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January 20, 2006

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Securities Act s. 171 - Revoke or Vary Decision - An issuer wants to vary a previous decision it received to revise the conditions to the relief granted - The applicant previously obtained relief from certain requirements in securities legislation; the policy reasons for granting that relief have not changed, but certain of the conditions to the relief are no longer appropriate because of a change in the issuer's circumstances; the previous relief would no longer be available to the applicant; alternative conditions can be structured that address the issuer's new circumstances

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, s. 171

National Instrument 51-102, s. 13.1

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

WHEREAS 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 "Issuer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the decision document dated February 23, 2005 issued by the Decision Makers, and in Quebec, the order dated December 5, 2005 issued by the Decision Maker in respect of the Issuer (collectively the "Original Decision Documents")

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be varied by removing the condition contained in the Original Decision Documents that STA ULC's obligations under its subordinated notes (the "Subordinated Notes") continue to be guaranteed by every other subsidiary of STA Ltd. (the "Guarantee Requirement").

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. Pursuant to the Original Decision Documents, STA ULC is exempt from:
 - (a) except in the Northwest Territories, the requirements under the Legislation to:
 - (i) issue press releases and file reports regarding material changes;
 - (ii) 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;
 - (iii) 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;
 - (iv) send a form of proxy and information circular with a notice of meeting to registered holders of voting securities and to file the

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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;

- (v) where applicable, file a business acquisition report, including any required financial statement disclosure, if STA ULC completes a significant acquisition;
- (vi) file a copy of any disclosure material that it sends to its securityholders;
- (vii) file an annual information form; and
- (viii) 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 within the last financial year, or before the last financial year but is still in effect,

(collectively, the “Continuous Disclosure Requirements”); and

(b) the requirements under the Legislation except in British Columbia to:

- (i) file 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
- (ii) file interim certificates in accordance with section 3.1 of MI 52-109,

(collectively, the “Certification Filing Requirements”).

2. Pursuant to the Original Decision Documents, the Continuous Disclosure Requirements and the Certification Filing Requirements do not apply to STA ULC, provided that, among other things, STA ULC complies with the Guarantee Requirement.
3. On July 22, 2005, STA Ltd. formed an indirect subsidiary, Student Transportation of Canada Inc. (“STC”).
4. On July 29, 2005, STC closed its acquisition of the school bus division of Ayr Coach Lines, located in Waterloo, Ontario.

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5. STC has guaranteed STA ULC's obligations under the Subordinated Notes (as defined in the Original Decision Document) pursuant to a limited duration guarantee (the "Limited Guarantee"), which guarantee will terminate in accordance with its terms on May 22, 2006.
6. Due to potential negative US tax consequences to STA Ltd., STC has not guaranteed STA ULC's obligations under the Subordinated Notes for an indefinite period.
7. The consolidated financial statements of STA Ltd. will include the financial results of STC for so long as STC remains a subsidiary of STA Ltd.
8. STA Ltd. will provide investors who hold Subordinated Notes (including Subordinated Notes that are represented by Income Participating Securities of the Issuer) with the information required to be included pursuant to item 13.2(f)(ii) of Form 44-101F1 of National Instrument 44-101 *Short Form Prospectus Distributions* in order to enable investors to effectively "de-consolidate" the financial results of the Issuer and determine the contribution of both the guarantor and the non-guarantor subsidiaries of the Issuer to the Issuer's financial performance.

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 Original Decision Document be varied by removing the Guarantee Requirement, provided that:

1. STA Ltd. includes the following consolidating summary financial information in the notes to its interim and annual financial statements, presented with a separate column for each of (a) STA ULC, (b) Student Transportation of America Holdings, Inc. (STA Holdco), (c) each credit supporter on a combined basis, (d) the non-guarantor subsidiaries on a combined basis, (e) consolidating adjustments and (f) the total consolidated amounts:
 1. Sales or revenues;
 2. Income from continuing operations before extraordinary items;
 3. Net earnings;
 4. Current assets;
 5. Non-current assets;
 6. Current liabilities; and

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7. Non-current liabilities;
2. The cover page of STA Ltd's financial statements includes a statement disclosing the notes where the consolidating summary financial information can be found; and
3. STA ULC's obligations under the Subordinated Notes are fully and unconditionally guaranteed by STA Holdco and one or more wholly-owned subsidiaries of STA Holdco, and the guarantees are joint and several.

Iva Vranic