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December 16, 2005

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Securities Act, Section 114 - Exemption from the formal issuer bid requirements in Part 13 of the Act - An issuer conducting an issuer bid under a modified Dutch auction procedure requires relief from the requirements to disclose in its bid circular that it will take up and pay for shares on a pro rata basis, and from the requirements to disclose the exact number of shares it intends to purchase under the bid - The issuer is making an issuer bid under a modified Dutch auction; it cannot disclose that it will take up and pay for shares deposited on a pro rata basis or the total number of shares it will acquire under the bid; the issuer is disclosing the maximum amount it will spend under the bid, and the minimum and maximum amount it will pay for shares tendered; as a result, the potential for confusion is minimal

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 105-108, 110, 114

In the Matter of
the Securities Legislation of
British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New
Brunswick, 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

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“Issuer Bid”), the Filer be exempt from the following requirements in the Legislation (collectively, the “Requested Relief”) to:

- (i) take up and pay for Shares on a pro rata basis according to the number of securities deposited by each shareholder (the “Proportionate Take-Up and Payment Requirement”);
- (ii) provide disclosure in the issuer bid circular (the “Circular”) of the proportionate take up and payment (the “Associated Disclosure Requirement”); and
- (iii) state the number of securities sought under the Issuer Bid (the “Number of Securities Requirement”).

Under the Mutual Reliance Review System for Exemptive Relief Applications:

- (i) the Autorité des marchés financiers is the principal regulator for this application; and
- (ii) 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:

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 the equivalent in each of the Jurisdictions.
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.

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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 31, 2005, there were 7 598 306 Variable Voting Shares, 32,558,144 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 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 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.

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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. On October 31, 2005, the closing prices of the Variable Voting Shares and the Voting Shares on the TSX were \$16.25 per share and \$16.02 per share, respectively. Based upon such closing prices, the Shares had an aggregate market value of approximately \$645,053,939 on such date. 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 (the “Shareholders”).
13. On November 14, 2005, the Filer obtained an MRRS decision document from the Decision Makers from certain Jurisdictions exempting the Filer from the requirement to obtain a formal valuation of the Shares and providing disclosure in the Circular of such valuation or a summary thereof, provided that, on the date the Issuer Bid would be announced, certain conditions were met (the “Formal Valuation Exemption”).
14. Pursuant to the Issuer Bid, the Filer proposes to acquire Shares in accordance with the following modified Dutch auction procedure (the “Procedure”):
 - (a) the Circular specifies that the maximum amount that the Filer will expend pursuant to the Issuer Bid is \$125,000,000 (the “Specified Amount”);
 - (b) the Circular specifies the range of prices (the “Range”) within which the Filer is prepared to purchase Shares under the Issuer Bid;

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- (c) any Shareholder wishing to tender to the Issuer Bid will have the right either to: (i) specify the lowest price within the Range at which he, she or it is willing to sell the tendered Shares (an “Auction Tender”); or (ii) elect to be deemed to have tendered the Shares at the Purchase Price determined in accordance with subparagraph 14(e) below (a “Purchase Price Tender”);
- (d) all Shares tendered and not withdrawn by Shareholders who fail to specify any tender price for such tendered Shares or fail to indicate that they have tendered their Shares pursuant to a Purchase Price Tender will be considered to have been tendered pursuant to a Purchase Price Tender;
- (e) the purchase price (the “Purchase Price”) of the Shares tendered to the Issuer Bid and not withdrawn will be the lowest price that will enable the Filer to purchase the maximum number of Shares that may be purchased with the Specified Amount, and it will be determined based upon the number of Shares tendered and not withdrawn pursuant to an Auction Tender at each price within the Range and tendered and not withdrawn pursuant to a Purchase Price Tender, with each Purchase Price Tender being considered a tender at the lowest price within the Range for the purpose of calculating the Purchase Price;
- (f) all Shares tendered at prices above the Purchase Price will be returned to the appropriate Shareholders;
- (g) if the aggregate Purchase Price for Shares validly tendered to the Issuer Bid and not withdrawn is less than or equal to the Specified Amount, the Filer will purchase all Shares so deposited;
- (h) if the aggregate Purchase Price for Shares validly tendered to the Issuer Bid and not withdrawn exceeds the Specified Amount, the Filer will take up and pay for tendered Shares on a pro rata basis according to the number of Shares tendered by each Shareholder, except that “Odd Lot” deposits (“Odd Lots”) will not be subject to proration. For the purposes of the foregoing, an Odd Lot deposit is a deposit by a Shareholder who (x) owns in the aggregate less than 100 Shares as of the close of business on the expiration date of the Issuer Bid (the “Expiration Date”), (y) deposits all such Shares pursuant to an Auction Tender at or below the Purchase Price or pursuant to a Purchase Price Tender prior to the Expiration Date and (z) checks the Odd Lots box in either the letter of transmittal or the notice of guaranteed delivery accompanying the Circular. Odd Lot deposits will be accepted for purchase before any pro ration; any Shares tendered but not taken up and paid for by the Filer in accordance with this procedure will be returned to the appropriate tendering Shareholders; and

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- (i) in the event that the Issuer Bid is under-subscribed by the Expiration Date but all of the terms and conditions thereof have been complied with, with the exception of those waived by the Filer, the Filer may wish to extend the Issuer Bid for at least 10 days, in which case the Filer must first take up and pay for all Shares deposited thereunder and not withdrawn in accordance with the Legislation. In the event that the Issuer Bid is under-subscribed at the original Expiration Date, there would be no proration among the tendered Shares taken up at such time. However, by the time any extension is over, the Issuer Bid may be over-subscribed, in which case the Filer intends to pro-rate only among the tendered Shares received during the extension and after the original Expiration Date (and subject to the exception relating to “Odd Lots” described in (h) above).
- 15. Prior to the expiry of the Issuer Bid, all information regarding the number of Shares deposited and the prices at which such Shares are deposited will be kept confidential, and the selected depositary under the Issuer Bid will be directed by the Filer to maintain such confidentiality until the Purchase Price is determined.
- 16. The Circular:
 - (a) discloses the mechanics for the take-up and payment for, or return of, Shares as described in representation 14 above;
 - (b) explains that, by tendering the Shares at the lowest price in the Range or pursuant to a Purchase Price Tender, a Shareholder can reasonably expect that Shares so deposited will be purchased at the Purchase Price, subject to pro ration as described in representation 14 above;
 - (c) except to the extent exemptive relief is granted by this decision, contains the disclosure prescribed by the Legislation for issuer bids;
 - (d) contains a reference to the effect that the Filer obtained an MRRS decision document from the Decision Makers of certain Jurisdictions granting the Formal Valuation Exemption.

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.

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The decision of the Decision Makers under the Legislation is that the Requested Relief is granted provided that Shares deposited under the Issuer Bid and not withdrawn are taken up and paid for, or returned to Shareholders, in the manner described in representation 14.

DATED at Montreal, Québec on this 16th day of December, 2005.

Josée Deslauriers
Director Capital Markets