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November 14, 2005

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Securities Rules s. 162(3) - Exemption from the Valuation Requirements - An issuer wants relief from the requirement to obtain a formal valuation in connection with an issuer bid for its outstanding securities - The issuer cannot rely on the automatic liquid market exemption in Ontario and Québec for technical reasons; so the issuer can meet Canadian residency requirements, it has divided its capital into two classes of shares that are identical except for voting rights; a liquid market for the issuer's securities exists prior to the bid, treating the two classes of shares as a single class; after the bid, there will be a market for the issuer's securities that is not materially less liquid than before the bid

Applicable British Columbia Provisions

Securities Rules, B.C. Reg. 194/97, ss. 162(2) and (3)

In the Matter of
the Securities Legislation of
British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova
Scotia and Newfoundland and Labrador (the "Jurisdictions")

and

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

and

In the Matter of
Transat A.T. Inc. (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 under the securities legislation of the Jurisdictions (the "Legislation") that, in connection with the purchase by the Filer of a portion of its outstanding Class A Variable Voting Shares (the "Variable Voting Shares") and Class B Voting Shares (the "Voting Shares") (the Variable Voting Shares and Voting Shares are hereinafter collectively defined as, the "Shares"), by way of an issuer bid (the "Offer"), the Filer be exempted from the requirement in the Legislation to obtain a

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formal valuation of the Shares and provide disclosure in the circular of such valuation or a summary thereof (the “Requested Relief”), provided that:

- (i) on the date the Offer will be announced, a liquid market, as determined in accordance with the provisions of subsection 1.3(1)(a) of the *Autorité des marchés financiers Regulation Q-27 Respecting Protection of Minority Securityholders in the Course of Certain Transactions* (“Regulation Q-27”), will have existed during the 12-month period preceding the announcement of the Offer (the “Reference Period”) by using (a) the trading information regarding its former Common Shares (the “Common Shares”) for the period before March 1, 2005 and (b) the trading information regarding each of the Variable Voting Shares and the Voting Shares for the period beginning on March 1, 2005 and ending on the date the Offer will be announced;
- (ii) on the date the Offer will be announced, it will be reasonable to conclude that, following the completion of the Offer, there will be a market for holders of Variable Voting Shares and Voting Shares who do not tender to the Offer that is not materially less liquid than the market that existed before the making of the Offer; and
- (iii) the Filer will include in its disclosure document (the “Circular”) to be sent to its shareholders in connection with the Offer, the prescribed disclosure regarding the exemptive relief granted by the Decision Makers as well as the facts supporting the formal valuation exemption of Regulation Q-27 upon which the Filer would have been able to rely if it were not for the technical reasons stated in this Decision Document.

Under the Mutual Reliance Review System for Exemption Relief Applications:

- (a) the Autorité des marchés financiers is the principal regulator for this application; and
- (b) this 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 presented by the Filer:

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1. The Filer is a corporation incorporated under the *Canada Business Corporations Act* (the “CBCA”). Its head office is located in Montreal, Québec.
2. The Filer is a reporting issuer or equivalent in each of the provinces of Canada.
3. The Filer is not in default of any requirement of the Legislation and is not on the list of defaulting reporting issuers maintained pursuant to such Legislation, where applicable.
4. The Filer and its wholly-owned subsidiary Air Transat A.T. Inc. (“Air Transat”) must qualify as Canadian within the meaning of the *Canadian Transportation Act* (“CTA”) in order to allow Air Transat to operate airline services in accordance with the CTA.
5. The definition of the term “Canadian” in the CTA can be summarized as follows:
 - (a) any Canadian citizen or permanent resident within the meaning of the *Immigration and Refugee Protection Act*;
 - (b) any government in Canada or an agent of such a government; or
 - (c) any corporation or other entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians and of which at least 75%, or such lesser percentage as the Governor in Council may by regulation specify, of the voting interests are owned and controlled by Canadians.
6. In other words, no more than 25% of the Filer’s issued and outstanding voting interests can be owned or controlled by non-Canadians.
7. The share capital of the Filer consists of an unlimited number of Variable Voting Shares, an unlimited number of Voting Shares and of preferred shares, issuable in series. As of the close of business on October 24, 2005, there were 7,807,206 Variable Voting Shares, 32,334,185 Voting Shares and no preferred shares issued and outstanding.
8. Certificate of Amendments was issued on March 4, 2005 by the Director under the CBCA (the “Certificate of Amendments”) creating the Variable Voting Shares and the Voting Shares in replacement of the Common Shares previously outstanding. Each issued and outstanding Common Share of the

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Filer not owned and controlled by a Canadian within the meaning of the CTA was converted into one Variable Voting Share and each issued and outstanding Common Share of the Filer owned and controlled by a Canadian within the meaning of the CTA was converted into one Voting Share.

9. The description of the share capital of the Filer provided for in its Articles contains provisions to ensure compliance with the foreign ownership restrictions of the CTA. The Variable Voting Shares may only be owned or controlled by persons who are not Canadians. As a result, an issued and outstanding Variable Voting Share shall be converted into one Voting Share, automatically and without any further act of the Filer or of the holder, if such Variable Voting Share becomes owned and controlled by a Canadian. The Voting Shares may only be owned and controlled by Canadian. An issued and outstanding Voting Share shall be converted into one Variable Voting Share, automatically and without any further act of the Filer or the holder, if such Voting Share becomes owned or controlled by a person who is not a Canadian. Hence, upon a transfer of Variable Voting Shares to a Canadian, such Variable Voting Shares will automatically be converted into Voting Shares and upon a transfer of Voting Shares to a non-Canadian, such Voting Shares will automatically be converted into Variable Voting Shares.
10. Save and except for the provisions regarding the restrictions on foreign ownership and for the voting rights carried by the Variable Voting Shares and Voting Shares, all terms and conditions of such Variable Voting Shares and Voting Shares are substantially similar to those that were attributed to the former Common Shares.
11. The Variable Voting Shares and the Voting Shares have been listed on the Toronto Stock Exchange ("TSX") under the symbols "TRZ.RV.A" and "TRZ.B" since March 1, 2005. The former Common Shares of the Filer were also listed on the TSX under the symbol "TRZ".
12. On October 20, 2005, the Filer announced by press release that its Board of Directors, after considering numerous factors and based on the estimated unrestricted cash balance as at October 31, 2005, decided that if the current economic and business environment would prevail, an amount of \$125,000,000 shall be returned to the Filer's shareholders.
13. Due to the replacement of the Common Shares pursuant to the Certificates of Amendment, all criteria of the definition of subsection 1.3(1)(a) of Regulation Q-27 are not met for the Variable Voting Shares and Voting Shares solely because such Shares have not been traded on the TSX for a period of time equal to or longer than the Reference Period.

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14. If it were not for the technical reasons stated in the above paragraph, the criteria of sub-section 1.3(1)(a) of Regulation Q-27 would have been met and the Filer would have been able to rely on the exemption from the formal valuation requirement of sub-sections 3.4(3)(a) and (b) of Regulation Q-27.
15. The granting of the Requested Relief is not detrimental to the protection of investors.

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 under the Legislation is that the Requested Relief is granted, provided that:

- (i) on the date the Offer will be announced, a liquid market, as determined in accordance with the provisions of subsection 1.3(1)(a) of Regulation Q-27, will have existed during the Reference Period by using (a) the trading information regarding its former Common Shares for the period before March 1, 2005 and (b) the trading information regarding each of the Variable Voting Shares and the Voting Shares for the period beginning on March 1, 2005 and ending on the date the Offer will be announced;
- (ii) on the date the Offer will be announced, it will be reasonable to conclude that, following the completion of the Offer, there will be a market for holders of Variable Voting Shares and Voting Shares who do not tender to the Offer that is not materially less liquid than the market that existed before the making of the Offer; and
- (iii) the Filer will include in its Circular to be sent to its shareholders in connection with the Offer, the prescribed disclosure regarding the exemptive relief granted by the Decision Makers as well as the facts supporting the formal valuation exemption of Regulation Q-27 upon which the Filer would have been able to rely if it were not for the technical reasons stated in this Decision Document.

DATED at Montreal, Québec on this 14th day of November, 2005.

Josée Deslauriers
Directrice des marchés des capitaux