatory authority or regulator (the “Decision Maker”) in each of the Jurisdictions has received an application from the Filer for a decision

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under the securities legislation of the Jurisdictions (the “Legislation”) exempting the distribution of common shares by the Filer from (i) the registration requirements under the Legislation (the “Registration Requirements”) and (ii) the prospectus requirements under the Legislation (the “Prospectus Requirements”) in connection with the exchange offer (the “Exchange Offer”) by the Filer of common shares of Student Transportation of America Ltd. (“STA Ltd.”) to holders of the 14% subordinated notes (“Notes”) of Student Transportation of America ULC (“STA ULC”) in exchange for the Notes (the “Requested Relief”).

Under the Mutual Reliance Review System for Exemptive Relief Applications

- (a) the Ontario Securities Commission (the “OSC”) is the principal regulator for this application, and
- (b) the MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

This decision is based on the following facts represented by the Filer:

- (a) STA Ltd. is a corporation formed under the laws of Ontario. STA Ltd.’s head office is located at Suite 2400, 250 Yonge Street, Toronto, Ontario M5B 2M6. STA Ltd. owns all of the Class A common shares of Student Transportation of America Holdings, Inc. (“STA Holdco”), representing an approximate 98.56% voting interest.
- (b) STA ULC is an unlimited liability company organized under the laws of Nova Scotia and is a wholly-owned subsidiary of STA Holdco. STA ULC’s head office is located at Suite 2400, 250 Yonge Street, Toronto, Ontario M5B 2M6.
- (c) Each of STA Ltd. and STA ULC is a reporting issuer in each of the Jurisdictions (where that concept exists).
- (d) The Filer is not in default of the securities legislation of the Jurisdictions.
- (e) The Filer currently has outstanding 20,704,554 income participating securities (“IPS”). Each IPS is comprised of one common share of STA Ltd. (“Common Share”) and \$3.847 principal amount of a Note of ULC.

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There are currently 23,718,554 Common Shares outstanding (20,704,554 of which are represented by IPSs) and \$89,665,808 principal amount of Notes outstanding (of which \$79,650,419 principal amount of Notes are represented by IPSs).

- (f) To the knowledge of the Filer, substantially all of the holders of the Notes own either IPSs or Common Shares.
- (g) The IPS, Common Shares and the Notes are listed and posted for trading through the facilities of the Toronto Stock Exchange (the "TSX") under the symbols "STB.UN", "STB" and "STB.DB", respectively.
- (h) As part of the Filer's long-term strategy to create liquidity in the Common Shares, the Filer wishes to commence the Exchange Offer for all or a specified portion of the Notes (including holders of IPSs) pursuant to which a holder of Notes would receive, in exchange for \$3.847 principal amount of Notes, a fraction of a Common Share to be determined based on a number of factors, including the current trading price, liquidity and yield of the IPSs, the estimated value of the underlying notes, and the current trading price, liquidity and yield of the Common Shares. In connection with the Exchange Offer, STA Ltd. would issue the Common Shares to STA ULC and STA ULC would transfer the Common Shares to Noteholders in exchange for their Notes. As part of the Exchange Offer and in order to facilitate the ability of holders of Notes to "split" their IPSs into its separate debt and equity components, holders of IPSs will be given the opportunity to tender their IPSs to the Exchange Offer and, in exchange for their IPSs, receive the common shares (that were already represented by the IPSs) together with an additional number of Common Shares in respect of the Note portion of the IPS.
- (i) But for the fact that the Notes are debt securities that are not convertible into securities other than debt securities, the Exchange Offer would constitute an issuer bid under Part XX of the Act and the corresponding Legislation.
- (j) Notwithstanding that the Exchange Offer is not an issuer bid, the Filer intends to treat the Exchange Offer as if it were an issuer bid. In particular, the Filer intends to comply with the requirements relating to issuer bids under Part XX of the Act, including the delivery of an issuer bid circular to holders of the Notes.

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- (k) The Filer will not treat the Exchange Offer as an issuer bid exempt from the Legislation, except to the extent that such exemption, if any, is evidenced by a MRRS decision document.
- (l) Section 2.16 of NI 45-106 provides that the Registration Requirements and Prospectus Requirements do not apply in respect of a trade in a security in connection with an issuer bid. Accordingly, if the Exchange Offer constituted an issuer bid, the Common Shares that would be distributed in connection with the offer would be exempt from the Registration Requirements and the Prospectus Requirements.

Decision

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 in all of the Jurisdictions under the Legislation is that the Requested Relief is granted provided:

- i) The Filer treats the Exchange Offer as if it were an issuer bid and complies with the requirements of the Legislation applicable to issuer bids.
- ii) The Filer will treat holders of notes forming part of an IPS and holders of notes not forming part of an IPS as holders of the same class of securities for the purposes of the Exchange Offer.

Robert L. Shirriff
Commissioner
Ontario Securities Commission

Suresh Thakrar
Commissioner
Ontario Securities Commission