



## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Annual General Meeting of the shareholders of Héroux-Devtek Inc. (the "Company") will be held in the Salon "Pierre-de-Coubertin" of the OMNI Mont-Royal Hotel, 1050 Sherbrooke Street West, in the City of Montréal, Québec, at 11:00 a.m., local time, on Thursday, August 6, 2009, for the following purposes:

1. to receive the Consolidated Financial Statements of the Company for the year ended March 31, 2009 and the auditors' report thereon;
2. to elect directors;
3. to appoint the auditors and to authorize the directors to fix their remuneration; and
4. to transact such other business as may properly be brought before the meeting.

Proxies to be used at the Annual General Meeting must be deposited with the Company c/o Computershare Trust Company of Canada, by mail to the address on the envelope provided herewith, or by personal delivery to 1500 University Street, 7<sup>th</sup> Floor, Montréal, Québec, Canada H3A 3S8, not later than 5:00 p.m., local time, on Tuesday, August 4, 2009.

Dated at Longueuil, Québec, Canada this 6<sup>th</sup> day of July 2009.

By order of the Board of Directors,

*(s) François Renaud*

François Renaud, Corporate Secretary

## **IMPORTANT**

It is desirable that as many shares as possible be represented at the meeting. If you do not expect to attend, and would like your shares represented, please sign the enclosed proxy and return it as soon as possible in the envelope provided.

## MANAGEMENT PROXY CIRCULAR

This Management Proxy Circular (the “Circular”) is furnished in connection with the solicitation of proxies by the management of Héroux-Devtek Inc. (hereinafter called the “Company”) for use at the Annual General Meeting of the shareholders (the “Shareholders”) of the Company to be held on August 6, 2009 (hereinafter called the “Meeting”) and at every adjournment thereof. Solicitation will be primarily by mail but proxies may also be solicited by telephone, or personally by directors, officers or employees of the Company. The Company will bear all expenses in connection with the solicitation of proxies.

### Voting by Proxy

Shares represented by properly executed proxies in favour of the persons designated in the enclosed form of proxy will be voted or withheld from voting on any ballot that may be called for and, if the Shareholder specifies a choice in respect of the matters to be voted upon, the shares shall be voted or withheld from voting in accordance with the specification made by the Shareholder. **If no specification is made, such shares will be voted for the election of the directors specified in this Circular and for the appointment of the auditors named in this Circular and the fixing of their remuneration by the directors.**

The enclosed proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice relating to the Meeting and other matters which may properly come before the Meeting other than for the election of a director who would not be named in this Circular. At the date of this Circular, the management of the Company is not aware that any such amendments, variations, or other matters are to be presented for action at the Meeting.

### Principal Holders of Voting Securities

To the knowledge of the directors and senior officers of the Company, the only persons and companies who beneficially own, directly or indirectly, or exercise control or direction over more than 10% of the Common Shares of the Company are, as at June 29, 2009, the following:

Name	Number of Common Shares	Percentage of Outstanding Common Shares
Gilles Labbé	4,422,001 <sup>(1)</sup>	14.4 %
Caisse de dépôt et placement du Québec	4,237,183	13.8%
Deans Knight Capital Management Limited	4,217,200	13.7%
Natcan Investment Management Inc.	3,344,722	10.9%

(1) 4,392,501 Common Shares included in this number are held by 2635-6246 Québec Inc. and 2945-0228 Québec Inc., companies controlled by Mr. Gilles Labbé.

### Appointment of Proxy

The persons named in the enclosed form of proxy are executive officers of the Company. **A Shareholder has the right to appoint a person, who need not be a Shareholder of the Company, other than the persons designated in the accompanying form of proxy, to attend and act on his or her behalf at the Meeting. To exercise this right, a Shareholder may either cross out the names printed on the form of proxy and insert such other person’s name in the blank space provided in the accompanying form of proxy or complete another appropriate form of proxy.**

### Revocability of Proxy

A proxy given pursuant to this solicitation may be revoked by an instrument in writing executed by the Shareholder or by the Shareholder’s attorney authorized in writing and transmitted either to c/o Computershare Trust Company of Canada, 1500 University Street, 7<sup>th</sup> Floor, Montréal, Québec, Canada H3A 3S8, at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof at which the proxy is to be used, or to the Chairman or Secretary of such Meeting on the day of the Meeting or any adjournment thereof, or by any other manner permitted by law. Any proxy given by a Shareholder can also be revoked by the Shareholder if the Shareholder attends the Meeting in person and so requests.

## Voting Rights

As of June 29, 2009, 30,784,669 Common Shares, without nominal or par value, of the Company were outstanding. Holders of Common Shares of record at the close of business on July 7, 2009 will be entitled to one vote for each such share held by them except to the extent that a person has transferred any shares after the record date and the transferee of such shares establishes proper ownership of such Common Shares and demands, not later than 10 days before the Meeting, to be included in the list of Shareholders entitled to vote at the Meeting.

## Election of Directors

The affairs of the Company are managed by a Board of Directors. The members of the Board are elected annually at each Annual Meeting of Shareholders to hold office until the next Annual Meeting unless, prior thereto, he or she resigns, or the office of such director becomes vacant by death, removal, or other cause. By resolution of the Board adopted on May 28, 2009, the precise number of directors has been fixed at seven. Therefore, a total of seven nominees are being proposed as directors for election by the Shareholders at the Meeting. The following table sets out the names of said nominees for election, their present principal occupation, the years in which they became directors of the Company and the number of Common Shares of the Company owned, directly or indirectly, or controlled or directed by the nominees. **The persons designated on the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below.** Each of the nominees has provided the information as to the shares of the Company he beneficially owns or over which he exercises control or direction, as at June 29, 2009. All nominees have served continuously as director of the Company since their appointment or first election in such capacity.

Name	Principal Occupation	Director Since	Number of Common Shares
Claude Boivin <sup>(1)</sup> Quebec, Canada	Consultant and Member of various Boards of Directors	1994	18,000 <sup>(3)</sup>
John M. Cybulski <sup>(1)</sup> Florida, U.S.A.	Principal, Aeroglobe LLC (International Business Consulting Company) and Chairman of the Board of Héroux-Devtek Inc.	2004	135,900
Christian Dubé <sup>(2)</sup> Quebec, Canada	Vice-President and Chief Financial Officer, Cascades Inc. (leader in the production, conversion and the marketing of packaging products- boxboard, cartonboard-fine specialty papers and tissue papers made primarily with recycled fibre)	2004	5,000
Jean-Louis Fontaine <sup>(1)</sup> Quebec, Canada	Vice-Chairman of the Board and director, Bombardier Inc.	1990	48,000 <sup>(4)</sup>
Gilles Labbé Quebec, Canada	President and Chief Executive Officer, Héroux-Devtek Inc.	1985	4,422,001 <sup>(5)</sup>
Brian A. Robbins <sup>(2)</sup> Ontario, Canada	President and Chief Executive Officer, Exco Technologies Limited (supplier of moulded and extruded parts for the automotive and industrial markets)	2000	40,000 <sup>(6)</sup>
Louis Morin <sup>(2)</sup> Quebec, Canada	Consultant. Up to March 31, 2009, Vice-President and Chief Financial Officer of Quebecor Inc. (Quebecor is one of Canada's largest media companies).	2008	4,000

(1) Member of the Human Resources and Corporate Governance Committee.

(2) Member of the Audit Committee.

(3) These shares are held by Gestion Marclo Inc., a company controlled by Mr. Claude Boivin.

(4) 4,000 Common Shares included in this number are held by Gestion Jean-Louis Fontaine Inc., a company controlled by Mr. Jean-Louis Fontaine.

(5) 4,392,501 Common Shares included in this number are held by 2635-6246 Québec Inc. and 2945-0228 Québec Inc., companies controlled by Mr. Gilles Labbé.

(6) These shares are held by 555319 Ontario Limited, a corporation wholly-owned by Mr. Brian A. Robbins and family.

According to the Company's Board of Directors Charter, a director who has attained the age of 75 prior to the annual shareholders' meeting in any year shall retire from office at such annual meeting. Claude Boivin has attained the age of 75; however, by resolutions adopted by the Board of Directors on February 4, 2009, the Board of Directors decided to waive the requirement that Mr. Boivin retire from office at the Annual General Meeting.

Helmut Hofmann has been director of the Company from 2000 until 2008 but was no longer eligible to stand for re-election and ceased to hold office on the Board at the last annual general meeting held on August 6, 2008. The Board appointed Mr. Hofmann as an honorary director and as an honorary member of the Human Resources and Corporate Governance Committee following such meeting. Mr. Hofmann attends Board and Human Resources and Corporate Governance Committee meetings and as such, receives a compensation equivalent to the compensation paid to the elected directors of the Company acting in such capacities.

To the Company's knowledge, no proposed director is, at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company that, (i) while the proposed director was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or (ii) after the proposed director ceased to act in that capacity but which resulted from an event that occurred while that person was acting in such capacity, was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days except for Louis Morin who was executive officer of Quebecor Inc. when the Autorité des marchés financiers imposed a management cease trade order from April 2 to May 20, 2008, in the context of the late filing of Quebecor's 2007 annual financial statements and related management's discussion and analysis following the filing of Quebecor World Inc. for creditor protection under the Companies' Creditors Arrangement Act (Canada).

To the Company's knowledge, no proposed director is, at the date of this Circular, or has been, within 10 years before the date of this Circular, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

In addition, to the knowledge of the Company, no proposed director has, within 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the directors, executive officers or shareholders.

Furthermore, to the knowledge of the Company, no proposed director has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a proposed director.

#### **Audit Committee**

Reference is made to Item 10 (the "Audit Committee") of the Company's Annual Information Form ("AIF") that contains the information required by section 5.1 and Form 52-110F1 of National Instrument 52-110 ("NI 52-110"). The Company's AIF is available on SEDAR at [www.sedar.com](http://www.sedar.com) and a copy of same will be provided free of charge, upon request, to any shareholder of the Company.

#### **Corporate Governance Disclosure**

The following discussion addresses the Company's position as at March 31, 2009 with respect to corporate governance practices, and has been prepared in accordance with National Instrument 58-101 and Form 58-101F1.

##### **1. Board of Directors**

- (a) The following directors are "independent" within the meaning of section 1.4 of NI 52-110:

Claude Boivin  
John M. Cybulski  
Christian Dubé  
Jean-Louis Fontaine

Brian A. Robbins  
Louis Morin

- (b) Gilles Labbé, as President and Chief Executive Officer of the Company, is not “independent” within the meaning of section 1.4 of NI 52-110.
- (c) A majority of the directors of the Company are “independent” within the meaning of section 1.4 of NI 52-110.
- (d) The following table sets forth the name of each director of the Company who is presently a director of another issuer that is a reporting issuer, the name of the other issuer, the market(s) on which the other issuers are listed or traded and the list of any board committees with the other issuer(s) on which the director is a member:

Name of the Director	Other Reporting Issuer		
	Name	Market listed	Board Committee of the other issuer
Claude Boivin	CGI Group Inc.	TSX NYSE	Member of the Human Resources Committee.
	GLV Inc.	TSX	Member of the Corporate Governance and Human Resources Committee and of the Audit Committee.
	Boralex Power Income Fund	TSX	Chairman of the Board of Trustees and member of the Audit Committee, of the Governance Committee and of the Environment, Health and Safety Committee.
Jean-Louis Fontaine	Bombardier Inc.	TSX	Vice-Chairman of the Board and director, Bombardier Inc.
Brian A. Robbins	Exco Technologies Limited <sup>(1)</sup>	TSX	
	AirBoss of America Corp.	TSX	Chair of the Audit Committee.
Christian Dubé	Reno de Medici S.p.A.	Milan, Italy	Chairman of the Board

(1) Interlocking directorships.

- (e) The “independent directors” do not hold regularly scheduled meetings at which members of management are not in attendance, but they have at least two meetings a year at which members of management are not in attendance. While there are no formal structures in place to ensure that the Board of Directors can function independently of management, the Board of Directors of the Company is free to ask one or more members of management to withdraw during certain discussions and the directors of the Company would not hesitate to meet without the presence of the members of management who are also directors, including the President and Chief Executive Officer, if the circumstances were to so require.
- (f) The chairman of the Board, Mr. John M. Cybulski, is an “independent director” within the meaning of section 1.4 of NI 52-110. As chairman of the Board, he manages the business of the Board and ensures that the functions identified in its mandate are being effectively carried out by the Board and its committees. In addition to ensuring the operation of the Board, the Chairman performs the following functions:
1. in consultation with the President and Chief Executive Officer, he prepares the agenda for each meeting of the Board;

2. he ensures that all directors receive the information required for the proper performance of their duties;
  3. he ensures that the appropriate committee structure is in place and makes initial recommendations for appointment to such committees;
  4. in consultation with the Chair of the Human Resources and Corporate Governance Committee, he ensures that an appropriate system is in place to evaluate the performance of the Board as a whole, the Board's committee and individual directors, which may include the use of director questionnaires and interviews of each director on his or her performance, and makes recommendations for changes when appropriate; and
  5. he works with the President and Chief Executive Officer and senior management to monitor progress on strategic planning, policy implementation and succession planning.
- (g) The following table summarizes for each of the directors the number of board and committee meetings they have attended since the beginning of the most recently completed financial year:

Director	Board Meetings	Audit Committee Meetings	Human Resources and Corporate Governance Committee Meetings
Claude Boivin	6 of 6		4 of 4
John M. Cybulski	6 of 6		4 of 4
Christian Dubé	6 of 6	5 of 5	
Jean-Louis Fontaine <sup>(1)</sup>	4 of 6	2 of 2	1 of 2
Gilles Labbé	6 of 6		4 of 4
Brian A. Robbins	5 of 6	5 of 5	
Louis Morin	5 of 6	5 of 5	

(1) Jean-Louis Fontaine joined the Human Resources and Corporate Governance Committee on August 6, 2008 and since his appointment, Mr. Fontaine missed one meeting. Mr. Fontaine also ceased to be a member of the Audit Committee on August 6, 2008 and up to this date, Mr. Fontaine has been present to all meetings of this committee.

## 2. Board Mandate

### *Role of the Board*

The Board of Directors is elected by the Company's shareholders to supervise, directly and through its committees, the management of the business and affairs of the Company, which are conducted by its officers and employees under the direction of the President and Chief Executive Officer ("CEO").

The primary stewardship responsibility of the Board of the Company is to ensure that the management conducts the business and affairs of the Company with the main objectives to enhance shareholder value in a manner that recognizes the concerns of other stakeholders in the Company, including its employees, suppliers, customers and the communities in which it operates, to continuously improve the Company's performance and quality of its products and services, and to ensure its continuous growth and development.

### *Duties and Responsibilities of the Board*

The Board meets regularly to review reports by management on the performance of the Company. In addition to the general supervision of management, the Board performs the following functions:

**strategic planning** – overseeing the strategic planning process within the Company and reviewing, approving and monitoring, annually, the Company's strategic plan, including fundamental financial and business strategies and objectives, taking into account, among other things, the opportunities and risks of the business, market and product global trends, and growth potential;

**risk assessment** – identifying and assessing the principal risks of the Company's business and ensuring the implementation of appropriate systems to manage these risks;

**integrity of CEO and other executive officers** – to the extent feasible, satisfying itself as to the integrity of the CEO and other executive officers and satisfying itself that the CEO and other executive officers create a culture of integrity throughout the organization;

**maintaining integrity** – reviewing and monitoring the controls and procedures within the Company to maintain the integrity and accuracy of its financial reporting, internal controls and disclosure controls, and management information systems, and compliance with its Code of Conduct;

**expectations** – ensuring that its expectations of management are understood, that the appropriate matters come before the Board and that the Board is kept informed of shareholder feedback;

**CEO** – reviewing and approving, upon the recommendation of the Human Resources and Corporate Governance Committee, the appointment, compensation, and performance of the CEO and senior management and the succession plan for him and senior managers. The Board shall also develop a written position description for the CEO;

**selection of Board nominees** - selecting, upon the recommendation of the Human Resources and Corporate Governance Committee, nominees for election as directors;

**annual review** – conducting, through the Human Resources and Corporate Governance Committee, an annual review of Board and committee practices and mandates;

**compensation of non-management directors** – reviewing and approving, upon the recommendation of the Human Resources and Corporate Governance Committee, the compensation of non-management directors, and ensuring that their compensation adequately reflects the risks and responsibilities, and time commitment involved in being an effective director;

**independent functioning** – ensuring that appropriate structures and procedures are in place so that the Board and its committees can function independently of management;

**approval of key policies** – reviewing and approving key policy statements developed by management on issues such as ethics, compliance, communications, environment, health and safety, and public disclosures;

**approval of disclosure documents** – reviewing and approving, upon the recommendation of the Audit Committee, the contents of major disclosure documents, including the annual information form, annual and quarterly management's discussion and analysis, press releases in connection with quarterly and annual financial results and the corresponding financial statements, and the management proxy circular;

**approval of financial activities** - reviewing and approving significant capital expenditures, raising of capital, significant loans and other major financial activities;

**approval of significant operations** - reviewing and approving significant reorganizations, restructuring, acquisitions, and divestitures; and

**corporate governance monitoring** – developing and monitoring, through the Human Resources and Corporate Governance Committee, the system of corporate governance of the Company.

#### *Composition and Procedures*

**Size of Board and selection process** – The Human Resources and Corporate Governance Committee of the Board maintains an overview of the desired size and profile of the Board, the need for recruitment and the expected experience of new candidates. The size of the Board must be sufficient in number to ensure a diversity of skills and perspectives and to provide useful experience to the Board supervising the management of the Company as well as members on the various Board committees, while allowing the Board to function efficiently and effectively. The Human Resources and Corporate Governance Committee reviews and recommends to the Board the candidates for nomination as directors. The Board approves the final choice of candidates for nomination and election by the shareholders. Between annual meetings, the Board may appoint directors to serve until the next annual meeting.

**Qualifications** – Directors should have the highest personal and professional ethics and values and be committed to advancing the best interests of the shareholders of the Company. They should possess skills and competencies in areas that are relevant to the Company's activities, solid business experience, good judgment, integrity, financial

literacy and the ability to allocate the necessary time and effort to perform Board and committees duties. A majority of the Board shall be composed of independent directors within the meaning of section 1.4 of Regulation 52-110 *Audit Committee*.

**Chairman of the Board** – The Board, upon the recommendation of the Human Resources and Corporate Governance Committee, shall appoint a Chairman of the Board, who should be an independent director. At all times the same person may not occupy the position of Chairman of the Board and of President and Chief Executive Officer and shall develop a written position description for the Chairman of the Board.

**Director orientation** – The Chairman of the Board, the CEO and the Chief Financial Officer are responsible for providing an orientation and education program for new directors with a view to ascertaining that all new directors fully understand the role of the Board and its committees, as well as the contribution individual directors are expected to make (including, in particular, the commitment of time and energy that the Company expects from its directors), and the nature and operation of the Company's business.

**Meetings** – The Board has at least five scheduled meetings a year. Additional meetings may be held when required. The Board is responsible for its agenda. Prior to each Board meeting, the CEO discusses agenda items for the meeting with the Chairman of the Board. Materials for each meeting will be distributed to the directors in advance of the meetings.

The independent directors have at least two meetings a year at which members of management are not in attendance.

**Committees** – The Board has established two standing committees to assist the Board in discharging its responsibilities: the Audit Committee and the Human Resources and Corporate Governance Committee. Special committees may be established from time to time to assist the Board in connection with specific matters. The chair of each committee reports to the Board following meetings of the committee. The terms of reference of each standing committee are reviewed annually by the Board.

**Evaluation** – The Human Resources and Corporate Governance Committee bears the responsibility to assess the Board's performance as a whole as well as that of individual directors and performs an annual evaluation of the effectiveness of the Board as a whole, the committees of the Board and the contributions of individual directors.

**Access to independent advisors** – The Board and any committee may at any time retain outside financial, legal or other advisors at the expense of the Company. Except for the Audit Committee, the retention and the terms and conditions of the retention of external advisors shall receive prior approval by the Human Resources and Corporate Governance Committee. Any director may also, subject to the approval of the Chairman of the Board or of the Chair of the Human Resources and Corporate Governance Committee, retain an outside advisor at the expense of the Company.

**Retirement Age** – A director who has attained the age of 75 prior to the annual shareholders' meeting in any year shall retire from office at such annual meeting.

### 3. Position Descriptions

- (a) The Board has developed a written position description for the chairman of the Board (see paragraph 1 (f) above). The Board of Directors has not deemed necessary to develop a written position description for the chair of each board committee; however, the written mandate of each board committee provides that the chair of the committee is appointed by the Board of Directors.
- (b) The Board and the CEO have developed a written position description for the CEO. Pursuant to such position description, the CEO provides leadership of the Company and, subject to approved policies and direction by the Board of Directors, manages the business and affairs of the Company and oversees the execution of its strategic plan. In addition to managing the business and affairs of the Company, the CEO performs the following functions:
  1. presents to the Board for approval a strategic plan for the Company including the strategies to achieve that plan, the risks and alternatives to these strategies and specific steps and performance indicators, which will enable the Board to evaluate progress on implementing such strategies;



2. proposes to the Board for approval annual capital and operating plans to implement the Company's strategies together with key financial and other performance goals for the Company's activities and reports regularly to the Board on the progress against these goals;
3. acts as the primary spokesperson for the Company to all its stakeholders;
4. presents to the Board for approval annually an assessment of the senior management of the Company together with a succession plan that provides for the orderly succession of senior management including the recruitment, training and development required;
5. recommends to the Board the appointment or termination of any officer of the Company other than the Chair;
6. together with the Company's Chief Financial Officer, establishes and maintains disclosure controls and procedures, and internal controls and procedures for financial reporting appropriate to ensure the accuracy and integrity of the Company's financial reporting and public disclosures; and
7. ensures that the Company is in full compliance with applicable laws and regulations and with its own policies.

#### **4. Orientation and Continuing Education**

New directors participate in an initial information session on the Company in the presence of management representatives. In addition, they are furnished with appropriate documentation relating to the commercial activities of the Company and the internal organization of the Company and with a copy of the Board of Directors' Manual. The meetings in which new directors participate (including annual strategic planning sessions) as well as discussions with other directors and with management permit new directors to familiarize themselves rapidly with the operations of the Company.

#### **5. Ethical Business Conduct**

- (a) On February 10, 2005, the Board adopted a *Code of Conduct* to help the Company's directors, officers and employees take a consistent approach to key integrity issues.

The Board has the responsibility of reviewing and monitoring the controls and procedures within the Company to maintain the integrity and accuracy of its financial reporting, internal controls and disclosure controls, and management information systems, and compliance with its *Code of Conduct*. The Board discharges his responsibility of monitoring compliance with the *Code of Conduct* through the Human Resources and Corporate Governance Committee.

- (b) In order to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest, should it occurs, the Board will ask the director or executive officer interested in the transaction or agreement to withdraw during the discussions pertaining to such transaction or agreement.

## 6. Nomination of Directors

The Human Resources and Corporate Governance Committee is responsible for identifying and recommending potential appointees to the Board. New nominees must have a track record in general business management, special expertise in an area of strategic interest to the Company, the ability to devote the time required, shown support for the Company's mission and strategic objectives, and a willingness to serve. The Human Resources and Corporate Governance Committee is composed of at least three directors, each of whom the Board of Directors has determined to be independent as contemplated by the laws, regulations and listing requirements to which the Company is subject, appointed by the Board of Directors. The President and CEO of the Company takes part in the work of the Committee as a non-voting member and removes himself where the Committee decides on his remuneration and on corporate governance matters.

## 7. Compensation

The Human Resources and Corporate Governance Committee is charged with reviewing on an annual basis the compensation and benefits paid to the directors in light of market conditions and practice and in light of risks and responsibilities.

## 8. Other Board Committees

The Board has no standing committees other than the Audit Committee and the Human Resources and Corporate Governance Committee.

## 9. Assessments

The Human Resources and Corporate Governance Committee is responsible for monitoring the effectiveness of the Board and the performance of the directors. The process is facilitated by questionnaires sent by the Chair of the Committee to enable individual directors to provide feedback on the effectiveness of the Board and its Committees. Following receipt of the questionnaires, the Chair of the Committee contacts each director separately in order to discuss their answer to the questionnaires. The Committee assesses the operation of the Board and the committees, the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board and committees. The Committee recommends changes to enhance the performance of the Board based on the survey feedback.

## Director Compensation

Director Compensation Table

Name <sup>(1)</sup>	Fees earned (\$)	Share-based awards (\$)	Option-based awards <sup>(2)</sup> (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Claude Boivin	36,500	-	36,450	-	-	-	72,950
John M. Cybulski	61,750	-	36,450	-	-	-	98,200
Christian Dubé	41,000	-	36,450	-	-	-	77,450
Jean-Louis Fontaine	33,375	-	36,450	-	-	-	69,825
Brian A. Robbins	38,000	-	36,450	-	-	-	74,450
Louis Morin	35,000	-	36,450	-	-	-	71,450

(1) Mr. Gilles Labbé is President and Chief Executive Officer of the Company and does not receive any director fees. Mr. Labbé compensation is disclosed in the Summary Compensation Table and elsewhere in this Circular.

(2) Value of SARS (as such term is defined hereinafter) is theoretical-expected values calculated at the date of grant using the binomial lattice model.

### *Retainer and Attendance Fees*

Each director receives payment of an annual retainer fee as well as each member of a committee of the Board, such payment being in addition to attendance fees per meeting. Directors also receive reimbursement for reasonable expenses incurred in connection with attending Board and committee meetings.

### *Share Ownership Requirements*

In order to meet best corporate governance practices, on February 8, 2007, upon recommendation of the Committee, the Board approved the introduction of a minimum share ownership requirement for members of the Board. This

minimum requirement was set at an amount equal to five times the amount of the annual retainer fees payable to members of the Board. Directors have a period of three years to comply with this requirement.

**Director Outstanding Share-based Awards and Option-Based Awards  
at the End of the Fiscal Year**

Name <sup>(2)</sup>	Option-based Awards <sup>(1)</sup>				Share-based Awards	
	Number of securities underlying unexercised options/SARs (#)	Option /SAR exercise price (\$)	Option /SAR expiration date	Value of unexercised in-the-money options /SAR <sup>(3)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Claude Boivin	2,500	3.84	Aug. 2012	2,500	-	-
	4,000	4.79	Aug. 2012	-	-	-
	2,500	4.96	Sept. 2010	-	-	-
	2,500	5.00	Sept. 2011	-	-	-
	2,500	6.00	Sept. 2009	-	-	-
	5,000	7.29	Aug. 2014	-	-	-
	4,000	9.90	Aug. 2013	-	-	-
John M. Cybulski	2,500	3.84	Aug. 2012	2,500	--	-
	4,000	4.79	Aug. 2012	-	-	-
	2,500	5.00	Sept. 2011	-	-	-
	5,000	7.29	Aug. 2014	-	-	-
	4,000	9.90	Aug. 2013	-	-	-
Christian Dubé	2,500	3.84	Aug. 2012	2,500	--	---
	4,000	4.79	Aug. 2012	-	-	-
	2,500	5.00	Sept. 2011	-	-	-
	5,000	7.29	Aug. 2014	-	-	-
	4,000	9.90	Aug. 2013	-	-	-
Jean-Louis Fontaine	2,500	3.84	Aug. 2012	2,500	-	-
	4,000	4.79	Aug. 2012	-	-	-
	2,500	4.96	Sept. 2010	-	-	-
	2,500	5.00	Sept. 2011	-	-	-
	2,500	6.00	Sept. 2009	-	-	-
	5,000	7.29	Aug. 2014	-	-	-
	4,000	9.90	Aug. 2013	-	-	-
Brian A. Robbins	2,500	3.84	Aug. 2012	2,500	-	-
	4,000	4.79	Aug. 2012	-	-	-
	2,500	4.96	Sept. 2010	-	-	-
	2,500	5.00	Sept. 2011	-	-	-
	2,500	6.00	Sept. 2009	-	-	-
	5,000	7.29	Aug. 2014	-	-	-
	4,000	9.90	Aug. 2013	-	-	-
Louis Morin	5,000	7.29	Aug. 2014	-	-	-

(1) All awards have been made under the Stock Appreciation Rights Plan as hereinafter described.

(2) Mr. Gilles Labbé is President and Chief Executive Officer of the Company and does not receive any director fees. Mr. Labbé compensation is disclosed in the Summary Compensation Table and elsewhere in this Circular.

(3) On March 31, 2009, the closing price of the Common Shares was \$4.00 (HRX-TO).

**Director Incentive Plan Awards – Value Vested or Earned During the Year**

Name <sup>(1)</sup>	Option-based awards – Value vested during the year <sup>(2) (3)</sup> (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Claude Boivin	18,652	-	-
John M. Cybulski	16,172	-	-
Christian Dubé	16,172	-	-
Jean-Louis Fontaine	18,652	-	-
Brian A. Robbins	18,652	-	-
Louis Morin	-	-	-

- (1) Mr. Gilles Labbé is President and Chief Executive Officer of the Company and does not receive any director fees. Mr. Labbé compensation is disclosed in the Summary Compensation Table and elsewhere in this Circular.
- (2) All awards have been made under the Stock Appreciation Rights Plan as hereinafter described.
- (3) On March 31, 2009, the closing price of the Common Shares was \$4.00 (HRX-TO).

#### *Stock Appreciation Rights Plan (the "SAR Plan")*

The SAR Plan for non-employee directors adopted by the Board of Directors in September 2001 is intended to enhance the Company's ability to attract and retain high quality individuals to serve as members of the Board and participate in the Company's long-term success and to promote a greater alignment of interests between the Company's non-employee directors and its shareholders.

The SAR Plan is administered by the Human Resources and Corporate Governance Committee (the "Committee"). The SAR Plan enables the participants to receive, on the exercise date of a SAR, a cash amount equal to the excess of the market price of a common share on the exercise date of the SAR over the exercise price of the SAR. The exercise price of each SAR granted is determined on the basis of the average closing price of the common shares of the Company traded on the Toronto Stock Exchange (the "TSX"), for the five trading days preceding the date of the award of the SAR. The SARs generally may be exercised after the first anniversary of the date of grant until the sixth anniversary of the date of grant, subject to a vesting schedule. SARs are vested or earned over a four-year period. Effective August 4, 2006, the Board approved upon the recommendation of the Committee, an increase in the annual grant of SARs to non-employee directors from 2,500 per year to 4,000 per year.

On October 31<sup>st</sup>, 2007 the members of the Committee have reviewed the terms of the SAR Plan for non-employee directors. The purposes of the proposed modifications to the SAR Plan were to introduce provisions dealing with the exercise of SARs (whether vested SARs or non-vested SARs) following termination of service as member of the Board (upon resignation, removal or otherwise), death or disability of the participant, or following delisting of the shares of the Company or a "change of control". The members of the Committee approved the proposed modifications to the SAR Plan and the Committee recommended the approval of these modifications to the members of the Board, who approved same on the same date. These modifications are effective retroactively and are applicable to the outstanding SARs.

On August 21, 2008, the members of the Committee have reviewed the terms of the SAR Plan for non-employee directors in order for honorary directors who are neither employees nor officers of the Company or of any subsidiary to benefit for same. The members of the Committee approved the proposed modifications to the SAR Plan and the Committee recommended the approval of these modifications to the members of the Board, who approved same on the same date. These modifications are effective retroactively and are applicable to the outstanding SARs.

At March 31, 2009, on a cumulative basis, 123,000 SARs were still outstanding at a weighted-average granted value of \$6.59 (95,500 SARs at a weighted-average granted value of \$6.53 at March 31, 2008), which expire at various dates between fiscal years 2010 and 2015.

#### **Executive Compensation**

The following table sets forth, to the extent required by applicable securities legislation, all annual and long-term compensation for services in all capacities to the Company for the three most recent completed fiscal years in respect of the Chief Executive Officer, Chief Financial Officer and the Company's three most highly compensated executive officers (the "Named Executives").

### Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Share-based awards <sup>(1)</sup> (\$)	Option-based awards <sup>(2)</sup> (\$)	Non-equity incentive plan compensation (\$)		Pension Value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans <sup>(3)</sup>	Long-term incentive plans			
Gilles Labbé President and Chief Executive Officer	2008/09	394,500	-	-	568,701		19,942	65,698	1,048,841
	2007/08	384,000	-	349,470	552,600		18,802	65,869	1,370,741
	2006/07	368,750	-	125,290	371,700		17,624	37,203	920,567
Réal Bélanger Executive Vice-president and Chief Financial Officer	2008/09	267,000	7,778	25,675	330,000		20,786	27,046	678,285
	2007/08	260,000	5,003	155,320	310,000		19,601	27,078	777,002
	2006/07	252,250	2,919	73,700	217,900		18,378	27,119	592,266
Martin Brassard Vice-President, General Manager, Landing Gear Division	2008/09	246,000	5,697	20,540	187,000		10,625	8,470	478,332
	2007/08	232,000	3,305	135,905	200,000		10,125	8,457	589,792
	2006/07	213,750	1,696	88,440	177,000		9,625	8,323	498,834
Richard Rosenjack <sup>(4)</sup> Vice-President, General Manager Aerostructure Division	2008/09	293,430	2,645	20,540	214,206		6,419	9,301	546,541
	2007/08	287,480	393	116,490	281,850		6,258	-	699,235
	2006/07	279,257	-	51,590	185,683		7,729	-	531,023
Michael Meshay <sup>(4)</sup> Vice-President, General Manager Gas Turbine Components Division	2008/09	245,091	4,059	15,405	231,117			12,359	508,031
	2007/08	245,156	1,097	89,309	236,754			12,618	584,934
	2006/07	230,533	-	36,850	56,370			10,147	333,900

- (1) Share-based Awards were made under the Purchase Plan (as defined hereinafter). Value of Share-based Awards represents the Company's contribution under the Purchase Plan.
- (2) Value of options is theoretical-expected values calculated at the date of grant using the binomial lattice model.
- (3) These amounts represent annual bonuses as more fully described under the heading "Compensation Discussion and Analysis-Annual Incentive Compensation" hereinafter.
- (4) All amounts were paid in US currency at a translation rate of CAN\$1.1274 (corresponds to the average rate for the period of April 1, 2008 to March 31, 2009).

### Outstanding Share-based Awards and Option-based Awards at the End of the Fiscal Year

Name	Option-based Awards				Share-based Awards <sup>(1)</sup>	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(2)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested <sup>(2)</sup> (\$)
Gilles Labbé	85,000	4.79	Aug. 2013	-	-	-
	49,037	4.96	Sept. 2010	-		
	67,000	5.00	Sept. 2011	-		
	90,000	9.90	Aug. 2014	-		
Réal Bélanger	37,000	3.84	Aug. 2012	5,920	2,948	11,794
	25,000	4.58	Nov. 2015	-		
	10,000	4.60	Feb. 2010	-		
	50,000	4.79	Aug. 2013	-		
	40,653	4.96	Sept. 2010	-		
	36,000	5.00	Sept. 2011	-		

	40,000	9.90	Aug. 2014	-		
Martin Brassard	50,000	4.28	May 2012	-	2,177	8,709
	20,000	4.58	Nov. 2015	-		
	60,000	4.79	Aug. 2013	-		
	11,353	4.96	Sept. 2010	-		
	15,000	5.00	Sept. 2011	-		
	35,000	9.90	Aug. 2014	-		
Richard Rosenjack	25,000	3.84	Aug. 2012	4,000	3,726	14,904
	20,000	4.58	Nov. 2015	-		
	35,000	4.79	Aug. 2013	-		
	30,000	9.90	Aug. 2014	-		
Michael Meshay	25,000	3.84	Aug. 2012	4,000	2,685	10,738
	15,000	4.58	Nov. 2015	-		
	25,000	4.79	Aug. 2013	-		
	23,000	9.90	Aug. 2014	-		

(1) Share-based Awards were made under the Purchase Plan (as defined hereinafter).

(2) On March 31, 2009, the closing price of the Common Shares was \$4.00 (HRX-TO).

#### Incentive Plan Awards – value Vested or Earned During the Year

Name	Option-based awards – Value vested during the year <sup>(1)(2)</sup> (\$)	Share-based awards – Value vested during the year <sup>(1)(3)</sup> (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Gilles Labbé	-	-	-
Réal Bélanger	46,886	3,931	-
Martin Brassard	-	2,901	-
Richard Rosenjack	31,680	4,968	-
Michael Meshay	31,680	3,579	-

(1) On March 31, 2009, the closing price of the Common Shares was \$4.00 (HRX-TO).

(2) These amounts only represent in-the-money options vested during the year.

(3) Share-based Awards were made under the Purchase Plan (as defined hereinafter).

#### Security-Based Compensation Arrangements

Stock options granted or securities issued by the Company pursuant to the Company's security-based compensation arrangements are governed by one of the following plans: the Stock Purchase and Ownership Incentive Plan (the "Purchase Plan") and the Stock Option Plan.

##### *The Purchase Plan*

On September 2, 2004, the Board of Directors of the Company approved the Purchase Plan to induce key employees to hold, on a permanent basis, Common Shares of the Company. The Purchase Plan was amended in 2006.

##### *The Stock Option Plan*

Under the Company's Stock Option Plan (the "Plan") established in 1986, as amended in 1988, 1990, 1996, 1998, 1999, 2000, 2002, 2003, 2006 and 2007, the Board of Directors may designate officers and full-time key employees of the Company or its business units or subsidiaries as eligible employees under the Plan, and may grant to such eligible employees options to purchase Common Shares of the Company. The purpose of the Plan is to provide an additional incentive for the Company's officers and key employees to promote the interests of the Company to the best of their ability.

***Who is eligible to participate?***

*The Purchase Plan*

Eligibility for the Purchase Plan extends to all management Employees (*i.e.* all the regular employees who hold a permanent management position within the Company that is classified in salary grades I to VIII according to the job classification established by the Company or of equivalent level in a subsidiary of the Company) designated by the Company or by the Committee, who have no less than 6 months of continuous service, except when that condition is otherwise waived by the Committee. The Board of Directors or the Committee may from time to time designate any other employee of the Company or one of its subsidiaries as eligible for the Purchase Plan.

*The Stock Option Plan*

Pursuant to the Plan, options may be granted in favour of officers (other than independent directors) and key employees of the Company and of its subsidiaries.

***What is the term and vesting schedule of stock options or of the securities issuable under the security-based compensation arrangements?***

*The Purchase Plan*

Membership in the Purchase Plan is optional and is valid for one Purchase Plan year at a time, namely for the period beginning January 1 and ending December 31 of each calendar year. An eligible management Employee shall become a participating employee only if he joins the Purchase Plan by completing the enrolment form and if he subscribes with respect to said Purchase Plan year, for a number of shares whose aggregate subscription price shall equal between 2% and 10% of the employee's annual salary as at the date of his enrolment, without exceeding 10% of said annual salary. Every July 1, in each three calendar years following calendar year in which occurred the subscription or attribution of Common Shares, one third of the Common Shares so subscribed or attributed will vest to the participant.

*The Stock Option Plan*

The options are awarded by means of a stock option agreement entered into in this regard with each beneficiary. Options generally may be exercised after the first anniversary of the date of grant until the seventh anniversary of the date of grant, subject to a vesting schedule upon each anniversary at a rate set forth in the agreement, provided that the average closing price of the Common Shares on the Toronto Stock Exchange, for 20 consecutive trading days, exceeds or equals the conditional share price set forth in the agreement, as determined by the Board of Directors on the recommendation of the Human Resources and Corporate Governance Committee at the time of the grant of the options.

***How many securities are authorized to be issued under the security-based compensation arrangements and what percentage of the Company's shares outstanding do they represent?***

*The Purchase Plan*

The maximum number of Common Shares made available for the Purchase Plan shall not exceed 340,000 (representing approximately 1.1% of the issued and outstanding Common Shares as at June 29, 2009).

*The Stock Option Plan*

Following an increase in the number of shares which may be issued under the Plan, which was approved by the shareholders at the annual meeting held on August 3, 2006, the total number of said issuable shares shall not exceed in the aggregate 2,808,257 Common Shares (representing approximately 9.1% of the Common Shares outstanding as at June 29, 2009) and the total number of shares in respect of which options may be granted to any one person under the Plan may not exceed five percent (5%) of the total number of Common Shares outstanding at each stock option award date.

The following table shows, as of March 31, 2009, aggregated information for the Company's Purchase Plan and Stock Option Plan which are the only compensation plans under which equity securities of the Company are authorized for issuance from treasury.

### Equity Compensation Plan Information<sup>(1)</sup>

Plan Category	Number of Common Shares to be Issued Upon Exercise of Outstanding Options and rights	Weighted Average Exercise Price of Outstanding Options and rights	Number of Common Shares Remaining Available for Future Issuance Under the Equity Compensation Plans
Equity Compensation Plans of the Company approved by the shareholders	1,384,221	\$6.27	480,952
Equity Compensation Plans of the Company not approved by the shareholders	Nil	Nil	Nil
Total:	1,384,221	N/A	480,952

(1) As of March 31, 2009

During the fiscal year 2009, 66,669 Common Shares were issued and 27,047 Common Shares were attributed to the participating employees under the Purchase Plan.

As at June 29, 2009, 1,384,221 Common Shares were issuable upon the exercise of outstanding options representing 4.5% of the issued and outstanding Common Shares. Such options were exercisable at exercise prices ranging from \$3.84 to \$9.90 per share and were due to expire up to November 14, 2015.

***What is the maximum percentage of securities available under the security-based compensation arrangements to Company's insiders?***

In order for the Stock Option Plan together with the Purchase Plan to comply with stock exchange rules, both plans provide that :

- (a) the number of shares issuable to insiders, from time to time, under all security based compensation arrangements may not exceed 10% of the total number of issued and outstanding Common Shares; and
- (b) the number of shares issued to insiders under all security based compensation arrangements during any one-year period may not exceed 10% of the total number of issued and outstanding Common Shares.

***What is the maximum number of securities any one person is entitled to receive under the security-based compensation arrangements and what percentage of the Company's outstanding capital does this represent?***

*The Purchase Plan*

An eligible management Employee shall become a participating employee only if he subscribes with respect to said Purchase Plan year, for a number of shares whose aggregate subscription price shall equal between 2% and 10% of the employee's annual salary as at the date of his enrolment, without exceeding 10% of said annual salary.

*The Stock Option Plan*

- (a) the number of Common Shares issued to one Insider pursuant to the Plan, within a one-year period, shall not exceed 5% of the total number of Common Shares outstanding at each date of such issue of Common Shares;
- (b) the aggregate number of Common Shares issued or which could be issued under the Plan to any one beneficiary shall not exceed 20% of the aggregate number of Common Shares issuable under the Plan, as amended from time to time;
- (c) annually, the number of Common Shares that may be issued pursuant to options granted to the President and Chief Executive Officer of the Company shall not exceed one third of the Common Shares that may be issued pursuant to all the options granted during the year under the Plan; and
- (d) the options granted to insiders pursuant to the Plan shall not be repriced at a reduced exercise price.



***How is the exercise price determined under the security-based compensation arrangements?***

*The Purchase Plan*

The subscription price of the issued Common Shares represents 90 % of the average closing price of the Company's Common Share on the TSX over the five trading days preceding the Common Share subscription. Also, the Company matches 50 % of the employee's contribution by attributing to the employee, on a monthly basis, additional Common Shares acquired on the TSX at market price. However, the Company's matching attribution cannot exceed 4 % of the employee's annual base salary. Common Shares attributed to the employee, as well as the subscribed Common Shares, will be earned and released over a three-year period beginning on July 1 of each year following the year in which the employee contributed to the Purchase Plan.

*The Stock Option Plan*

The exercise price per share of an option will not be less than the average closing price of a regular board lot of Common Shares of the Company traded on the TSX for the five trading days preceding the granting of the option.

***Under what circumstances is an individual no longer entitled to participate?***

*The Purchase Plan*

When a participating employee voluntarily terminates his employment with the Company or when his employment is terminated due to his dismissal (with or without cause), the said participating employee thereby loses his right to all the shares attributed not yet vested. Moreover, all the Common Shares subscribed by the participating employee, regardless of whether or not they are unrestricted at the date of termination of his employment, shall become unrestricted automatically. The participating employee may then ask the trustee to provide him with a certificate issued for all the Common Shares subscribed plus all the Common Shares attributed that are vested in the participating employee; he may also ask the trustee to sell all or part of the aforesaid Common Shares at the market price. In all cases, all Common Shares attributed that are not yet vested shall be sold by the trustee on the market with payment of the proceeds of disposition to the Company.

In the event that a participating employee retires (*de facto*, but after age 55), dies or becomes totally and permanently disabled (qualifying for the Company's long-term disability plan), he or his beneficiary, as the case may be, may ask the trustee to provide him with a certificate issued for all the Common Shares subscribed, regardless of whether or not they are unrestricted, plus all the Common Shares attributed to him, regardless of whether or not they previously became vested. In the event of a change of control of the Company, as such expression is defined in the Purchase Plan, the participating employees shall have the same rights.

*The Stock Option Plan*

In the event that a beneficiary's employment with the Company or any subsidiary is terminated for any reason other than death or retirement (a "termination of employment"), any or all of the vested options held by such beneficiary which have not been previously exercised may be exercised, at any time during a maximum period of 90 days following the date of termination of employment, or such other extended period as may be determined at the discretion of the Board of Directors of the Company, other than a voluntary termination of employment (but in no event after the expiry date), provided, however, that, notwithstanding any other term or condition of the Plan, in the event the employment of a beneficiary is terminated for cause, the vested options held by such beneficiary which have not been previously exercised will only be exercisable on the next business day following the date of personal delivery of a written notice to the beneficiary confirming (i) such termination for cause and (ii) the requirement to exercise such vested options.

In the event of the death of a beneficiary, his vested options may be exercised by the beneficiary's legal personal representative(s) at any time after the date of the beneficiary's death up to and including (but not after) a date which is 180 days following the date of the beneficiary's death (but in no event after the expiry date), as to any or all of such beneficiary's vested options which had not previously been exercised.

Upon the retirement of a beneficiary, any or all of the vested options held by such beneficiary which have not been previously exercised may be exercised at any time during a maximum period of 180 days following the date of his retirement (but in no event after the expiry date).

***Can stock options or rights held pursuant to the security-based compensation arrangements be assigned or transferred?***

All benefits, rights and options accruing to any participant in accordance with the terms and conditions of the Purchase Plan and of the Stock Option Plan shall not be transferable unless under the laws of descent and distribution or pursuant to a will.

***How are the security-based compensation arrangements amended? Is shareholder approval required?***

*The Purchase Plan*

The Board of Directors has full and complete responsibility for the Purchase Plan, which includes, without restriction, the power to adopt, amend, suspend or terminate the Purchase Plan, as it deems necessary or desirable, provided that such acts do not retroactively affect the rights of the participating employees under the Purchase Plan and that the approval of the regulators and the self-regulatory organizations, if necessary, is obtained. The Purchase Plan does not require that an amendment thereto be approved by the shareholders of the Company. However, notwithstanding the foregoing, the TSX may require security holder approval for some types of amendments that are considered as fundamental changes to the Purchase Plan.

*The Stock Option Plan*

The Board of Directors may, without the approval of the shareholders of the Company but subject to receipt of requisite approval from the TSX, in its sole discretion make the following amendments to the Stock Option Plan:

- (a) a change to the vesting provisions of an option or of the Plan;
- (b) an addition to, deletion from or alteration of the Plan or an option that is necessary to comply with applicable law or the requirements of any regulatory authority or stock exchange;
- (c) an amendment to correct or rectify any ambiguity, defective provision, error or omission in the Plan or an option; and
- (d) any other amendment that does not require shareholder approval under the Plan.

The approval of the Board of Directors and the requisite approval from the TSX and the shareholders shall be required for any of the following amendments to be made to the Stock Option Plan:

- (a) any increase in the number of Common Shares reserved for issuance under the Plan, including a change from a fixed number of Common Shares to a fixed maximum percentage;
- (b) any reduction in the purchase price or cancellation and reissue of options or any extension of the expiry of an option;
- (c) any change to the eligible participants which would have the potential of broadening or increasing insider participation;
- (d) the addition of any form of financial assistance; and
- (e) the addition of a deferred or restricted share unit or other provision which results in a beneficiary being issued Common Shares while no cash consideration is received by the Company.

***Were any amendments made to the security-based compensation arrangements in the last fiscal year?***

No modifications were made to the Purchase Plan and Stock Option Plan during fiscal year 2009.

***Does the Company provide any financial assistance to participants to purchase shares under the security-based compensation arrangements?***

Except for the Company's matching attribution, no financial assistance is provided by the Company to the participating employee for the subscription or purchase of Common Shares under the Purchase Plan.

There is no provision allowing financial assistance under the Stock Option Plan.

***Are there any adjustment provisions under the security-based compensation arrangements?***

*The Purchase Plan*

In the event of a change of control of the Company, as such expression is defined in the Purchase Plan, the participating employee may ask the trustee to provide him with a certificate issued for all the Common Shares subscribed, regardless of whether or not they are unrestricted, plus all the Common Shares attributed to him, regardless of whether or not they previously became vested.

*The Stock Option Plan*

In the event that the Company proposes to amalgamate, merge or consolidate with any other company (other than a wholly-owned subsidiary), or in the event of a change of control, as such term is defined in the Plan, the Company shall, upon notice thereof to each beneficiary holding options under the Plan, permit the exercise of all such options, within the 6-month period following the date of such notice, for all options (whether or not such options had previously vested), provided however, the conditional share price has been met at the time of the change of control and, upon the expiration of such 6-month period, all rights of the beneficiaries to such options or to exercise same (to the extent not theretofore exercised) shall *ipso facto* terminate and cease to have further force or effect whatsoever.

If an offer to purchase all of the outstanding Common Shares of the Company is made, all options that are not vested shall, from the date of the offer, be fully vested notwithstanding any provision to the contrary in any stock option agreement, provided, however, the conditional share price has been met at the time the offer is made.

***Are there any blackout period provisions under the security-based compensation arrangements?***

Under the Stock Option Plan, in the event that the term of an option expires during such period of time during which insiders are prohibited from trading in shares as provided by the Company's insider trading policy, as it may be implemented and amended from time to time (the "Blackout Period") or within 10 business days thereafter, the option shall expire on the date that is 10 business days following the Blackout Period. Although the Blackout Period would only cover insiders of the Company, the extension would apply to all participants who have options which expire during the Blackout Period.

**Pension Plan**

*Defined Benefit Pension Plans*

The pension payable to eligible executive officers is based on the years of credited service and a percentage of the average of the best three consecutive basic earnings (Average Earnings) at the date of retirement; for Réal Bélanger, this percentage is equal to 2.965% and his pension is limited to 60% of his Average Earnings while the percentage for Gilles Labbé is 2% and his pension is not limited. The pension is payable at normal retirement date (first of the month coincident with or immediately following the executive's 65<sup>th</sup> birthday) or as early as the first of the month following age 55. Upon early retirement, the pension is reduced by ¼ % for each month by which the early retirement date precedes the earliest of the following dates: executive's 60<sup>th</sup> birthday, executive's age plus continuous service equals 80, executive's continuous service equals 30 years.

The pension is payable from two sources: a registered Individual Pension Plan (IPP) and an unregistered Executive Retirement Plan (ERP). The IPP pays the pension up to the Income Tax limits and the excess is paid from the ERP. The IPP pension is funded through Company's and employee's contributions while the ERP pension is not funded and therefore paid from Company's revenues.

In the event of a change in control of the Company, the ERP benefits shall be funded via a Retirement Compensation Arrangement and no reduction would be applied on the pension upon early retirement.

The following table shows the retirement benefits for each eligible Named Executives under the defined benefit pension plans:

Name	Number of years of Credited Service <sup>(1)</sup>	Annual Benefits Payable (\$) <sup>(2)</sup>		Accrued Obligation at start of year (\$) <sup>(3)</sup>	Compensatory Change (\$) <sup>(4)</sup>	Non-Compensatory Change (\$) <sup>(5)</sup>	Accrued Obligation at year end (\$) <sup>(6)</sup>
		At year end	At age 65				
Gilles Labbé	26.52	201,200	292,900	2,406,800	89,600	(690,400)	1,806,000
Réal Bélanger	15.82	121,300	155,100	1,465,900	92,900	(362,400)	1,196,400

- (1) Number of years of credited service as at March 31, 2009.
- (2) The annual lifetime benefit at year end is based on years of credited service and pensionable earnings as at March 31, 2009. The annual lifetime benefit payable at age 65 is based on years of credited service as at age 65 and pensionable earnings as at March 31, 2009.
- (3) The accrued obligation at start of year is the value of the accrued retirement benefits as at March 31, 2008 based on assumptions and methods in respect of fiscal year ended March 31, 2008, as disclosed in the Company's Financial Statements available on SEDAR at [www.sedar.com](http://www.sedar.com) and a copy of same will be provided free of charge, upon request, to any shareholder of the Company.
- (4) The compensatory change in the accrued obligation includes service cost net of employee contributions and difference between actual and estimated earnings.
- (5) The non-compensatory change in the accrued obligation includes changes in assumptions, employee contributions and interest on the accrued obligation at the start of the year.
- (6) The accrued obligation at year end is the value of the accrued retirement benefits as at March 31, 2009 based on assumptions and methods in respect of fiscal year ended March 31, 2009, as disclosed in the Company's Financial Statements available on SEDAR at [www.sedar.com](http://www.sedar.com) and a copy of same will be provided free of charge, upon request, to any shareholder of the Company.

#### *Defined Contribution Pension Plan*

Under the defined contribution pension plan offered to executive officers working in Canada, the Company contributes an amount equal to the executive officers' contributions (5% of basic earnings), subject to the Income Tax limits, to a savings account opened on their behalf. The executive officers' accounts accumulate with interest according to their investment instructions. At retirement, the executive officers receive their account balance.

Under the defined contribution pension plan offered to executive officers working in the US, the Company contributes an amount equal to the executive officers' contributions to a savings account opened on their behalf; this Company contribution is made on a discretionary basis. An additional amount may be contributed by the Company based on profitability. The executive officers' accounts accumulate with interest according to their investment instructions. At retirement, the executive officers receive their account balance.

The following table shows the accumulated values for each eligible Named Executive under the defined contribution pension plans:

Name	Accumulated Value at start of year (\$) <sup>(1)</sup>	Compensatory (\$) <sup>(2)</sup>	Non-Compensatory (\$) <sup>(3)</sup>	Accumulated Value at year end (\$) <sup>(4)</sup>
Martin Brassard	164,700	9,600	(35,500)	138,800
Richard Rosenjack	46,000	5,800	100	51,900
Michael Meshay	Not participating	Not participating	Not participating	Not participating

- (1) The accumulated value at start of year is the account balance as at March 31, 2008.
- (2) The compensatory component represents the amount of employer contributions from April 1<sup>st</sup>, 2008 to March 31, 2009.
- (3) The non-compensatory component represents the amount of employee contributions and investment earnings from April 1<sup>st</sup>, 2008 to March 31, 2009.
- (4) The accumulated value at year end is the account balance as at March 31, 2009.

#### **Termination and Change of Control Benefits**

With respect to the President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer and the Vice President, General Manager of the Landing Gear Division, individual employment agreements stipulate that, in the case of termination of employment initiated by the Company for reasons other than cause, severance payments are as follow:

- Termination by the Company Without Cause

Named Executives	Severance Payments	Maximum Payments	Total Estimated Payments <sup>(1)</sup>
Gilles Labbé	18 months + one month per year of service	30 months	\$1,319,920
Réal Bélanger	12 months + One month per year of service	24 months	\$728,000
Martin Brassard	12 months + one month per year of service	18 months	\$484,800

(1) Including salary, benefits and stock options calculated on March 31, 2009.

The Named Executives undertake to not solicit the Company's customers or employees and that they would not compete with the Company.

The Named Executive will also receive the bonus that otherwise would have been payable for the fiscal year in which cessation of employment occurs, but prorated, provided the Named Executive has completed at least six months of employment in said year. The employee benefits will continue but without continuation of the accrual of pension benefits and the Named Executive will have a period of 6 month following cessation of employment to exercise the options already vested.

- Termination of Employment Following Change in Control

Named Executives	Severance Payments	Maximum Payments	Total Estimated Payments <sup>(1)</sup>
Gilles Labbé	24 months + one month per year of service	36 months	\$2,150,760
Réal Bélanger	18 months + one month per year of service	30 months	\$1,140,000
Martin Brassard	18 months + one month per year of service	24 months	\$733,600

(1) Including salary, benefits and stock options calculated on March 31, 2009.

The Named Executive undertake to not solicit the Company's customers or employees for a period equal to the maximum severance period (24, 30 or 36 months) and to not enter into competition with the Company for a period equal to the minimum severance period (18 or 24 months).

The Named Executive will also receive a lump sum amount equal to the target bonus applicable to the position of the Named Executive for the period set out in table above. The employee benefits will continue as well as the accrual of pension benefits for the period set out in the table above; perks are maintained for 90 days. All stock options previously granted vest immediately and may be exercised up to 6 months following termination of employment.

No specific arrangements cover the other Named Executives. In the event of termination of their employment, their severance payments will be determined in accordance with industry practices, which consider the level of responsibility, years of service and age.

### Compensation Discussion and Analysis

The Human Resources and Corporate Governance Committee of the Company (the "Human Resources Committee") has the responsibility to establish a compensation policy for the executive officers which is consistent with the Company's business plan, strategies and objectives. This Committee has, namely, the responsibility to analyse for the Board of Directors all questions relating to human resources planning, compensation for executive officers, directors and other employees, short and long-term incentive programs, employee benefits programs, and recommends the appointment of executive officers. The compensation policy has the following primary objectives:

- offer total compensation capable of attracting and retaining top level executive officers required to ensure the Company's short and long term goals and success;
- motivate the executive officers in achieving and exceeding the goals of the Company and of its shareholders;

- provide executive officers with total compensation that stands at the first quartile of the market comparators when the Company achieves or exceeds its profitability and shareholder value creation goals.

#### *Market Comparator and Positioning*

The compensation policy is established in such a way to compensate the executive officers and other key employees considering market and Company's performance. The Company has appointed Perrault Consulting to prepare comparative market data. Perrault Consulting is a Montreal based company founded in 2001 which has extensive expertise in the development of compensation plan design, short and long-term incentive plans and overall compensation management for executives. This analysis included 9 companies selected considering criteria such as annual revenues between \$200 million and \$1,200 million, comparable client base, publicly-traded, autonomous, market for potential recruitment and entrepreneurial (the "Comparator Group"), these companies are :

Companies	Selection Criteria			Head Office in Québec	Revenues (000\$)
	High Technology	Aerospace	Important Shareholder		
Com Dev International Ltd.	X				210 348 \$
Northstar Aerospace Inc.	X	X	X		162 573 \$
Vector Aerospace Corp	X	X	X		339 102 \$
Magellan Aerospace Corp	X	X			597 808 \$
Transdigm Group Inc.	X	X			713 711 \$
LMI Aerospace Inc.	X	X			239 462 \$
Ducommun Technologies	X	X			403 803 \$
Triumph Aerospace	X	X			1 151 040 \$
Aerovironment	X	X			215 700 \$

#### *Components of the Compensation Policy*

The compensation policy consists of the sum of

- base salary;
- annual incentive (bonus) compensation;
- long term incentive compensation;
- benefits and perquisites; and
- pension.

Each of these elements, together with the Company philosophy with respect to same, is hereinafter detailed.

#### *Base Salary*

The Company's base salary policy is to pay base salaries for executive officers that are between the 50<sup>th</sup> percentile (median) and 55<sup>th</sup> percentile of the Comparator Group. All executive officers salaries are evaluated and classified with a salary grade. For each salary grade, a salary scale set between a minimum of 80% and a maximum of 120% of the market's 50<sup>th</sup> to 55<sup>th</sup> percentile is developed. Salaries paid aim at the mid-point of this salary scale but reflect the individual's performance, tenure in the job, etc. The salaries of the executive officers are reviewed and adjusted yearly by the Human Resources Committee considering the individual performance and the Comparator Group.

#### *Annual Incentive Compensation*

The Company offers executive officers of the Company and of its Divisions or business units the possibility to earn an annual bonus provided the Company achieves or exceeds its division/business unit financial objectives and provided the executive officer or employee achieves specific personal objectives. The annual bonus for the divisional or business unit executives and employees rests on financial objectives set against the budget in fiscal year, relatively in the achievement of the Return on Net Utilized Assets (RONA), operating income, and sales; the annual bonus for the Named Executives rests in the achievement of the budgeted net income and earnings per share.

Target bonus is calculated based on the degree of achievement of the financial performance presented in the annual budget of the Company. In order to be eligible to receive bonuses based on financial performance the Division or business unit shall have met at least 80% of its financial target budget. If such goal is achieved, the percentage of target bonus could go from 0% to 150% depending on the level of achievement.

The final eligible target bonus to be paid to each executive officers and key employees will also take into account the performance of the Company as a whole based on net income. Therefore, the total annual incentive compensation paid based on the Company's performances is composed of the following:

- 75% of the target bonus is based on the Divisions and business units performances; and
- 25% of the target bonus is based on the Company's performance as a whole.

Finally, the executive officers' bonus will be calculated based on the individual performance; from 0% for "below expectations" to 120% for "outstanding contribution". The Human Resources Committee may, from time to time, exercise its discretion to allow that the annual incentive compensation otherwise payable in accordance with the Company's policies be varied on the overall performance of the Company and exceptional market conditions. The Human Resources Committee also reserves the right to recommend to the Board of Directors to waive minimum requirements for the annual incentive compensation when exceptional strategic achievements that could increase the long-term value of the Company are realized during the year.

For the fiscal year ended March 31, 2008, the following Annual Incentive Compensation was paid in fiscal year 2009 to each Named Executives:

Named Executives	Annual Incentive Compensation	% of Base Salary
Gilles Labbé	\$ 552,600	146%
Réal Bélanger	\$ 310,000	120%
Martin Brassard	\$ 200,000	87%
Richard Rosenjack <sup>(1)</sup>	\$ 281,850	94%
Michael Meshay <sup>(1)</sup>	\$ 236,754,	99%

(1) All amounts were paid in US currency at a translation rate of CAN\$1.1274 (corresponds to the average rate for the period of April 1, 2008 to March 31, 2009)

For the fiscal year ended March 31, 2009, the following Annual Incentive Compensation was paid in fiscal year 2010 to each Named Executives:

Named Executives	Annual Incentive Compensation	% of Base Salary
Gilles Labbé	\$ 568,701	142%
Réal Bélanger	\$ 330,000	121%
Martin Brassard	\$ 187,000	80%
Richard Rosenjack <sup>(1)</sup>	\$ 214,206	69%
Michael Meshay <sup>(1)</sup>	\$ 231,117,	94%

(1) All amounts were paid in US currency at a translation rate of CAN\$1.1274 (corresponds to the average rate for the period of April 1, 2008 to March 31, 2009)

#### Long-term Incentive Compensation

The establishment of a balance between short and long-term compensation is essential for the Company's performance. For this reason, the Company has adopted a Stock Option Plan in 1986 (amended in 1988, 1990, 1996, 1998, 1999, 2000, 2002, 2003, 2006 and 2007) allowing the grant of options to officers and certain key employees of the Company and its business units. Reference is made to the description of such plan under the heading "Stock Option Plan" above.

In general, the Board of Directors determines the number of options granted annually by multiplying the base salary of the employee by a multiple varying between 50% and 100%, established according to the level of responsibility and authority of such executive officer. The total amount of stock options issued over the past years is looked at but has not a material impact on the number of options to be granted to the employee. The options are granted at market value at time of grant and may be exercised over seven years. These options are performance based and vest, not only over time but also when a targeted accretion of the Company's share on the TSX is met. More specifically, options granted vest upon each anniversary at a rate set forth in the stock option agreement provided that the average closing price of the Common Shares on the TSX, for 20 consecutive trading days, exceeds or equals the conditional share price set forth in the agreement at the time of the grant of the options. Rights are given to exercise the vested options within a 90 day or 180 day period following termination of employment, death or retirement.

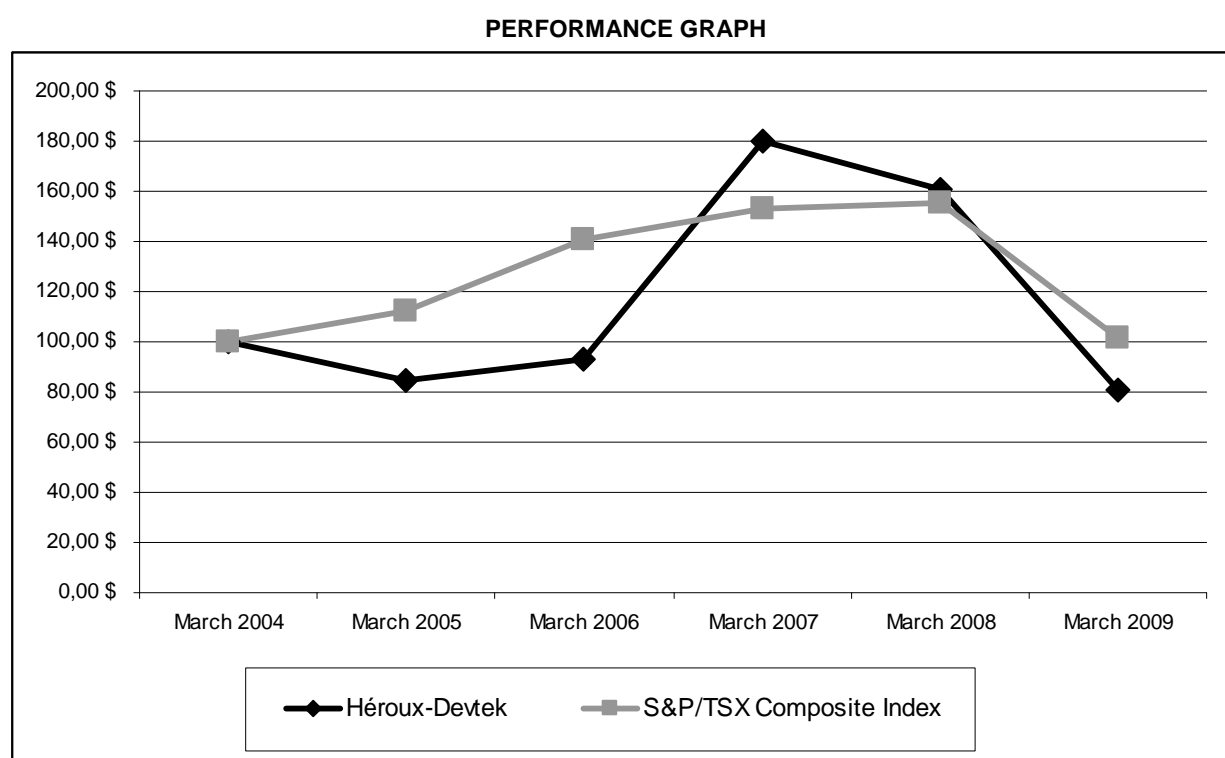
On September 2, 2004, the Board of Directors of the Company has also approved an employee stock purchase plan to induce key employees to hold, on a permanent basis, Common Shares of the Company. Reference is made to the description of such plan under the heading "Stock Purchase and Ownership Incentive Plan" above.

## Benefits and Perquisites

The Company's executive officers benefit program includes life, medical, dental and disability insurance. Perquisites consist of car allowance and reimbursement for club memberships, medical and financial services. Such benefits and perquisites are designed to be competitive with the Comparator Group and other comparable Canadian enterprises.

The compensation policy seeks to primarily reward the superior performance through both individual and corporate results and the increased shareholder value. In reviewing executive officers compensation, the Human Resources Committee will take into consideration numerous factors that are not easily measurable but which consider the individual performance, experience, integrity, and peer appreciation.

The following graph compares the total cumulative shareholder return for \$100 invested in the Company's Common Shares on March 31, 2004 with the cumulative total return of the Toronto Stock Exchange's S&P/TSX Composite Index (formerly TSE-300 Index) for the five most recently completed fiscal years.



	March 2004	March 2005	March 2006	March 2007	March 2008	March 2009
Héroux-Devtek	\$100.00	\$84.51	\$93.16	\$180.08	\$160.97	\$80.48
S&P/TSX	\$100.00	\$111.95	\$141.06	\$153.33	\$155.49	\$101.56

The trend shown by the above graph is a negative total cumulative return for a shareholder over the past five years. In fact, the return for a shareholder was positive from 2004 to 2008 but this increase was offset by a decline in share price last year. During the same five year period, total compensation received by the Named Executives is generally in line with the trend. For the last year, the Named Executives' total compensation was lower than the previous year.

## Transaction with Interested Parties

The Company is not aware that any of its directors, officers, nominees for election as directors, other insiders of the Company or any persons associated with or otherwise related to any of the foregoing has had an interest in any material transaction carried out since the beginning of the Company's most recently completed financial year or in



any proposed transaction which has materially affected or is likely to materially affect the Company or any of its subsidiaries.

#### **Indebtedness of Directors, Executive Officers and Senior Officers**

None of the Company's directors, executive officers or employees or former directors, executive officers or employees is indebted to the Company.

#### **Liability Insurance**

The Company takes out liability insurance for the benefit of its directors and officers to cover them against certain liabilities contracted by them in such capacity. For the most recently completed financial year, this insurance provided for a coverage limit of \$20,000,000 per each loss and policy year. For the twelve-month period ended March 31, 2009, the premium paid by the Company amounted to \$100,000. When the Company is authorized or required to indemnify an insured, a deductible of \$100,000 applies.

#### **Appointment and Remuneration of Auditors**

At the Meeting, the shareholders will be called upon to appoint auditors to hold office until the next annual meeting of shareholders and to authorize the directors to establish the remuneration of the auditors appointed.

**Unless instructions are given to abstain from voting with regard to the appointment of auditors, the persons named in the enclosed form of proxy intend to vote FOR the appointment of Ernst & Young LLP, Chartered Accountants, as auditors of the Company, at a compensation for their services to be determined by the Board of Directors.**

#### **Additional Information**

Additional information relating to the Company is on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may contact the Company at the following address to request copies of the Company's consolidated financial statements and MD&A: Corporate Secretary, Héroux-Devtek Inc., Suite 658, East Tower, Complexe Saint-Charles, 1111 Saint-Charles Street W., Longueuil, Quebec, Canada, J4K 5G4. These documents are also available on the Company's Web site at [www.herouxdevtek.com](http://www.herouxdevtek.com) and on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Company's comparative consolidated financial statements and MD&A for its most recently completed financial year.

#### **Approval**

The contents and the sending of this Circular have been approved by the directors of the Company.

*(s) François Renaud*

Longueuil, Québec  
July 6, 2009

François Renaud  
Corporate Secretary