

2005 BCSECCOM 216

February 23, 2005

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - National Instrument 51-102, s. 13.1 - Continuous Disclosure Obligations - An issuer that is a wholly-owned subsidiary wants relief from filing some continuous disclosure documents - The issuer is an indirect, wholly owned subsidiary of a reporting issuer parent corporation; the issuer's obligations under the debt instruments it issued will be satisfied by the dividends it receives from a holding company; the holding company and all its other subsidiaries have guaranteed the issuer's obligations under the debt instruments; the parent's only operations are carried on through the holding company, as a result, the parent and the holding company are functionally equivalent to each other; the parent's continuous disclosure record will be filed and delivered in place of the issuer's disclosure record; the issuer will file material change reports for any change that is material to it but not the parent

Applicable British Columbia Provisions

National Instrument 51-102, ss. 4.1, 4.3, 4.6, 5.1, 5.6, 6.1, 7.1, 8.2, 9.1, 11.1, 12.2, and 13.1

Securities Act, R.S.B.C. 1996, c. 418, ss. 85(1), 91, 117 and 119

Securities Rules, B.C. Reg. 194/97, ss. 144, 145, 149 and 184

In the Matter of
the Securities Legislation of
British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova
Scotia, New Brunswick, Newfoundland, Northwest Territories, Nunavut and
Yukon (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

MRRS Decision Document

2005 BCSECCOM 216

Background

The local securities regulatory authority or regulator (the Decision Maker), in each of the Jurisdictions has received an application from Student Transportation of America Ltd. (STA Ltd.) and Student Transportation of America ULC (STA ULC, and together with STA Ltd., the Filers) for a decision under the securities legislation of the Jurisdictions (the Legislation) and in Québec for an exemption to be granted by a revision of general order No. 2004 – PDG – 0020 dated March 26, 2004, that STA ULC be exempt from

1. except in the Northwest Territories, the requirements under the Legislation to:
 - (a) issue press releases and file reports regarding material changes (the Material Change Reporting Requirements);
 - (b) file annual financial statements together with an auditor's report and annual MD&A, as well as interim financial statements together with a notice regarding auditor review or a written review report, if required, and interim MD&A;
 - (c) send annually a request form to the registered holders and beneficial owners of STA ULC's securities, other than debt instruments, that the registered holders and beneficial owners may use to request a copy of STA ULC's annual financial statements and annual MD&A, interim financial statements and interim MD&A, or both, and to send a copy of financial statements and MD&A to registered holders and beneficial owners;
 - (d) send a form of proxy and information circular with a notice of meeting to registered holders of voting securities and to file the information circular, form of proxy and all other material required to be sent in connection with the meeting to which the information circular or form of proxy relates;
 - (e) where applicable, file a business acquisition report including any required financial statement disclosure, if STA ULC completes a significant acquisition (the BAR Requirement);
 - (f) file a copy of any disclosure material that it sends to its securityholders;
 - (g) file an annual information form; and
 - (h) where applicable, file a copy of any contract that it or any of its subsidiaries is a party to, other than a contract entered into in the ordinary course of business, that is material to STA ULC and was entered into

2005 BCSECCOM 216

within the last financial year, or before the last financial year but is still in effect (the Material Contracts Requirement),

(collectively, the Continuous Disclosure Requirements); and

2. the requirements under the Legislation except in British Columbia and Québec to:

(a) file annual certificates (Annual Certificates) in accordance with section 2.1 of Multilateral Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings (MI 52-109); and

(b) file interim certificates (Interim Certificates) in accordance with section 3.1 of MI 52-109,

(collectively, the Certification Filing Requirements).

Under the Mutual Reliance Review System for Exemptive Relief Applications (the System):

(a) the Ontario Securities Commission 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 represented by the Issuer:

1. STA Ltd. is a corporation formed under the laws of Ontario, with its head office located at Suite 2400, 250 Yonge Street, Toronto, Ontario, M5B 2M6.
2. STA Ltd. owns all of the Class A common shares of Student Transportation of America Holdings, Inc. (STA Holdco), representing an approximate 93.6% voting interest.
3. STA ULC is an unlimited liability company organized under the laws of Nova Scotia, with its head office located at Suite 2400, 250 Yonge Street, Toronto, Ontario, M5B 2M6.

2005 BCSECCOM 216

4. The authorized share capital of STA ULC is 1,000,000,000 common shares. STA Holdco owns all of the common shares of STA ULC, and STA ULC owns all of the preferred shares of STA Holdco.
5. STA Holdco is a Delaware corporation, with its head office located at 3349 Highway 138, Building B, Suite D, Wall, New Jersey. STA Holdco, through its subsidiaries, is the fifth largest provider of school bus transportation services in the United States, having in excess of 105 contracts and a fleet of over 2,900 school buses, vans and other vehicles. Through its subsidiaries, STA Holdco provides school bus transportation services in eleven states: California, Connecticut, Maine, New Hampshire, New Jersey, New York, Oklahoma, Oregon, Pennsylvania, Texas and Vermont.
6. The Filers each filed a preliminary prospectus dated November 9, 2004, an amended and restated preliminary prospectus dated November 16, 2004 and a (final) prospectus dated December 13, 2004 in connection with an initial public offering (the Offering) of income participating securities (IPs).
7. STA Ltd. issued the common shares (the STA Common Shares) that form part of the IPs and will satisfy dividends declared on these common shares with the dividends it receives on the Class A common shares that it owns in STA Holdco.
8. STA ULC issued the subordinated notes (the Subordinated Notes) that form part of the IPs and will satisfy its obligations under the Subordinated Notes with the dividends it receives from STA Holdco.
9. Mutual Reliance Review System decision documents were issued for the Filers' (a) prospectus and the amended and restated preliminary prospectus on November 10, 2004 and November 18, 2004, respectively; and (b) the (final) prospectus on December 13, 2004.
10. STA Ltd. and STA ULC became reporting issuers or the equivalent in each of the Jurisdictions on December 13, 2004 and the initial public offering closed on December 21, 2004.
11. In connection with the Offering, the Filers filed an undertaking (the Undertaking), with the Ontario Securities Commission to provide investors with separate financial statements for any "major subsidiary" (Major Subsidiary) as defined in National Instrument 55-101 Exemption from Certain Insider Reporting Requirements where GAAP prohibits consolidation of financial information of such subsidiary and the Issuer.

2005 BCSECCOM 216

12. STA ULC's obligations under the Subordinated Notes represent its primary liability.
13. STA ULC will satisfy its obligations under the Subordinated Notes through the dividends that it will receive on the preferred shares that it owns in the capital of STA Holdco and it is not currently anticipated that STA ULC will have any other meaningful assets or sources of income.
14. STA ULC's obligations under the Subordinated Notes are guaranteed by STA Holdco and each of its subsidiaries.
15. In order to understand and assess the ability of STA ULC (and the guarantors) to satisfy the obligations under the Subordinated Notes, a holder of the Subordinated Notes will need to determine (a) the ability of STA Holdco to satisfy its dividend requirements under the preferred shares held by STA ULC and (b) the STA group's ability to satisfy the guarantee obligations of the Subordinated Notes.
16. Because STA Ltd. is the ultimate parent of the STA group (including STA ULC) and is required to:
 - (a) include in its public disclosure (*e.g.*, annual information form and material change reports) information concerning all of its material subsidiaries (including STA Holdco), and
 - (b) consolidate the financial position and results of operations of all of the other members of the group,it is the public disclosure, including the consolidated financial statements, relating to STA Ltd. that is relevant from the perspective of a potential investor. Specifically, it is that information (not information relating solely to STA ULC) that permits an investor to determine (a) the ability of STA Holdco to satisfy its dividend requirements under the preferred shares held by STA ULC and (b) the STA group's ability to satisfy its guarantee obligations of the Subordinated Notes.
17. STA Ltd. has no operations other than minimal operations that are independent of STA Holdco, no material assets other than its holding of the Class A common shares of STA Holdco and no material liabilities.

2005 BCSECCOM 216

18. STA ULC will send a form of proxy and information circular to holders of the Subordinated Notes resident in Canada in connection with any meeting of holders of Subordinated Notes.

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 pursuant to the Legislation is that the Continuous Disclosure Requirements and the Certification Requirements shall not apply to STA ULC, provided that:

1. STA Holdco owns all voting securities of STA ULC;
2. STA Ltd. continues to consolidate the financial information of its subsidiaries including STA Holdco in STA Ltd's financial information, or if GAAP prohibits the consolidation of the financial information of STA Holdco or other Major Subsidiary and STA Ltd., STA Ltd. complies with its Undertaking to provide holders of Subordinated Notes with separate financial statements for such entity;
3. STA ULC continues to have no operations other than minimal operations that are independent of STA Holdco, no material assets other than its holding of the preferred shares of STA Holdco and no material liabilities other than the Subordinated Notes;
4. STA Ltd. has no operations other than minimal operations that are independent of STA Holdco, no material assets other than its holding of the Class A common shares of STA Holdco and no material liabilities;
5. STA Ltd. remains a reporting issuer in each of the Jurisdictions that provides for such a regime and complies with all of its reporting issuer obligations under the regime;
6. STA ULC's obligations under the Subordinated Notes continue to be guaranteed by every other subsidiary of STA Ltd.;
7. STA Ltd. files copies of all documents that STA Ltd. is required to file pursuant to the Continuous Disclosure Requirements on STA ULC's SEDAR profile at the same time that such documents are required to be filed by STA Ltd. on its own SEDAR profile;

2005 BCSECCOM 216

8. STA ULC complies with the Material Change Reporting Requirements in respect of material changes in the affairs of STA ULC that are not also material changes in the affairs of STA Ltd.;
9. STA ULC complies with the Material Contract Requirements in respect of contracts of STA ULC that would be material to STA ULC but would not be material to STA Ltd.;
10. STA ULC complies with the BAR Requirements in respect of business acquisitions that would be significant acquisitions to STA ULC but not to STA Ltd.;
11. STA ULC has not issued any securities to the public other than the Subordinated Notes; and
12. STA Ltd. files copies of its own Annual Certificates and Interim Certificates on STA ULC's SEDAR profile at the same time as those documents are required to be filed by STA Ltd. on its own SEDAR profile.

Iva Vranic
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Ontario Securities Commission