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- **Notice of  
Annual Meeting  
of Shareholders**
  - and
  - **Management  
Proxy Circular**

1999

# **BOMBARDIER INC.**

## **Notice of Annual Meeting of the holders of Class A shares (multiple voting) and of the holders of Class B shares (subordinate voting)**

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NOTICE IS HEREBY GIVEN that the Annual Meeting of the holders of Class A shares (multiple voting) (the "Class A shares") and of the holders of Class B shares (subordinate voting) (the "Class B subordinate shares") of Bombardier Inc. (the "Corporation") will be held at Le Centre Sheraton (Salle de Bal), 1201 René-Lévesque Blvd. West, Montréal, Province of Québec, on Tuesday, the 22<sup>nd</sup> day of June 1999, at 11:00 in the morning (Montréal time), for the purposes of :

1. Receiving the consolidated financial statements of the Corporation for the year ended January 31, 1999, the auditors' report thereon, and the report of the Directors to the shareholders;
2. Electing Directors;
3. Appointing auditors and authorizing the Directors to fix their remuneration; and
4. Transacting such other business as may properly be brought before the meeting.

Montréal, Canada, this 19<sup>th</sup> day of May 1999.

By Order of the Board of Directors,

Roger Carle  
Corporate Secretary

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Note : Shareholders who are unable to be present in person at the Meeting are requested to complete, sign, date and return to the Secretary of the Corporation, in the envelope provided for that purpose, the enclosed form of proxy for Class A shares if they hold any such Class A shares and the enclosed form of proxy for Class B subordinate shares if they hold any such Class B subordinate shares.

# **BOMBARDIER INC.**

## **Management Proxy Circular**

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### **Solicitation of Proxies**

**This Management Proxy Circular (the “Circular”) is issued in connection with the solicitation by the Management of Bombardier Inc. (the “Corporation”) of proxies for use at the Annual Meeting of Shareholders of the Corporation (the “Meeting”) to be held on Tuesday, June 22, 1999, at the place and time and for the purposes set forth in the foregoing Notice of said Meeting and at any and all adjournments thereof. The solicitation is made by mail. The cost of solicitation is borne by the Corporation.**

**Directors, Officers or regular employees of the Corporation may also solicit proxies personally or by telephone. In addition, the Corporation has retained the services of the Transfer Agent for all the shares of the Corporation, Montréal Trust Company, for the purpose of soliciting proxies for the Meeting. The Corporation will pay, for such services, a remuneration which cannot be determined at present but which will not be significant.**

### **Right of Revocation**

**A shareholder giving a proxy may revoke the proxy by instrument in writing executed by the shareholder or by his representative authorized in writing or, if the shareholder is a corporation, by an officer or representative thereof authorized in writing, 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 with the Chairman of such Meeting on the day of the Meeting or any adjournment thereof.**

### **Appointment of Proxyholders**

**The persons named as proxyholders in the accompanying forms of proxy are Directors or Officers of the Corporation. A shareholder has the right to appoint as proxyholder a person other than those whose names are printed as proxyholders in the accompanying forms of proxy, by striking out said printed names and inserting the name of his chosen proxyholder in the blank space provided for that purpose in the form of proxy. In either case, the completed proxy shall be delivered to the Secretary of the Corporation prior to the meeting at which it is to be used. A person acting as proxyholder need not be a shareholder of the Corporation.**

### **Voting Shares and Principal Holders Thereof**

**The Class A shares (multiple voting) of the Corporation (designated herein as “Class A shares”) and the Class B shares (subordinate voting) of the Corporation (designated herein as “Class B subordinate shares”) are restricted shares (under Canadian securities regulations), in view of the fact that their voting rights are unequal. **Each Class A share entitles the holder****

**thereof to 10 votes and each Class B subordinate share entitles the holder thereof to one vote, on a ballot.**

Each Class B subordinate share carries the right to a preferential but non-cumulative dividend at the rate of \$0.003125 per annum.

Each Class A share is convertible at any time, at the option of the holder, into one Class B subordinate share. Each Class B subordinate share will become convertible into one Class A share in the event the majority shareholder, namely the Bombardier family, accepts a purchase offer for Class A shares or in the event the majority shareholder ceases holding more than 50% of the outstanding Class A shares of the Corporation.

The holders of Class A shares and the holders of Class B subordinate shares, whose names appear on the list of shareholders prepared as of the close of business, Montréal time, on May 12, 1999 (the "Record Date"), will be entitled to vote at the Meeting and any adjournment thereof if present or represented by proxy thereat. The transferee of Class A shares or Class B subordinate shares, as the case may be, acquired after the Record Date is entitled to vote those shares at the Meeting and at any adjournment thereof if he produces properly endorsed share certificates for such shares or if he otherwise establishes that he owns the shares and demands, not later than ten days before the Meeting, that his name be included on the list of shareholders entitled to receive the Notice of Meeting, such list having been prepared as of the Record Date.

As at April 19, 1999, the Corporation had outstanding 176,707,676 Class A shares and 506,465,319 Class B subordinate shares.

To the knowledge of the Directors and Officers of the Corporation, the only persons who, as at April 19, 1999, beneficially owned or exercised control or direction over shares carrying more than 10% of the voting rights attached to all the shares of the Corporation were Mrs. Janine Bombardier and Mr. J.R. André Bombardier, both Directors of the Corporation, and Mrs. Claire Bombardier Beaudoin and Mrs. Huguette Bombardier Fontaine. These four persons controlled indirectly through holding companies 141,078,076 Class A shares, representing in the aggregate 79.84% of the outstanding Class A shares of the Corporation or 62.05% of all the voting rights attached to all the shares of the Corporation.

As at April 19, 1999, the Directors of the Corporation (with the exception of Mrs. Janine Bombardier and Mr. J. R. André Bombardier) and the Officers of the Corporation, as a group, owned beneficially, directly or indirectly, 2,490,820 Class A shares and 3,666,504 Class B subordinate shares, representing 1.41% and 0.72%, respectively, of the outstanding shares of each such class.

### **Election of Directors**






The Articles of the Corporation provide that the Board of Directors shall consist of not less than five and not more than 20 Directors. The Directors are elected annually. It is proposed by the Management of the Corporation that 15 Directors be elected for the current year. The term of office of each Director so elected expires upon the election of his successor unless he shall resign his office or his office shall become vacant by death, removal or other cause.

Except where authority to vote on the election of Directors is withheld, the persons named in the accompanying forms of proxy will vote for the election of the nominees whose names are

hereinafter set forth, all of whom are now Directors of the Corporation, except for Mr. Daniel Johnson and Mr. James E. Perrella.

The Management of the Corporation does not contemplate that any of the nominees will be unable, or for any reason will become unwilling, to serve as a Director but, if that should occur for any reason prior to the election, the persons named in the accompanying forms of proxy reserve the right to vote for another nominee in their discretion, unless the shareholder has specified in the form of proxy that his shares are to be withheld from voting on the election of Directors.






**A**pproximate number of shares of the Corporation beneficially owned by the nominee or which are subject to his or her control or direction as of April 15, 1999

	Class A shares	Class B subordinate shares	Series 2 preferred shares	
 <p>Executive Vice President of the Corporation and Chairman of Bombardier Capital Director since 1998</p> <p><b>YVAN ALLAIRE</b></p>	(2)	34,597	0	 <p>Vice Chairman of the Corporation Director since 1975 */***</p> <p><b>J.R. ANDRÉ BOMBARDIER</b></p>
 <p>Chairman of the Board and of the Executive Committee of the Corporation Director since 1975 */***</p> <p><b>LAURENT BEAUDOIN, c.c., FCA (1)</b></p>	4,864	115,145	0	 <p>President and Governor J. Armand Bombardier Foundation, charitable organization Director since 1984</p> <p><b>JANINE BOMBARDIER</b></p>
	(3)	0	0	
	0	24,143	0	 <p>President and Chief Executive Officer of the Corporation Director since 1999</p> <p><b>ROBERT E. BROWN (4)</b></p>

\* Member of the Executive Committee  
 \*\* Member of the Audit Committee  
 \*\*\* Member of the Compensation Committee

- (1) Mrs. Claire Bombardier Beaudoin, wife of Mr. Laurent Beaudoin, exercises, through holding corporations which she controls (either directly or in concert with J.R. André Bombardier, Janine Bombardier and Huguette Bombardier Fontaine), control or direction over 35,111,744 Class A shares of the Corporation.
- (2) Mr. J.R. André Bombardier, exercises, through holding corporations which he controls (either directly or in concert with Claire Bombardier Beaudoin, Janine Bombardier and Huguette Bombardier Fontaine), control or direction over 36,543,744 Class A shares of the Corporation.
- (3) Mrs. Janine Bombardier, exercises, through holding corporations which she controls (either directly or in concert with Claire Bombardier Beaudoin, J.R. André Bombardier and Huguette Bombardier Fontaine), control or direction over 35,111,744 Class A shares of the Corporation.
- (4) Mr. Robert E. Brown, President and Chief Executive Officer of the Corporation since February 1<sup>st</sup>, 1999, was elected director by the Board of Directors on February 19, 1999.

**A**pproximate number of shares of the Corporation beneficially owned by the nominee or which are subject to his or her control or direction as of April 15, 1999

	Class A shares	Class B subordinate shares	Series 2 preferred shares	
 Lawyer and Company Director Director since 1982 **				
	0	13,800	0	L'hon. JEAN-PIERRE GOYER, c.p., c.r.
 President and Co-Chief Executive Officer Power Corporation of Canada, holding and management corporation Director since 1985 ***				
	0	63,200	0	ANDRÉ DESMARAIS
 Counsel McCarthy Tétrault, Barristers and Solicitors				
	0	600	0	DANIEL JOHNSON (6)
 Vice Chairman of the Corporation Director since 1975 */**				
	2,048,736	36,313	0	JEAN-LOUIS FONTAINE (5)
 Senior Partner Ogilvy Renault, Barristers and Solicitors Director since 1975 */**/**				
	3,584	0	0	PIERRE LEGRAND, c.r.

\* Member of the Executive Committee






\*\* Member of the Audit Committee

\*\*\* Member of the Compensation Committee

(5) Mrs. Huguette Bombardier Fontaine, wife of Mr. Jean-Louis Fontaine, exercises, through holding corporations which she controls (either directly or in concert with Claire Bombardier Beaudoin, J.R. André Bombardier and Janine Bombardier), control or direction over 34,311,744 Class A shares of the Corporation.

(6) Mr. Daniel Johnson is a new candidate to the Board of Directors of the Corporation. Prior to becoming member, as counsel, of the law firm McCarthy Tétrault in July 1998, he sat as a member of the Québec's National Assembly for more than 17 years and was leader of the Québec Liberal Party from December 1993 to April 1998; he served as Québec's Prime Minister from January to September 1994 and Leader of the Opposition from September 1994 to May 1998.

**A**pproximate number of shares of the Corporation beneficially owned by the nominee or which are subject to his or her control or direction as of April 15, 1999

	Class A shares	Class B subordinate shares	Series 2 preferred shares	
 Chairman and Chief Executive Officer Ingersoll-Rand Company, diversified industrial and components manufacturer	0	0	0	<b>JAMES E. PERRELLA</b> (7)
 Corporate Director and Consultant Director since 1987 **	0	266,000	0	<b>DONALD C. LOWE</b>
 President and Chief Executive Officer Canadian National, transportation company Director since 1997	0	4,000	0	<b>PAUL TELLIER</b>
 President and Chief Operating Officer of BCE Inc, Chairman and Chief Executive Officer of Bell Canada Director since 1998	0	5,000	0	<b>JEAN C. MONTY</b>
 Timken Professor of Business Administration Emeritus Graduate School of Business Administration Harvard University Director since 1983	0	0	0	<b>HUGO UYTERHOEVEN</b>

\* Member of the Executive Committee

\*\* Member of the Audit Committee

\*\*\* Member of the Compensation Committee

(7) Mr. James E. Perrella is a new candidate to the Board of Directors of the Corporation. He joined Ingersoll-Rand Company in 1962; he became its President and a Director in September 1992. In November 1993, he was elected Chairman, President and Chief Executive Officer of that corporation and, since April 1999, he is its Chairman and Chief Executive Officer.



## **Statement of Corporate Governance Practices**

It is a requirement of the Montréal and Toronto stock exchanges that listed Canadian incorporated companies disclose their approach to corporate governance in the context of the Guidelines for Improved Corporate Governance in Canada of those stock exchanges (the "Guidelines"). A description of the Corporation's corporate governance practices and of the mandate of the Board of Directors and the Committees of the Board follows.

### **Management Structure**

Until January 31, 1999, the Chief Executive Officer of the Corporation fulfilled the positions of President and Chairman of the Board. As of February 1, 1999, a new management structure of the Corporation has been put in place. Two new positions have been created: that of Chairman of the Board and of the Executive Committee and that of President and Chief Executive Officer.

The Chairman of the Board oversees the long-term orientations of the Corporation while presiding over the Board of Directors and the Executive Committee of the Corporation. To the Chairman of the Board report the President and Chief Executive Officer of the Corporation as well as the Executive Vice President of the Corporation and Chairman of Bombardier Capital.

The President and Chief Executive Officer has under his direct responsibility all the business groups of the Corporation, with the exception however of Bombardier Capital. The Executive Vice President of the Corporation assumes the responsibility for the latter group for which he acts as Chairman of its Board of Directors.

### **Mandate of the Board**

The Canada Business Corporations Act provides that the business of the Corporation shall be managed under the direction of its Board of Directors. After discussion with the Chairman and, if necessary, the members of Senior Management, the President and Chief Executive Officer makes recommendations to the Board of Directors with respect to matters of corporate policy. The Board of Directors then takes the decisions which it deems appropriate and supervises the execution of such decisions and reviews the results obtained. The duties of the Board of Directors also comprise the review on an annual basis of the five-year strategic plan for each operating group of the Corporation, a discussion of such plans with the President and Chief Executive Officer and an assessment of the risks identified. The Board of Directors takes an interest in Management succession planning, reviews statutory disclosure documents to shareholders and assesses the internal controls and management information systems.

### **Composition of the Board of Directors**

The Board of Directors is composed of 15 persons. Of the 15 Directors, nine are "unrelated" under the Guidelines and the six others are either Senior Officers of the Corporation or persons who have a business relationship with the Corporation. In addition, one of the nine "unrelated" Directors is related to the majority shareholders. Hence, in addition to a majority of "unrelated" Directors, the Board is composed of eight Directors who have no business interests with the Corporation or with the majority shareholders. The composition of the Board of Directors fairly reflects, therefore, the investment in the Corporation by the shareholders other than the majority shareholders.

While there are no formal structures in place to ensure that the Board can function independently of Management, the Board of Directors of the Corporation is free to ask one or more members of Management to withdraw during certain discussions and the Directors of the Corporation would not hesitate to meet without the presence of the members of Management who are also Directors, including the President and Chief Executive Officer, if the circumstances were to so require.

## **Committees**

The Board of Directors oversees the following four committees:

The **Audit Committee** is composed of three outside Directors, one of whom is “related”, and one inside Director, who is Vice Chairman of the Corporation. The Board of Directors of the Corporation believes that the presence of a member of Management on the Audit Committee facilitates the understanding by the remaining members of the Committee of given situations. The roles and responsibilities of the Audit Committee have been specifically defined by the Audit Committee and approved by the Board of Directors and include the review of the annual and quarterly financial statements of the Corporation. The Audit Committee has direct communication channels with both the internal and external auditors to discuss and review specific issues as appropriate. The Audit Committee also has oversight responsibility of internal controls and management information systems.

The **Compensation Committee** is composed of three outside Directors, one of whom is “related” and two of whom are “unrelated”, and of two members of Management, being the Chairman of the Board and one of the Vice Chairmen of the Corporation. The Compensation Committee has the responsibility, upon the recommendation of the President and Chief Executive Officer, for defining salary classes and levels and extent of participation in the incentive program. In addition, this Committee determines, based on the proposal of the Chairman of the Board, the persons eligible to benefit from the stock option plan and in which proportion, according to their position. The Compensation Committee also assesses the performance of the President and Chief Executive Officer; the Committee's recommendations in this regard are then presented to the Board of Directors. When a vacancy on the Board of Directors needs to be filled, the Chairman of the Board determines the person or persons whom he deems appropriate to fill the vacancy and submits his proposal to the Compensation Committee. The Compensation Committee can then endorse such recommendations, which, if endorsed, are presented to the Board of Directors.

The **Executive Committee** is composed of five Directors, two being outside Directors, one of whom is “related”, the other being “unrelated”, with the three other members of the Executive Committee being members of Senior Management of the Corporation. The Executive Committee can exercise all powers of the Board of Directors, subject to specific statutory exceptions, and does so in practice only between regularly scheduled Board meetings. Activities that are not in the ordinary course of business and that can be described as “fundamental changes” have always been decided upon by the Board of Directors.

The **Retirement Committees** are composed of six to eight members, including three Directors, one of whom is “unrelated”. The Committee assists the Board of Directors in carrying out its responsibilities with respect to the various pension plans of the Corporation. More particularly, this Committee determines the appointment of outside professional advisors, including pension fund managers and actuaries, for the various pension funds of the Corporation. As well, this Committee recommends to the Board of Directors appropriate

investment guidelines for the pension funds of the Corporation and receives and analyses reports as to conformity of the portfolios with such guidelines and as to the quality of the investments.

### **Decisions Requiring Prior Approval by the Board**

As stated above, activities that are not in the ordinary course of business and that can be described as “fundamental changes” are decided upon by the Board of Directors further to recommendations by the President and Chief Executive Officer following discussion with the Chairman of the Board and, if necessary, the members of Senior Management. Decisions that are made by the Board of Directors in the course of approving the annual operating budget or during strategic planning sessions are not submitted again to the Board. However, certain decisions may be subject to internal approvals according to their nature and the amount involved. With respect to capital expenditures, even if the Board of Directors has approved a capital expenditure budget, no capital expenditure is actually incurred without the approval of the pro-per level of authority which, in the case of capital expenditures exceeding a certain amount, would be the Board of Directors itself.

### **Recruiting New Directors and Assessing Board Performance**

As mentioned above, the Chairman of the Board submits to the Compensation Committee candidates to fill vacancies on the Board of Directors. If the candidacy is endorsed by the Compensation Committee, it is then submitted to the approval of the Board. While there is no formal process for assessing Directors on an ongoing basis, the Directors feel free to discuss specific situations from time to time among themselves and/or with the Chairman of the Board and, if need be, steps are taken to remedy the situation, which steps may include a request for resignation.

### **Shareholder Communications**

Shareholders have access to a service designed to provide prompt and accurate replies to requests for information that may be submitted. Management would promptly advise the Board, if any significant issues were to be raised by shareholders.

### **Board's Expectation of Management**

The corporate objectives which the President and Chief Executive Officer is responsible for meeting, with the rest of Management placed under his supervision, are in fact determined by the strategic plans and the budget as they are approved each year by the Board of Directors. Performance of the President and Chief Executive Officer and Management is assessed against the achievement of the strategic plans and the budget.

## **Remuneration of Directors**

Until April 1, 1999, retainer fees paid to Directors who are not Officers of the Corporation were \$1,000 per month. In addition, attendance fees were \$1,250 per Board or committee meeting. Since then, retainer fees have been increased to \$2,000 per month and attendance fees to \$1,500 per Board or committee meeting. In addition, a Director receives an additional annual fee of \$5,000 for presiding over a committee of the Board of Directors of the Corporation.

## **Stock Option Plan for the Benefit of Non-Executive Directors**

Until December 1, 1998, a stock option plan for the benefit of non-executive Directors of the Corporation (the "Directors' Plan") provided for the granting of non-transferable and non-assignable options to purchase a maximum of 2,000,000 Class B subordinate shares of the Corporation. As of December 1, 1998, with the approval of the Montréal Stock Exchange and the Toronto Stock Exchange, this number was reduced to 1,000,000. As at January 31, 1999, options for a total of 231,500 Class B subordinate shares had been granted and were outstanding.

The purchase price for the Class B subordinate shares, in respect of any option granted under the Directors' Plan, is the weighted average trading price of the Class B subordinate shares traded on the Montréal and Toronto stock exchanges on the five trading days immediately preceding the day of granting of such option. The purchase price is payable in full at the time of exercise of the option.

Each option shall be first exercisable at any time following the date of granting of such option until the expiration of the tenth year following the date of granting of such option, unless the Compensation Committee decides otherwise, provided, however, that an optionee shall not have purchased more than 20% of the aggregate number of shares covered by his option at the expiration of the first year following the date of granting of such option, more than 40% of the aggregate number of shares covered by his option at the expiration of the second year following the date of granting of such option, more than 60% of the aggregate number of shares covered by his option at the expiration of the third year following the date of granting of such option and more than 80% of the aggregate number of shares covered by his option at the expiration of the fourth year following the date of granting of such option. However, a Director who, at the date of statutory retirement as a Director, will have been a Director of the Corporation for at least five years, will then be entitled, during the period of six months following such retirement, to exercise his option with respect to all the shares for which such option will not then have been exercised.

During the financial year ended January 31, 1999, options for 10,000 Class B subordinate shares were granted at \$18.775 per share.

## **Options Exercised in Last Completed Financial Year**

During the financial year ended January 31, 1999, 62,500 Class B subordinate shares were purchased under the Directors' Plan by non-executive Directors of the Corporation, of which 50,000 at \$5.12 per share and 12,500 at \$15.575 per share, pursuant to the exercise of options.

## Remuneration of Named Executive Officers

### Summary Compensation Table

The Summary Compensation Table shows certain compensation information for the President, Chairman and Chief Executive Officer and the four other most highly compensated executive Officers (collectively, the “Named Executive Officers”) for services rendered in all capacities during the financial years ended January 31, 1999, 1998 and 1997. This information includes the base salaries, bonus awards, the number of stock options granted and certain other compensation, whether paid or deferred.

Name and Principal Position	As at January 31	Annual Compensation			Long-Term Compensation			All other Compensation (\$)
		Salary (\$)	Bonuses as at January 31 (\$)	Other Annual Compensation (\$) (1)	Awards		LTIP Payouts (\$)	
					Securities Under Options Granted (#)	Restricted Shares or Restricted Share Units (\$)		
Laurent Beaudoin President, Chairman and Chief Executive Officer (2)	1999	1,250,000	1,750,000	125,796 (3)	—	—	—	—
	1998	1,000,000	1,049,400	105,024	—	—	—	—
	1997	1,000,000	1,351,000	156,227	2,000,000	—	—	—
Jean-Louis Fontaine Vice Chairman	1999	330,000	259,380	—	—	—	—	—
	1998	310,000	177,010	—	—	—	—	—
	1997	275,000	265,375	—	150,000	—	—	—
Robert E. Brown President and Chief Operating Officer, Bombardier Aerospace (4)	1999	750,000	1,676,250	—	1,000,000	—	—	—
	1998	620,000	1,344,780	—	—	—	—	—
	1997	600,000	339,600	—	300,000	—	—	—
Yvan Allaire Executive Vice President, Strategy and Corporate Affairs (5)	1999	500,000	621,600	—	150,000	—	—	—
	1998	425,000	425,000	—	—	—	—	—
	1997	(6) 300,000	289,500	—	300,000	—	—	—
Paul H. Larose Vice President, Finance	1999	325,000	306,540	—	—	—	—	—
	1998	310,000	310,000	—	—	—	—	—
	1997	290,083	279,930	—	100,000	—	—	—

- (1) The value of benefits not exceeding the lesser of \$50,000 or 10% of the sum of salary and bonuses has been omitted.
- (2) Mr. Beaudoin was appointed Chairman of the Board and of the Executive Committee of the Corporation as of February 1, 1999.
- (3) This sum includes \$67,892 for personal use of the Company’s aircraft.
- (4) Mr. Brown was appointed President and Chief Executive Officer of the Corporation as of February 1, 1999.
- (5) Mr. Allaire was appointed Executive Vice President of the Corporation and Chairman of Bombardier Capital as of February 1, 1999.
- (6) At the employment of the Corporation for 8 months in 1996.

### Stock Option Plan

Until December 1, 1998, the Stock Option Plan (the “Plan”) of the Corporation provided for the granting to key employees of the Corporation and its subsidiaries of non-assignable options

to purchase an aggregate number of Class B subordinate shares which could not exceed 38,000,000 outstanding Class B subordinate shares. On December 1, 1998, with the approval of the Montréal Stock Exchange and the Toronto Stock Exchange, this number has been fixed to a maximum of 67,891,344 of which 44,091,682 shares are available for granting.

The option price is the weighted average trading price of the Class B subordinate shares traded on the Montréal and Toronto stock exchanges on the five trading days immediately preceding the day on which the option is granted. The option price is payable in full at the time of exercise of the option. Unless otherwise determined by the Board of Directors of the Corporation, the options are exercisable during periods commencing not earlier than two years following the date of granting and terminating not later than ten years after such date of granting.

Furthermore, an optionee shall not have purchased more than 25% of the aggregate number of shares covered by his option at the expiration of the third year following the date of granting of such option, more than 50% of the aggregate number of shares covered by his option at the expiration of the fourth year following the date of granting of such option and more than 75% of the aggregate number of shares covered by his option at the expiration of the fifth year following the date of granting of such option. As a general rule, the number of Class B subordinate shares granted to each key employee is based on a multiple of his salary, said multiple being directly related to the key employee's management level in the Corporation or one of its subsidiaries.

The following table sets forth the options granted during the financial year ended January 31, 1999.

Date of Granting	Number of Shares Covered by Options	Option Price	Closing Price on the Date of Granting
February 12, 1998	1,614,000	\$14.855 *	\$15.75 *
April 29, 1998	726,000	\$18.735 *	\$18.75 *
June 22, 1998	374,480	\$18.775 *	\$19.10 *
September 1, 1998	160,000	\$17.49	\$17.05
December 7, 1998	164,000	\$20.37	\$20.25

\* These prices take into account the stock split on July 10, 1998.

As at January 31, 1999, options for a total of 22,358,550 Class B subordinate shares had been granted and were outstanding.

### Options exercised in last completed financial year

During the financial year ended January 31, 1999, an aggregate number of 1,808,750 Class B subordinate shares have been purchased under the Plan by key employees of the Corporation pursuant to the exercise of options as follows:

80,000	shares purchased at an option price of	\$1.53;
20,000	shares purchased at an option price of	\$1.634375;
30,000	shares purchased at an option price of	\$1.77;
480,000	shares purchased at an option price of	\$1.96875;
425,000	shares purchased at an option price of	\$2.5225;
45,000	shares purchased at an option price of	\$3.0525;

40,000	shares purchased at an option price of	\$3.34;
65,000	shares purchased at an option price of	\$4.125;
288,750	shares purchased at an option price of	\$5.2775;
123,000	shares purchased at an option price of	\$6.145;
60,000	shares purchased at an option price of	\$6.5275;
38,000	shares purchased at an option price of	\$8.53;
5,000	shares purchased at an option price of	\$9.395;
11,500	shares purchased at an option price of	\$10.175; and
97,500	shares purchased at an option price of	\$10.265.

The aggregate net value (market prices on dates of purchase less option prices) for all the 1,808,750 Class B subordinate shares so purchased is \$27,828,580.

The following table summarizes for each of the Named Executive Officers the number of stock options exercised during the financial year ended January 31, 1999, the aggregate value realized upon exercise and the total number and value of unexercised options held at January 31, 1999.

Value realized upon exercise is the difference between the closing price of the Class B subordinate share on the exercise date and the exercise price of the option. Value of unexercised options at financial year end is the difference between the closing price of the Class B subordinate share on January 29, 1999 (\$22.50) and the exercise price.

Name	Shares Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at Financial Year End		Value of Unexercised Options at Financial Year End	
			Exercisable (#)	Unexercisable	Exercisable (\$)	Unexercisable (\$)
Laurent Beaudoin	—	—	6,100,000	1,500,000	117,537,500	18,352,500
Jean-Louis Fontaine	—	—	187,500	112,500	3,455,438	1,376,438
Robert E. Brown	480,000	8,427,000	225,000	1,275,000	3,501,000	11,259,125
Yvan Allaire	—	—	75,000	375,000	966,375	3,464,475
Paul H. Larose	—	—	65,000	75,000	1,104,975	917,625

The numbers of shares indicated in the foregoing tables reflect, in part, adjustments following two-for-one stock splits which took place on January 31, 1992, July 7, 1995 and July 10, 1998.

The value of unexercised options, unlike the amounts set forth in the column "Aggregate Value Realized", has not been, and may never be, realized. The actual gains, if any, on exercise will depend on the value of the Class B subordinate shares of the Corporation on the date of exercise.

## Pension Plan

Senior Officers, including the Named Executive Officers, participate in two non-contributory defined benefit pension plans. Benefits payable from the basic plan correspond to 2% of average salary in the three continuous years of service during which they were paid their highest salary (up to a maximum salary of \$86,111) times the number of years of credited service.

The supplemental plan provides (depending on the management level) for additional benefits of 1.5% or 2% of average salary in excess of \$86,111 times the number of years of credited service, or 2.25% of average salary times the number of year of credited service less the pension payable from the basic plan.

Benefits are reduced by 1/3 of 1% for each month between the date of early retirement and the date of a participant's 60th birthday or, if earlier, the date at which the participant's age plus his or her years of credited service total 85. No benefits are payable from the supplemental plan if a participant has not completed 5 years of service.

The following table shows total annual benefits payable at age 60 from the basic plan and the supplemental plan computed on a percentage of 2%. Upon the death of a participant, the spouse will be entitled to a benefit equal to 60% of the benefit to which such participant was entitled. If the participant has no spouse at the time of retirement, the benefits will be paid, after death, to the designated beneficiary until such time as 120 monthly installments, in the aggregate, have been paid to the participant and to the designated beneficiary.

All benefits payable from these plans are in addition to government social security benefits. Only base salary is taken into consideration in calculating pension benefits.

### Annual Benefits Payable at the Normal Retirement Age of 60

Average remuneration	Years of Service			
	20	25	30	35
\$200,000	\$80,000	\$100,000	\$120,000	\$140,000
\$300,000	120,000	150,000	180,000	210,000
\$400,000	160,000	200,000	240,000	280,000
\$500,000	200,000	250,000	300,000	350,000
\$600,000	240,000	300,000	360,000	420,000
\$700,000	280,000	350,000	420,000	490,000
\$800,000	320,000	400,000	480,000	560,000
\$900,000	360,000	450,000	540,000	630,000
\$1,000,000	400,000	500,000	600,000	700,000
\$1,100,000	440,000	550,000	660,000	770,000
\$1,200,000	480,000	600,000	720,000	840,000

Years of credited service as at January 31, 1999 for each of the Named Executive Officers hereafter mentioned:

Jean-Louis Fontaine	34 years and 10 months
Robert E. Brown	12 years



Yvan Allaire	2 years and 9 months
Paul H. Larose	29 years and 5 months.

At the normal retirement age of 60, the four Named Executive Officers whose names appear below will have the following number of years of credited service :

Jean-Louis Fontaine	35 years and 9 months
Robert E. Brown	18 years and 1 month
Yvan Allaire	5 years and 3 months
Paul H. Larose	35 years and 2 months.

The Chairman, who was also Chief Executive Officer as at January 31, 1999, reached the age of 60 in May 1998. Pursuant to the supplemental pension plan, he would have been entitled, should he have retired as of January 31, 1999, to an allowance which would have been \$871,406 according to pensionable earnings in the amount of \$1,083,333 as to this date. The allowance to which he will be entitled at age 65 will be based on his pensionable earnings and his years of credited service as of this date. As at January 31, 1999, Laurent Beaudoin had 35 years and nine months of credited service. Upon his death, his wife will be entitled to a benefit equal to 60% of the benefits to which he was entitled.

### **Report of the Compensation Committee**

As at January 31, 1999, the Compensation Committee consisted of five Directors, two of whom are Officers of the Corporation, namely, the President, Chairman and Chief Executive Officer, Laurent Beaudoin, and one of the Vice-Chairmen, J.R. André Bombardier, and three of whom are outside Directors, namely André Desmarais, Pierre Legrand and William I.M. Turner, Jr. The committee meets at least three times a year.

The aggregate compensation of the Senior Officers of the Corporation, including the Named Executive Officers, consists of three components : base salary, the incentive (short-term) plan and the stock option plan.

The Compensation Committee has responsibility for defining compensation conditions, salary classes, the extent and levels of participation in the incentive (short-term) program and the stock option plan. The Committee monitors succession planning and determines the compensation of the Senior Officers in light of annual earnings.

To assist it in achieving its goals, the Committee calls on the services of compensation consultants who are responsible for gathering information on the policies in effect in companies comparable with the Corporation. The Corporation's policy is to offer its Senior Officers competitive salaries and to hire employees who are experts in their field at their market value in order to achieve annual financial performance targets. In addition to market surveys, the Compensation Committee takes into consideration the profitability of the Corporation. Thus, growth in base salary is a function of individual performance, the results obtained by the Corporation and comparisons with the industry in general.

In addition to the base salary, the Corporation offers an incentive plan which emphasizes the creation of economic value for the shareholders of the Corporation and which is linked to the performance objectives of each group or division. A bonus target is set as a percentage of the salary of a Senior Officer and the program allows for a maximum amount of bonuses for each

group. The incentive plan encourages employees to try to outperform the earnings forecasts contained in annual operating budgets.

In the case of the Senior Officers at the Corporate Office, the incentive plan is based on the return obtained on the shareholders' equity during a given year. For the Senior Officers to earn a bonus, such return must have exceeded 12.5% at year-end. Any percentage point in excess is multiplied by a factor which is in turn based on the management level of the Senior Officer.

The performance of the Corporation and sustained growth in the value of its shares depend on striking a balance between short and long-term considerations. To this end a stock option plan was introduced in 1986 to allow options on Class B subordinate shares of the Corporation to be granted to key employees of the Corporation and its subsidiaries. This plan is described on pages 12 and 13.

The Compensation Committee determines the number of stock options to be granted based, as a general rule, on a multiple of salary which is established according to the management level held by the employee in the Corporation or one of its subsidiaries. The application of the formula is flexible and the Compensation Committee takes into account all relevant circumstances when making its decisions. Barring circumstances involving an exceptional contribution or a promotion, the status of each key employee as regards stock options is reviewed every three years.

The determination of the base salaries of the Chief Executive Officer and the other Senior Officers takes into account salary comparisons with positions involving similar responsibility and complexity, as per information obtained from outside consultants, and considerations of internal equity.

In brief, all of the Senior Officers receive a compensation that is based on their individual performance, the performance of the Corporation and market forces.

Laurent Beaudoin

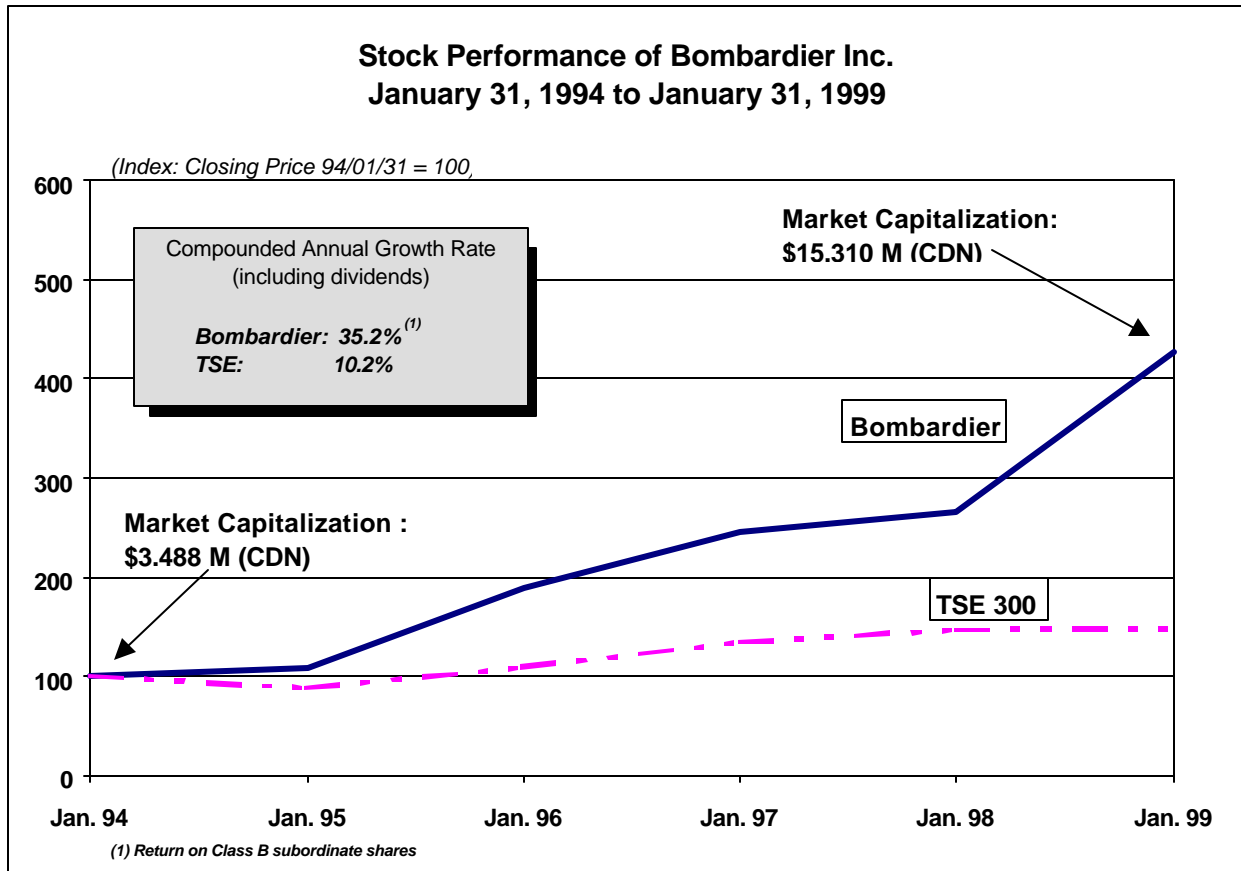
André Desmarais

J.R. André Bombardier

Pierre Legrand

William I.M. Turner, Jr.

## Performance Graph



## Directors' and Officers' Insurance

The Corporation purchases and maintains liability insurance for Directors and Officers. The current total amount of such insurance maintained is \$100 million at a cost of \$508,000 per annum. Under this insurance policy, the Corporation's maximum possible liability beyond the payment of premiums is \$150,000 for any particular claim.

## Appointment of Auditors

It is proposed by the Management of the Corporation that Ernst & Young LLP, chartered accountants, be appointed as auditors of the Corporation and that the Directors of the Corporation be authorized to fix their remuneration.

## **Voting of Shares Represented by Management Proxy**

The accompanying forms of proxy, subject to any specific directions given therein by any shareholder, confer discretionary voting authority upon those persons designated therein. If a direction is given in the accompanying form of proxy with respect to any matter for which a choice is provided therein, the shares represented thereby will, on any ballot that may be called for, be voted or withheld from voting in accordance with such direction. If no direction is given, the said shares will be voted in favor of the said matters.

Management of the Corporation knows of no amendments or variations to the matters identified in the Notice of Meeting and of no other business to come before the Meeting. If, however, any such amendments or variations or any other business properly come before the Meeting, the Management nominees designated in the forms of proxy shall vote the shares represented by such proxy in accordance with their best judgment.

## **Available Documentation**

The Corporation is a reporting issuer under the securities acts of certain provinces of Canada and is thereby required to file financial statements and Management Proxy Circulars with the various securities commissions in such provinces. The Corporation also files an annual information form annually with such securities commissions. Copies of the Corporation's latest annual information form, audited financial statements, interim financial statements filed since the date of the latest audited financial statements, and Management Proxy Circular may be obtained on request from the Public Relations department of the Corporation. The Corporation may require the payment of a reasonable charge when the request is made by someone other than a holder of securities of the Corporation, unless the Corporation is in the course of a distribution of its securities pursuant to a short form prospectus, in which case such documents will be provided free of charge.

## **Approval of Directors**

The contents and the sending of this Management Proxy Circular have been approved by the Directors of the Corporation.

Montréal, Canada, this 19<sup>th</sup> day of May, 1999.

Roger Carle  
Corporate Secretary