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Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief from issuer bid requirements for a hedging transaction conducted on a recognized exchange under its normal course issuer bid policy

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 105-110, 114(2)(c)

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NEWFOUNDLAND AND LABRADOR AND NOVA SCOTIA

AND

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

AND

IN THE MATTER OF SNC-LAVALIN GROUP INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Newfoundland and Labrador and Nova Scotia (the “Jurisdictions”) has received an application from SNC-Lavalin Group Inc. (“SNC”) for a decision under the securities legislation of the Jurisdictions (the “Legislation”) that SNC be exempted from the regulatory requirements pertaining to issuer bids in connection with a proposed Transaction (as defined below) to be entered into between SNC and a Canadian chartered bank (the “Bank”);

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the “System”), the *Commission des valeurs mobilières du Québec* is the principal regulator for this application;

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions or in Québec Commission Notice 14-101;

AND WHEREAS SNC has represented to the Decision Makers that:

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1. SNC is a corporation incorporated under the laws of Canada and is a reporting issuer in each of the provinces of Canada in which such concept exists. SNC is not in default of any of the requirements of the securities legislation in each of the provinces of Canada.
2. The authorized share capital of SNC consists of an unlimited number of common shares ("Common Shares"), first preferred shares and second preferred shares. As of December 31, 2003, there were approximately 50.7 million Common Shares issued and outstanding.
3. The Common Shares of SNC are listed on the Toronto Stock Exchange under the symbol "SNC".
4. On June 10, 2003, SNC renewed its normal course issuer bid program (the "NCIB"). The NCIB will expire on May 10, 2004.
5. SNC implemented a Performance Share Unit Plan (the "Plan") effective as of January 1, 1998 pursuant to which key employees of SNC and its affiliates, including officers of SNC, are eligible to participate. The Plan is administered by the Corporate Governance and Human Resources Committee of the board of directors of SNC (the "Committee").
6. Under the terms of the Plan, the Committee selects, on an annual basis, the employees which are eligible to participate in the Plan (such employees, the "Participants") and the number of performance share units (the "Units") to be granted to each Participant.
7. Units granted under the Plan generally vest over a period of five years and are redeemed for cash by SNC upon termination of a Participant's employment. The redemption price of a Unit is equal to the average closing price per Common Share on the TSX for the date of termination and the last trading day of each of the 12 weeks preceding the date of termination (the "Termination Price"). Thus, upon the termination of a Participant's employment, such Participant is entitled to a cash payment from SNC in respect of the Units to be redeemed equal to the Termination Price multiplied by the number of Units held (the "Redemption Amount").
8. As of December 31, 2003, there were 305,842 Units outstanding under the Plan.
9. SNC intends to enter into an equity derivative transaction (the "Transaction") with the Bank in order to limit its financial exposure under the Plan.

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10. Under the terms of the Transaction, SNC will periodically advance funds to the Bank, which the Bank will use to settle the purchase price of Common Shares acquired by the Bank (or its affiliates) on the open market at the request of SNC. Advances initially provided by SNC to the Bank following the implementation of the Transaction will be in respect of the hedge of SNC's exposure to outstanding Units. Although the terms of the Transaction will not require SNC to hedge its exposure under the Plan, to the extent SNC determines to do so it is expected that advances will be made by SNC reasonably concurrently with the grant of Units under the Plan. The maximum number of Common Shares to be purchased in connection with the Transaction will not exceed the number of Units outstanding under the Plan.
11. Each advance made by SNC will be preceded by a notice in writing by SNC to the Bank (the "Advance Notice") specifying the amount of the advance, the period during Common Shares must be acquired by the Bank or an affiliate thereof on the open market and price ranges within which Common Shares must be purchased. The proceeds of each advance or an amount equal to such advance must be used by the Bank (or its affiliate) to settle the purchase price of Common Shares acquired during the specified purchase period, and the Bank (or its affiliate) will be required to use commercially reasonable efforts to effect purchases of Common Shares during such period as specified in the Advance Notice.
12. The Bank will be contractually obligated under the terms of an equity derivatives confirmation (the "Confirmation") to be entered into between the parties to effect purchases and sales of Common Shares in accordance with SNC's instructions, except if an event of default has occurred and is continuing with respect to SNC. If the Bank fails to comply with its obligations under the Transaction, including a failure to use commercially reasonable efforts in fulfilling the instructions contained in an Advance Notice or a Repayment Notice (as defined below), it will be subject to the exercise by SNC of its legal recourses including, if available, damages and specific performance.
13. Advances made by SNC will be represented by a grid promissory note to be issued by the Bank in favour of SNC which will be repayable in whole or in part on demand (the "Note"). The Note will reflect, at any given time, the outstanding aggregate principal amount of advances made by SNC during the term of the Transaction, less any amount by which such principal amount is reduced or cancelled as a result of the repayment of such advances.
14. The Note will not bear interest, except default interest. However, the Bank will have the obligation to remit to SNC from time to time an amount equal to

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the dividends declared and paid on the Common Shares purchased in connection with the Transaction.

15. From time to time during the term of the Transaction, SNC will deliver a demand of repayment under the Note (the “Repayment Notice”) to the Bank. The Repayment Notice will require the Bank (or its affiliate) to use commercially reasonable efforts to sell, on the open market, the number of Common Shares provided for in the Repayment Notice within specified price ranges and sale periods. It is contemplated that a Repayment Notice will be given each time SNC is required to pay a Redemption Amount to a Participant under the Plan.
16. Under the terms of the Transaction, the discretion of the Bank (or its affiliates) in effecting purchases and sales of Common Shares pursuant to Advance Notices and Repayment Notices, respectively, will be minimal.
17. Concurrently with the Note, the parties will enter into the Confirmation. The Confirmation will provide for an over-the-counter call option in favour of SNC and an over-the-counter put option in favour of the Bank (the “Options”). Under each Option, the underlying shares will be the Common Shares. The number of Options will be designed to match the number of Common Shares held by the Bank (or its affiliate) from time to time pursuant to the terms of the Note.
18. A number of Options equal to the number of Common Shares specified in the Repayment Notice will be deemed to be exercised at the end of each sale period specified in a Repayment Notice. Under each Option, the “Strike Price” will be equal to the average purchase price of the Common Shares acquired by the Bank (or its affiliate) during purchase periods further to Advance Notices and the “Settlement Price” will be equal to the average sale price of the Common Shares sold by the Bank (or its affiliate) during the relevant sale period further to a Repayment Notice. The amounts payable as a result of the exercise of the Options will either be added to the repayment on the Note or set-off against it depending on whether the value of the Common Shares has increased since the hedge has been put in place. The purpose of the Options therefore is to effect cash settlement between the parties of the difference between the Strike Price and the Settlement Price.
19. The Bank will be paid an annual fee in connection with the Transaction equal to a negotiated percentage of the outstanding principal balance of the Note, calculated daily on the basis of the number of days elapsed in the year and payable quarterly in arrears.

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20. Given that under the terms of the Transaction SNC may, in the Advance Notices provided to the Bank by SNC, specify price ranges within which Common Shares must be purchased by the Bank (or its affiliate), the Transaction may be viewed as constituting an “indirect” issuer bid under the Legislation, that is, an indirect offer by SNC, made through the Bank (or its affiliate), to purchase its own securities (Common Shares).
21. An issuer bid that is not exempted from the requirements of the Legislation must be made pursuant to the rules applicable to such bids.
22. The Common Shares purchased by the Bank (or its affiliate) pursuant to Advance Notices provided by SNC will be held by the Bank or an affiliate thereof in one or more accounts of which the Bank (or its affiliate) is the beneficial owner and has the power to exercise direction. From time to time, the Bank (or its affiliate) will sell Common Shares on the open market pursuant to Repayment Notices delivered by SNC. At no time during the term of the Transaction is it contemplated that such Common Shares will be transferred, directly or indirectly, to SNC.
23. SNC may direct the Bank, upon the expiration of the Transaction, to sell the Common Shares to another financial institution or to a registered trust to continue or renew the hedging program.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the “Decision”);

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Maker pursuant to the Legislation is that SNC be exempted from the requirements pertaining to issuer bids in connection with the Transaction provided that:

- 1° the aggregate number of Common Shares purchased during a relevant 12-month period pursuant to (i) the NCIB and any renewal or extension thereof, or any new normal course issuer bid program which SNC may implement, and (ii) the Transaction, does not exceed five percent (5%) of the Common Shares outstanding at the commencement of the twelve (12) month period and any other prescribed limits applicable to normal course issuer bids;

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- 2° in Québec, SNC publishes, within ten days of the first purchase made by the Bank under the Transaction and on an annual basis at each anniversary date thereof, a notice of intention in the form prescribed by section 189.1.2 of the *Regulations respecting Securities* (Québec) containing a certification by an officer of SNC that the condition provided for at paragraph 1° above is met.

DATED this 31st day of May, 2004.

Daniel Laurion
Le Surintendant de l'encadrement des marchés de valeurs