



## **NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

Notice is hereby given that the Annual and Special Meeting of the shareholders of Héroux-Devtek Inc. (the "Corporation") 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 4, 2011, for the following purposes:

1. to receive the Consolidated Financial Statements of the Corporation for the year ended March 31, 2011 and the auditors' report thereon;
2. to elect directors;
3. to appoint the auditors and to authorize the directors to fix their remuneration;
4. to consider and, if deemed appropriate, to pass, with or without variation, a resolution (the "Stock Option Plan Resolution") to approve the replenishment of the number of Common Shares reserved under the Stock Option Plan by a number equal to the Common Shares that have been issued following the exercise of options under the Stock Option Plan;
5. to consider and, if deemed appropriate, to pass, with or without variation, a resolution (the "Purchase Plan Resolution") to approve the replenishment of the number of Common Shares reserved under the Purchase Plan by a number equal to the Common Shares that have been issued under the Purchase Plan;
6. to consider and, if deemed appropriate, to pass, with or without variation, a special resolution (the "Special Resolution") for the purpose of amending the articles of the Corporation, proposed as follows, all as more particularly described in the accompanying Management Proxy Circular of the Corporation:

**"BE IT RESOLVED AS A SPECIAL RESOLUTION OF THE SHAREHOLDERS:**

THAT the articles of the Corporation be amended to include provisions to the effect that: (i) the Board of Directors may, at its discretion, appoint one (1) or more directors, who shall hold office for a term expiring no later than the close of the annual meeting of shareholders following their appointment, provided that the total number of directors so appointed may not exceed one-third of the number of directors elected at the annual meeting of shareholders preceding their appointment; (ii) the Board of Directors may, at its discretion and from time to time, determine the place, whether within or outside of the Province of Québec, where a meeting of shareholders shall be held and (iii) schedule 1 to the articles of amalgamation of the Corporation dated June 26, 1985 relating to the Corporation's borrowing powers be revoked; and

THAT any director or officer of the Corporation be, and each of them is hereby, authorized and directed, for and in the name of and on behalf of the Corporation, to execute and deliver or cause to be executed and delivered Articles of Amendment under the Business Corporations Act (Québec) and to execute and deliver or cause to be executed and delivered all documents, and to take any action, which, in the opinion of that person, is necessary or desirable to give effect to this special resolution";

7. to consider and if, deemed appropriate, to pass, with or without variation, a resolution (the "By-Laws Resolution") approving and ratifying the new By-Laws in connection with the entering into force of the Business Corporations Act (Québec), all as more particularly described in the accompanying Management Proxy Circular of the Corporation; and
8. to transact such other business as may properly be brought before the meeting.

Proxies to be used at the Annual and Special Meeting must be deposited with the Corporation 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 2, 2011.

Dated at Longueuil, Québec, Canada this 29<sup>th</sup> day of June 2011.

By order of the Board of Directors,

François Renaud, 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.

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## 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 “Corporation”) for use at the Annual and Special Meeting of the shareholders of the Corporation to be held on August 4, 2011 (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 Corporation. The Corporation 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 (i) the election of the directors specified in this Circular; (ii) the appointment of the auditors named in this Circular and the fixing of their remuneration by the directors, (iii) the adoption of the Stock Option Plan Resolution, (iv) the adoption of the Purchase Plan Resolution, (v) the adoption of the Special Resolution and (vi) the adoption of the By-Laws Resolution.**

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 Corporation 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 Corporation, 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 Corporation are, as at June 29, 2011, the following:

Name	Number of Common Shares	Percentage of Outstanding Common Shares
Gilles Labbé	3,788,038 <sup>(1)</sup>	12.5%
Caisse de dépôt et placement du Québec	4,237,183	13.9%
Deans Knight Capital Management Limited	4,794,400	15.8%
Natcan Investment Management Inc.	3,023,233	10.0%
I.G. Investment Management, Ltd.	3,220,300	10.6%

(1) 3,667,501 Common Shares included in this number are held by 2635-6246 Québec inc. and 2945-0228 Québec inc., corporations controlled by Mr. Gilles Labbé.

### Appointment of Proxy

The persons named in the enclosed form of proxy are executive officers of the Corporation. **A shareholder has the right to appoint a person, who need not be a shareholder of the Corporation, 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, 2011, 30,384,096 Common Shares, without nominal or par value, of the Corporation were outstanding. Holders of Common Shares of record at the close of business on June 28, 2011 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 Corporation 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 26, 2011, the precise number of directors has been fixed at nine. Therefore, a total of nine 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 Corporation and the number of Common Shares of the Corporation 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 Corporation he beneficially owns or over which he exercises control or direction, as at June 29, 2011. All nominees have served continuously as director of the Corporation since their appointment or first election in such capacity.

Name	Principal Occupation	Director Since	Number of Common Shares
Claude Boivin <sup>(1)</sup> Québec, 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 Corporation) and Chairman of the Board of Héroux-Devtek Inc.	2004	135,900
Paule Doré <sup>(1)</sup> Québec, Canada	Corporate Director. From 2006 to 2009, Special Advisor to the Founder and Executive Chairman of the Board of CGI Group Inc. (provider of end-to-end IT and business process services). From 1990 to 2006, Executive Vice-President and Chief Corporate Officer of CGI Group Inc.	2010	13,400
Christian Dubé <sup>(2)</sup> Québec, Canada	President of Cascades SAS, the European subsidiary of Cascades Inc. and Chairman of the Board of Reno de Medici, an Italian public company traded on the Milan Stock Exchange where Cascades Inc. has a 40% interest. Vice-President Business development of 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	10,000
Jean-Louis Fontaine <sup>(2)</sup> Québec, Canada	Vice-Chairman of the Board and director, Bombardier Inc. (diversified manufacturer of transportation equipment)	1990	48,000 <sup>(4)</sup>
Gilles Labbé Québec, Canada	President and Chief Executive Officer, Héroux-Devtek Inc.	1985	3,788,038 <sup>(5)</sup>
Louis Morin <sup>(2)</sup> Québec, Canada	President of Busrel Inc. (supplier of promotional items)	2008	4,000

Name	Principal Occupation	Director Since	Number of Common Shares
Réal Raymond <sup>(1)</sup> Québec, Canada	Corporate Director. Up to 2007, President and Chief Executive Officer of National Bank of Canada (financing corporation and bank)	2010	17,000
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>

- (1) Member of the Human Resources and Corporate Governance Committee (the "Human Resources Committee")
- (2) Member of the Audit Committee.
- (3) 3,000 Common Shares included in this number are held by Gestion Marclo Inc., a corporation controlled by Mr. Claude Boivin.
- (4) 4,000 Common Shares included in this number are held by Gestion Jean-Louis Fontaine Inc., a corporation controlled by Mr. Jean-Louis Fontaine.
- (5) 3,667,501 Common Shares included in this number are held by 2635-6246 Québec inc. and 2945-0228 Québec inc., corporations 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 Corporation's Board of Directors Charter, a director who has attained the age of 75 prior to the annual shareholders' meeting in any year should normally retire from office at such annual meeting. At the Meeting, Claude Boivin and John M. Cybulski will have attained the age of 75 or more; however, by resolution adopted by the Board of Directors on May 26, 2011, the Board of Directors decided to waive the requirement that Mr. Boivin and Mr. Cybulski retire from office.

To the Corporation'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 Corporation'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 Corporation, 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 Corporation, 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 - Audit Committee of the Corporation'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 Corporation'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 Corporation.

## Corporate Governance Disclosure

The following discussion addresses the Corporation's position as at March 31, 2011 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 or proposed directors are "independent" within the meaning of section 1.4 of NI 52-110:

John M. Cybulski  
 Claude Boivin  
 Paule Doré  
 Christian Dubé  
 Jean-Louis Fontaine  
 Louis Morin  
 Réal Raymond  
 Brian A. Robbins

- (b) Gilles Labbé, as President and Chief Executive Officer of the Corporation, is not "independent" within the meaning of section 1.4 of NI 52-110.
- (c) A majority of the directors of the Corporation are "independent" within the meaning of section 1.4 of NI 52-110.
- (d) The following table sets forth the name of each director or proposed director of the Corporation 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 Audit and Risk Management Committee
	GLV Inc	TSX	Member of the Corporate Governance and Human Resources Committee
John M. Cybulski	Suway S.A.	WSE	
Paule Doré	CGI Group Inc.	TSX NYSE	Member ex officio of the Corporate Governance Committee
	Cogeco Inc.	TSX	Member of the Human Resources and Corporate Governance Committee
Christian Dubé	Reno de Medici S.p.A.	Milan, Italy	Chairman of the Board
Jean-Louis Fontaine	Bombardier Inc.	TSX	Vice-Chairman of the Board and director, Bombardier Inc.
Gilles Labbé	CGI Group Inc.	TSX NYSE	Member of the Audit and Risk Management Committee
Réal Raymond	METRO INC.	TSX	Lead Director and Head of Human Resources Committee
Brian A. Robbins	Exco Technologies Limited <sup>(1)</sup>	TSX	
	AirBoss of America Corp.	TSX	Chair of the Audit Committee

(1) Interlocking directorships.

- (e) The “independent directors” meet, without the presence of members of management, at the end of each regular meeting (unless they waive such requirement) and they have at least two meetings a year at which members of management are not in attendance.
- (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 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 for the financial year ended on March 31, 2011:

Director	Board Meetings	Audit Committee Meetings	Human Resources and Corporate Governance Committee Meetings
Claude Boivin	8 of 8	-	4 of 4
John M. Cybulski	8 of 8	-	4 of 4
Paule Doré <sup>(1)</sup>	5 of 5	-	2 of 2
Christian Dubé	7 of 8	4 of 4	-
Jean-Louis Fontaine <sup>(2)</sup>	8 of 8	2 of 2	2 of 2
Gilles Labbé	8 of 8	-	-
Louis Morin	7 of 8	4 of 4	-
Réal Raymond	8 of 8	-	4 of 4
Brian A. Robbins	8 of 8	3 of 4	-

(1) Paule Doré has been appointed director of the Corporation on August 5<sup>th</sup>, 2010 and has been appointed member of the Human Resources Committee on such date.

(2) Jean-Louis Fontaine ceased to be a member of the Human Resources Committee on August 5, 2010 and has been appointed member of the Audit Committee on such date.

## 2. Board Mandate

### *Role of the Board*

The Board of Directors is elected by the Corporation’s shareholders to supervise, directly and through its committees, the management of the business and affairs of the Corporation, 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 Corporation is to ensure that the management conducts the business and affairs of the Corporation with the main objectives to enhance shareholder value in a manner that recognizes the concerns of other stakeholders in the Corporation, including its employees, suppliers, customers and the communities in which it operates, to continuously improve the Corporation’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 Corporation. In addition to the general supervision of management, the Board performs the following functions:

**strategic planning** – overseeing the strategic planning process within the Corporation and reviewing, approving and monitoring, annually, the Corporation'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 Corporation'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 Corporation 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 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 Committee, nominees for election as directors;

**annual review** – conducting, through the Human Resources 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 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 Committee, the system of corporate governance of the Corporation.

## *Composition and Procedures*

**Size of Board and selection process** – The Human Resources 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 Corporation as well as members on the various Board committees, while allowing the Board to function efficiently and effectively. The Human Resources 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 Corporation. They should possess skills and competencies in areas that are relevant to the Corporation'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 Committee, shall appoint a Chairman of the Board, who should be an independent director and shall develop a written position description for the Chairman of the Board. At all times the same person may not occupy the position of Chairman of the Board and of President and Chief Executive Officer.

**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 Corporation expects from its directors), and the nature and operation of the Corporation'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 *in-camera* sessions a year without the presence of members of management.

**Committees** – The Board has established two standing committees to assist the Board in discharging its responsibilities: the Audit Committee and the Human Resources 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 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 Corporation. 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 Committee. Any director may also, subject to the approval of the Chairman of the Board or of the Chair of the Human Resources Committee, retain an outside advisor at the expense of the Corporation.

**Retirement Age** – The retirement age for members of the Board is normally fixed at 75 years.

### **3. Position Descriptions**

- (a) The Board has developed a written position description for the chairman of the Board (see paragraph 1 (f) above) and for the chair of each board committee. The Board has adopted general terms describing the responsibilities of the chair of each board committee, namely those of presiding committee meetings, and overseeing the way in which the relevant board committee carries out its mandate. The chair of a board

committee is required, following a meeting of such committee, to report to the Board at the next regularly scheduled meeting of the Board. The chair of each board committee is responsible for the management, the development and the effective performance of the committee. The chair of each board committee provides leadership and direction to the committee for all aspects of the committee's work and takes all reasonable measures to ensure such committee fulfils its responsibilities.

- (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 Corporation and, subject to approved policies and direction by the Board of Directors, manages the business and affairs of the Corporation and oversees the execution of its strategic plan. In addition to managing the business and affairs of the Corporation, the CEO performs the following functions:
1. presents to the Board for approval a strategic plan for the Corporation 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 Corporation's strategies together with key financial and other performance goals for the Corporation's activities and reports regularly to the Board on the progress against these goals;
  3. acts as the primary spokesperson for the Corporation to all its stakeholders;
  4. presents to the Board for approval annually an assessment of the senior management of the Corporation 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 Corporation other than the Chair;
  6. together with the Corporation'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 Corporation's financial reporting and public disclosures; and
  7. ensures that the Corporation 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 Corporation in the presence of management representatives. In addition, they are furnished with appropriate documentation relating to the commercial activities of the Corporation and the internal organization of the Corporation 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 Corporation.

The Board of Directors' Manual is updated periodically and contains pertinent material and information on the Corporation, the Board, and its Committees. Directors meet with the Chairman of the Board, the President, and Chief Executive Officer and members of Management to discuss the Corporation's operations and are given periodic presentations on a particular product line or on a specific business development. New Directors benefit from guided tours of the Corporation's installations. From time to time and before each meeting of the Board of Directors, each Director is provided with publications concerning recent industry's developments, new applicable legislation as well as any relevant information.

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

- (a) On February 10, 2005, the Board adopted a *Code of Conduct* to help the Corporation's directors, officers and employees take a consistent approach to key integrity issues. The *Code of Conduct* may be obtained upon written request to the Secretary, Héroux-Devtek Inc., Suite 658, East Tower, Complexe Saint-Charles, 1111 Saint-Charles Street W., Longueuil, Québec, Canada, J4K 5G4.

The Board has the responsibility of reviewing and monitoring the controls and procedures within the Corporation 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 Committee.

The Corporation has also developed and implemented and the Board has approved various corporate policies including a corporate disclosure and insider trading policy and a whistle blower policy. The Corporation will periodically ask employees to acknowledge their commitment to the spirit and letter of the Corporation's Code of Conduct. A procedure has been put in place so that employees may raise an integrity concern by written or oral communications and it may also be anonymous.

- (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 occur, 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 Committee is responsible for identifying and recommending potential appointees to the Board. In this regard, the committee maintains an "evergreen" list of potential nominees. New nominees must have a track record in general business management, special expertise in an area of strategic interest to the Corporation, the ability to devote the time required, shown support for the Corporation's mission and strategic objectives, and a willingness to serve. The Human Resources 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 Corporation is subject, appointed by the Board of Directors. The President and CEO of the Corporation takes part in the work of the Human Resources Committee as a non-voting member and removes himself where the Human Resources Committee decides on his remuneration and on corporate governance matters.

## **7. Compensation**

The Human Resources 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 Committee.

## **9. Assessments**

The Human Resources 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 Human Resources 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 Human Resources Committee contacts each director separately in order to discuss their answer to the questionnaires. The Human Resources 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 Human Resources Committee recommends changes to enhance the performance of the Board based on the survey feedback.

## **Director Compensation**

The following table sets forth, to the extent required by applicable securities legislation, all amounts of compensation provided to the directors of the Corporation for the most recent completed fiscal year.

### Director Compensation Table

Name <sup>(1)</sup>	Fees earned (\$)	Share-based awards (\$)	Option/SAR-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Claude Boivin	44,450	-	-	-	-	-	44,450
John M. Cybulski	72,500	-	-	-	-	-	72,500
Paule Doré <sup>(2)</sup>	27,497	-	-	-	-	-	27,497
Christian Dubé	39,500	-	-	-	-	-	39,500
Jean-Louis Fontaine	42,700	-	-	-	-	-	42,700
Louis Morin	44,000	-	-	-	-	-	44,000
Réal Raymond	41,500	-	-	-	-	-	41,500
Brian A. Robbins	41,950	-	-	-	-	-	41,950

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

(2) Paule Doré has been appointed director of the Corporation on August 5<sup>th</sup>, 2010.

#### *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 Human Resources 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. On August 4, 2010, this minimum requirement was reduced by the Board upon recommendation of the Human Resources Committee to be set at an amount equal to three times the amount of the annual retainer fees payable to such members. 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	13,150	-	-
	5,000	4.56	Aug. 2015	22,700	-	-
	4,000	4.79	Aug. 2012	17,240	-	-
	2,500	5.00	Sept. 2011	10,250	-	-
	5,000	7.29	Aug. 2014	9,050	-	-
	4,000	9.90	Aug. 2013	-	-	-
John M. Cybulski	2,500	3.84	Aug. 2012	13,150	-	-
	5,000	4.56	Aug. 2015	22,700	-	-
	4,000	4.79	Aug. 2012	17,240	-	-
	2,500	5.00	Sept. 2011	10,250	-	-
	5,000	7.29	Aug. 2014	9,050	-	-
	4,000	9.90	Aug. 2013	-	-	-

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 (\$)
Paule Doré	-	-	-	-	-	-
Christian Dubé	2,500 5,000 4,000 2,500 5,000 4,000	3.84 4.56 4.79 5.00 7.29 9.90	Aug. 2012 Aug. 2015 Aug. 2012 Sept. 2011 Aug. 2014 Aug. 2013	13,150 22,700 17,240 10,250 9,050 -	- - - - - -	- - - - - -
Jean-Louis Fontaine	2,500 5,000 4,000 2,500 5,000 4,000	3.84 4.56 4.79 5.00 7.29 9.90	Aug. 2012 Aug. 2015 Aug. 2012 Sept. 2011 Aug. 2014 Aug. 2013	13,150 22,700 17,240 10,250 9,050 -	- - - - - -	- - - - - -
Louis Morin	5,000 5,000	4.56 7.29	Aug. 2015 Aug. 2014	22,700 9,050	- -	- -
Réal Raymond	-	-	-	-	-	-
Brian A. Robbins	2,500 5,000 4,000 2,500 5,000 4,000	3.84 4.56 4.79 5.00 7.29 9.90	Aug. 2012 Aug. 2015 Aug. 2012 Sept. 2011 Aug. 2014 Aug. 2013	13,150 22,700 17,240 10,250 9,050 -	- - - - - -	- - - - - -

(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 Corporation 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, 2011, the closing price of the Corporation's Common Shares was \$9.10 (HRX-T).

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

Name <sup>(1)</sup>	Option/SAR-based awards – Value vested during the year <sup>(2)</sup> (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Claude Boivin	3,258	-	-
John M. Cybulski	3,258	-	-
Paule Doré	-	-	-
Christian Dubé	3,258	-	-
Jean-Louis Fontaine	3,258	-	-
Louis Morin	1,340	-	-
Réal Raymond	-	-	-
Brian A. Robbins	3,258	-	-

(1) Mr. Gilles Labbé is President and Chief Executive Officer of the Corporation 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. The value is calculated based on the Corporation's Common Shares at such date when SARs are vested.

#### 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 Corporation's ability to attract and retain high quality individuals to serve as members of the Board and participate in the Corporation's long-term success and to promote a greater alignment of interests between the Corporation's non-employee directors and its shareholders.

The SAR Plan is administered by the Human Resources 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 Corporation 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. On May 30, 2008, the Board approved upon the recommendation of the Human Resources Committee, an increase in the annual grant of SARs to non-employee directors from 4,000 per year to 5,000 per year.

On October 31<sup>st</sup>, 2007 the members of the Human Resources 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 Corporation or a "change of control". The members of the Human Resources Committee approved the proposed modifications to the SAR Plan and the Human Resources 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 Human Resources 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 Corporation or of any subsidiary to benefit for same. The members of the Human Resources Committee approved the proposed modifications to the SAR Plan and the Human Resources 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, 2011, on a cumulative basis, 143,000 SARs were still outstanding at a weighted-average granted value of \$6.21 (150,500 SARs at a weighted-average granted value of \$6.14 at March 31, 2010), which expire at various dates between fiscal years 2011 and 2016. Upon recommendation of the Human Resources Committee, by resolution of the Board of Directors adopted on August 4, 2010, it has been decided that no additional SARs will be granted under the SAR Plan. All outstanding SARs will remain effective until their expiry/exercise date.

#### *Deferred Share Unit Plan (the "DSU Plan")*

The DSU Plan for non-employee directors and non-employee honorary directors adopted by the Board of Directors in May 2011 is intended to enhance the Corporation's ability to attract and retain high quality individuals to serve as members of the Board and participate in the Corporation's long-term success and to promote a greater alignment of interests between the Corporation's non-employee directors and its shareholders. The DSU Plan was adopted in replacement of the SAR Plan.

The DSU Plan is administered by the Human Resources Committee. The DSU Plan enables the participants to receive upon termination of service as director or honorary director, a cash amount equal to the market price of a common share on the termination date for each vested DSU (the "DSU Payment"). The number of DSUs to be granted is determined on the basis of the average closing price of the common shares of the Corporation traded on the TSX, for the five trading days preceding the date of the award of the DSUs.

An eligible director under the DSU Plan may elect annually to receive up to 50% of its annual retainer fees in DSUs. In addition, all non-employee directors and honorary directors will generally receive a discretionary number of DSUs that could represent up to \$15,000 on the date of their grant. The DSU awards will generally be made once a year, six business days following the publication by the Corporation of its financial results for the first quarter. The portion of DSUs granted to a director or honorary director as annual retainer fees will vest in stages over 12 months starting on August 1<sup>st</sup> of each year of grant with 1/12 of the DSUs vesting on the last day of each month.

The DSU payments are only made upon termination of service of a participant either by resignation, upon dismissal, at the end of the term of office or upon disability or death of such participant.

At March 31, 2011, no DSUs were outstanding. The DSU Plan was adopted on May 26, 2011. A number of 15,172 DSUs were granted to the directors and honorary director during the first quarter of the fiscal year 2012 by resolution of the Board of Directors adopted on June 6, 2011. Such DSUs were granted on a discretionary basis for the fiscal year ended on March 31, 2011 considering that no SARs have been granted to the non-employee directors and honorary directors for this fiscal year.

## 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 Corporation for the three most recent completed fiscal years in respect of the Chief Executive Officer, Chief Financial Officer and the Corporation'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	2010/11	412,090	-	-	515,000	-	78,000	48,262	1,053,352
	2009/10	403,340	-	63,050	396,000	-	54,263	50,785	967,438
	2008/09	394,500	-	-	568,701	-	19,942	65,698	1,048,841
Réal Bélanger Executive Vice-president and Chief Financial Officer	2010/11	278,827	11,116	39,560	300,000	-	83,600	24,804	737,907
	2009/10	273,360	8,194	29,100	240,000	-	98,390	27,802	676,846
	2008/09	267,000	7,778	25,675	330,000	-	20,786	27,046	678,285
Martin Brassard Vice-President, General Manager, Landing Gear	2010/11	267,330	10,658	39,560	250,000	-	11,292	12,790	591,630
	2009/10	258,500	6,390	29,100	260,000	-	10,044	8,763	572,797
	2008/09	246,000	5,697	20,540	187,000	-	10,625	8,470	478,332
Richard Rosenjack <sup>(4)</sup> Vice-President, General Manager Aerospace	2010/11	279,436	10,361	-	142,296	-	4,720	12,197	449,010
	2009/10	293,058	8,179	19,400	92,684	-	9,556	9,814	432,691
	2008/09	293,430	2,645	20,540	214,206	-	6,419	9,301	546,541
Michael Meshay <sup>(4)</sup> Vice-President, General Manager Industrial Products	2010/11	242,403	9,201	32,680	213,444	-	7,484	12,431	517,643
	2009/10	239,490	5,679	14,550	87,232	-	7,755	13,085	367,791
	2008/09	245,091	4,059	15,405	231,117	-	-	12,359	508,031

- (1) Share-based Awards were made under the Purchase Plan (as defined hereinafter). Value of Share-based Awards represents the Corporation'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 assuming a six-year expected life, expected volatility of 48%, no expected dividend distribution and a compounded risk-free rate of 3.5%.
- (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\$1.0164 (corresponds to the average rate for the period of April 1, 2010 to March 31<sup>st</sup>, 2011).

### 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	65,000	4.56	Aug. 2016	295,100	-	-
	85,000	4.79	Aug. 2013	366,350		
	67,000	5.00	Sept. 2011	274,700		
	90,000	9.90	Aug. 2014	-		



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> (\$)
Réal Bélanger	30,000	4.56	Aug. 2016	136,200	4,402	44,058
	25,000	4.58	Nov. 2015	113,000		
	50,000	4.79	Aug. 2013	215,500		
	40,000	9.90	Aug. 2014	-		
	23,000	5.94	Aug. 2017	72,680		
Martin Brassard	50,000	4.28	May 2012	241,000	3,880	35,308
	30,000	4.56	Aug. 2016	136,200		
	20,000	4.58	Nov. 2015	90,400		
	60,000	4.79	Aug. 2013	253,600		
	15,000	5.00	Sept. 2011	61,500		
	35,000	9.90	Aug. 2014	-		
	23,000	5.94	Aug. 2017	72,680		
Richard Rosenjack	20,000	4.56	Aug. 2016	90,800	5,286	48,103
	20,000	4.58	Nov. 2015	90,400		
	35,000	4.79	Aug. 2013	150,850		
	30,000	9.90	Aug. 2014	-		
Michael Meshay	25,000	3.84	Aug. 2012	131,500	4,235	38,539
	15,000	4.56	Aug. 2016	68,100		
	15,000	4.58	Nov. 2015	67,800		
	25,000	4.79	Aug. 2013	107,750		
	23,000	9.90	Aug. 2014	-		
	19,000	5.94	Aug. 2017	60,040		

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

(2) On March 31, 2011, the closing price of the Common Shares was \$9.10 (HRX-T).

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

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (\$)	Share-based awards – Value vested during the year <sup>(2)</sup> (\$)	Non-equity incentive plan compensation – Value earned during the year <sup>(3)</sup> (\$)
Gilles Labbé	31,447	-	515,000
Réal Bélanger	30,497	9,639	300,000
Martin Brassard	31,597	7,958	250,000
Richard Rosenjack	22,548	14,014	142,296
Michael Meshay	16,448	10,611	213,444

(1) These amounts only represent in-the-money stock options vested during the year and are calculated based on the Corporation's Common Shares value at such date when the stock options are vested.

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

(3) These amounts represent bonuses earned in fiscal 2011 but paid in fiscal 2012 – Please refer to the “Annual Incentive Compensation” section below.

#### Security-Based Compensation Arrangements

Stock options granted or securities issued by the Corporation pursuant to the Corporation'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 Corporation approved the Purchase Plan to induce key employees to hold, on a permanent basis, Common Shares of the Corporation. The Purchase Plan was amended in 2006.

### *The Stock Option Plan*

Under the Corporation'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 Corporation 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 Corporation. The purpose of the Plan is to provide an additional incentive for the Corporation's officers and key employees to promote the interests of the Corporation 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 Corporation that is classified in salary grades I to VIII according to the job classification established by the Corporation or of equivalent level in a subsidiary of the Corporation) designated by the Corporation or by the Human Resources Committee, who have no less than 6 months of continuous service, except when that condition is otherwise waived by the Human Resources Committee. The Board of Directors or the Human Resources Committee may from time to time designate any other employee of the Corporation 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 Corporation 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 30 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 Committee at the time of the grant of the options.

If an offer to purchase all of the outstanding Common Shares of the Corporation 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.

**How many securities are authorized to be issued under the security-based compensation arrangements and what percentage of the Corporation'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, 2011). At the meeting, shareholders will be asked to approve the Purchase Plan Resolution allowing the replenishment of the number of Common Shares reserved under the Purchase Plan by a number equal to the Common Shares that have been awarded under the Purchase Plan. See hereinafter the heading "Adoption of the Purchase Plan Resolution".

*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 9.2% of the Common Shares outstanding as at June 29, 2011) 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. At the Meeting, shareholders will be asked to approve the Stock Option Plan Resolution allowing the replenishment of the number of Common Shares reserved under the Stock Option Plan by a number equal to the Common Shares that have been issued following the exercise of options under the Stock Option Plan. See hereinafter the heading "Adoption of the Stock Option Plan Resolution".

The following table shows, as of March 31, 2011, aggregated information for the Corporation's Purchase Plan and Stock Option Plan which are the only compensation plans under which equity securities of the Corporation are authorized for issuance from treasury.

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

<b>Plan Category</b>	<b>Number of Common Shares to be Issued Upon Exercise of Outstanding Options and rights</b>	<b>Weighted Average Exercise Price of Outstanding Options and rights</b>	<b>Number of Common Shares Remaining Available for Future Issuance Under the Equity Compensation Plans</b>
Equity Compensation Plans of the Corporation approved by the shareholders	1,393,000	6.00	80,694
Equity Compensation Plans of the Corporation not approved by the shareholders	Nil	Nil	Nil
<b>Total:</b>	<b>1,393,000</b>	<b>-</b>	<b>80,694</b>

(1) As of March 31, 2011

During the fiscal year 2011, 138,000 options were granted under the Stock Option Plan and 24,026 Common Shares were attributed to the participating employees under the Purchase Plan.

As at June 29, 2011, 1,199,677 Common Shares were issuable upon the exercise of outstanding options representing 3.95% 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 June 6, 2018.

**What is the maximum percentage of securities available under the security-based compensation arrangements to Corporation'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 Corporation'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 maximum number of shares issuable to a single person under the Purchase Plan and any other stock option plan of the Corporation shall not represent more than 5% of the outstanding common shares in any one-year period.

*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 Corporation 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 weighted average closing price of the Corporation's Common Share on the TSX over the five trading days preceding the Common Share subscription. Also, the Corporation 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 Corporation'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 Corporation 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 Corporation 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 Corporation.

In the event that a participating employee retires (*de facto*, but after age 55), dies or becomes totally and permanently disabled (qualifying for the Corporation'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 Corporation, 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 Corporation 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 Corporation, 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 Corporation. 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 Corporation 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 Corporation.

***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 2011.

On May 26, 2011, the Board of Directors resolved to amend the Purchase Plan and the Stock Option Plan in order to allow the replenishment of the number of Common Shares reserved for issuance under these plans. See hereinafter the headings "Adoption of the Stock Option Plan Resolution" and "Adoption of the Purchase Plan Resolution".

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

Except for the Corporation's matching attribution, no financial assistance is provided by the Corporation 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 Corporation, 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 Corporation 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 Corporation 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.

***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 Corporation'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 Corporation, 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 Corporation's and employee's contributions while the ERP pension is not funded and therefore paid from Corporation's revenues.

In the event of a change in control of the Corporation, 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	28.52	223,000	301,900	2,528,500	45,300	305,300	2,879,100
Réal Bélanger	17.82	139,800	158,800	1,648,600	64,800	191,100	1,904,500

(1) Number of years of credited service as at March 31, 2011.

(2) The annual lifetime benefit at year end is based on years of credited service and pensionable earnings as at March 31, 2011. 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, 2011.

(3) The accrued obligation at start of year is the value of the accrued retirement benefits as at March 31, 2010 based on assumptions and methods in respect of fiscal year ended March 31, 2010, as disclosed in the Corporation'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 Corporation.

(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, 2011 based on assumptions and methods in respect of fiscal year ended March 31, 2011, as disclosed in the Corporation'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 Corporation.

### Defined Contribution Pension Plan

Under the defined contribution pension plan offered to executive officers working in Canada, the Corporation 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 Corporation contributes an amount equal to the executive officers' contributions to a savings account opened on their behalf; this Corporation contribution is made on a discretionary basis. An additional amount may be contributed by the Corporation 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	197,000	12,400	41,900	251,300
Richard Rosenjack	97,800	4,700	40,300	142,800
Michael Meshay	7,100	3,900	10,000	21,000

(1) The accumulated value at start of year is the account balance as at March 31, 2010.

(2) The compensatory component represents the amount of employer contributions from April 1<sup>st</sup>, 2010 to March 31, 2011.

(3) The non-compensatory component represents the amount of employee contributions and investment earnings from April 1<sup>st</sup>, 2010 to March 31, 2011.

(4) The accumulated value at year end is the account balance as at March 31, 2011.

### 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 Landing Gear, individual employment agreements stipulate that, in the case of termination of employment initiated by the Corporation for reasons other than cause, severance payments are as follow:

- Termination by the Corporation 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	\$2,075,647
Réal Bélanger	12 months + One month per year of service	24 months	\$1,048,611
Martin Brassard	12 months + one month per year of service	18 months	\$1,202,376

(1) Including salary, benefits and value of in-the-money stock options vested on March 31, 2011.

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

The Named Executive will also receive the bonus, included above, 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	\$2,949,504
Réal Bélanger	18 months + one month per year of service	30 months	\$1,551,208
Martin Brassard	18 months + one month per year of service	24 months	\$1,522,242

(1) Including salary, benefits and all in-the-money stock options outstanding as of March 31, 2011.

The Named Executive undertake to not solicit the Corporation'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 Corporation 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, included above, 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 Committee has the responsibility to establish a compensation policy for the executive officers which is consistent with the Corporation'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 Corporation's short and long-term goals and success;
- motivate the executive officers in achieving and exceeding the goals of the Corporation and of its shareholders;
- provide executive officers with total compensation that stands at the first quartile of the market comparators when the Corporation 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 Corporation's performance. The Corporation has appointed Perrault Consulting initially on February 2009 to prepare annually comparative market data (a fee of \$10,000 has been paid by the Corporation to Perrault Consulting for the preparation of the annual 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 8 companies selected considering criteria such as annual revenues between \$200 million and \$1,000 million, comparable client base, publicly-traded, autonomous, market for potential recruitment and entrepreneurial (the "Comparator Group"), these companies are :

Companies	Selection criteria			Revenues (000's)
	High Technology	Aerospace	Important Shareholder Head Office in Quebec	
Com Dev International Ltd	X			220 921 \$
Northstar Aerospace Inc	X	X	X	215 607 \$
Vector Aerospace Corp	X	X	X	544 644 \$
Magellan Aerospace Corp	X	X		732 504 \$
Transdigm Group Inc	X	X		827 645 \$
LMI Aerospace Inc	X	X		223 356 \$
Ducommun Technologies	X	X		408 406 \$
Aerovironement	X	X		249 518 \$

### *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 Corporation philosophy with respect to same, is hereinafter detailed.

## Base Salary

The Corporation'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 Corporation offers executive officers of the Corporation and of its Product Lines or business units the possibility to earn an annual bonus provided the Corporation achieves or exceeds its product line/business unit financial objectives and provided the executive officer or employee achieves specific personal objectives. The annual bonus for the product line 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) and operating income; the annual bonus for the Named Executives rests in the achievement of the budgeted net income and earnings per share. The combination of base salary and annual bonus are between the 50<sup>th</sup> percentile (median) and 55<sup>th</sup> percentile of the Comparator Group.

Target bonus is calculated based on the degree of achievement of the financial performance presented in the annual budget of the Corporation. In order to be eligible to receive bonuses based on financial performance the product line 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 120% for eligible managers, 130% for senior managers and 170% for Named Executives 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 Corporation as a whole based on consolidated net income. Therefore, the total annual incentive compensation paid based on the Corporation's performances is composed of the following:

- 75% of the target bonus is based on the product lines and business units performances; and
- 25% of the target bonus is based on the Corporation'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 Corporation's policies be varied on the overall performance of the Corporation 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 Corporation are realized during the year.

The Corporation's achievement of financial objectives and performance as a whole and per product line for the fiscal year ended March 31, 2011 ranged from 87% to 162%.

For the fiscal year ended March 31, 2010, the following Annual Incentive Compensation was paid in fiscal year 2011 to each Named Executives:

<b>Named Executives</b>	<b>Annual Incentive Compensation</b>	<b>% of Base Salary</b>
Gilles Labbé	396,000\$	98%
Réal Bélanger	240,000\$	88%
Martin Brassard	260,000\$	101%
Richard Rosenjack <sup>(1)</sup>	92,684\$	32%
Michael Meshay <sup>(1)</sup>	87,232\$	36%

(1) All amounts were paid in US currency at a translation rate of CAN\$1.0904 (corresponds to the average rate for the period of April 1, 2009 to March 31, 2010)

For the fiscal year ended March 31, 2011, the following Annual Incentive Compensation will be paid in fiscal year 2012 to each Named Executives:

Named Executives	Annual Incentive Compensation	% of Base Salary
Gilles Labbé	515,000\$	125%
Réal Bélanger	300,000\$	108%
Martin Brassard	250,000\$	94%
Richard Rosenjack <sup>(1)</sup>	142,296\$	51%
Michael Meshay <sup>(1)</sup>	213,444\$	88%

(1) All amounts were paid in US currency at a translation rate of CAN\$1.0164 (corresponds to the average rate for the period of April 1, 2010 to March 31, 2011)

#### Long-term Incentive Compensation

The establishment of a balance between short and long-term compensation is essential for the Corporation's performance. For this reason, the Corporation 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 Corporation 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 Named Executives by a multiple varying between 30% and 50%, established according to the level of responsibility and authority of such Named Executives. 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 Corporation'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 30 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 Corporation has also approved an employee stock purchase plan to induce key employees to hold, on a permanent basis, Common Shares of the Corporation. Reference is made to the description of such plan under the heading "Stock Purchase and Ownership Incentive Plan" above.

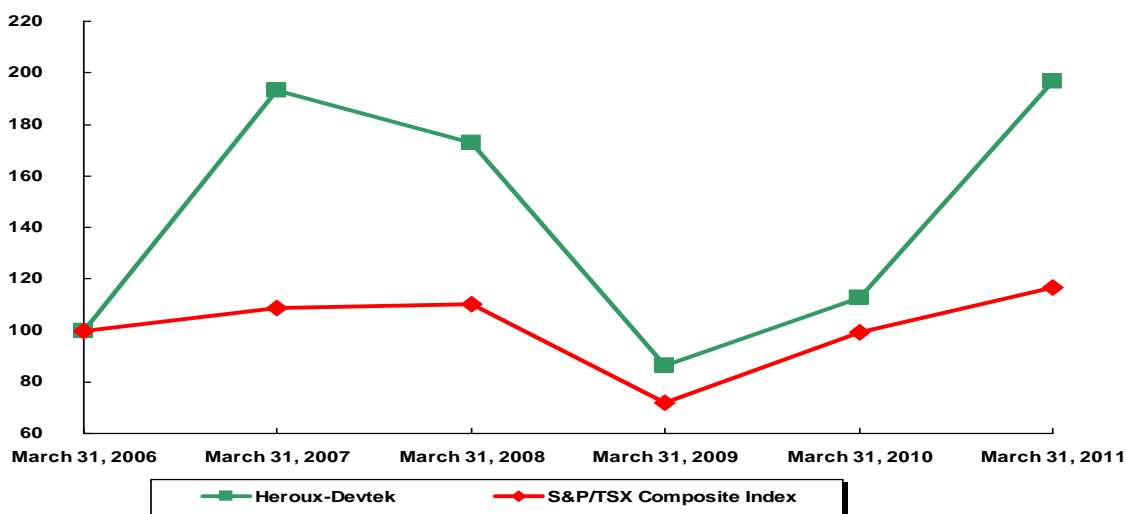
#### Benefits and Perquisites

The Corporation'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 primary 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 Corporation's Common Shares on March 31, 2006 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.

## Performance Graph



	March 2006	March 2007	March 2008	March 2009	March 2010	March 2011
Héroux-Devtek	\$100.00	\$193.30	\$172.79	\$86.39	\$112.53	\$196.54
S&P/TSX	\$100.00	\$108.70	\$110.23	\$72.01	\$99.40	\$116.56

The trend shown by the above graph is a positive total cumulative return for a shareholder over the past five years. During the same five year period, total compensation received by the Named Executives is generally in line with the trend. The overall Corporation's results were favourably impacted in the Aerostructure segment, mainly in the Aerostructure product line, due to the improvement in the commercial aerospace market and, in the Industrial segment, due to the increase in sales in the Heavy Equipment product sales and to the continued improvement in manufacturing efficiency. The Landing Gear product line, excluding the acquisition, was negatively impacted by the reduced manufacturing military sales and the currency movements during the year.

### Transaction with Interested Parties

The Corporation is not aware that any of its directors, officers, nominees for election as directors, other insiders of the Corporation 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 Corporation's most recently completed financial year or in any proposed transaction which has materially affected or is likely to materially affect the Corporation or any of its subsidiaries.

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

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

### Liability Insurance

The Corporation 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, 2011, the premium paid by the Corporation amounted to \$100,000. When the Corporation 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 Corporation, at a compensation for their services to be determined by the Board of Directors.**

## ADOPTION OF THE STOCK OPTION PLAN RESOLUTION

The Stock Option Plan currently reserves for issuance a total of 2,808,257 common shares, representing 9.2% of the issued and outstanding common shares as of June 29, 2011. There is, as of June 29, 2011, 1,199,677 options outstanding and 43,718 Common Shares remaining available for future grant under the Stock Option Plan. At the Meeting, the shareholders will be called upon to approve modifications to the Stock Option Plan allowing the replenishment of the number of Common Shares reserved under the Stock Option Plan by a number equal to the Common Shares that have been issued following the exercise of options under the Stock Option Plan. Shareholders will be asked to consider and, if deemed appropriate, to pass, with or without variation, the Stock Option Plan Resolution, in the form set forth below, subject to such amendments, variations or additions as may be approved at the Meeting, approving the modifications to the Stock Option Plan:

“Whereas, subject to shareholders and TSX approvals, the Board of Directors of the Corporation approved on May 26, 2011 certain amendments to the Stock Option Plan in order to allow the replenishment of the number of Common Shares reserved under the Stock Option Plan by a number equal to the Common Shares that have been issued following the exercise of options under the Stock Option Plan so that, as of August 4, 2011, the total number of Common Shares reserved for issuance under the Stock Option Plan be fixed at 2,808,257 Common Shares.

BE IT RESOLVED AS A RESOLUTION OF THE SHAREHOLDERS:

1. THAT the Common Shares that have been issued in the past following the exercise of options under the Stock Option Plan be replenished so that, as of August 4, 2011, the total number of Common Shares reserved for issuance be fixed at 2,808,257; and
2. THAT any director or officer of the Corporation be, and each of them is hereby, authorized and directed, for and in the name of and on behalf of the Corporation, to execute and deliver or cause to be executed and delivered all documents, and to take any action, which, in the opinion of that person, is necessary or desirable to give effect to this resolution.”

The Board and management recommend the adoption of the Stock Option Plan Resolution. To be effective, the Stock Option Plan Resolution must be approved by not less than a majority of the votes cast by the holders of common shares present in person, or represented by proxy, at the Meeting.

**Unless the form of proxy states otherwise, the persons named in the enclosed form of proxy will vote FOR the approval of the Stock Option Plan Resolution.**

## ADOPTION OF THE PURCHASE PLAN RESOLUTION

The Purchase Plan currently reserves for issuance a total of 340,000 common shares, representing 1.1% of the issued and outstanding common shares as of June 29, 2011. There is, as of June 29, 2011, 20,006 common shares remaining for further issuance under the Purchase Plan. At the Meeting, the shareholders will be called upon to approve the modifications to the Purchase Plan allowing the replenishment of the number of Common Shares reserved under the Purchase Plan by a number equal to the Common Shares that have been issued under the Purchase Plan. Shareholders will be asked to consider and, if deemed appropriate, to pass, with or without variation, the Purchase Plan Resolution, in the form set forth below, subject to such amendments, variations or additions as may be approved at the Meeting, approving the modifications to the Purchase Plan:

“Whereas, subject to shareholders and TSX approvals, the Board of Directors of the Corporation approved on May 26, 2011 certain amendments to the Purchase Plan in order to allow the replenishment of the number of Common Shares reserved under the Purchase Plan by a number equal to the Common Shares that have been issued under the Purchase Plan so that, as of August 4, 2011, the total number of Common Shares reserved for issuance under the plan be fixed at 340,000 Common Shares.

BE IT RESOLVED AS A RESOLUTION OF THE SHAREHOLDERS:

1. THAT the Common Shares that have been issued in the past under the Purchase Plan be replenished so that, as of August 4, 2011, the total number of Common Shares reserved for issuance be fixed at 340,000; and
2. THAT any director or officer of the Corporation be, and each of them is hereby, authorized and directed, for and in the name of and on behalf of the Corporation, to execute and deliver or cause to be executed and delivered all documents, and to take any action, which, in the opinion of that person, is necessary or desirable to give effect to this resolution."

The Board and management recommend the adoption of the Purchase Plan Resolution. To be effective, the Purchase Plan Resolution must be approved by not less than a majority of the votes cast by the holders of common shares present in person, or represented by proxy, at the Meeting.

**Unless the form of proxy states otherwise, the persons named in the enclosed form of proxy will vote FOR the approval of the Purchase Plan Resolution.**

#### AMENDMENTS TO ARTICLES

On February 14, 2011, the *Companies Act* (Québec) was replaced by the new *Business Corporations Act* (Québec) (the "Business Corporations Act").

The new Business Corporations Act provides that a corporation may hold shareholder meetings at a place outside of the Province of Québec if the articles so allow. In light of the Corporation's significant operations and shareholder base outside of the Province of Québec, the Board of Directors believes that it would be beneficial both to the Corporation and its shareholders to permit shareholder meetings to be held outside of the Province of Québec.

The new Business Corporations Act further provides that if the articles so allow, the directors of a corporation that is a reporting issuer may appoint one or more additional directors to hold office for a term expiring not later than the close of the annual shareholders meeting following their appointment, provided that the total number of directors so appointed may not exceed one third of the number of directors elected at the annual shareholders meeting preceding their appointment.

The new Business Corporations Act also provides that the board of directors of a corporation may, on behalf of the corporation (i) borrow money; (ii) issue, reissue, sell or hypothecate its debt obligations; (iii) enter into a suretyship to secure performance of an obligation of any person; and (iv) hypothecate all or any of its property, owned or subsequently acquired, to secure performance of an obligation. The Corporation's former incorporating Act, the *Companies Act* (Québec), did not provide for such powers, hence the necessity under the previous incorporating Act to provide for such powers in the articles or by-laws of the Corporation. It is no longer necessary to include the text of the borrowing powers in the articles.

In the course of the Board's succession planning process to nominate candidates to join the Board of Directors and develop their knowledge of the Corporation's operations, the Board considered that such an amendment to the Corporation's articles would be beneficial to the Corporation and its shareholders in order to support this process and ensure a smooth transition from any retiring directors or otherwise departing directors, including maintaining critical competencies. The Board also believes that it would be beneficial to the Corporation and its shareholders to give the Board flexibility to add directors who possess expertise and knowledge relevant to the Corporation's operations from time to time between two annual shareholder meetings.

Accordingly, the Board of Directors, at its meeting held on May 26, 2011, adopted a resolution to amend the articles of the Corporation. In accordance with the Business Corporations Act, amendments to the Corporation's articles must be approved by the shareholders. Shareholders will be asked to consider and, if deemed appropriate, to pass, with or without variation, the Special Resolution, in the form set forth below, subject to such amendments, variations or additions as may be approved at the Meeting, amending the articles of the Corporation:

"BE IT RESOLVED AS A SPECIAL RESOLUTION OF THE SHAREHOLDERS:

1. THAT the articles of the Corporation be amended to include provisions to the effect that: (i) the Board of Directors may, at its discretion, appoint one (1) or more directors, who shall hold office for a term expiring no later than the close of the annual meeting of shareholders following their appointment, provided that the total number of directors so appointed may not exceed one-third of the number of directors elected at the annual meeting of shareholders preceding their appointment;

(ii) the Board of Directors may, at its discretion and from time to time, determine the place, whether within or outside of the Province of Québec, where a meeting of shareholders shall be held; and (iii) schedule 1 to the articles of amalgamation of the Corporation dated June 26, 1985 relating to the Corporation's borrowing powers be revoked; and

2. THAT any director or officer of the Corporation be, and each of them is hereby, authorized and directed, for and in the name of and on behalf of the Corporation, to execute and deliver or cause to be executed and delivered Articles of Amendment under the *Business Corporations Act* (Québec) and to execute and deliver or cause to be executed and delivered all documents, and to take any action, which, in the opinion of that person, is necessary or desirable to give effect to this special resolution."

The Board and management recommend the adoption of the Special Resolution. To be effective, the Special Resolution must be approved by not less than two-thirds of the votes cast by the holders of common shares present in person or represented by proxy, at the Meeting.

**Unless the form of proxy states otherwise, the persons named in the enclosed form of proxy will vote FOR the approval of the Special Resolution.**

#### **AMENDMENTS TO BY-LAWS**

In accordance with the transitional provisions of the Business Corporations Act, the Corporation has been governed by this Act since the date of its coming into force. The Board of Directors adopted new By-laws on May 26, 2011 to align the By-laws with the terminology and principles set out in the new Business Corporations Act as well as governance best practices.

Schedule "A" to this Circular includes the new By-laws which, subject to shareholders' approval, will replace the actual General By-laws.

The principal differences between the new By-laws and the actual General By-laws of the Corporation in the areas mentioned hereinafter result from the Business Corporations Act or governance best practices and are as follow:

#### **Matters affecting shareholders and the calling and holding of their meetings**

- An annual meeting of shareholders must be held not later than 15 months after the last preceding annual meeting;
- Subject to the required amendments to the articles described in this Circular, an annual or special shareholders meeting may be held outside the Province of Québec;
- In accordance with the Business Corporations Act, a notice of any special shareholders meeting indicates the date, time and place of the meeting and the business to be transacted and contains the text of any special resolution to be submitted to the meeting;
- In accordance with the Business Corporations Act, a notice of any annual or special shareholders meeting must be given to shareholders entitled to vote at the meeting and to each director not less than 21 days and not more than 60 days before the date of the meeting;
- A notice of any annual or special meeting may contain a provision concerning the closing of the securities register on a date no more than 60 clear days before the date of such meeting, and the record date to determine shareholders entitled to receive notice of or to vote at a meeting is not less than 21 days and not more than 60 days before the date of the meeting;
- In accordance with the Business Corporations Act, if a shareholders meeting is adjourned for an aggregate of 30 days or more, notice must be given as for an original meeting; and
- If two or more persons hold shares jointly, one of those shareholders present at a shareholders meeting may, in the absence of the others, exercise the voting right attached to those shares; if two or more of such shareholders are present at the meeting, they must vote as one.

### **The business of the Board of Directors and the powers of directors**

- Subject to the required amendments to the articles described in this Circular, the By-laws allow the directors to appoint one or more additional directors to hold office for a term expiring not later than the close of the next annual shareholders meeting following their appointment;
- In accordance with the Business Corporations Act, the powers of the Board of Directors have been restated to provide for the exercise by the Board of Directors of all the powers necessary to manage, or supervise the management of, the business and affairs of the Corporation. Except to the extent provided by the Business Corporations Act, such powers may be exercised without shareholder approval and may be delegated to a director, an officer or one or more committees of the Board of Directors;
- Without limiting the foregoing, the By-laws confirm that the Board of Directors may, among other things, borrow money, issue, reissue, sell or hypothecate the Corporation's debt obligations, have the Corporation enter into a suretyship to secure performance of an obligation of any person and hypothecate all or any of its property, owned or subsequently acquired, to secure any obligation;
- A director who is not present at a meeting at which a resolution is adopted is deemed to have consented to the resolution unless the director records his or her dissent in accordance with the Business Corporations Act within 7 days after becoming aware of the resolution; and
- The By-laws confirm that a majority of the directors in office constitutes a quorum at any meeting of the Board of Directors.

### **Provisions regarding conflicts of interest**

The By-laws are now consistent with the Business Corporations Act in that they state the general principle contained in the legislative provisions dealing with conflicts of interest of directors and referring to the Business Corporations Act for their implementation, including the manner in which a director must disclose his interest in a contract or a transaction to which the Corporation is party.

### **Harmonization of provisions regarding the indemnification of directors**

Provisions allowing the Corporation to indemnify directors and officers of the Corporation (or a group in which the Corporation was a shareholder or creditor) have also been added to be in line with the criteria set out in the Business Corporations Act.

### **Other amendments**

- An updated list of offices and related position descriptions;
- Shares are certificated unless the Board of Directors, by resolution, determines that shares of any class or series or certain shares of a given class or series will be uncertificated. The Board of Directors may also, by resolution, determine that a certificated share will become an uncertificated share as soon as the paper certificate is surrendered to the Corporation, directly or by the intermediary of a transfer agent; and
- The Board of Directors may, from time to time, subject to the laws governing the Corporation, including the Act respecting the transfer of securities and the establishment of security entitlements (R.S.Q. c. T-11.002), regulate, from time to time or generally, the transfer of the securities of the Corporation; the transfer of uncertificated shares, if any, is subject to the conditions prescribed by law.

Shareholders will be asked to consider and if deemed appropriate, to pass, with or without variation, the By-Laws Resolution, in the form set forth below, subject to such amendments, variations or additions as may be approved at the Meeting, approving and ratifying the new By-laws:

"BE IT RESOLVED AS A RESOLUTION OF THE SHAREHOLDERS:

1. THAT the new Corporation's By-laws, as described in the Management Proxy Circular dated June 29, 2011, enacted and made by the directors of the Corporation on May 26, 2011, be and they are hereby approved and ratified; and
2. THAT any director or officer of the Corporation be, and each of them is hereby, authorized and directed, for and in the name of and on behalf of the Corporation, to execute and deliver or cause to be executed



and delivered all documents, and to take any action, which, in the opinion of that person, is necessary or desirable to give effect to this resolution.”

The Board of Directors and management recommend the adoption of the By-Laws Resolution. To be effective, the By-Laws Resolution must be approved by not less than a majority of the votes cast by the holders of common shares present in person or represented by proxy, at the Meeting.

**Unless the form of proxy states otherwise, the persons named in the enclosed form of proxy will vote FOR the approval of the By-Laws Resolution.**

#### **Additional Information**

Additional information relating to the Corporation is on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may contact the Corporation at the following address to request copies of the Corporation's consolidated financial statements and MD&A: Secretary, Héroux-Devtek Inc., Suite 658, East Tower, Complexe Saint-Charles, 1111 Saint-Charles Street W., Longueuil, Québec, Canada, J4K 5G4. These documents are also available on the Corporation'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 Corporation'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 Corporation.

*(s) François Renaud*

Longueuil, Québec  
June 29, 2011

François Renaud  
Secretary

**SCHEDULE "A"**

[TRANSLATION]

# BY-LAWS

OF  
HÉROUX-DEVTEK INC.

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# BY-LAWS

## OF HÉROUX-DEVTEK INC.

### 1. INTERPRETATION

The following words and phrases, some of which are defined in section 2 of the *Business Corporations Act* (Québec), whenever used in the by-laws of the Corporation, shall, unless there be something in the context inconsistent therewith, have the following meanings:

"**Act**" means the *Business Corporations Act* (Québec), as amended, and includes any subsequent amendment thereto and any other statute which may be substituted therefor;

"**affiliates**" means legal persons one of whom is a subsidiary of the other, or legal persons who are controlled by the same person;

"**articles**" means the articles of constitution, of amendment, of amalgamation and of continuance of the Corporation and articles confirming a compromise or arrangement or any correction, as well as any further amendment thereto;

"**by-laws**" means the by-laws of the Corporation from time to time in force and effect and any amendments thereto;

"**clear days**" means, when reference is made to the sending of a notice of a meeting that neither the day on which the notice is sent nor the day upon which such meeting is to be held shall be counted in calculating such notice;

"**court**" means the Superior Court of Québec;

"**directors**" means the Board of Directors of the Corporation;

"**enterprise registrar**" means the registrar entrusted with keeping, preserving and ensuring the publicity of the register instituted pursuant to the Legal Publicity Act;

"**group**" means any legal person, any group of persons or any group of properties, including an organization, joint venture or trust;

"**Legal Publicity Act**" means *An Act respecting the legal publicity of enterprises* (Québec), as amended, and includes any subsequent amendment thereto and any other statute which may be substituted therefor;

"**resolution**" or "**ordinary resolution**" means a resolution that requires a majority of the votes cast at a shareholders meeting by the shareholders entitled to vote on the resolution, or a resolution that requires the signature of all such shareholders;

"**Securities Transfer Act**" means *An Act respecting the transfer of securities and the establishment of security entitlements* (Québec) as amended and includes any subsequent amendment thereto and any other statute which may be substituted therefor;

"**shareholder**" means a shareholder who is registered in the securities register of a corporation, and includes a shareholder's representative; and

"**special resolution**" means a resolution that requires at least two thirds (2/3) of the votes cast at a shareholders meeting by the shareholders entitled to vote on the resolution, or a resolution that requires the signature of all such shareholders.

Subject to the foregoing, the words and phrases defined in the Act shall have the same meaning whenever used herein.

The titles herein have been inserted for convenience of reference only and shall not affect the interpretation of the terms and provisions hereof.

Words importing the singular number only shall include the plural and vice versa; words importing the masculine gender shall include the feminine gender; and words importing persons shall include in addition to natural persons

and legal persons, partnerships, trusts, associations and any other groups of persons that are not constituted as legal persons.

## **2. NAME OF CORPORATION, HEAD OFFICE AND SEAL**

### **2.1 NAME**

2.1.1 The name of the Corporation is the name set out in its articles.

2.1.2 The name of the Corporation must appear on all its negotiable instruments, contracts, invoices and purchase orders for goods or services. The Corporation may also, subject to the provisions of the Act, operate under and identify itself by a name other than its own.

### **2.2 HEAD OFFICE**

2.2.1 The head office of the Corporation must be permanently located in Québec.

2.2.2 The Corporation may, by resolution of its Board of Directors, relocate its head office within the judicial district in which it is located. It may also by special resolution, relocate its head office to another judicial district in Québec.

2.2.3 The Corporation must declare to the enterprise registrar any change of address of its head office in accordance with the Legal Publicity Act

2.2.4 In addition to its head office, the Corporation may establish and maintain other offices, establishments, branches and agencies elsewhere, inside or outside Québec.

### **2.3 SEAL**

2.3.1 The Corporation may adopt a seal without however being required to do so. The seal of the Corporation, if any, shall in particular, bear the name of the Corporation and, if deemed appropriate, the year of its constitution.

2.3.2 Any director or officer of the Corporation or any other person authorized for such purpose from time to time, by the Board of Directors, shall have authority to affix the seal of the Corporation to any document requiring same.

## **3. ANNUAL MEETINGS AND MEETINGS OF SHAREHOLDERS**

### **3.1 CALLING OF MEETINGS**

3.1.1 The annual meeting of the shareholders of the Corporation shall be held not later than fifteen (15) months after the last preceding annual shareholders meeting, on such date (once at least in every calendar year and not later than six (6) months reckoning from the end of the Corporation's financial year) as the Board of Directors may determine, from time to time, by resolution.

3.1.2 The Board of Directors calls the annual shareholders meeting. Otherwise, such meeting may be called by the shareholders in accordance with the provisions of the Act and of the by-laws.

3.1.3 The annual shareholders meeting is held at the place within Québec determined by the Board of Directors. It may also be held at a place outside Québec, if the articles so allow or, in the absence of such a provision, if all the shareholders entitled to vote at the meeting agree thereto.

3.1.4 Notice of a shareholders meeting must be sent to each shareholder entitled to vote at the meeting and to each director not less than twenty-one (21) days clear and not more than sixty (60) days before the meeting.

3.1.5 The notice of meeting must specify, the date, time and place of the meeting. It must also contain the other particulars required by the Act and it must, more particularly state the business on the agenda in sufficient detail to permit the shareholders to form a reasoned judgment on it. It must contain the text of any special resolution to be submitted to the meeting.

- 3.1.6 The notice of a meeting of shareholders shall be validly sent if served upon all shareholders entitled thereto or deposited at their respective domiciles or ordinary establishments or sent by mail, postage prepaid to their respective addresses as they appear on the books of the Corporation. Such notice may also be delivered by hand to the shareholder or his representative.

If a shareholder requests or accepts it, any notice may be forwarded to him, in accordance with the applicable laws, by fax, electronic mail or by any other technological means, at the disposal of the shareholder and deemed appropriate by the Board of Directors.

- 3.1.7 In the case of joint holders of a share, all notices shall be given to that one of them whose name stands first in the books of the Corporation, and notice so given shall be sufficient notice to each of such joint holders.
- 3.1.8 Any shareholders or directors may, in writing, by fax or by electronic mail filed with the records of the meeting, either before or after the holding thereof, waive notice of a shareholders meeting. Their attendance at the meeting is a waiver of notice of the meeting unless they attend the meeting for the sole purpose of objecting to the holding of the meeting on the grounds that it was not lawfully called or held.
- 3.1.9 The Board of Directors may, by resolution, fix in advance a date as the record date for the purpose of determining shareholders entitled to receive notice of a shareholders meeting, receive payment of a dividend, participate in a liquidation, distribution and vote at a shareholders meeting or for any other purpose.

For the purpose of determining which shareholders are entitled to receive notice of a shareholders meeting or vote at the meeting, the record date must be not less than twenty-one (21) days and not more than sixty (60) days before the meeting.

- 3.1.10 Irregularities in the notice or in the giving thereof to, or the accidental omission to give notice to, or the non-receipt of any such notice by any of the shareholders shall not invalidate any action taken by or at any such meeting.

## **3.2 PROXIES**

- 3.2.1 A shareholder may be represented at a shareholders meeting by a proxyholder. A shareholder so represented is deemed to be present at the meeting. Any person, whether or not a shareholder of the Corporation, may be appointed a proxyholder.
- 3.2.2 A proxy must be in writing and signed by the shareholder. In addition to the date, the proxy must include the name of the proxyholder and, if applicable, revoke any former proxy.

Unless otherwise indicated, a proxy lapses one (1) year after the date it is given. It may be revoked at any time.

- 3.2.3 A proxyholder has the same rights as the shareholder represented to speak at a shareholders meeting in respect of any matter and to vote at the meeting.

However, a proxyholder who has conflicting instructions from more than one (1) shareholder may not vote by a show of hands.

## **3.3 CONDUCT OF MEETING**

- 3.3.1 Any person entitled to attend a shareholders meeting may participate in the meeting by means of any equipment enabling all participants to communicate directly with one another. A person participating in a meeting by such means is deemed to be present at the meeting.
- 3.3.2 A shareholders meeting may be held solely by means of equipment enabling all participants to communicate directly with one another.
- 3.3.3 A quorum of shareholders is present at a shareholders meeting if, at the opening of the meeting, two holders of at least twenty-five per cent (25%) of the outstanding shares that carry the right to vote at the meeting are present in person or represented by proxy. If a quorum is present at the opening of a meeting of shareholders, the shareholders present, in person or by proxy, may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting.



If a quorum is not present at the opening of a meeting, the meeting, if convened on the requisition of shareholders, shall be dissolved. In any other case, the shareholders present may adjourn the meeting to the place, date and hour fixed by resolution, notice of this second meeting or adjourned meeting to be given to all shareholders entitled thereto, as hereinafter provided. The quorum, at this second meeting or adjourned meeting, shall consist solely of the persons present thereat and entitled to vote. At this second meeting or adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

If a shareholders meeting is adjourned for less than thirty (30) days, it is not necessary to give notice of the adjourned meeting other than by announcement at the original meeting. If a shareholders meeting is adjourned by one (1) or more adjournments, for an aggregate of thirty (30) days or more, notice of the adjourned meeting must be given as for an original meeting.

- 3.3.4 Unless otherwise provided in the articles, each shareholder is entitled, during a meeting to one (1) vote on a show of hands and, upon a ballot, to one (1) for each share carrying voting rights registered in his or its name in the books of the Corporation.
- 3.3.5 Any matter submitted to a meeting of shareholders shall be decided by a majority of the votes cast at such meeting except matters as to which a number of votes or the consent of the holders of shares entitled to more than the majority of the votes cast is required or directed by the applicable laws, by the articles or by the by-laws of the Corporation.
- 3.3.6 The vote at a meeting of shareholders shall be decided by show of hands or, at the demand of the chairman of the meeting or of any shareholder entitled to vote, by ballot. A ballot may be demanded either before or after any vote by show of hands.

The vote may be held by any means of communication made available by the Corporation.

- 3.3.7 A natural person authorized by a resolution of the Board of Director or of the management of a shareholder who is a legal person or a group may participate in and vote at a shareholders meeting. A person acting for a shareholder as administrator of the property of others may participate in and vote at a shareholders meeting.
- 3.3.8 If two (2) or more persons hold shares jointly, one (1) of those shareholders present at a shareholders meeting may, in the absence of the others, exercise the voting right attached to those shares. If two (2) or more of such shareholders are present at the meeting, they must vote as one (1).
- 3.3.9 Any shareholder participating in a shareholders meeting by means of equipment enabling all participants to communicate directly with one another may vote by any means enabling votes to be cast in a way that allows them to be verified afterwards and protects the secrecy of the vote when a ballot has been requested.
- 3.3.10 At a shareholders meeting, unless a vote is demanded, a declaration by the chairman of the meeting that a resolution of the shareholders has been carried and an entry to that effect in the minutes of the meeting constitute, in the absence of any evidence to the contrary, proof of such fact, without it being necessary to prove the number or proportion of the votes recorded for and against the resolution.
- 3.3.11 The Chairman of the Board or, in his absence, the President or, in his absence, one of the Vice-Presidents who is a director (to be designated by the meeting, in the event of more than one such Vice-President being present) shall preside at all meetings of the shareholders. If all of the aforesaid officers are absent or decline to act, the shareholders present may choose one person among them to act as chairman of the meeting. The chairman of the meeting may appoint one (1) or more scrutineers (who need not be shareholders) to act as scrutineers at such meeting. In the event of an equality of votes, the chairman of the meeting of shareholders shall not be entitled to cast a second or casting vote in respect of any matter submitted to the vote of the meeting.
- 3.3.12 Every shareholder shall provide the Corporation with an address to which all notices intended for such shareholder shall be sent and, if any shareholder fails to provide such address, any such notice may be sent to him at any other address of such shareholder at that time appearing on the books of the Corporation. If no address appears on the books of the Corporation, such notice may be sent to such address as the person sending the notice may consider to be the most likely to result in such notice promptly reaching such shareholder. If a shareholder requests or specifically consents to receive any notice intended for him by fax,

electronic mail or by any other technological means, he must provide the fax or electronic address or any other address where he wishes to receive them.

#### **4. SPECIAL SHAREHOLDERS MEETING**

##### **4.1 CALLING OF MEETING**

4.1.1 The Board of Directors, the Chairman of the Board or the President or any Vice-President who is a member of the Board of Directors may, at any time, call a special meeting of the shareholders.

4.1.2 The holders of not less than ten percent (10%) of the shares that carry the right to vote at a shareholders meeting sought to be held may requisition the Board of Directors to call a shareholders meeting for the purposes stated in the requisition.

The requisition, signed by at least one (1) shareholder, must state the business to be transacted at the meeting and must be sent to each director and to the Corporation at the head office of the Corporation.

4.1.3 On receiving the requisition, the Board of Directors calls a shareholders meeting to transact the business stated in the requisition. If the Board of Directors does not within twenty-one (21) days after receiving the requisition call a meeting, any shareholder who signed the requisition may call the meeting.

##### **4.2 APPLICABLE PROVISIONS**

The provisions of section 3 apply to special shareholders meeting, with the necessary modifications.

#### **5. BOARD OF DIRECTORS**

##### **5.1 NUMBER OF DIRECTORS**

5.1.1 The Board of Directors of the Corporation shall consist of a such fixed or minimum and maximum number of directors as set out in the articles of the Corporation. In the latter case, the precise number thereof shall be the number determined from time to time by resolution of the Board of Directors, failing which it shall be the number of directors corresponding to the number thereof elected at the last annual meeting of shareholders.

5.1.2 If circumstances prevent a shareholders meeting from electing the fixed number or minimum number of directors required by the articles, the directors elected at that meeting may exercise all the powers of the directors if the number of directors so elected constitutes a quorum

##### **5.2 CAPACITY**

5.2.1 Any natural person may be a director of the Corporation, except:

- (a) a minor;
- (b) a person of full age under tutorship or curatorship;
- (c) a bankrupt
- (d) a person prohibited by the court from holding such office; and
- (e) a person declared incapable by decision of a court of another jurisdiction.

5.2.2 A director is not required to be a shareholder of the Corporation.

##### **5.3 ELECTION AND TERM OF OFFICE**

5.3.1 Each director shall (except as otherwise provided in the by-laws) be elected at the annual meeting of the shareholders by a majority of the votes cast in respect of such election. It shall not be necessary that the voting for the election of the directors be conducted by ballot, unless voting by ballot is expressly requested by the chairman of the meeting or someone present and entitled to vote at the meeting at which such

election takes place. Each director so elected shall hold office until the election of his successor, unless he shall resign or his office become vacant by death, removal or other cause.

5.3.2 The office of a director shall automatically become vacant if he becomes disqualified for the office of director under the *Civil Code of Québec*.

5.3.3 The decisions taken by the directors during a meeting of the Board of Directors shall be valid notwithstanding the subsequent discovery of any irregularity in the election or appointment of one (1) or more directors or of their inability to serve as directors.

#### **5.4 FUNCTIONS AND POWERS OF BOARD OF DIRECTORS**

5.4.1 The Board of Directors exercises all the powers necessary to manage, or supervise the management of, the business and affairs of the Corporation.

Except to the extent provided by the Act, such powers may be exercised without shareholder approval and may be delegated to a director, an officer or one or more committees of the Board.

5.4.2 The Board of Directors of the Corporation may, on behalf of the Corporation:

- (a) borrow money;
- (b) issue, reissue, sell or hypothecate its debt obligations;
- (c) enter into a suretyship to secure performance of an obligation of any person; and
- (d) hypothecate all or any of its property, owned or subsequently acquired, to secure any obligation.

5.4.3 The Board of Directors may designate the officers of the Corporation, appoint directors or other persons as officers and specify their functions.

The officers are mandataries of the Corporation.

The Board of Directors may create one or more committees made up of directors.

#### **5.5 REMUNERATION OF DIRECTORS**

5.5.1 Each of the directors of the Corporation shall receive such remuneration as the Board of Directors shall fix, from time to time, by resolution.

5.5.2 The directors shall be entitled to be repaid by the Corporation all such reasonable travelling (including hotel and incidental) expenses as they may incur in attending meetings of the directors or shareholders or which they may otherwise incur in or about the business of the Corporation.

5.5.3 Any director who, by request of the directors or of an authorized officer, performs special services for the Corporation may be paid such extra remuneration as the Board of Directors may determine.

#### **5.6 MEETINGS OF THE BOARD OF DIRECTORS AND NOTICE**

5.6.1 Immediately after each annual meeting of the shareholders, a meeting, called "annual meeting", of such of the newly elected directors as are then present shall be held, without further notice, provided they shall constitute a quorum, for the election and/or appointment of the officers of the Corporation, and the transaction of such other business as may come before them.

5.6.2 Regular meetings of the Board of Directors may be held at such places, within or outside Québec, at such time and upon such notice as may be determined, from time to time, by resolution of the Board of Directors. A copy of any resolution of the Board of Directors determining the place and date of such regular meetings shall be sent to each director immediately after its adoption, but no other notice will be required for a regular meeting.

- 5.6.3 Any meeting of the Board of Directors convened otherwise than in conformity with the provisions of paragraphs 5.6.1 and 5.6.2 shall be a special meeting.
- 5.6.4 Special meetings of the Board of Directors may be called, at any time and from time to time, by or on the order of the Chairman of the Board, the President, any Vice-President who is a director or by any two (2) directors. Notice specifying the place, day and hour of a meeting, as well as any matter to be dealt with relating to powers the Board of Directors may not delegate under the Act, shall be served upon each of the directors or left at his usual residence or usual place of work, or shall be sent by mail postage prepaid, at his address as it appears on the books of the Corporation, at least two (2) clear days prior to the date fixed for such meeting. If the address of any director does not appear in the books of the Corporation, then such notice shall be sent to such address as the person sending the notice may consider to be the most likely to result in such notice promptly reaching such director. Any special meeting so convened may be held at the head office of the Corporation or at such other place approved by resolution of the directors.
- 5.6.5 Notice of an adjourned annual or special meeting of the Board of Directors is not required to be given if the time and place of the adjourned meeting is announced at the same time as the adjournment.
- 5.6.6 If a director requests or accepts it, any notice may be forwarded to him in accordance with the applicable laws, by fax, electronic mail or by any other technological means at the disposal of the director and deemed appropriate by the Board of Directors.
- 5.6.7 In any case where the convening of a meeting is considered by the Chairman of the Board, the President or one of the Vice-Presidents who is a director, in his discretion, to be a matter of urgency, he may give verbal or written notice of a meeting of the Board of Directors by telephone or as provided in section 5.6.6 not less than one (1) hour before such meeting is to be held, and such notice shall be adequate for the meeting so convened.
- 5.6.8 Special meetings of the Board of Directors may be held at such time and place and for such purposes without notice, when all directors are present or when those absent shall have waived in writing the notice of the said meeting either before or after the meeting, and attendance of a director at a meeting of directors is a waiver of notice of the meeting, except where the director attends a meeting for the sole purpose of objecting to the holding of the meeting on the grounds that it was not lawfully called.
- 5.6.9 The directors may, if all consent thereto, participate in a meeting of the Board of Directors by means of equipment enabling all participants to communicate directly with one another. In such a case they are deemed to be present at the meeting.
- 5.6.10 Only the directors may attend a meeting of the Board of Directors. Other persons may be admitted, if need be, with the consent of the majority of the directors present at the meeting.

## **5.7 CHAIRMAN OF THE MEETING**

The Chairman of the Board or, in his absence, the President, if he is a director, or, in his absence, one of the Vice-Presidents who is a director (to be designated by the meeting, in the event of more than one such Vice-President being present) shall preside at all meetings of the directors. If all of the aforesaid officers be absent or decline to act, the persons present may choose one of their number to act as chairman of the meeting. The chairman of any meeting of the directors shall be entitled to vote as director in respect of any matter submitted to the vote of the meeting, but, in the event of an equality of votes, shall not be entitled to cast a second or casting vote.

## **5.8 QUORUM**

The directors may, from time to time, fix by resolution the quorum for meetings of directors, but until otherwise fixed, a majority of the directors in office from time to time shall constitute a quorum. Any meeting of directors at which a quorum is present, shall be competent to exercise all or any of the authorities, powers and discretions for the time being vested in or exercisable by the directors under the Act, the articles or the by-laws of the Corporation despite any vacancy on the Board. Questions arising at any meetings of directors shall be decided by the affirmative vote of a majority of the directors present thereat. A quorum shall be maintained throughout the meeting.

## **5.9 PRESUMPTION OF APPROVAL TO RESOLUTIONS OF THE BOARD**

A director who is present at a meeting of the Board or a committee of the Board is deemed to have consented to any resolution passed at the meeting unless:

- (a) the director's dissent has been entered in the minutes;
- (b) the director sends a written dissent to the secretary of the meeting before the meeting is adjourned; or
- (c) the director delivers a written dissent to the chairman of the Board or of the meeting, sends it to the chair by any means providing proof of the date of receipt or delivers it to the head office of the Corporation immediately after the meeting is adjourned.

A director is not entitled to dissent after voting for or consenting to a resolution.

A director who was not present at a meeting at which a resolution was passed is deemed to have consented to the resolution unless the director records his or her dissent in accordance with this section within seven (7) days after becoming aware of the resolution.

## **5.10 RESOLUTIONS IN WRITING**

A resolution in writing, signed by all the directors entitled to vote on the resolution, has the same force as if it had been passed at a meeting of the Board or, as the case may be, of a committee of the Board.

## **5.11 CESSATION OF OFFICE AND VACANCY OF DIRECTORS**

5.11.1 A director ceases to hold office when he or she becomes disqualified from being a director of a Corporation, resigns or is removed from office.

The resignation of a director becomes effective at the time the director's written resignation is received by the Corporation, or at the time specified in the resignation, whichever is later.

5.11.2 Despite the expiry of a director's term, the director, unless he or she resigns, remains in office until re-elected or replaced.

5.11.3 The shareholders may, by ordinary resolution at a special meeting, remove any director or directors.

If certain shareholders have an exclusive right to elect one (1) or more directors, a director so elected may only be removed by ordinary resolution of those shareholders.

A vacancy created by the removal of a director may be filled at the shareholders meeting at which the director is removed or, if it is not, at a subsequent meeting of the Board of Directors.

5.11.4 A quorum of directors may fill a vacancy on the board.

5.11.5 If there is no quorum of directors or if there has been a failure to elect the fixed number or minimum number of directors required by the articles, the directors then in office must without delay call a special shareholders meeting to fill the vacancies on the Board.

If the directors refuse or fail to call a meeting or if there are no directors then in office, the meeting may be called by any shareholder.

5.11.6 A director appointed or elected to fill a vacancy holds office for the unexpired term of his or her predecessor.

5.11.7 A director whose removal is to be proposed at a shareholders meeting may attend the meeting and be heard or, if not in attendance, may explain, in a written statement read by the person presiding over the meeting or made available to the shareholders before or at the meeting, why he or she opposes the resolution proposing his or her removal.

- 5.11.8 If the articles so provide, the directors of a corporation may appoint one (1) or more additional directors to hold office for a term expiring not later than the close of the next annual shareholders meeting, but the total number of directors so appointed may not exceed one third (1/3) of the number of directors elected at the previous annual shareholders meeting.

## **6. COMMITTEES**

### **6.1 COMMITTEES OF DIRECTORS**

- 6.1.1 The Board of Directors may, by resolution, create one or more committees made up of directors and delegate to such committee or committees any of their powers as permitted by the Act. Each committee shall consist of such number of members as the Board of Directors may determine from time to time, by resolution.
- 6.1.2 The Board of Directors may, from time to time, by resolution, remove any member, with or without cause, or add to or otherwise change the membership of any committee.
- 6.1.3 The Board of Directors may, from time to time, by resolution, adopt rules relating to the calling and holding of and the quorum at meetings of any committee of directors and the procedure thereat, and repeal, amend or re-enact the same.
- 6.1.4 Subject to any such rules as aforesaid, any committee shall within its activities and the delegation of power by the Board of Directors, while the Board of Directors is not in session, be competent to exercise all or any of the powers vested in the Board of Directors.
- 6.1.5 Each committee shall keep regular minutes and records of its proceedings and of all resolutions adopted by it and shall report the same to the Board of Directors, upon request.
- 6.1.6 The remuneration, if any, to be paid to the members of each committee of directors shall be such as the Board of Directors shall, by resolution, determine.

### **6.2 OTHER COMMITTEES**

The Board of Directors may create any other committee which it deems appropriate, consisting either of members or of non-members of the Board of Directors, with advisory powers only. Unless otherwise instructed by the Board, each committee so set up has the power to fix its own quorum at not less than the majority of its members, to elect its own president and to determine its own proceedings.

## **7. OFFICERS**

### **7.1 MANAGEMENT**

- 7.1.1 The management of the Corporation shall consist of at least a Chairman of the Board and a President. There may also be elected or appointed a Chief Executive Officer, a Chief Operating Officer, a Chief Financial Officer, one or more Vice-Presidents (one of whom may be appointed Executive Vice-President), a Secretary, a Treasurer, one or more Assistant Secretaries and/or Assistant Treasurers and/or General Managers.
- 7.1.2 Such officers shall be elected or appointed, as the case may be, by the Board of Directors, at its first meeting after each annual meeting of the shareholders, and shall hold office until their successors shall have been elected or appointed. The Board of Directors may, as it sees fit from time to time, change the titles of the officers of the Corporation, create new offices, abolish certain offices and appoint such other officers.
- 7.1.3 Such officers shall respectively perform the duties specified in the by-laws and those as shall, from time to time, be prescribed by the Board of Directors. The same person may hold more than one (1) office, provided, however, that the same person shall not hold the office of President and Vice-President. None of such officers of the Corporation, except the Chairman of the Board, need be a director of the Corporation.

## **7.2 CHAIRMAN OF THE BOARD**

The Chairman of the Board shall be chosen from among the directors. He shall preside at all meetings of shareholders and of the Board of Directors. He shall have such other powers and perform such other duties as the Board of Directors may determine, from time to time, by resolution.

## **7.3 PRESIDENT**

The President may but shall not necessarily be chosen from among the directors. In the absence of the Chairman of the Board, he shall preside at all meetings of the shareholders and, if he is a director, of the Board of Directors. Unless the Board of Directors decides otherwise pursuant to this Section 7, the President is the Chief Executive Officer. He shall have such other powers and perform such other duties as the Board of Directors may determine, from time to time, by resolution.

## **7.4 CHIEF EXECUTIVE OFFICER**

The Chief Executive Officer is responsible for monitoring, directing and controlling the activities and business affairs of the Corporation, under the direction of the Board of Directors. He shall have such other powers and perform such other duties as the Board of Directors may determine, from time to time, by resolution.

## **7.5 CHIEF OPERATING OFFICER**

The Chief Operating Officer is responsible for monitoring, directing and controlling the operations of the Corporation under the direction of the President or the Chief Executive Officer. He shall have such other powers and perform such other duties as the Board of Directors may determine, from time to time, by resolution.

## **7.6 VICE-PRESIDENT OR VICE-PRESIDENTS**

The Vice-President or Vice-Presidents, whether or not chosen from among the directors, shall have such powers and perform such duties as the Board of Directors may determine, from time to time, by resolution of the Board of Directors. In case of absence or disability of the Chairman of the Board or of the President, such Vice-President as may have been appointed Executive Vice-President or such other Vice-President, chosen from among the directors, as may be designated by the Chairman of the Board or the President may, exercise the powers and perform the duties of the Chairman of the Board or of the President and if any such Vice-President exercises any of the powers or performs any of the duties of the Chairman of the Board or of the President, the absence or disability of the Chairman of the Board or of the President shall be presumed. The Board of Directors may from time to time determine the exact title of the position held by each Vice-President, the seniority status of the Vice-Presidents, as well as the qualifications associated with the position of Vice-President.

## **7.7 CHIEF FINANCIAL OFFICER**

The Chief Financial Officer is responsible for monitoring the finances of the Corporation. As such, he shall supervise the Treasurer of the Corporation and the Assistant Treasurers, as the case may be. He deposits money and other valuable effects of the Corporation, in the name and to the credit of the Corporation, with all banks, trust companies or other depositories the Board of Directors may designate from time to time by resolution. He shall be responsible for investments the Corporation may make and shall implement the investment practices and policies that the Board of Directors may determine from time to time. Where required by the Board of Directors, he shall render an account of the financial situation of the Corporation and all his transactions as Chief Financial Officer; and as soon as possible after the closing of each fiscal year, he shall prepare and submit a report on the past-fiscal year to the Board of Directors. Where there is no Treasurer, he shall be responsible for the safekeeping, deposit and keeping of all account books and other documents which, according to laws governing the Corporation, the Corporation is required to keep. He shall perform all other duties incumbent upon a Chief Financial Officer, along with any other duty the Board of Directors may determine, from time to time, by resolution, subject to the control of the Board of Directors.

## **7.8 TREASURER AND ASSISTANT TREASURERS**

7.8.1 The Treasurer shall assist the Chief Financial Officer or any person holding a similar position in the performance of his duties, and shall be subject of the monitoring and control of such officer. He is responsible for the care, filing and keeping of all accounting books and other documents which, according to the laws governing the Corporation, the Corporation is required to keep. He shall perform all other duties specific to the office of treasurer, as well as those the Board of Directors or Chief Financial Officer may determine, from time to time, subject to the control of said Board of Directors.

7.8.2 The Assistant Treasurers may perform any duty of the Treasurer that the Board of Director or the Treasurer may determine, from time to time.

## **7.9 SECRETARY AND ASSISTANT SECRETARIES**

7.9.1 The Secretary shall attend to the giving of all notices of the Corporation and shall draft and keep the minutes of all meetings of the shareholders and of the Board of Directors in a book or books to be kept for that purpose. He shall keep in safe custody, if any, the seal of the Corporation. He shall have charge of the records of the Corporation, including books containing the names and addresses of the shareholders and directors, together with copies of all reports made by the Corporation, and such other books and papers as the Board of Directors may direct. He shall be responsible for the keeping and filing of all books, reports, certificates and other documents required by the applicable laws to be kept and filed by the Corporation. He shall perform all such other duties as appertain to his office or as the Board of Directors may determine, from time to time, by resolution.

7.9.2 Assistant Secretaries may perform any of the duties of the Secretary delegated to them, from time to time, by the Board of Directors or by the Secretary.

## **7.10 SECRETARY-TREASURER**

Whenever the Secretary shall also be the Treasurer, he may, at the option of the Board of Directors, be designated the "Secretary-Treasurer".

## **7.11 GENERAL MANAGER OR GENERAL MANAGERS**

The General Manager or General Managers, whether as not chosen from among the directors, shall manage the affairs of the Corporation, under the supervision of the President or the Chief Operating Officer, and shall exercise such powers and perform such other duties as the Board of Directors may determine, from time to time, by resolution, and such authority may be either general or specific.

## **7.12 REMOVAL**

The Board of Directors may, by resolution, remove any officers and dismiss them as employees of the Corporation, either with or without cause. Any employee of the Corporation, other than an officer appointed by the Board of Directors, may be discharged from his position and dismissed, either with or without cause, by the President, any Vice-President or any General Manager. If, however, there be no cause for such removal or discharge and there be a special contract derogating from the provisions of this section, such removal or discharge shall be subject to the provisions of such contract.

## **7.13 REMUNERATION OF OFFICERS**

The remuneration of all officers of the Corporation shall be fixed, from time to time, by resolution of the Board of Directors or by persons with authority to do so.

## **8. DUTIES OF DIRECTORS AND OFFICERS**

### **8.1 GENERAL PROVISIONS**

8.1.1 Subject to the Act, the directors are bound by the same obligations as are imposed by the *Civil Code of Québec* on any director of a legal person.

Consequently, in the exercise of their functions, the directors are duty-bound toward the Corporation to act with prudence and diligence, honesty and loyalty and in the interest of the Corporation.

In their capacity as mandataries of the Corporation, the officers are bound, among other things, by the same obligations as are imposed on the directors under the preceding subparagraph.

8.1.2 No provision of the articles, the by-laws, a resolution or a contract may relieve any of the directors from their obligations, or from liability for a breach of their obligations.



## **8.2 GOOD FAITH RELIANCE**

A director is presumed to have fulfilled the obligation to act with prudence and diligence if the director relied, in good faith and based on reasonable grounds, on a report, information or an opinion provided by:

- (a) an officer of the Corporation who the director believes to be reliable and competent in the functions performed;
- (b) legal counsel, professional accountants or other persons retained by the Corporation as to matters involving skills or expertise the director believes are matters within the particular person's professional or expert competence or as to which the particular person merits confidence; or
- (c) a committee of the Board of Directors of which the director is not a member if the director believes the committee merits confidence.

## **8.3 DISCLOSURE OF INTEREST**

8.3.1 A director or officer must disclose the nature and value of any interest (as such expression is defined in the relevant provision of the Act) he or she has in a contract or transaction to which the Corporation is a party.

8.3.2 A director or an officer must disclose any contract or transaction to which the Corporation and any of the following are a party:

- (a) an associate of the director or officer;
- (b) a group of which the director or officer is a director or officer;
- (c) a group in which the director or officer or an associate of the director or officer has an interest.

The director or officer satisfies the requirement if he or she discloses, in a case specified in subparagraph b) the directorship or office held within the group or, in a case specified in subparagraph c) the nature and value of the interest he or she or his or her associate has in the group.

8.3.3 Unless it is recorded in the minutes of the first meeting of the Board of Directors at which the contract or transaction is discussed, the disclosure of an interest, contract or transaction must be made in writing to the Board of Directors as soon as the director becomes aware of the interest, contract or transaction.

8.3.4 In the case of an officer who is not a director; the disclosure required by paragraphs 8.3.1 and 8.3.2 must be made as soon as:

- (a) the officer becomes an officer;
- (b) the officer becomes aware that the contract or transaction is to be discussed or has been discussed at a meeting of the Board; or
- (c) the officer or the officer's associate acquires an interest in the contract or transaction, if it was entered into earlier.

8.3.5 The disclosure required by paragraphs 8.3.1 and 8.3.2 must be made even in the case of a contract or transaction that does not require approval by Board of Directors.

8.3.6 No director may vote on a resolution concerning a contract or operation described in paragraphs 8.3.1 and 8.3.2 or be present during deliberations concerning same, except in the circumstances provided for in the Act.

In addition, as provided in the Act, in certain circumstances, the contract or operation may be approved solely by the shareholders.

## **9. INDEMNIFICATION AND LIABILITY INSURANCE**

### **9.1 INDEMNIFICATION**

Subject to section 9.2 the Corporation must indemnify a director or officer of the Corporation, a former director or officer of the Corporation, a mandatory, or any other person who acts or acted at the Corporation's request as a director or officer of another group against all costs, charges and expenses reasonably incurred in the exercise of their functions, including an amount paid to settle an action or satisfy a judgment, or arising from any investigative or other proceeding in which the person is involved if:

- (a) the person acted with honesty and loyalty in the interest of the Corporation or, as the case may be, in the interest of the other group for which the person acted as director or officer or in a similar capacity at the Corporation's request; and
- (b) in the case of a proceeding that is enforced by a monetary penalty, the person had reasonable grounds for believing that his or her conduct was lawful.

The Corporation must also advance moneys to such a person for the costs, charges and expenses of a proceeding referred to in the section 9.1.

### **9.2 INTERDICTION OR REIMBURSEMENT OF INDEMNIFICATION**

In the event that a court or any other competent authority judges that the conditions set out in subparagraphs (a) and (b) of the first paragraph of section 9.1 are not fulfilled, the Corporation may not indemnify the person and the person must repay to the Corporation any monies advanced under that section.

Furthermore, the Corporation may not indemnify a person referred to in section 9.1 if the court determines that the person has committed an intentional or gross fault. In such a case, the person must repay to the Corporation any moneys advanced.

### **9.3 ADVANCES OR INDEMNIFICATION FOR COST AND EXPENSES**

A Corporation may, with the approval of the court, in respect of an action by or on behalf of the Corporation or other group referred to in section 9.1 against a person referred to in that section, advance the necessary monies to the person or indemnify the person against all costs, charges and expenses reasonably incurred by the person in connection with the action, if the person fulfils the conditions set out in such section.

### **9.4 LIABILITY INSURANCE**

A Corporation may purchase and maintain insurance for the benefit of its directors, officers and other mandataries against any liability they may incur as such or in their capacity as directors, officers or mandataries of another group, if they act, or acted in that capacity at the Corporation's request.

## **10. SHARES, CERTIFICATES, TRANSFERS, DIVIDENDS**

### **10.1 ISSUE OF SHARES**

10.1.1 Subject to paragraph 10.1.3, shares may be issued at the times, to the persons and for the consideration the Board of Directors determines. Par value shares may not be issued for a consideration less than their par value.

10.1.2 Shares may be issued whether or not they are fully paid. However, shares may only be considered paid if consideration equal to the issue price determined by the Board of Directors has been paid to the Corporation.

10.1.3 A Corporation may also issue instruments, certificates or other evidences of an exchange right, option or right to acquire shares of the Corporation.

## **10.2 SHARE CERTIFICATES**

- 10.2.1 Unless otherwise provided in the articles, shares are issued as certificated shares unless the Board of Directors determines by resolution, that the shares of any class or series of shares or certain shares of a class or series are to be issued as uncertificated shares. An uncertificated share is represented by an entry in the securities register in the name of the shareholder.

The Board of Directors may also, by resolution, determine that a certificated share becomes an uncertificated share as soon as the paper certificate is surrendered to the Corporation.

Inversely, the Board of Directors may also, by resolution, determine that an uncertificated share becomes a certificated share on delivery to the shareholder of a certificate in the shareholder's name or, in the case of a control agreement under the Securities Transfer Act, on delivery to the purchaser, within the meaning of such Act, of a certificate in the purchaser's name, unless there are provisions inconsistent with such an agreement, in which case those provisions apply. The Board of Directors must give notice of the resolution to the shareholders of the classes or series of shares concerned.

- 10.2.2 Certificates representing shares in the share capital of the Corporation shall be in such form as shall be approved by the Board of Directors. Such certificates shall bear the signature of at least one (1) of the Corporation's directors or officers or by a person acting in their name and if the Corporation has appointed a transfer agent, the signature of the secretary or assistant-secretary must also be affixed. Any signature may be affixed by a person acting for any of such persons. The signature may be affixed by an automatic device or electronic process. The seal of the Corporation, if any, need not be affixed on any share certificate.
- 10.2.3 In the case of certificated shares, the Corporation must issue to the shareholder, without charge, a certificate in registered form.

The Corporation is not required to issue more than one certificate for shares held jointly by two (2) or more persons.

However, in the absence of any evidence to the contrary, the certificate is proof of the shareholder's title to the shares represented by the certificate.

In the case of uncertificated shares, the Corporation must send the shareholder a written notice containing the information required under the first subparagraph of this paragraph.

- 10.2.4 A damaged, lost or destroyed certificate must be replaced in accordance with the Securities Transfer Act.

## **10.3 UNPAID SHARES**

- 10.3.1 Unless the terms of payment for shares are determined by contract, the Board of Directors may call for payment of all or part of the unpaid amounts on shares subscribed or held by the shareholders.

A call for payment is deemed to be made on the day the Board of Directors passes a resolution providing for it. Notice of the call for payment stating the amount due and the time for payment must be sent to the shareholders.

- 10.3.2 If a shareholder does not make the required payment following a call for payment, the Board of Directors may confiscate, without further formality, the shares for which payment has not been made. The confiscation is recorded in the securities register.

The Board of Directors may transfer the shares so confiscated to a new acquirer, register their transfer and, if applicable, cancel their certificates, whether or not the shareholder has returned the endorsed certificates to the Corporation, and issue a new certificate to the acquirer.

- 10.3.3 If the terms of payment for shares are determined by contract, the Board of Directors may, after sending a demand letter, confiscate the shares without further formality if the shareholder who subscribed for or acquired them has failed to comply with the terms.

If the acquirer is not bound by a contract with the Corporation with respect to payment of the shares, the provisions relating to a call for payment apply to the acquirer.

- 10.3.4 Within ten (10) days after disposing of the confiscated shares, the Corporation must inform the shareholder of the proceeds obtained from the disposition and remit any surplus to the shareholder. The shareholder is liable for the unpaid balance on the shares if the proceeds of disposition do not cover the amounts payable.
- 10.3.5 Instead of confiscating shares, the Corporation may apply to the court in order to recover the amounts due from defaulting shareholders.
- 10.3.6 A shareholder who is in arrears with respect to a call for payment or has defaulted on payment of shares in accordance with the contract between the shareholder and the Corporation may not vote at any shareholders meeting.
- 10.3.7 The unpaid amounts of the unpaid shares held by a shareholder who exercises, as concerns such shares, his right to demand the repurchase set out in section 377 and following of the Act become due as of the time when the shareholder sends to the Corporation the notice provided in section 376 of the Act.

#### **10.4 TRANSFERS OF SHARES**

- 10.4.1 Any transfer of shares in the share capital of the Corporation and details related thereto must be recorded in the securities register or in the part of the securities register in which the date and details of transfers of shares are kept, which may be maintained in whole or in part at the head office of the Corporation or elsewhere on the conditions permitted by law. The registration of the transfer constitutes a complete and valid registration. All shares in the share capital of the Corporation shall be transferable on the securities register regardless of the location where the certificate representing the shares to be transferred was issued.
- 10.4.2 As regards certificated shares, no transfer of shares in the share capital of the Corporation is valid and may be recorded in the securities register unless the certificates representing the shares to be transferred have been surrendered or cancelled. However, should the Corporation's shares be listed on a Canadian or US stock exchange and be entered in the book entry system of a clearing house approved by the securities authorities, share transfers carried out in accordance with the rules and practices of such exchange or clearing house, as the case may be, shall be valid, in accordance with the conditions permitted by law, despite the fact that no certificate representing the shares transferred shall have been surrendered or cancelled. The transfer of uncertificated shares shall be effected on the condition prescribed by law.
- 10.4.3 No transfer of shares the amount of which has not been paid in full shall take place without the consent of the board of directors. In no circumstances shall shares be transferred where a call for payment thereon is outstanding.

#### **10.5 TRANSFER AGENTS AND REGISTRARS**

The Board of Directors may appoint or remove by resolution, from time to time, transfer agents and registrars of transfers and transmissions of shares in the share capital of the Corporation and make regulations generally, from time to time, with reference to the transfer and transmission of shares in the share capital of the Corporation. Upon any such appointment being made, all certificates representing shares in the share capital of the Corporation thereafter issued shall be countersigned by one of such transfer agents and/or of such registrars of transfers and shall not be valid unless so countersigned.

#### **10.6 DECLARATION AND PAYMENT OF DIVIDENDS**

- 10.6.1 Unless otherwise provided in the articles, the Board of Directors may declare and the Corporation may pay a dividend either in money or property or by issuing fully paid shares or options or rights to acquire fully paid shares of the Corporation.
- If shares of the Corporation are issued in payment of a dividend, the Corporation may add all or part of the value of those shares to the appropriate issued and paid-up share capital account.
- 10.6.2 The Corporation may not declare and pay a dividend, except by issuing shares or options or rights to acquire shares, if there are reasonable grounds for believing that the Corporation is, or would after the payment be, unable to pay its liabilities as they become due.
- 10.6.3 The Corporation may deduct from the dividends payable to a shareholder any amount due to the Corporation by the shareholder, on account of calls for payment or otherwise.

- 10.6.4 Any dividend in money may be paid by cheque or warrant made payable to, and sent by mail to the last address on the books of the Corporation of, the shareholder entitled thereto and, in the case of joint holders, to the address on in the books of the Corporation or to that one of them whose name stands first in the books of the Corporation. The mailing of such cheque or warrant shall constitute payment, unless the cheque or warrant is not paid upon presentation.

## **11. FINANCIAL YEAR, ACCOUNTS AND AUDITOR**

### **11.1 FINANCIAL YEAR**

The financial year of the Corporation shall end on the last day of March of each year or on any other date determined, from time to time, by resolution of the Board of Directors.

### **11.2 ACCOUNTS**

- 11.2.1 The directors shall ensure that proper accounting books are kept with respect to receipts and disbursements by the Corporation as well as the sources of such receipts and disbursements, all sales and all purchases of goods by the Corporation, the assets and liabilities of the Corporation and all other transactions affecting the Corporation's financial position.

- 11.2.2 Account books shall be kept at the Corporation's head office or at any other location which the directors deem proper and the directors may examine them at all reasonable times.

### **11.3 AUDITOR**

- 11.3.1 The appointment, rights and duties of the auditor or auditors of the Corporation are regulated by the laws governing the Corporation.

## **12. CONTRACTS, CHEQUES, DRAFTS AND DEPOSITS**

### **12.1 CONTRACTS**

All deeds, documents, transfers, contracts, engagements, bonds and other instruments requiring execution by the Corporation shall be signed by the Chairman of the Board or the President or any Vice-President or any director and countersigned by the Secretary or Treasurer or any Assistant-Secretary or any Assistant-Treasurer or any other director of the Corporation. The Board of Directors may authorize, from time to time, by resolution, any other person, acting alone or with another person, to sign on behalf of the Corporation. Any such authorization may be general or confined to specific instances. Save as aforesaid or as otherwise provided in the by-laws of the Corporation, no director, officer, agent or employee shall have any power or authority either to bind the Corporation by any contract or engagement or to pledge its credit.

### **12.2 CHEQUES AND DRAFTS**

All cheques, bills of exchange or other orders for the payment of money, notes or other evidences of indebtedness issued, accepted or endorsed in the name of the Corporation shall be signed by such person or persons and in such manner as shall be determined, from time to time, by resolution of the Board of Directors; any one of such persons may alone endorse notes and drafts for collection on account of the Corporation through its bankers or other depositaries and endorse notes and cheques for deposit with the Corporation's bankers or other depositaries for the credit of the Corporation or the same may be endorsed "for collection" or "for deposit" with the bankers or other depositaries of the Corporation by using the Corporation's rubber stamp for the purpose. Any one of such persons or agents may arrange, settle, balance and certify all books and accounts between the Corporation and the Corporation's bankers or other depositaries and may receive all paid cheques and vouchers and sign all the bank's forms of settlement of balance and release on verification slips. To the extent the directors do not adopt a resolution as to the execution of the documents referred to in this section 12.2, the rules set out in section 12.1 shall apply thereto.

### **12.3 DEPOSITS**

The funds of the Corporation may be deposited, from time to time, to the credit of the Corporation with one or more banks, savings and credit unions or other depositaries as the Board of Directors may, by resolution, appoint as bankers of the Corporation.

### **13. AUTHORIZED REPRESENTATIVES AND PROXIES**

#### **13.1 APPEARANCES AND DECLARATIONS**

The Chairman of the Board, the President, any Vice-President, the Treasurer, Secretary, Secretary-Treasurer, any Assistant Treasurer, any Assistant Secretary, any General Manager and any other officer or person nominated for the purpose by the President or any Vice-President are, and each of them is, authorized and empowered:

- (a) to appear and make answer for, on behalf and in the name of the Corporation, to all writs, orders and interrogatories upon articulated facts issued out of any court;
- (b) to declare for, on behalf and in the name of the Corporation, and answer to writs of attachment by way of garnishment in which the Corporation is garnishee and to make all affidavits and sworn declarations in connection therewith or in connection with any and all judicial proceedings to which the Corporation is a party;
- (c) to make demands of abandonment or petition for winding-up or bankruptcy orders upon any debtor of the Corporation; and
- (d) to attend and vote at all meetings of creditors of the Corporation's debtors and grant proxies in connection therewith.

#### **13.2 REPRESENTATION AT MEETINGS**

13.2.1 The President, any Vice-President, any General Manager, the Secretary, the Treasurer of the Corporation or any other person so authorized by resolution of the Board of Directors shall have full power and authority to represent the Corporation and act on its behalf at any meeting, assembly or other reunion of shareholders, partners, members or persons holding an interest in any legal person, partnership, trust, fund, association, syndicate, body or any other group of persons that is not constituted as a legal person in which the Corporation holds shares, partnership units or any interests, to attend and to vote thereat, to waive notice and execute any document setting out a motion or resolution and to exercise any and all rights and privileges attached to such interests.

13.2.2 Any officer or person authorized under paragraph 13.2.1 shall, in addition, be empowered to date and execute, any instrument appointing any of the aforesaid persons proxy or attorney to represent the Corporation at any such meeting, assembly or other reunion.

#### **13.3 DECLARATIONS TO THE ENTERPRISE REGISTRAR**

All declarations prescribed under the Legal Publicity Act may be executed for and on behalf of the Corporation by any director or officer of the Corporation.

### **14. BORROWING POWERS - BANKS AND FINANCIAL INSTITUTIONS**

In addition to the borrowing powers conferred upon the directors by the articles and by the Act, including more particularly those of section 115 of the Act, the Board of Directors is hereby authorized on behalf of the Corporation, from time to time:

- (a) to borrow money and obtain advances, upon the credit of the Corporation, from any bank, savings and credit union, lending institution or other person, upon such terms and conditions, at such time, in such sums and in such manner as the Board of Directors, in its discretion, may deem expedient;
- (b) to issue, reissue, sell or hypothecate bonds, debentures, notes or other securities or debt obligations of the Corporation and to give as security or sell the same for such sums and at such prices as may be deemed expedient by the Board of Directors;
- (c) to enter into a suretyship the secure performance of an obligation of any person;
- (d) to hypothecate all or any of the property owned or subsequently acquired by the Corporation to secure performance of an obligation and, in particular, to give, renew, alter, vary or substitute any

security on the property of the Corporation as may be taken by a bank under the provisions of the *Bank Act* (Canada), and enter into promises to give such security under such Act for any indebtedness contracted or to be contracted by the Corporation;

- (e) to raise and assist in raising money for, and to aid by way of bonus, loan, promise, endorsement, suretyship, guarantee or otherwise, any person and to guarantee the performance or fulfilment of any contracts or obligations of any such person; and
- (f) to delegate to such officer(s) or director(s) of the Corporation, by resolution, all or any of the foregoing powers hereby conferred upon the Board of Directors.

The powers of borrowing and giving security hereby authorized shall be deemed to be continuing powers and may be exercised from time to time hereafter, until the repeal of this section 14 and notice thereof has been given in writing to whosoever may be acting on the faith thereof.

## **15. ADOPTION AND AMENDMENT OF THE BY-LAWS**

- 15.1.1 Unless otherwise provided in the articles, the Board of Directors adopts the Corporation's by-laws. Such by-laws are effective as of the date of the resolution of the Board.

The by-laws must be submitted to the shareholders for approval at the next shareholders meeting, and the shareholders may, by ordinary resolution, ratify, reject or amend them. They cease to be effective at the close of the meeting if they are rejected by or not submitted to the shareholders. However, by-laws amendments relating to procedural matters with respect to shareholders meetings take effect only once they have received shareholder approval.

A by-law adopted by the shareholders on a shareholder proposal submitted in accordance with sections 194 to 206 of the Act is effective as of its adoption and requires no other approval. It may only be repealed with the approval of the shareholders.

The rules of this section 15 apply, with the necessary modifications and subject to the by-laws, to the amendment or repeal of by-laws.

- 15.1.2 Despite paragraph 15.1.1, any new by-law made by the Board of Directors that has substantially the same purpose or effect as a by-law previously rejected by or not submitted to the shareholders at the meeting is not effective until confirmed by the shareholders.