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April 23, 2007

Headnote

Mutual Reliance Review System for Exemptive Relief Applications- *Securities Act* s. 114(2) Issuer Bids - Exemption from the formal issuer bid requirements in Part 13 of the Act - An issuer wants relief from the issuer bid requirements for bids that will be made for tax reasons just prior to, but in connection with, an arrangement - *Securities Rules* s. 162(3) - Exemption from the Valuation Requirements - An issuer wants relief from the valuation requirements for bids that will be made for tax reasons just prior to, but in connection with, an arrangement - The issuer bids are taking place just prior to, but as part of, an arrangement; the bids are solely for tax reasons to minimize the tax payable by the issuer resulting from the arrangement; the issuer will treat the securityholders equally and give them sufficient information to decide to tender to the bid; the issuer bid only accelerates rights the issuer and the securityholders would each have following the arrangement

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 105-110, 114(2)

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

In the Matter of
the Securities Legislation of
British Columbia, Alberta, Saskatchewan, Manitoba, Ontario,
Quebec, New Brunswick, Nova Scotia, Prince Edward Island 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
Four Seasons Hotels Inc.
(the “Filer”)

MRRS Decision Document

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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 the issuer bid requirements of the Legislation (the “Issuer Bid Requirements”) will not apply to any offer (the “Purchaser’s Note Offer”) made by FS Acquisition Corp. (the “Purchaser”) to acquire any or all of the outstanding US\$250 million aggregate principal amount of 1.875% convertible senior notes (the “Notes”) of the Filer maturing July 30, 2024 (the “Requested Relief”).

Under the Mutual Reliance Review System for Exemptive Relief Applications

- (a) the Ontario Securities Commission 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:

1. The Filer is a corporation incorporated under the *Business Corporations Act* (Ontario) (the “OBCA”). The Filer’s principal office is located at the 1165 Leslie Street, Toronto, Ontario M3C 2K8.
2. The Filer is one of the world’s leading managers of luxury hotels and resorts. The Filer has a portfolio of 74 luxury hotel and resort properties (containing approximately 18,090 guestrooms), several of which include a residential component.
3. The Filer is a reporting issuer, or the equivalent, in each of the Jurisdictions in which the reporting issuer or an equivalent concept exists. To the best of its knowledge, the Filer is not in default of any material applicable requirement of the Legislation and is not on the list of defaulting reporting issuers, if any, maintained pursuant to the Legislation.
4. As at February 23, 2007, 33,681,238 limited voting shares (the “Limited Voting Shares”) in the capital of the Filer were issued and outstanding. The Limited Voting Shares are listed and posted for trading on the New York

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Stock Exchange (“NYSE”) and the Toronto Stock Exchange under the symbols “FS” and “FSH”, respectively.

5. On February 12, 2007, the Filer announced that it had entered into an acquisition agreement dated February 9, 2007 between the Filer and the Purchaser (the “Acquisition Agreement”) and that the Purchaser would, subject to the terms and conditions of the Acquisition Agreement, acquire all of the outstanding Limited Voting Shares (other than the Limited Voting Shares held by the Bill & Melinda Gates Foundation Trust, which will be acquired by the Filer pursuant to the Arrangement (defined below) and a separate agreement for identical consideration, and the Limited Voting Shares held by affiliates of Kingdom Hotels International (“Kingdom”) and Cascade Investment, L.L.C. (“Cascade”)) at a price of US\$82.00 per share in cash pursuant to a plan of arrangement (the “Arrangement”).
6. To the best of the Filer’s knowledge, the Purchaser is a corporation incorporated under the laws of British Columbia solely for purposes of completing the transactions contemplated by the Acquisition Agreement and is not a reporting issuer, or the equivalent, in any of the Jurisdictions. The Filer has been advised that (i) the Purchaser is wholly-owned, directly or indirectly, by Triples Holdings Limited (“Triples”) and an affiliate of Kingdom and an affiliate of Cascade, (ii) Kingdom is owned by a trust created by HRH Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud (“HRH Prince Alwaleed”) for the benefit of HRH Prince Alwaleed and his family, (iii) Cascade is a private investment entity, the sole member of which is William H. Gates III, and (iv) all of the shares of Triples are beneficially owned by Mr. Isadore Sharp, the Chairman and Chief Executive Officer of the Filer, and members of his immediate family.
7. Kingdom has advised the Filer that, as of February 23, 2007, it beneficially owns or controls 7,389,182 Limited Voting Shares, representing approximately 22% of the outstanding Limited Voting Shares. Kingdom also has advised the Filer that HRH Prince Alwaleed may also be deemed to be the beneficial owner of an additional 179,322 Limited Voting Shares (representing approximately 0.5% of the outstanding Limited Voting Shares), in which he shares voting and dispositive powers.
8. Cascade has advised the Filer that, as of February 23, 2007, it beneficially owns or controls 715,850 Limited Voting Shares, being approximately 2% of the outstanding Limited Voting Shares.

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9. The Arrangement was approved at a meeting of the Filer's shareholders on April 5, 2007 and a final order of the Ontario Superior Court of Justice approving the Arrangement was obtained by the Filer on April 13, 2007.
10. If all of the other conditions to closing of the Arrangement are satisfied or waived, it is expected that the Arrangement will be implemented by way of a court-approved plan of arrangement pursuant to section 182 of the OBCA on or around April 24, 2007.
11. The Notes were issued pursuant to a short form base shelf prospectus dated April 6, 2004 and a prospectus supplement dated June 14, 2004 and are governed by a note indenture (the "Note Indenture") dated as of June 18, 2004 between The Bank of Nova Scotia Trust Company of New York ("BNS"), as trustee, and the Filer.
12. All of the Notes are currently registered in the name of The Depository Trust Company and, based on recent reports made available to the Filer by BNS, approximately 3.8% of the outstanding aggregate principal amount of the Notes have been allocated in the debt clearing system to a participant that maintains an address in Toronto, Ontario. Based on these reports, no other Canadian participants have been allocated any of the Notes.
13. The Notes are not listed on a recognized stock exchange.
14. The Notes are convertible into Limited Voting Shares (although at the Filer's option, it may make a cash payment in lieu of all or some of the Limited Voting Shares that might be issued on conversion) in certain circumstances, including upon the occurrence of a "Fundamental Change", as defined in the Note Indenture. The Arrangement, if completed, would result in a "Fundamental Change" under the terms of the Note Indenture. As a result, holders may convert Notes during the period from and after the tenth day prior to the anticipated closing date of the Arrangement until and including the close of business on the later of the tenth day after the actual closing date of the Arrangement and the thirtieth business day after the notice of the offer to repurchase the Notes under the Filer's Note Offer (as defined below) has been mailed, as described below.
15. Upon conversion, holders of Notes would be entitled to receive, subject to the right of the Filer to make a cash payment in lieu of some or all of the Limited Voting Shares that otherwise would be issued, the following:
 - (a) 13.9581 Limited Voting Shares for each US\$1,000 principal amount of Notes, and

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- (b) An additional number of Limited Voting Shares equal to (i) the sum of a make whole premium (the “Make Whole Premium”), and an amount equal to any accrued but unpaid interest to, but not including, the conversion date, divided by (ii) the average of the closing sale price (or, in certain circumstances, an average of bid and ask prices) of the Limited Voting Shares of the NYSE for the ten trading days before the conversion date.

If Notes are surrendered for conversion and the Arrangement is not completed, no Notes surrendered for conversion will be converted.

- 16. If the Arrangement is completed, the Filer would be required under the terms of the Note Indenture to make an offer (the “Filer’s Note Offer”) to repurchase the Notes at a purchase price equal to the principal amount of the Notes plus the Make Whole Premium, and an amount equal to any accrued and unpaid interest to, but not including, the date of repurchase.
- 17. The Filer has the right to satisfy the obligations in respect of a conversion in the circumstances described in paragraph 14 above, and in respect of a repurchase of Notes as described in paragraph 16 above, with Limited Voting Shares or, at its option, in cash or a combination of Limited Voting Shares and cash.
- 18. Pursuant to the Purchaser’s Note Offer made on March 22, 2007, the Purchaser is offering to purchase all of the outstanding Notes at a price (the “Note Purchase Price”) for every \$1,000 principal amount of the Notes equal to the sum of:
 - (a) The amount that the Purchaser believes a holder would receive if it converted US\$1,000 principal amount of Notes into Limited Voting Shares immediately prior to the effective time of the Arrangement, followed by each Limited Voting Share being converted into US\$82.00 in the Arrangement, plus
 - (b) A premium of US\$1.00.
- 19. The Purchaser has indicated that, based on an April 24, 2007 effective date of the Arrangement, the Note Purchase Price would be US\$1,242.41 per US\$1,000 principal amount of Notes.
- 20. The Purchaser’s Note Offer is designed to encourage holders of the Notes to surrender their Notes prior to the effective time of the Arrangement by offering such holders an amount in cash that the Purchaser believes is

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substantially similar to the amount that a holder would receive if it converted US\$1,000 principal amount of Notes into Limited Voting Shares immediately prior to the effective date of the Arrangement, followed by each Limited Voting Share being converted into US\$82.00 in the Arrangement (though there are not assurances that such amounts will be equal).

21. The Purchaser has advised that the Notes are being purchased by the Purchaser and retired before the Arrangement to ensure that, for Canadian income tax purposes, the Filer can match foreign exchange gains with capital losses that otherwise expire on the acquisition of the Limited Voting Shares as part of the Arrangement. In negotiating the Acquisition Agreement, the Filer and the Purchaser agreed that the Purchaser should be the party to bear all risks and costs associated with making the Purchaser's Note Offer because the offer was being proposed by the Purchaser to accomplish its tax planning objectives. The Filer has agreed in the Acquisition Agreement that it would provide all cooperation reasonably requested by the Purchaser in connection with the Purchaser's Note Offer.
22. The Purchaser's Note Offer will not be subject to the take-over bid requirements of the Legislation because the Notes are not "voting or equity securities". The Filer has been advised that the Purchaser's intention is not to acquire the underlying Limited Voting Shares but rather to purchase and retire indebtedness in advance of the date that similar payments would otherwise be required to be made by the Filer to holders of the Notes.
23. The Legislation exempts an issuer from the Issuer Bid Requirements if, among other things, the number of holders whose last address as shown on the books of the issuer in the Jurisdiction of securities of the class subject to the bid is fewer than fifty and securities held by such holders constitute, in the aggregate, less than 2 per cent of the outstanding securities of that class and the bid is made in compliance with the laws of a jurisdiction that is recognized for the purpose of the exemption by the Legislation (the "De Minimis Exemption"). Although the Filer has been advised by the Purchaser that the Purchaser's Note Offer will be subject to, and be made in accordance with, Regulation 14E of the *United States Securities Exchange Act of 1934*, the Purchaser's Note Offer will not be subject to a number of the tender offer rules thereunder, including those related to an issuer self tender (which would apply if the Filer itself would make the offer to purchase directly). Accordingly, the Filer may be unable to rely on the De Minimis Exemption.
24. The Purchaser's Note Offer has been made to the holders of the Notes resident in Canada on the same basis, including extending to those holders identical rights and identical consideration, as to the holders of the Notes resident in the

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United States. All material relating to the Purchaser's Note Offer that was sent by the Purchaser to holders of the Notes resident in the United States was concurrently sent to all holders of the Notes resident in Canada. These materials have been filed with the Decision Makers.

25. Pursuant to the first step of the Arrangement, the Filer will acquire from the Purchaser the Notes tendered to the Purchaser under the Purchaser's Note Offer in exchange for cash or a note with a principal amount corresponding to the aggregate Note Purchase Price paid by the Purchaser in connection with the Purchaser's Note Offer. As part of the Arrangement, the Notes so acquired by the Filer from the Purchaser will be cancelled prior to the acquisition by the Purchaser of the Limited Voting Shares pursuant to the Arrangement.
26. Because the Notes are debt securities convertible into securities other than debt securities, the Purchaser's Note Offer would constitute an "issuer bid" within the meaning of the Legislation if the Purchaser's Note Offer is considered to be an indirect offer by the Filer to purchase the Notes (in the context of the repurchase of the Notes by the Filer) pursuant to the Arrangement. If treated as an issuer bid, the Purchaser's Note Offer would be subject to the Issuer Bid 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.

James Turner
Commissioner
Ontario Securities Commission

H. Lorne Murphy
Commissioner
Ontario Securities Commission