

IN THE MATTER OF THE SECURITIES LEGISLATION OF ALBERTA, BRITISH COLUMBIA, MANITOBA, NEW BRUNSWICK, NEWFOUNDLAND, NOVA SCOTIA, ONTARIO, PRINCE EDWARD ISLAND, Qu_顛c, SASKATCHEWAN, NORTHWEST TERRITORIES, YUKON TERRITORY AND NUNAVUT

AND

IN THE MATTER OF THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF AVIATION GROUP, INC., AVIATION GROUP CANADA LTD. AND TRAVELBYUS.COM LTD.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Makers") in each of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland, Nova Scotia, Ontario, Prince Edward Island, Qu_顛c, Saskatchewan, Northwest Territories, the Yukon Territory and Nunavut (collectively, the "Jurisdictions") has received an application from Aviation Group, Inc. ("Aviation"), Aviation Group Canada Ltd. ("Aviation Subco") and Travelbyus.com Ltd. ("Travelbyus") (collectively, the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation to be registered to trade in a security and to file a preliminary prospectus and a prospectus and receive receipts therefor prior to distributing a security (the "Registration and Prospectus Requirements") shall not apply to certain trades of securities in connection with the proposed reorganization of the capital structure of Travelbyus by way of plan of arrangement (the "Plan of Arrangement") and the simultaneous acquisition by Aviation Subco, a wholly-owned subsidiary of Aviation, of certain securities of Travelbyus (the "Transaction");

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the British Columbia Securities Commission is the principal regulator for this application;

AND WHEREAS the Filer has represented to the Decision Makers that:

1. Aviation was incorporated in the State of Texas on December 4, 1995; Aviation is subject to the reporting requirements of the United States Securities Exchange Act of 1934, as amended; Aviation is not currently a "reporting issuer" or the equivalent in any province or territory of Canada;
2. Aviation's authorized capital consists of 10,000,000 shares of common stock, US\$0.01 par value (the "Aviation Common Shares") and 5,000,000 shares of preferred stock, US\$0.01 par value; as of December 27, 2000 there were approximately 5,121,722 Aviation Common Shares and 3,803 preferred shares issued and outstanding; as part of the Transaction, Aviation will issue

one special voting stock, US\$0.01 par value (the "Special Voting Share") to a trustee (the "Trustee") in accordance with the Exchange Agreement (defined below);

3. as part of the Transaction, Aviation held a shareholders' meeting at which its shareholders passed certain resolutions in connection with the Transaction, including the consolidation of Aviation's outstanding Common Shares on a five-for-one basis and the increase of Aviation's authorized capital to 250,000,000 Common Shares and 5,000,000 shares of preferred stock;

4. the Aviation Common Shares trade on the Nasdaq SmallCap Market and Boston Stock Exchange; applications will be made as required by Aviation to the Nasdaq SmallCap Market and Boston Stock Exchange to list the additional Aviation Common Shares issuable from time to time in connection with the Transaction;

5. Aviation Subco is a wholly-owned subsidiary of Aviation which was incorporated under the laws of the Province of Ontario on March 8, 2000; Aviation Subco was incorporated as a vehicle to hold all of the Travelbyus Common Shares which will be outstanding after the closing of the Transaction and to hold the various call rights related to the Exchangeable Shares (defined below); Aviation Subco's only material asset upon completion of the Transaction will be the issued and outstanding Travelbyus Common Shares;

Travelbyus was incorporated pursuant to the *Business Corporations Act* (Ontario) on July 21, 1986 under the name "MVP Capital Corp."; on October 23, 1996, Travelbyus filed articles of amendment to change its name of "LatinGold Inc."; on June 4, 1999, Travelbyus filed articles of amendment to change its name to its current name;

6. Travelbyus has been a "reporting issuer" or the equivalent in each of the Provinces of Alberta, British Columbia, Manitoba, Ontario, Quebec and Saskatchewan for at least 12 months and is not in default of any requirement of the Legislation; the Travelbyus Common Shares trade on The Toronto Stock Exchange, the Winnipeg Stock Exchange and the Frankfurt Stock Exchange;

7. the authorized capital of Travelbyus currently consists of an unlimited number of common shares (the "Travelbyus Common Shares"); the outstanding capital of Travelbyus as at December 27, 2000 consists of 104,696,869 Travelbyus Common Shares, warrants to purchase up to 7,506,020 Travelbyus Common Shares (the "Travelbyus Warrants"), options to purchase up to 7,843,300 Travelbyus Common Shares (the "Travelbyus Options") and other rights outstanding to acquire up to 10,244,442 Travelbyus Common Shares; in addition, as at December 27, 2000, Travelbyus has \$9,456,000 principal amount of 12.5% senior debentures outstanding with a maturity date of September 9, 2001;

8. the head office of Travelbyus is in British Columbia;

9. pursuant to an arrangement agreement (the "Arrangement Agreement") made as of May 3, 2000 between Aviation, Aviation Subco and Travelbyus, a sequence of transactions occurs that effectively converts all of Travelbyus' existing outstanding securities into Exchangeable Shares which will be exchangeable for Aviation Common Shares;

10. pursuant to the Arrangement Agreement a special meeting (the "Meeting") of the shareholders of Travelbyus (the "Shareholders") was held in accordance with an interim order of the Ontario Superior Court of Justice whereby the Shareholders passed certain resolutions approving the arrangement (the "Arrangement") and authorizing the filing of articles of arrangement (the "Articles of Arrangement");

11. in connection with the Meeting, Travelbyus has mailed to each Shareholder (i) a notice of special meeting, (ii) a form of proxy, (iii) the text of the special resolution approving the Arrangement and (iv) an information circular (the "Circular") containing prospectus level disclosure regarding the Transaction, each Shareholder's dissent rights, the Arrangement, the characteristics of the Exchangeable Shares and the Aviation Common Shares (collectively, the "Shareholder Materials");

12. the Circular was filed and approved by the Securities and Exchange Commission in the United States as the S4 registration statement for Aviation; the Circular has been filed in the Jurisdictions;

13. pursuant to the terms of the Plan of Arrangement, commencing at the effective time of the closing of the Transaction, the following events will occur:

(a) the filing of the Articles of Arrangement will create (i) a new class of voting, convertible preferred shares designated as "preferred shares" (the "Travelbyus Preferred Shares"); and (ii) a new class of shares designated as "exchangeable shares" (the "Exchangeable Shares");

(b) Aviation Subco will subscribe for one Travelbyus Preferred Share;

(c) each outstanding Travelbyus Common Share held by a Shareholder (other than Travelbyus Common Shares held by a Shareholder who exercises its dissent rights and is ultimately entitled to be paid the fair value of its Travelbyus Common Shares) will be automatically converted into Exchangeable Shares on a one-for-one basis; Shareholders will receive cash in lieu of any fractional Exchangeable Shares they would otherwise be entitled to receive;

(d) Aviation Subco will convert its Travelbyus Preferred Share into one Travelbyus Common Share; at such time, Aviation Subco will be the only holder of Travelbyus Common Shares;

(e) each Travelbyus Option will be exchanged for an option to acquire Aviation Common Shares (the "Aviation Options") provided that the number of Aviation Common Shares that may be acquired will be adjusted on a five-for-one basis subject to any further adjustments and the strike price for each Aviation Option will be multiplied by five, subject to any further adjustments (and after giving effect to currency conversions);

(f) each Travelbyus Warrant will be deemed to be exercisable for Exchangeable Shares without any further action on the part of the holder; and

(g) Aviation will issue and deposit with the Trustee one Special Voting Share (described below) in accordance with the Exchange Agreement (described below);

14. each Exchangeable Share, together with the Exchange Agreement and Support Agreement described below, will provide holders thereof with a security of a Canadian issuer having economic attributes which are substantially equivalent, in all material respects, to those of one-fifth of an Aviation Common Share; Exchangeable Shares will be received by Shareholders on a Canadian tax-deferred, roll-over basis; the Exchangeable Shares will be exchangeable by a holder thereof for Aviation Common Shares on a five-for-one basis (subject to certain adjustments and assuming Aviation effects a five-for-one consolidation of its shares of common stock, as expected) at any time at the option of such holder and will be required to be exchanged upon the occurrence of certain events, as more fully described below; dividends will be payable on the Exchangeable Shares contemporaneously and in one-fifth of the equivalent amount per share as dividends on the Aviation Common Shares; holders of Exchangeable Shares will receive cash in lieu of any fractional Aviation Common Shares they would otherwise be entitled to receive on exchange of Exchangeable Shares; if Aviation does not effect a five-for-one consolidation of its shares, the Exchangeable Shares will be exchangeable for Aviation Common Shares on a one-for-one basis and the ratio for payment of dividends and distribution of assets upon liquidation, dissolution or winding-up of Travelbyus or Aviation, as the case may be, will be adjusted accordingly;

15. the Exchangeable Shares will rank senior to the Travelbyus Common Shares and the Travelbyus Preferred Shares, in respect of the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of Travelbyus; the Exchangeable Share Provisions will provide that each Exchangeable Share will entitle the holder to dividends from Travelbyus payable at the same time as, and economically equivalent to, each dividend paid by Aviation on Aviation Common Shares; subject to the overriding call right of Aviation Subco referred to below, on the liquidation, dissolution or winding-up of Travelbyus, a holder of Exchangeable Shares will be entitled to receive from Travelbyus for each Exchangeable Share held an amount equal to one-fifth of the then current market price of an Aviation Common Share, to be satisfied by delivery of one-fifth of one Aviation Common Share (subject to adjustment), together with, on the designated payment date therefor and to the extent not already paid by Travelbyus on a dividend payment date, all declared and unpaid dividends on each such Exchangeable Share (such aggregate amount, the "Liquidation Amount"); upon a proposed liquidation, dissolution or winding-up of Travelbyus, Aviation Subco will have an overriding call right (the "Liquidation Call Right") to purchase all of the outstanding Exchangeable Shares from the holders thereof (other than Aviation or its affiliates) for a price per share equal to the Liquidation Amount;

16. the Exchangeable Shares will be non-voting (except as required by the Exchangeable Share Provisions or by applicable law) and will be retractable at the option of the holder at any time; subject to the overriding call right of Aviation Subco referred to below, upon retraction the

holder will be entitled to receive from Travelbyus for each Exchangeable Share retracted an amount equal to one-fifth of the then current market price of an Aviation Common Share, to be satisfied by delivery of one-fifth of one Aviation Common Share (subject to adjustment), together with, on the designated payment date therefor and to the extent not already paid by Travelbyus on a dividend payment date, all declared and unpaid dividends on each such retracted Exchangeable Share (such aggregate amount, the "Retraction Price"); upon being notified by Travelbyus of a proposed retraction of Exchangeable Shares, Aviation Subco will have an overriding call right (the "Retraction Call Right") to purchase from the holder all of the Exchangeable Shares that are the subject of the retraction notice for a price per share equal to the Retraction Price;

17. subject to the overriding call right of Aviation Subco referred to below in this paragraph, Travelbyus shall redeem all the Exchangeable Shares then outstanding on January 1, 2003 (the "Automatic Redemption Date"); the board of directors of Travelbyus may accelerate the Automatic Redemption Date in certain circumstances, as described in the Exchangeable Share Provisions; upon such redemption, a holder will be entitled to receive from Travelbyus for each Exchangeable Share redeemed, an amount equal to one-fifth of the then current market price of an Aviation Common Share on the last business day prior to the Automatic Redemption Date, to be satisfied by the delivery of one-fifth of one Aviation Common Share (subject to adjustment), together with, to the extent not already paid by Travelbyus on a dividend payment date, all declared and unpaid dividends on each such redeemed Exchangeable Share (such aggregate amount, the "Redemption Price"); upon being notified by Travelbyus, of a proposed redemption of Exchangeable Shares, Aviation Subco will have an overriding call right (the "Redemption Call Right") to purchase from the holders all of the outstanding Exchangeable Shares (other than Aviation or its affiliates) for a price per share equal to the Redemption Price;

18. upon the liquidation, dissolution or winding-up of Aviation, the Exchangeable Shares will be automatically exchanged for Aviation Common Shares pursuant to the Exchange Agreement (described below), in order that holders of Exchangeable Shares may participate in the dissolution of Aviation on the same basis as holders of Aviation Common Shares; upon the insolvency of Travelbyus, holders of Exchangeable Shares may put their shares to Aviation in exchange for Aviation Common Shares, pursuant to the Exchange Right described in greater detail below;

19. the Special Voting Share will be authorized for issuance pursuant to the Arrangement Agreement and will be issued under the Exchange Agreement to the Trustee for the benefit of the holders of the Exchangeable Shares outstanding from time to time (other than Aviation and its affiliates); the Special Voting Share will carry a number of voting rights, exercisable at any meeting of the holders of Aviation Common Shares, equal to one-fifth of the number of Exchangeable Shares outstanding from time to time (that are not owned by Aviation and its affiliates); the holders of the Aviation Common Shares and the holder of the Aviation Special Voting Share will vote together as a single class on all matters; holders of Exchangeable Shares will exercise the voting rights attached to the Aviation Special Voting Share through the mechanism of the Exchange Agreement; each voting right attached to the Special Voting Share must be voted by the Trustee pursuant to the instructions of the holder of the related

Exchangeable Share; in the absence of any such instructions from a holder, the Trustee will not be entitled to exercise any voting rights;

20. upon the exchange of all of a holder's Exchangeable Shares for Aviation Common Shares, all rights of the holder of Exchangeable Shares to exercise votes attached to the Special Voting Share will cease;

21. in order to assist non-residents of Canada in exchanging their Exchangeable Shares without having to deliver a certificate under section 116 of the *Income Tax Act* (Canada), the Exchangeable Shares will be listed on The Toronto Stock Exchange until December 31, 2001;

22. contemporaneously with the closing of the Transaction, Aviation, Aviation Subco, Travelbyus and the Trustee will enter into an exchange agreement (the "Exchange Agreement"); under the Exchange Agreement, Aviation will grant to the Trustee, as trustee for and on behalf of the holders of the Exchangeable Shares, a put right (the "Exchange Right"), exercisable upon the insolvency of Travelbyus, to require Aviation to purchase from a holder of Exchangeable Shares all or any part of its Exchangeable Shares; the purchase price for each Exchangeable Share purchased by Aviation will be an amount equal to one-fifth of the then current market price of an Aviation Common Share, to be satisfied by the delivery to the holder, of one-fifth of one Aviation Common Share (subject to adjustment), together with an additional amount equivalent to the full amount of all declared and unpaid dividends on such Exchangeable Share;

23. under the Exchange Agreement, upon the liquidation, dissolution or winding-up of Aviation, Aviation will be required to purchase each outstanding Exchangeable Share, and each holder will be required to sell all of its Exchangeable Shares (such purchase and sale obligations are hereafter referred to as the "Automatic Exchange Right"), for a purchase price per share equal to one-fifth of the then current market price of an Aviation Common Share, to be satisfied by the delivery to the holder of one-fifth of one Aviation Common Share (subject to adjustment), together with an additional amount equivalent to the full amount of all declared and unpaid dividends on each such Exchangeable Share;

24. contemporaneously with the closing of the Transaction, Aviation, Aviation Subco and Travelbyus will enter into a Support Agreement which will provide that Aviation will not declare or pay any dividend on the Aviation Common Shares unless Travelbyus simultaneously declares and pays an economically equivalent dividend on the Exchangeable Shares and that Aviation will ensure that Travelbyus and Aviation Subco will be able to honour the redemption and retraction rights and dissolution entitlements that are attributes of the Exchangeable Shares under the Exchangeable Share Provisions and the related redemption, retraction and liquidation call rights described above;

25. the Support Agreement will also provide that if Aviation makes any changes to the Aviation Common Shares (e.g., subdivision, consolidation or reclassification), then the Exchangeable Shares are automatically adjusted such that the holders of such Exchangeable Shares will receive, upon exercise of their Exchangeable Shares, the same number of Aviation Common Shares and other consideration that they would have received had they exchanged their Exchangeable Shares immediately prior to the effective date or record date of such event;

26. the steps under the Transaction and the attributes of the Exchangeable Shares contained in the Exchangeable Share Provisions, the Support Agreement and the Exchange Agreement involve or may involve a number of trades of securities (the "Trades") and there may be no registration and prospectus exemptions available under the Legislation for certain of the Trades;

27. the fundamental investment decision to be made by a Travelbyus shareholder is made at the time of the Transaction, when such holder votes in favour of the special resolution approving the Arrangement; as a result of this decision, a holder receives Exchangeable Shares in exchange for the holder's Travelbyus Common Shares; as the Exchangeable Shares will provide certain Canadian tax benefits to certain Canadian holders but will otherwise be the economic equivalent in all material respects to the Aviation Common Shares, all subsequent exchanges of Exchangeable Shares are in furtherance of the holder's initial investment decision to acquire Exchangeable Shares on the closing of the Transaction;

28. if not for income tax considerations, Canadian holders of Travelbyus Common Shares could have received Aviation Common Shares without receiving Exchangeable Shares; the receipt of Exchangeable Shares under the Transaction will enable certain holders of Travelbyus Common Shares to defer Canadian income tax;

29. on the effective date of the Arrangement, if all of the holders of Exchangeable Shares or rights to acquire Exchangeable Shares were to exchange the Exchangeable Shares for Aviation Common Shares and assuming that Aviation effects the proposed five-for-one consolidation of its Common Shares:

(a) as many as 14,118,069 Aviation Common Shares representing as much as 64% of the outstanding Aviation Common Shares would be held by Canadian residents; and

(b) former Travelbyus shareholders would hold 20,939,374 Aviation Common Shares representing 95% of total issued and outstanding Aviation Common Shares;

30. the Transaction is effectively a reverse takeover under which a Canadian public company is acquiring a smaller U.S. public company; upon completion of the Transaction, Aviation will focus on developing and expanding the Travelbyus business of which more than 95% will be conducted in the United States;

31. there will be approximately one million Aviation Common Shares trading on the Nasdaq SmallCap Market following completion of this Transaction (assuming that Aviation completes its proposed five-for-one consolidation of its Common Shares and assuming that no Exchangeable Shares have been exchanged for Aviation Common Shares);

32. there will be at least 104,696,869 Exchangeable Shares listed for trading on The Toronto Stock Exchange following completion of this Transaction (assuming that no Exchangeable Shares are exchanged for Aviation Common Shares and assuming that no holders of options or warrants to acquire Travelbyus Common Shares have exercised their rights);

33. the majority of operations of Travelbyus (and Aviation following completion of the Transaction), take place in a leased facility in Reno, Nevada comprising approximately 37,000 square feet; Travelbyus also has leased offices in California, Oregon, Florida and British Columbia;

34. following completion of the Arrangement, three of the eight members of the board of directors of Aviation and three of the ten senior officers of Aviation will be resident in Canada; at least one director and one senior officer who are currently resident in Canada intend to or are in the process of moving to the United States;

35. in respect of those Jurisdictions in which an issuer cannot be deemed to be a reporting issuer under the Legislation, Travelbyus and Aviation will, from and after the completion of the Arrangement, make the same continuous disclosure filings as are required by reporting issuers or issuers having a status equivalent to that of a reporting issuer;

AND WHEREAS pursuant to the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS 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:

1. the Registration and Prospectus Requirements shall not apply to the Trades;
2. the first trade in Exchangeable Shares acquired under the Transaction, other than for the purpose of obtaining Aviation Common Shares under the Exchangeable Share Provisions, the Support Agreement and Exchange Agreement, shall be deemed to be a distribution or a primary distribution to the public under the Legislation of the Jurisdiction in which the trade takes place (the "Applicable Legislation"), unless:
 - (a) each of Travelbyus and Aviation is a reporting issuer or the equivalent under the Applicable Legislation at the time of such first trade, or in the case of Manitoba, Newfoundland, Prince Edward Island, New Brunswick, the Yukon Territory, the Northwest Territories and the Nunavut Territory, Travelbyus and Aviation have made the same continuous disclosure filings as are required by reporting issuers or issuers having a status equivalent to that of a reporting issuer;
 - (b) if the seller is an insider or officer of Aviation, the seller has no reasonable grounds to believe that Aviation is in default of any requirement of the Applicable Legislation;
 - (c) no unusual effort is made to prepare the market or to create a demand for the Exchangeable Shares;

(d) no extraordinary commission or other consideration is paid in respect of such first trade; and

(e) except in Québec, such first trade is not from the holdings of a person or company who holds a sufficient number of the voting rights attached to all outstanding voting securities of Aviation to affect materially the control of Aviation, or each person or company in a combination of persons or companies, acting in concert by virtue of an agreement, arrangement, commitment or understanding, which holds in total a sufficient number of the voting rights attached to all outstanding voting securities of Aviation to affect materially the control of Aviation, and if a person or company or combination of persons or companies holds more than 20% of the voting rights attached to all outstanding voting securities of Aviation, the person or company or combination of persons or companies is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of Aviation;

3. the first trade in Aviation Common Shares acquired on exchange of the Exchangeable Shares under the Exchangeable Share Provisions, the Support Agreement and the Exchange Agreement, shall be deemed to be a distribution or a primary distribution to the public under the Applicable Legislation, unless:

(a) Aviation is a reporting issuer or the equivalent under the Applicable Legislation at the time of such first trade or, in the case of Manitoba, Newfoundland, Prince Edward Island, New Brunswick, the Yukon Territory, the Northwest Territories and the Nunavut Territory, Aviation has made the same continuous disclosure filings as are required by reporting issuers or issuers having a status equivalent to that of a reporting issuer;

(b) if the seller is an insider or officer of Aviation, the seller has no reasonable grounds to believe that Aviation is in default of any requirement of the Applicable Legislation;

(c) no unusual effort is made to prepare the market or to create a demand for the Aviation Common Shares;

(d) no extraordinary commission or other consideration is paid in respect of such first trade;

(e) except in Québec, such first trade is not from the holdings of a person or company who holds a sufficient number of the voting rights attached to all outstanding voting securities of Aviation to affect materially the control of Aviation, or each person or company in a combination of persons or companies, acting in concert by virtue of an agreement, arrangement, commitment or understanding, which holds in total a sufficient number of the voting rights attached to all outstanding voting securities of Aviation to affect materially the control of Aviation, and if a person or company or combination of persons or

companies holds more than 20% of the voting rights attached to all outstanding voting securities of Aviation, the person or company or combination of persons or companies is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of Aviation; and

(f) such trade is executed through the facilities of an exchange or market outside Canada; and

4. in British Columbia, Ontario, Alberta, Nova Scotia, Saskatchewan and Québec, Aviation is deemed to be a reporting issuer as of the effective date of the Arrangement.

DATED January 15, 2001.

Adrienne Salvail-Lopez
Commissioner

Headnote:

Mutual Reliance Review System for Exemptive Relief Applications - Relief from registration and prospectus requirements in respect of trades in connection with a reverse takeover of a U.S. public company by a Canadian public company using an exchangeable share structure where exemptions not available for technical reasons. First trade relief for exchangeable shares and shares of resulting U.S. public company subject to U.S. public company becoming a reporting issuer. U.S. public company deemed to be a reporting issuer in certain jurisdictions.

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 1(1), 34(1)(a), 45(2)(9), 48, 61, 74(2)(8) and 76