

**Preliminary Short Form Prospectus dated May 6, 1997**

*This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or any similar authority in Canada has in any way passed upon the merits of the securities offered hereby and any representation to the contrary is an offence. The securities offered under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933 and may not be offered or sold within the United States or to U.S. persons. See "Plan of Distribution".*

*Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated by reference may be obtained on request without charge from the Secretary, Bombardier Inc., 800 René-Lévesque Boulevard West, Montreal, Quebec H3B 1Y8 (telephone (514) 861-9481). For the purposes of the Province of Quebec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Secretary of Bombardier Inc. at the above-mentioned address and telephone number.*

New Issue



**BOMBARDIER INC.**

**\$300,000,000**

**12,000,000 Shares**

**Series 2 Cumulative Redeemable Preferred Shares**

Until July 31, 2002, the Series 2 Cumulative Redeemable Preferred Shares (the "Series 2 Preferred Shares") will be entitled to fixed cumulative preferential cash dividends of \$1.375 per share per annum, as and when declared by the Board of Directors of Bombardier Inc. (the "Corporation"), which will accrue from the date of issue and will be payable, if declared, quarterly on the last day of January, April, July and October in each year, with the initial dividend, if declared, payable on July 31, 1997 in the amount of \$0.2637 per share assuming an issue date of May 22, 1997. See "Details of the Offering".

From August 1, 2002, the Series 2 Preferred Shares will be entitled to floating adjustable cumulative preferential cash dividends, as and when declared by the Board of Directors of the Corporation, which will accrue from August 1, 2002, and will be payable, if declared, monthly on the 15th day of each month commencing with the month of September 2002, with the annual floating dividend rate for the first month equal to 80% of Prime (as defined herein). The dividend rate will float in relation to changes in Prime and will be adjusted upwards or downwards on a monthly basis whenever the Calculated Trading Price (as defined herein) of the Series 2 Preferred Shares is \$24.90 or less or \$25.10 or more, respectively. The maximum monthly adjustment for changes related to the Calculated Trading Price will be ± 4.00% of Prime. The annual floating dividend rate applicable in a month will in no event be less than 50% of Prime or greater than Prime. See "Details of the Offering".

**Conversion into Series 3 Preferred Shares**

Holders of Series 2 Preferred Shares will have the right to convert their shares into Series 3 Cumulative Redeemable Preferred Shares of the Corporation (the "Series 3 Preferred Shares"), subject to certain conditions, on August 1, 2002 and on August 1 every fifth year thereafter. In addition, holders of Series 3 Preferred Shares will have a similar right on August 1, 2007 and on August 1 every fifth year thereafter, subject to certain conditions, to convert back into Series 2 Preferred Shares. In certain circumstances, such conversions may be automatic. See "Details of the Offering".

On August 1, 2002, the Corporation may redeem for cash the Series 2 Preferred Shares, in whole but not in part, at the Corporation's option, at \$25.00 per share plus accrued and unpaid dividends. Subsequent to August 1, 2002, the Corporation may redeem at any time for cash the Series 2 Preferred Shares, in whole but not in part, at the Corporation's option, at \$25.50 per share plus accrued and unpaid dividends. The Series 3 Preferred Shares will also be redeemable for cash, in whole but not in part, at the Corporation's option, at \$25.00 per share plus accrued and unpaid dividends on August 1, 2007 and on August 1 every fifth year thereafter. See "Details of the Offering".

**Price: \$25.00 per share to yield initially 5.50% per annum**

	<b>Price to Public</b>	<b>Underwriters' Fees<sup>(1)</sup></b>	<b>Net Proceeds to Corporation<sup>(1)(2)</sup></b>
Per Share . . . . .	\$25.00	\$0.75	\$24.25
Total . . . . .	\$300,000,000	\$9,000,000	\$291,000,000

(1) The underwriting fee is \$0.25 per Series 2 Preferred Share sold to certain institutions and \$0.75 per share for all other Series 2 Preferred Shares sold to the public. The total represents the underwriting fee assuming no Series 2 Preferred Shares are sold to such institutions.

(2) Before deducting expenses of issue estimated at \$300,000.

We, as principals, conditionally offer the Series 2 Preferred Shares, subject to prior sale, if, as and when issued by the Corporation and accepted by us, in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Corporation by Ogilvy Renault, Montreal, a general partnership, and on our behalf by Desjardins Ducharme Stein Monast, Montreal, a general partnership. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the date of closing and the date on which the Series 2 Preferred Shares in definitive form will be ready for delivery will be on or about May 22, 1997 and in any event not later than June 14, 1997.

**Three of the Underwriters are, directly or indirectly, as the case may be, subsidiaries of Canadian banks which are among the principal bankers of the Corporation. The aforementioned Underwriters will not receive any benefit in connection with this offering other than their respective portion of the Underwriters' fee payable by the Corporation. The decision to offer the Series 2 Preferred Shares and the determination of the terms of the distribution were made without the involvement of any such banks. See "Plan of Distribution" and "Use of Proceeds".**

This is a preliminary short form prospectus relating to these securities, a copy of which has been filed with the securities commission or similar regulatory authority in each of the provinces of Canada, but which has not yet become final for the purpose of a distribution or a distribution to the public. Information contained herein is subject to completion or amendment. These securities may not be sold to, nor may offers to buy be accepted from, residents of such jurisdictions, prior to the time a receipt for the final short form prospectus is obtained from the appropriate securities commission or other regulatory authority.

## TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
Documents Incorporated by Reference . . . . .	2	Details of the Offering . . . . .	10
Summary of the Offering . . . . .	3	Canadian Federal Income Tax Considerations . . . . .	19
The Corporation . . . . .	5	Eligibility for Investment . . . . .	21
Recent Developments . . . . .	5	Plan of Distribution . . . . .	21
Selected Consolidated Financial Information . . . . .	7	Transfer Agent and Registrar . . . . .	21
Use of Proceeds . . . . .	8	Legal Matters . . . . .	22
Share and Loan Capital . . . . .	8	Purchaser's Statutory Rights . . . . .	22
Earnings and Asset Coverages . . . . .	8	Certificate of Bombardier Inc. . . . .	23
Ratings . . . . .	8	Certificate of the Underwriters . . . . .	24
Description of Share Capital . . . . .	9		

### DOCUMENTS INCORPORATED BY REFERENCE

The following documents, filed with the various securities commissions or similar authorities in each of the provinces of Canada, are specifically incorporated by reference in and form an integral part of this short form prospectus:

- (a) the audited consolidated financial statements of the Corporation for the years ended January 31, 1997 and January 31, 1996, together with the report of the auditors thereon, and Management's Discussion and Analysis for the year ended January 31, 1997, as filed by the Corporation pursuant to the requirements of the various securities acts and regulations in Canada;
- (b) the Management Proxy Circular dated May 13, 1996 in connection with the Corporation's June 18, 1996 Annual Meeting of Shareholders, excluding those portions thereof which, pursuant to National Policy No. 47 of the Canadian Securities Administrators, are not required to be incorporated by reference herein; and
- (c) the Annual Information Form dated May 13, 1996.

Any annual information form, material change report (other than confidential reports), comparative interim financial statements or management proxy circular filed by the Corporation with securities commissions or similar authorities in the provinces of Canada subsequent to the date of this short form prospectus and prior to the termination of this offering shall be deemed to be incorporated by reference in this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or replaces such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

## SUMMARY OF THE OFFERING

*This summary is qualified by the more detailed information appearing elsewhere in this short form prospectus. For the definition of terms used in this summary, refer to "Details of the Offering".*

**Issue:** Series 2 Cumulative Redeemable Preferred Shares.  
**Amount:** \$300,000,000 (12,000,000 shares).  
**Price and Yield:** \$25.00 per share to yield initially 5.50% per annum.

### **Principal Characteristics of Series 2 Preferred Shares:**

**Dividends:** Until July 31, 2002, fixed cumulative preferential cash dividends at an annual rate of \$1.375 per Series 2 Preferred Share will accrue from the date of issue and will be payable, if declared, quarterly on the last day of January, April, July and October in each year. Assuming an issue date of May 22, 1997, an initial dividend, if declared, of \$0.2637 per share will be payable on July 31, 1997.

From August 1, 2002, floating adjustable cumulative preferential cash dividends will be payable, if declared, monthly on the 15th day of each month commencing with the month of September 2002, with the annual floating dividend rate for the first month equal to 80% of Prime. The dividend rate will float in relation to changes in Prime and will be adjusted upwards or downwards on a monthly basis whenever the Calculated Trading Price of the Series 2 Preferred Shares is \$24.90 or less or \$25.10 or more, respectively. The maximum monthly adjustment for changes related to the Calculated Trading Price will be  $\pm 4.00\%$  of Prime. However, the annual floating dividend rate applicable in a month will in no event be less than 50% of Prime or greater than Prime.

**Redemption:** The Series 2 Preferred Shares will not be redeemable prior to August 1, 2002. The Series 2 Preferred Shares will be redeemable on such date for cash, in whole but not in part, at the Corporation's option, at \$25.00 per share, together with accrued and unpaid dividends up to but excluding the date of redemption, and will be redeemable at any time after August 1, 2002, in whole but not in part, for cash, at the Corporation's option, at \$25.50 per share, together with accrued and unpaid dividends up to but excluding the date of redemption.

**Conversion into Series 3 Preferred Shares:** Holders of Series 2 Preferred Shares will, subject to the automatic conversion provisions and restrictions on conversion described below, and unless the Series 2 Preferred Shares have been called for redemption, have the right to convert on August 1, 2002, and on August 1 every fifth year thereafter, their shares into an equal number of Series 3 Preferred Shares, upon giving the Corporation notice thereof no more than 45 days and no less than 14 days prior to a conversion date.

**Automatic Conversion Provisions and Restrictions on Conversion:** Following the close of business on the 14th day preceding a conversion date, if the Corporation determines after having taken into account all shares tendered for conversion by holders of Series 2 Preferred Shares and, if applicable, Series 3 Preferred Shares, that there would be outstanding on such conversion date less than 1,000,000 Series 2 Preferred Shares, such remaining number of Series 2 Preferred Shares shall automatically be converted on such conversion date into an equal number of Series 3 Preferred Shares. Additionally, if the Corporation determines at such time that there would be outstanding on such conversion date less than 1,000,000 Series 3 Preferred Shares, then no Series 2 Preferred Shares may be converted into Series 3 Preferred Shares.

**Ratings:** CBRS: P-2(High)  
DBRS: Pfd-2

## **Principal Characteristics of Series 3 Preferred Shares:**

***Dividends:*** Fixed cumulative preferential cash dividends will be payable, if declared, quarterly on the last day of January, April, July and October in each year. The initial dividend, if declared, will be payable on October 31, 2002.

At least 45 days and not more than 60 days prior to the start of the initial dividend period beginning on August 1, 2002 and ending on July 31, 2007, and at least 45 days and not more than 60 days prior to the first day of each subsequent five-year dividend period (the initial five-year dividend period and each subsequent five-year dividend period being referred to as a "Fixed Dividend Rate Period"), the Corporation shall set, and provide written notice of, a Selected Percentage Rate for the ensuing Fixed Dividend Rate Period. Such Selected Percentage Rate shall not be less than 80% of the Government of Canada Yield determined on the 21st day preceding the first day of the applicable Fixed Dividend Rate Period.

***Redemption:*** The Series 3 Preferred Shares are not redeemable prior to August 1, 2007. The Series 3 Preferred Shares will be redeemable on August 1, 2007 and on August 1 in every fifth year thereafter for cash, in whole but not in part, at the Corporation's option, at \$25.00 per share, together with accrued and unpaid dividends up to but excluding the date of redemption.

***Conversion into Series 2 Preferred Shares:*** Holders of Series 3 Preferred Shares will, subject to the automatic conversion provisions and restrictions on conversion described below, and unless the Series 3 Preferred Shares have been called for redemption, have the right to convert on August 1, 2007, and on August 1 every fifth year thereafter, their shares into an equal number of Series 2 Preferred Shares, upon giving the Corporation notice thereof no more than 45 days and no less than 14 days prior to a conversion date.

***Automatic Conversion Provisions and Restrictions on Conversion:*** Following the close of business on the 14th day preceding a conversion date, if the Corporation determines after having taken into account all shares tendered for conversion by holders of Series 3 Preferred Shares and, if applicable, Series 2 Preferred Shares, that there would be outstanding on such conversion date less than 1,000,000 Series 3 Preferred Shares, such remaining number of Series 3 Preferred Shares shall automatically be converted on such conversion date into an equal number of Series 2 Preferred Shares. Additionally, if the Corporation determines at such time that there would be outstanding on such conversion date less than 1,000,000 Series 2 Preferred Shares, then no Series 3 Preferred Shares may be converted into Series 2 Preferred Shares.

***Priority:*** The Series 2 Preferred Shares and the Series 3 Preferred Shares rank in priority to the Class A Shares and the Class B Subordinate Voting Shares with respect to the payment of dividends and with respect to the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation. Each series of Preferred Shares ranks in such respect on a parity with every other series of Preferred Shares.

***Tax on Preferred Share Dividends:*** The Corporation will elect, in the manner and within the time provided under Part VI.1 of the Tax Act, to pay or cause payment of the tax under Part VI.1 at a rate such that corporate holders of Series 2 Preferred Shares and Series 3 Preferred Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on such shares.

## THE CORPORATION

The Corporation, incorporated under the laws of Canada, has its registered office at 800 René-Lévesque Boulevard West, Montreal, Quebec H3B 1Y8.

The Corporation is engaged in design, development, manufacture and marketing in the transportation equipment, aerospace, defence and motorized consumer product industries. In addition, the Corporation offers support, maintenance and training services, as well as operations management in the public and private sectors. Seven subsidiaries of the Corporation are engaged in financial services and one division of the Corporation offers real estate services. The Corporation operates plants in Canada, the United States, Mexico, Austria, Belgium, Finland, France, Germany and the United Kingdom. Over 85% of its revenues are generated outside Canada. As of April 1, 1997, the Corporation employed approximately 41,000 people.

The Corporation's operations in its principal industrial segments are organized in three manufacturing groups, namely transportation equipment, aerospace and motorized consumer products, and two service groups, namely the financial services and real estate segment and the support, maintenance, training and private and public sector operations management support services segment.

The Transportation Group includes the Corporation's operations in the transportation equipment segment. The operations of the Transportation Group encompass, among other things, the design, manufacture, sale and maintenance of vehicles for urban, suburban and intercity rail-passenger transportation, as well as integrated rail transit systems for turnkey projects.

The Aerospace Group is responsible for the Corporation's operations in the aerospace segment, and is involved, among other things, in the design, manufacture, sale and maintenance of aircraft and aircraft components.

The Motorized Consumer Products Group is responsible for the Corporation's operations in the motorized consumer products segment. The operations of the Motorized Consumer Products Group are conducted through the Snowmobile Division, the Marine Products Division, the NEV Division and Bombardier-Rotax, in Austria.

The Services Group was created in April 1996 to foster the development of a stronger presence in the worldwide market for support, maintenance and training services as well as operations management in the public and private sectors. The Services Group currently provides and markets a variety of technical and support services for aerospace and defence customers. It also designs, manufactures, sells and services snowgrooming equipment.

The Bombardier Capital Group encompasses the Corporation's operations in the financial services and real estate development segments. It provides financing, on a secured basis, of dealer inventories purchased from manufacturers and distributors of recreational and consumer products in Canada, the United States and Europe. Its activities also consist in developing real estate assets owned by the Corporation that are earmarked for new uses and in meeting the real estate needs of the Corporation's groups, divisions and subsidiaries.

## RECENT DEVELOPMENTS

### **Development of New Products/Aerospace Group**

#### *Learjet® 45*

The Learjet 45 super light jet is a completely new design and is positioned between the Learjet 31A and the Learjet 60 in terms of price and range capability. The Learjet 45 certification program is currently in progress and certification is expected in the first half of 1997, with initial customer deliveries to begin shortly thereafter.

#### *Global Express Business® Jet*

Unveiled on August 26, 1996, the new long-range, high-speed Global Express business jet flew for the first time on October 13, 1996. The twelve-month flight test program is on-going and currently meets the Corporation's expectations. Aircraft deliveries are scheduled to begin in the first half of 1998.

### *Dash Q8® Series 400*

The Dash Q8 Series 400 is the latest development of the Dash 8 Series turboprop regional aircraft and the first flight is scheduled for the last quarter of 1997. Initial flights of the Dash Q8 Series 400 aircraft will take place in Downsview, Ontario with further flight tests taking place at the Bombardier Flight Test Center in Wichita, Kansas and scheduled to begin in the first quarter of 1998. Initial delivery is planned for the first quarter of 1999.

### *Canadair Regional Jet® Series 700*

The Corporation's Canadair Regional Jet Series 700 program was officially launched on January 21, 1997 and reflects the Corporation's long-term commitment to the regional aircraft industry. This new aircraft is a stretched development of the 50-seat CRJ Series 100 and CRJ Series 200 airliners and will be available in 70-seat and 78-seat versions. The CRJ Series 700 will be built with risk-sharing participants who will be providing individual components to the Corporation for final assembly, flight test and delivery. The Corporation's Canadair unit will design and build the wing and nose fuselage and will assemble the aircraft at its Dorval, Quebec facilities.

Certification and initial market deliveries of the CRJ Series 700 are scheduled for the fourth quarter of the fiscal year ending on January 31, 2001. The Corporation estimates the development cost of the CRJ Series 700 to be \$640 million. The Corporation's share of the development expenses (net of all risk-sharing participants' contributions) is estimated at \$440 million.

### **Canadair Regional Jet Series 200**

The Corporation and Atlantic Southeast Airlines (ASA) entered into an agreement on April 21, 1997 relating to the purchase by Atlantic Southeast Airlines (ASA) of 30 Canadair Regional Jet Series 200 aircraft for an aggregate amount of \$825 million (US\$600 million). This order, which includes options to purchase an additional 60 aircraft, is the largest single Canadair Regional Jet aircraft transaction to date. Deliveries are scheduled to begin in August of 1997.

### **Bombardier Transportation Group/New York City Transit Authority Contract**

On April 30, 1997, the Board of Directors of the Metropolitan Transportation Authority/New York City Transit Authority (MTA/NYCTA) announced its decision to award the Corporation a contract for the supply of 680 rapid transit cars to replace part of its subway fleet. The contract, which is valued at \$1.3 billion (US\$921 million), calls for the design, manufacture and delivery of New Technology R-142 rapid transit cars. Production is expected to begin in October 1997 and first delivery is planned for within 19 months of the Notice to Proceed, which should be given within a few weeks. The contract comes with an option for up to 200 additional cars, to be exercised by January 2000. Together with the option, the total value of the contract would reach \$1.6 billion (US\$1.15 billion).

### **Canadair/Collective Agreement**

At the Canadair manufacturing facilities, in Montréal, Québec, the collective agreement covering the 4,557 production and maintenance employees, represented by Local 712 of the International Association of Machinists and Aerospace Workers expired on December 6, 1996. Following a period of negotiation and further to a request made by the Corporation on May 2, 1997, the Quebec Minister of Labour has appointed a mediator to help resolve the impasse in the negotiation for the renewal of the collective agreement. Discussions between the parties are currently on-going.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

The selected consolidated financial information of the Corporation should be read in conjunction with the audited consolidated financial statements of the Corporation which are incorporated by reference in this short form prospectus.

	Years ended January 31				
	1997	1996	1995	1994	1993
	(in millions of Canadian dollars)				
<b>BOMBARDIER INC. CONSOLIDATED<sup>(1)(2)</sup></b>					
Revenues	7,975.7	7,123.4	5,943.0	4,768.8	4,448.0
Income before income taxes	606.3	235.8	353.7	209.8	152.3
Net income	406.2	158.0 <sup>(3)</sup>	247.3	177.3	133.7
Total assets	7,950.3	6,392.6	5,461.8	4,454.7	4,240.2
Long-term debt	1,354.9	1,282.7	1,043.2	1,119.1	789.4
Convertible notes — equity component	152.3	139.9	128.6	118.1	108.5
Preferred shares	30.9	30.9	31.5	33.1	34.1
Common shareholders' equity	2,029.4	1,648.1	1,606.3	1,335.4	936.9
<b>BOMBARDIER<sup>(1)(4)</sup></b>					
Revenues	7,814.1	6,983.4	5,831.3	4,671.5	4,388.3
Income before income taxes	606.3	235.8	353.7	209.8	152.3
Net income	406.2	158.0 <sup>(3)</sup>	247.3	177.3	133.7
Total assets	6,451.1	5,178.3	4,467.0	3,771.8	3,340.4
Long-term debt	1,233.3	1,020.5	774.1	860.6	556.2
Convertible notes — equity component	152.3	139.9	128.6	118.1	108.5
Preferred shares	30.9	30.9	31.5	33.1	34.1
Common shareholders' equity	2,029.4	1,648.1	1,606.3	1,335.4	936.9
<b>BOMBARDIER CAPITAL GROUP<sup>(5)</sup></b>					
Revenues	244.6	220.0	166.0	133.5	77.5
Income before income taxes	59.7	42.1	22.3	13.8	7.4
Net income	34.5	21.2	9.7	8.7	6.8
Total assets	1,787.9	1,526.6	1,237.6	905.4	1,006.3
Long-term debt	121.6	262.2	269.1	258.5	233.2
Common shareholders' equity	217.7	188.2	177.9	160.5	84.0

- (1) On February 1, 1996, the Corporation adopted the new recommendations of the Canadian Institute of Chartered Accountants concerning financial instruments. Accordingly, the Corporation changed retroactively its accounting policy regarding the presentation of the convertible notes. Under this new accounting policy, the present value of interest payments on the convertible notes is recorded as long-term debt whereas the present value of the principal is recorded in shareholders' equity. The equity component of the convertible notes increases until October 1999 as a result of charges against retained earnings to reach an amount equal to the nominal value of the convertible notes. The interest on the debt component of the convertible notes is included in inventories in accordance with the Corporation's accounting policies.

The new accounting policy had the following effects on the consolidated financial statements:

	Years ended January 31				
	1997	1996	1995	1994	1993
	(in millions of Canadian dollars)				
Income before income taxes	13.4	6.3	8.1	2.6	1.4
Net income	9.0	4.2	5.4	1.7	0.9
Total assets	(40.7)	(43.3)	(38.6)	(38.6)	(29.8)
Long-term debt	45.7	61.2	76.5	84.1	90.9
Convertible notes — equity component	152.3	139.9	128.6	118.1	108.5
Common shareholders' equity	(8.5)	(8.9)	(4.1)	(14.6)	(13.1)

The impact of the change in accounting policy on earnings per share for each period presented is not significant.

- (2) Represents all the activities of the Corporation. The effect of transactions between Bombardier (see note (4) below) and Bombardier Capital Group (see note (5) below) has been eliminated.
- (3) The effect of the write-down of investment in Eurotunnel share units on the net income amounts to \$155.0 million. Exclusive of this write-down, the net income would then be \$313.0 million.
- (4) Represents the activities of the manufacturing group concentrated in four main segments, namely Transportation, Motorized Consumer Products, Aerospace and Services. The effect of intercompany transactions within this group has been eliminated. The investment in Bombardier Capital Group is equity accounted.
- (5) Represents the consolidation of the capital-intensive operations of the Corporation, namely, the financial services and real estate development activities. The effect of intercompany transactions within this group has been eliminated.

## USE OF PROCEEDS

The net proceeds to be realized by the Corporation from the sale of the Series 2 Preferred Shares offered hereby are estimated to be \$290.7 million (assuming no Series 2 Preferred Shares are sold to institutions), after deducting the underwriting fees and the expenses of issue. Of this amount, approximately \$259.4 million will be added to the general funds of the Corporation and as such will be used by the Corporation, among other things, to pursue its growth by funding the development of new products consistent with the Corporation's strategic plan. See "Recent Developments". The balance of the net proceeds of this offering, in an amount of approximately \$31.3 million, will be used by the Corporation to redeem on June 30, 1997 all Series 1 Cumulative Redeemable Preferred Shares of the Corporation presently outstanding. See "Description of Share Capital — Preferred Shares as a Class — Series 1 Preferred Shares".

Three of the Underwriters are, directly or indirectly, as the case may be, subsidiaries of Canadian banks which are among the principal bankers of the Corporation. See "Plan of Distribution".

## SHARE AND LOAN CAPITAL

There have been no material changes in the loan capital or in the share capital of the Corporation since January 31, 1997 to the date hereof except as to the repayment by the Corporation prior to maturity in April 1997 of all the 6% Notes maturing in April 1998 in the principal amount of 30.3 million Swiss Francs (Cdn. \$28.9 million).

## EARNINGS AND ASSET COVERAGES

The following financial ratios are calculated on a consolidated basis as at January 31, 1997 (in the case of asset coverage) and for the 12 months then ended (in the case of earnings coverage), after giving effect to this offering, to the redemption of all the Series 1 Preferred Shares and to the repayment of the Swiss Franc Notes, as described under "Use of Proceeds" and "Share and Loan Capital":

	January 31, 1997	
	Preferred Shares	Long-term Debt and Preferred Shares
Earnings coverage . . . . .	24.1	5.1
Net tangible asset coverage (before deduction of deferred income taxes) .	8.2	2.2
Net tangible asset coverage (after deduction of deferred income taxes) . .	7.9	2.2

The following financial ratios are calculated on a consolidated basis excluding the Bombardier Capital Group as at January 31, 1997 (in the case of asset coverage) and for the 12 months then ended (in the case of earnings coverage), after giving effect to this offering, to the redemption of all the Series 1 Preferred Shares and to the repayment of the Swiss Franc Notes, as described under "Use of Proceeds" and "Share and Loan Capital":

	January 31, 1997	
	Preferred Shares	Long-term Debt and Preferred Shares
Earnings coverage . . . . .	24.1	5.3
Net tangible asset coverage (before deduction of deferred income taxes) .	8.2	2.3
Net tangible asset coverage (after deduction of deferred income taxes) . .	7.9	2.3

## RATINGS

The Series 2 Preferred Shares are rated P-2(High) by Canadian Bond Rating Service Inc. ("CBRS"). This rating is within the second highest of the five standard categories used by CBRS for preferred shares. The Series 2 Preferred Shares are rated Pfd-2 by Dominion Bond Rating Service Limited ("DBRS"), the second highest of the five standard categories used by DBRS for preferred shares. High and low designations after a rating indicate an issuer's relative strength within a rating category.

The ratings herein mentioned are not a recommendation to buy, sell or hold the Series 2 Preferred Shares and they may be subject to revision or withdrawal at any time by the respective rating organizations.



## DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Corporation presently consists of (i) an unlimited number of preferred shares without nominal or par value issuable in series (the “Preferred Shares”), of which 1,235,900 have been designated Series 1 Cumulative Redeemable Preferred Shares (the “Series 1 Preferred Shares”), (ii) 448,000,000 Class A shares (multiple voting) (the “Class A Shares”) and (iii) 448,000,000 Class B shares (subordinate voting) (the “Class B Subordinate Voting Shares”).

### **Class A Shares and Class B Subordinate Voting Shares**

As at April 30, 1997, the Corporation had outstanding 88,643,959 Class A Shares and 249,280,607 Class B Subordinate Voting Shares.

#### *Subordination and Voting Rights*

The Class A Shares and the Class B Subordinate Voting Shares rank after the Preferred Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation. Each Class A Share entitles the holder thereof to 10 votes and each Class B Subordinate Voting Share entitles the holder thereof to one vote.

Except for the rights, privileges, restrictions and conditions attaching to the Class A Shares and Class B Subordinate Voting Shares as described above, the Class A Shares and the Class B Subordinate Voting Shares have the same rights, are equal in all respects and will be treated by the Corporation as if they were shares of the same class.

#### *Dividends and Liquidation*

The holders of Class B Subordinate Voting Shares are entitled to receive, in each fiscal year, if declared by the Board of Directors of the Corporation, a non-cumulative dividend at the rate of \$0.00625 per share per annum and after payment or setting aside for payment of said dividend, the holders of Class A Shares and the holders of Class B Subordinate Voting Shares will be entitled, share for share, to any additional dividend which may be declared by the Board of Directors of the Corporation in such fiscal year in respect of the Class A Shares and Class B Subordinate Voting Shares.

In the event of the liquidation, dissolution or winding-up of the Corporation, the holders of Class A Shares and the holders of Class B Subordinate Voting Shares will be entitled, share for share, to receive on a pro rata basis all of the assets of the Corporation remaining after payment of all of the liabilities, subject to the preferential rights attaching to any shares ranking prior to the Class A Shares and Class B Subordinate Voting Shares.

#### *Conversion Privilege*

Each Class A Share is convertible at any time by the holder thereof into one fully paid and non-assessable Class B Subordinate Voting Share. Each Class B Subordinate Voting Share is convertible by the holder thereof into one fully paid and non-assessable Class A Share at any time upon and after the occurrence of either one of the following events: (i) if an offer (as defined) is made to the holders of Class A Shares to acquire Class A Shares and such offer is accepted by the majority shareholder of the Corporation, namely, the Bombardier Family; or (ii) if such majority shareholder of the Corporation ceases to hold more than 50% of the outstanding Class A Shares.

### **Preferred Shares as a Class**

#### *Issuable in Series*

The Preferred Shares are issuable in series, each series consisting of such number of shares and having such provisions as may be determined by the Board of Directors of the Corporation prior to the issue thereof.

### *Priority*

The Preferred Shares of each series will rank equally with the Preferred Shares of all other series and will rank ahead of the Class A Shares and the Class B Subordinate Voting Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation.

### *Dividends*

The holders of Preferred Shares are entitled to receive preferential dividends in such amounts and at such intervals as may be determined by the Board of Directors of the Corporation in respect of each series prior to the issue thereof.

### *Voting Rights*

The holders of the Preferred Shares do not have the right to receive notice of, attend, or vote at, any meeting of shareholders except to the extent otherwise provided in the Articles of the Corporation in respect of any series of Preferred Shares or when holders of Preferred Shares are entitled to vote as a class or as a series as set forth in the Canada Business Corporations Act or any successor statute, as amended from time to time (the "CBCA"). In connection with any matter requiring the approval of the Preferred Shares as a class, each holder is entitled to one vote for each dollar of the issue price of the Preferred Shares held. Holders of Preferred Shares have no pre-emptive rights.

### *Modifications*

The class provisions of the Preferred Shares may be amended at any time with such approval as may be required by the CBCA. The CBCA currently provides that such approval may be given by at least two-thirds of the votes cast at a meeting of the holders of Preferred Shares. The Articles of the Corporation provide, in respect of meetings of holders of Preferred Shares, that a quorum is constituted by the holders of such number of Preferred Shares carrying at least 25% of the voting rights attached to all the outstanding Preferred Shares; however, at any adjourned meeting in the event of a failure to meet the quorum requirement, the quorum will be constituted by the persons present at such adjourned meeting, irrespective of the percentage of outstanding Preferred Shares held by such persons.

### *Series 1 Preferred Shares*

As at April 30, 1997 there were 1,235,900 Series 1 Preferred Shares issued and outstanding and at the date hereof there are no other Preferred Shares outstanding. On April 22, 1997, the Board of Directors of the Corporation approved the redemption on June 30, 1997 of all the outstanding Series 1 Preferred Shares at a price of \$25.00 per share, being the redemption price provided for in the Articles of the Corporation, plus all the then accrued and unpaid dividends on the Series 1 Preferred Shares, for a total of \$31.3 million. See "Use of Proceeds".

## **DETAILS OF THE OFFERING**

### **Details of the Series 2 Preferred Shares**

The Series 2 Preferred Shares offered hereby will have attached thereto the series provisions summarized below in addition to the provisions attaching to the Preferred Shares as a class. See "Description of Share Capital — Preferred Shares as a Class". The Corporation will furnish upon request a copy of the text of the provisions attaching to the Preferred Shares and the Series 2 Preferred Shares.

### *Definition of Terms*

The following definitions are relevant to the Series 2 Preferred Shares.

"Banks" means any two of Royal Bank of Canada, Bank of Montreal, The Bank of Nova Scotia, The Toronto-Dominion Bank, Canadian Imperial Bank of Commerce and National Bank of Canada, or any

successor of any of them, as may be designated from time to time by the Board of Directors of the Corporation by notice given to the transfer agent for the Series 2 Preferred Shares, such notice to take effect on, and to be given at least two (2) business days prior to, the commencement of a particular Dividend Period and, until such notice is first given, means National Bank of Canada and Bank of Montreal.

“Calculated Trading Price” for any month means:

(a) the aggregate of the Daily Adjusted Trading Value for all Trading Days in such month;

divided by

(b) the aggregate of the Daily Trading Volume for all Trading Days in such month;

“Daily Accrued Dividend Deduction” for any Trading Day means:

(a) the product obtained by multiplying the dividend accrued or which would be accrued on a Series 2 Preferred Share in respect of the entire month in which the Trading Day falls by the number of days elapsed from but excluding the day prior to the Ex-Dividend Date immediately preceding such Trading Day to and including such Trading Day (or, if such Trading Day is an Ex-Dividend Date, by one);

divided by

(b) the number of days from and including such Ex-Dividend Date to but excluding the following Ex-Dividend Date.

“Daily Adjusted Trading Value” for any Trading Day means:

(a) the aggregate dollar value of all transactions of Series 2 Preferred Shares on the Exchange (made on the basis of the normal settlement period in effect on the Exchange) occurring during such Trading Day;

less

(b) the Daily Trading Volume for such Trading Day multiplied by the Daily Accrued Dividend Deduction for such Trading Day.

“Daily Trading Volume” for any Trading Day means the aggregate number of Series 2 Preferred Shares traded in all transactions on the Exchange (made on the basis of the normal settlement period in effect on the Exchange) occurring during such Trading Day.

“Deemed Record Date” means the last Trading Day of a month during the Floating Rate Period with respect to which no dividend is declared by the Board of Directors of the Corporation.

“Dividend Payment Date” means:

(a) during the Fixed Rate Period, the last day of each of January, April, July and October in each year; and

(b) during the Floating Rate Period, the 15th day of each month commencing with the month of September 2002;

and the first Dividend Payment Date shall be July 31, 1997.

“Dividend Period” means:

(a) during the Fixed Rate Period, the period from and including a Dividend Payment Date to but not including the next succeeding Dividend Payment Date; and

(b) during the Floating Rate Period, a calendar month.

“Exchange” means The Toronto Stock Exchange or The Montreal Exchange or such other exchange or trading market in Canada as may be determined from time to time by an officer of the Corporation as being the principal trading market for the Series 2 Preferred Shares, and until any such determination is made, means The Montreal Exchange.

“Ex-Dividend Date” means:

- (a) the Trading Day which, under the rules or normal practices of the Exchange, is designated or recognized as the ex-dividend date relative to any dividend record date for the Series 2 Preferred Shares; or
- (b) if the Board of Directors of the Corporation fails to declare a dividend in respect of a month during the Floating Rate Period, the Trading Day which, under the rules or normal practices of the Exchange, would be recognized as the ex-dividend date relative to any Deemed Record Date for the Series 2 Preferred Shares.

“Fixed Rate Period” means the period commencing with the date of issue of the Series 2 Preferred Shares and ending on and including July 31, 2002.

“Floating Rate Period” means the period commencing immediately after the end of the Fixed Rate Period and continuing for so long as any of the Series 2 Preferred Shares shall be outstanding (and, for greater certainty, if the Floating Rate Period terminates because Series 2 Preferred Shares are no longer outstanding and Series 2 Preferred Shares are subsequently reissued, such period shall recommence immediately upon the reissuance of Series 2 Preferred Shares and shall continue thereafter for so long as any of the Series 2 Preferred Shares shall be outstanding).

“Prime” for a month means the average (rounded to the nearest one-thousandth (1/1000) of one percent (1%)) of the Prime Rate in effect on each day of such month. Prime shall be determined from time to time by an officer of the Corporation. Such determination shall, in the absence of manifest error, be final and binding upon the Corporation and upon all holders of Series 2 Preferred Shares.

“Prime Rate” for any day means the average (rounded to the nearest one-thousandth (1/1000) of one percent (1%)) of the annual rates of interest announced from time to time by the Banks as the reference rates then in effect for such day for determining interest rates on Canadian dollar commercial loans made to prime commercial borrowers in Canada. If one of the Banks does not have such an interest rate in effect on a day, the Prime Rate for such day shall be such interest rate in effect for that day of the other Bank; if both Banks do not have such an interest rate in effect on a day, the Prime Rate for that day shall be equal to 1.5% per annum plus the average yield expressed as a percentage per annum on 91-day Government of Canada Treasury Bills, as reported by the Bank of Canada, for the weekly tender for the week immediately preceding that day; and if both of such Banks do not have such an interest rate in effect on a day and the Bank of Canada does not report such average yield, the Prime Rate for that day shall be equal to the Prime Rate for the next preceding day. The Prime Rate shall be determined from time to time by an officer of the Corporation from quotations supplied by the Banks or otherwise publicly available. Such determination shall, in the absence of manifest error, be final and binding upon the Corporation and upon all holders of Series 2 Preferred Shares.

“Trading Day” means, if the Exchange is a stock exchange in Canada, a day on which the Exchange is open for trading or, in any other case, a business day.

#### *Issue Price*

The Series 2 Preferred Shares will have an issue price of \$25.00 per share.

#### *Dividends*

Until July 31, 2002, the holders of the Series 2 Preferred Shares will be entitled to receive fixed cumulative preferential cash dividends as and when declared by the Board of Directors of the Corporation, at an annual rate of 5.50% per share (\$1.375 per share per annum) to accrue from the date of issue and to be paid on the last day of January, April, July and October in each year. The initial dividend, if declared, will be payable on July 31, 1997, and assuming an issue date of May 22, 1997, will equal \$0.2637 per share.

From August 1, 2002, the holders of the Series 2 Preferred Shares will be entitled to receive floating adjustable cumulative preferential cash dividends as and when declared by the Board of Directors of the Corporation, to accrue from August 1, 2002 and to be paid on the 15th day of each month, commencing with the month of September 2002. The annual floating dividend rate for the first month will be equal to 80% of Prime.

The dividend rate will float in relation to changes in Prime and will be adjusted upwards or downwards on a monthly basis by an adjustment factor whenever the Calculated Trading Price of the Series 2 Preferred Shares for the preceding month is \$24.90 or less or \$25.10 or more, respectively. The maximum monthly adjustment for changes in the Calculated Trading Price will be  $\pm 4.00\%$  of Prime. The annual floating dividend rate applicable for a month will in no event be less than 50% of Prime or greater than Prime.

The Adjustment Factor for a month will be based on the Calculated Trading Price of the Series 2 Preferred Shares for the preceding month determined in accordance with the following table:

<u>If the Calculated Trading Price for the Preceding Month is</u>	<u>The Adjustment Factor as Percentage of Prime shall be</u>
\$25.50 or more than \$25.50 . . . . .	-4.00%
Greater than or equal to \$25.40 and less than \$25.50 . . . . .	-3.00%
Greater than or equal to \$25.25 and less than \$25.40 . . . . .	-2.00%
Greater than or equal to \$25.10 and less than \$25.25 . . . . .	-1.00%
Greater than \$24.90 and less than \$25.10 . . . . .	nil
Greater than \$24.75 and less than or equal to \$24.90 . . . . .	+1.00%
Greater than \$24.60 and less than or equal to \$24.75 . . . . .	+2.00%
Greater than \$24.50 and less than or equal to \$24.60 . . . . .	+3.00%
\$24.50 or less than \$24.50 . . . . .	+4.00%

The maximum Adjustment Factor for any month will be  $\pm 4.00\%$  of Prime.

Despite anything to the contrary contained herein, if in any month there is no trade of at least a board lot of the Series 2 Preferred Shares on the Exchange, the Adjustment Factor for the following month will be nil.

The annual floating dividend rate for a month will be calculated by the Corporation as promptly as practicable, and notice thereof will be given to each stock exchange on which the Series 2 Preferred Shares are listed for trading.

*Redemption*

The Series 2 Preferred Shares will not be redeemable prior to August 1, 2002. The Series 2 Preferred Shares will be redeemable, at the option of the Corporation, subject to applicable law and to “Restrictions on Dividends and Retirement of Shares”, on August 1, 2002, in whole but not in part, at \$25.00 per share in cash, plus an amount equal to all accrued and unpaid dividends up to but excluding the date of redemption. Subsequent to August 1, 2002, the Series 2 Preferred Shares will be redeemable at any time at the option of the Corporation, in whole but not in part, at \$25.50 per share in cash, plus an amount equal to all accrued and unpaid dividends up to but excluding the date of redemption. Notice of the redemption will be given by the Corporation not less than 45 days nor more than 60 days prior to the date fixed for redemption.

*Purchase for Cancellation*

Except as noted under “Restrictions on Dividends and Retirement of Shares”, the Corporation will be permitted at any time to purchase for cancellation all or any part of the Series 2 Preferred Shares on the open market, by private agreement or otherwise at the lowest price or prices at which in the opinion of the Board of Directors of the Corporation such shares are obtainable.

*Restrictions on Dividends and Retirement of Shares*

The Corporation will not, without the approval of the holders of outstanding Series 2 Preferred Shares:

- (a) pay or set apart for payment any dividends (other than stock dividends payable in any shares of the Corporation ranking junior to the Series 2 Preferred Shares) on any shares of the Corporation ranking junior to the Series 2 Preferred Shares;
- (b) call for redemption, redeem, purchase or otherwise retire for value or make any capital distribution on or in respect of any shares of the Corporation ranking junior to the Series 2 Preferred Shares (except

out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking junior to the Series 2 Preferred Shares);

- (c) call for redemption, redeem, purchase or otherwise retire for value less than all the Series 2 Preferred Shares then outstanding; or
- (d) call for redemption, redeem, purchase or otherwise retire for value (except in connection with the exercise of any retraction privilege or mandatory redemption obligation attaching thereto) any other shares of the Corporation ranking on a parity with the Series 2 Preferred Shares, provided that, for greater certainty, the covenant in this paragraph (d) shall not limit or affect any such action in respect of any class of shares ranking in priority to the Series 2 Preferred Shares;

unless, in each such case, all cumulative preferential dividends accrued on outstanding Series 2 Preferred Shares up to and including the dividend payable on the last preceding Dividend Payment Date shall have been declared and paid or set aside for payment. Any approval of the holders of the Series 2 Preferred Shares required with respect to the foregoing may be given by the affirmative vote of the holders of the majority of the shares present or represented at a meeting, or adjourned meeting, of the holders of Series 2 Preferred Shares duly called for the purpose and at which a quorum is present.

#### *Rights on Liquidation*

In the event of any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other return of capital or distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Series 2 Preferred Shares will be entitled to receive \$25.00 per Series 2 Preferred Share together with an amount equal to all accrued and unpaid dividends thereon, whether or not declared, calculated to but excluding the date of payment or distribution, before any payment or distribution is made to the holders of Class A Shares and Class B Subordinate Voting Shares or any other shares of the Corporation ranking junior to the Series 2 Preferred Shares. Upon payment of such amounts, the holders of the Series 2 Preferred Shares will not be entitled to share in any further distribution of assets of the Corporation.

#### *Voting Rights*

The holders of Series 2 Preferred Shares will not be entitled (except as otherwise provided by law) to receive notice of, attend or vote at, any meeting of the shareholders of the Corporation unless the Corporation shall have failed to pay in full eight quarterly or 24 monthly dividends, as the case may be (and for such purposes the failure to pay a quarterly dividend shall be considered as a failure to pay three monthly dividends), on the Series 2 Preferred Shares, whether or not consecutive. In that event, and for only so long as any such dividends remain in arrears, the holders of Series 2 Preferred Shares will be entitled to receive notice of and to attend all shareholders' meetings, and to vote thereat, each share entitling the holder thereof to one vote.

In connection with any action to be taken by the Corporation which requires the approval of the holders of Series 2 Preferred Shares voting as a series, each such share shall entitle the holder thereof to one vote.

#### *Tax Election*

The Corporation will elect, in the manner and within the time provided under Part VI.1 of the Income Tax Act (the "Tax Act"), to pay or cause payment of the tax under Part VI.1 of the Tax Act at a rate such that corporate holders of the Series 2 Preferred Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on the Series 2 Preferred Shares.

#### *Modifications*

The provisions attaching to the Series 2 Preferred Shares as a series may be amended at any time with such approval as may be required by the CBCA. The CBCA currently provides that such approval may be given by at least two-thirds of the votes cast at a meeting of the holders of Series 2 Preferred Shares.

### *Conversion of Series 2 Preferred Shares into Series 3 Preferred Shares*

Holders of Series 2 Preferred Shares shall have the right, at their option, on August 1, 2002 and on August 1 in every fifth year thereafter (a “Conversion Date”), to convert, subject to the terms and conditions attaching to such shares, all or any Series 2 Preferred Shares registered in their name into Series 3 Preferred Shares of the Corporation on the basis of one Series 3 Preferred Share for each Series 2 Preferred Share. The conversion of Series 2 Preferred Shares may be effected by surrender of the certificate(s) representing the same not earlier than 45 days prior to the Conversion Date but not later than the close of business on the 14th day preceding the Conversion Date at any office of any transfer agent of the Corporation at which the Series 2 Preferred Shares are transferable, accompanied by payment or evidence of payment of the tax (if any) payable, as provided in the terms and conditions attaching to the Series 2 Preferred Shares, and a written instrument of surrender in form satisfactory to the Corporation duly executed by the holder or his attorney authorized in writing.

The Corporation shall, not less than 45 days nor more than 60 days prior to the applicable Conversion Date, give notice in writing to the then holders of the Series 2 Preferred Shares of the above-mentioned conversion right and of the Selected Percentage Rate (as defined below under “Details of the Series 3 Preferred Shares”) determined by the Board of Directors of the Corporation to be applicable to the Series 3 Preferred Shares for the next succeeding Fixed Dividend Rate Period (as defined below under “Details of the Series 3 Preferred Shares”).

Holders of the Series 2 Preferred Shares shall not be entitled to convert their shares into Series 3 Preferred Shares if, following the close of business on the 14th day preceding a Conversion Date, the Corporation determines that there would remain outstanding on a Conversion Date less than 1,000,000 Series 3 Preferred Shares, after having taken into account all Series 2 Preferred Shares tendered for conversion into Series 3 Preferred Shares and, if applicable, all Series 3 Preferred Shares tendered for conversion into Series 2 Preferred Shares. The Corporation shall give notice in writing thereof to all the holders of the Series 2 Preferred Shares at least seven days prior to the applicable Conversion Date and will issue, prior to such Conversion Date, to the holders of Series 2 Preferred Shares who have tendered Series 2 Preferred Shares for conversion, new certificates evidencing the Series 2 Preferred Shares tendered for conversion (or return tendered certificates). Furthermore if, following the close of business on the 14th day preceding a Conversion Date, the Corporation determines that there would remain outstanding on a Conversion Date less than 1,000,000 Series 2 Preferred Shares after having taken into account all Series 2 Preferred Shares tendered for conversion into Series 3 Preferred Shares and, if applicable, all Series 3 Preferred Shares tendered for conversion into Series 2 Preferred Shares, then, all, but not part, of the remaining outstanding Series 2 Preferred Shares shall automatically be converted into Series 3 Preferred Shares on the basis of one Series 3 Preferred Share for each Series 2 Preferred Share at the close of business on the applicable Conversion Date and the Corporation shall give notice in writing thereof to the holders of such remaining Series 2 Preferred Shares at least seven days prior to the Conversion Date.

If the Corporation gives notice to the holders of the Series 2 Preferred Shares of the redemption of all the Series 2 Preferred Shares, the Corporation shall not be required to give notice as provided above to the holders of the Series 2 Preferred Shares of a Selected Percentage Rate for the Series 3 Preferred Shares or of the conversion right of holders of Series 2 Preferred Shares and the right of any holder of Series 2 Preferred Shares to convert such Series 2 Preferred Shares shall cease and terminate in that event.

Regulatory relief will be applied for on behalf of the Corporation in certain provinces of Canada to permit the issuance of Series 3 Preferred Shares upon certain conversions of Series 2 Preferred Shares and the issuance of Series 2 Preferred Shares upon certain conversions of Series 3 Preferred Shares.

### **Details of the Series 3 Preferred Shares**

The Series 3 Preferred Shares will have attached thereto the series provisions summarized below, in addition to the provisions attaching to Preferred Shares as a class and described under “Description of Share Capital — Preferred Shares as a Class”. The Corporation will furnish upon request a copy of the text of the provisions attaching to the Preferred Shares and the Series 3 Preferred Shares.

### *Definition of Terms*

The following definitions are relevant to the Series 3 Preferred Shares.

“Annual Dividend Rate” means for any Fixed Dividend Rate Period the rate of interest expressed as a percentage per annum (rounded to the nearest one-thousandth (1/1000) of one percent (1%)) which is equal to the Government of Canada Yield multiplied by the Selected Percentage Rate for such Fixed Dividend Rate Period.

“Fixed Dividend Rate Period” means for the initial Fixed Dividend Rate Period, the period commencing on August 1, 2002 and ending on and including July 31, 2007, and for each succeeding Fixed Dividend Rate Period, the period commencing on the day immediately following the end of the immediately preceding Fixed Dividend Rate Period and ending on and including July 31 in the fifth year immediately thereafter.

“Government of Canada Yield” on any date shall mean the average of the yields determined by two registered Canadian investment dealers, selected by the Board of Directors of the Corporation, as being the yield to maturity on such date compounded semi-annually and calculated in accordance with generally accepted financial practice, which a non-callable Government of Canada Bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on such date with a term to maturity of five years.

“Selected Percentage Rate” for a Fixed Dividend Rate Period means the rate of interest, expressed as a percentage of the Government of Canada Yield, determined by the Board of Directors of the Corporation to be applicable for such Fixed Dividend Rate Period as set forth in the notice to the holders of the Series 3 Preferred Shares, given in accordance with the terms and conditions attaching to the Series 3 Preferred Shares, which rate of interest shall be not less than 80% of the Government of Canada Yield.

### *Issue Price*

The Series 3 Preferred Shares will have an issue price of \$25.00 per share.

### *Dividends*

The holders of the Series 3 Preferred Shares will be entitled to receive fixed cumulative preferential cash dividends as and when declared by the Board of Directors of the Corporation, in the amount per share per annum determined by multiplying the Annual Dividend Rate by \$25.00, payable quarterly in respect of each 12-month period on the last day of January, April, July and October. The initial dividend, if declared, will be payable on October 31, 2002.

The Board of Directors of the Corporation will, not less than 45 days nor more than 60 days prior to each Series 3 Conversion Date (as defined below) determine the Selected Percentage Rate to be applicable to the following Fixed Dividend Rate Period and the Corporation shall give notice in writing thereof to the then holders of the Series 3 Preferred Shares.

The Annual Dividend Rate for each Fixed Dividend Rate Period will be calculated by the Corporation on the 21st day prior to the first day of each Fixed Dividend Rate Period based upon the Selected Percentage Rate determined with respect to the relevant Fixed Dividend Rate Period and the Government of Canada Yield in effect at 10:00 am (Montreal time) on the said 21st day prior to the first day of the relevant Fixed Dividend Rate Period. Notice of each Annual Dividend Rate shall be provided by the Corporation within one business day following its determination to all stock exchanges in Canada on which the Series 3 Preferred Shares are listed for trading, and within three business days following its determination by publication once in the national edition of the Globe and Mail in the English language and once in the City of Montréal in both the French and English languages in a daily newspaper of general circulation in Montréal (or equivalent publications).

### *Redemption*

The Series 3 Preferred Shares will not be redeemable prior to August 1, 2007. The Series 3 Preferred Shares will be redeemable, subject to applicable law and to “Restrictions on Dividends and Retirement of Shares”, on August 1, 2007 or on August 1 in every fifth year thereafter, at the option of the Corporation, in whole but not in part, at \$25.00 per share in cash, plus an amount equal to all accrued and unpaid dividends up to but excluding



the date of redemption. Notice of the redemption will be given by the Corporation not less than 45 days nor more than 60 days prior to the date fixed for redemption.

*Purchase for Cancellation*

Except as noted under “Restrictions on Dividends and Retirement of Shares”, the Corporation will be permitted at any time to purchase for cancellation all or any part of the Series 3 Preferred Shares on the open market, by private agreement or otherwise at the lowest price or prices at which in the opinion of the Board of Directors of the Corporation such shares are obtainable.

*Conversion of Series 3 Preferred Shares into Series 2 Preferred Shares*

Holders of Series 3 Preferred Shares shall have the right, at their option, on August 1, 2007 and on August 1 in every fifth year thereafter (a “Series 3 Conversion Date”), to convert, subject to the terms and conditions attaching to such shares, all or any Series 3 Preferred Shares registered in their name into Series 2 Preferred Shares of the Corporation on the basis of one Series 2 Preferred Share for each Series 3 Preferred Share. The conversion of Series 3 Preferred Shares may be effected by surrender of the certificate(s) representing the same not earlier than 45 days prior to the Series 3 Conversion Date but not later than the close of business on the 14th day preceding the Series 3 Conversion Date at any office of any transfer agent of the Corporation at which the Series 3 Preferred Shares are transferable, accompanied by payment or evidence of payment of the tax (if any) payable, as provided in the terms and conditions attaching to the Series 3 Preferred Shares, and a written instrument of surrender in form satisfactory to the Corporation duly executed by the holder or his attorney authorized in writing.

The Corporation shall, not less than 45 days nor more than 60 days prior to the applicable Series 3 Conversion Date, give notice in writing to the then holders of the Series 3 Preferred Shares of the above-mentioned conversion right and of the Selected Percentage Rate determined by the Board of Directors of the Corporation to be applicable for the next succeeding Fixed Dividend Rate Period.

Holders of the Series 3 Preferred Shares shall not be entitled to convert their shares into Series 2 Preferred Shares if, following the close of business on the 14th day preceding a Series 3 Conversion Date, the Corporation determines that there would remain outstanding on a Series 3 Conversion Date less than 1,000,000 Series 2 Preferred Shares, after having taken into account all Series 3 Preferred Shares tendered for conversion into Series 2 Preferred Shares and, if applicable, all Series 2 Preferred Shares tendered for conversion into Series 3 Preferred Shares. The Corporation shall give notice in writing thereof to all the holders of the Series 3 Preferred Shares at least seven days prior to the applicable Series 3 Conversion Date and will issue, prior to such Series 3 Conversion Date, to the holders of Series 3 Preferred Shares who have tendered Series 3 Preferred Shares for conversion, new certificates evidencing the Series 3 Preferred Shares tendered for conversion (or return tendered certificates). Furthermore, if following the close of business on the 14th day preceding a Series 3 Conversion Date the Corporation determines that there would remain outstanding on a Series 3 Conversion Date less than 1,000,000 Series 3 Preferred Shares after having taken into account all Series 3 Preferred Shares tendered for conversion into Series 2 Preferred Shares and, if applicable, all Series 2 Preferred Shares tendered for conversion into Series 3 Preferred Shares, then all, but not part, of the remaining outstanding Series 3 Preferred Shares shall automatically be converted into Series 2 Preferred Shares on the basis of one Series 2 Preferred Share for each Series 3 Preferred Share on the applicable Series 3 Conversion Date and the Corporation shall give notice in writing thereof to the holders of such remaining Series 3 Preferred Shares at least seven days prior to the Series 3 Conversion Date.

If the Corporation gives notice to the holders of the Series 3 Preferred Shares of the redemption on a Series 3 Conversion Date of all the Series 3 Preferred Shares, the Corporation shall not be required to give notice as provided hereunder to the holders of the Series 3 Preferred Shares of a Selected Percentage Rate or of the conversion right of holders of Series 3 Preferred Shares and the right of any holder of Series 3 Preferred Shares to convert such Series 3 Preferred Shares shall cease and terminate in that event.

### *Restrictions on Dividends and Retirement of Shares*

The Corporation will not, without the approval of the holders of outstanding Series 3 Preferred Shares:

- (a) pay or set apart for payment any dividends (other than stock dividends payable in any shares of the Corporation ranking junior to the Series 3 Preferred Shares) on any shares of the Corporation ranking junior to the Series 3 Preferred Shares;
- (b) call for redemption, redeem, purchase or otherwise retire for value or make any capital distribution on or in respect of any shares of the Corporation ranking junior to the Series 3 Preferred Shares (except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking junior to the Series 3 Preferred Shares);
- (c) call for redemption, redeem, purchase or otherwise retire for value less than all the Series 3 Preferred Shares then outstanding; or
- (d) call for redemption, redeem, purchase or otherwise retire for value (except in connection with the exercise of any retraction privilege or mandatory redemption obligation attaching thereto) any other shares of the Corporation ranking on a parity with the Series 3 Preferred Shares, provided that, for greater certainty, the covenant in this paragraph (d) shall not limit or affect any such action in respect of any class of shares ranking in priority to the Series 3 Preferred Shares;

unless, in each such case, all cumulative preferential dividends accrued on outstanding Series 3 Preferred Shares up to and including the dividend payable on the last preceding Dividend Payment Date shall have been declared and paid or set aside for payment. Any approval of the holders of the Series 3 Preferred Shares required with respect to the foregoing may be given by the affirmative vote of the holders of the majority of the shares represented at a meeting, or adjourned meeting, of the holders of Series 3 Preferred Shares duly called for the purpose and at which a quorum is present.

### *Rights on Liquidation*

In the event of any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other return of capital or distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Series 3 Preferred Shares will be entitled to receive \$25.00 per Series 3 Preferred Share together with an amount equal to all accrued and unpaid dividends thereon, whether or not declared, calculated to but excluding the date of payment or distribution before any payment or distribution is made to the holders of the Common Shares or any other shares of the Corporation ranking junior to the Series 3 Preferred Shares. Upon payment of such amounts, the holders of the Series 3 Preferred Shares will not be entitled to share in any further distribution of assets of the Corporation.

### *Voting Rights*

The holders of Series 3 Preferred Shares will not be entitled (except as otherwise provided by law) to receive notice of, attend or vote at, any meeting of the shareholders of the Corporation unless the Corporation shall have failed to pay in full eight quarterly dividends on the Series 3 Preferred Shares, whether or not consecutive. In that event, and for only so long as any such dividends remain in arrears, the holders of Series 3 Preferred Shares will be entitled to receive notice of and to attend all shareholders' meetings, and to vote thereat, each share entitling the holder thereof to one vote.

In connection with any action to be taken by the Corporation which requires the approval of the holders of Series 3 Preferred Shares voting as a series, each such share shall entitle the holder thereof to one vote.

### *Tax Election*

The Corporation will elect, in the manner and within the time provided under Part VI.1 of the Tax Act, to pay or cause payment of the tax under Part VI.1 at a rate such that corporate holders of the Series 3 Preferred Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on the Series 3 Preferred Shares.

### *Modifications*

The provisions attaching to the Series 3 Preferred Shares as a series may be amended at any time with such approval as may be required by the CBCA. The CBCA currently provides that such approval may be given at least two-thirds of the votes cast at a meeting of the holders of Series 3 Preferred Shares.

### **Other**

The Corporation may issue additional series of Preferred Shares ranking on a parity with, or junior to, the Series 2 Preferred Shares or the Series 3 Preferred Shares without the authorization of the holders thereof.

### **CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Ogilvy Renault, Montreal, a general partnership, and Desjardins Ducharme Stein Monast, Montreal, a general partnership, at the time of issue of the Series 2 Preferred Shares pursuant to this offering, the following is a general summary of the principal Canadian federal income tax considerations generally applicable to a prospective purchaser pursuant to this prospectus (a “Holder”) who, within the meaning of the Tax Act, is resident in Canada, will hold Series 2 Preferred Shares or Series 3 Preferred Shares as capital property, deals at arm’s length with the Corporation and is not affiliated with the Corporation within the meaning of Bill C-69, as tabled on December 2, 1996. Under the Tax Act, shares, including the Series 2 Preferred Shares and Series 3 Preferred Shares issued upon conversion of Series 2 Preferred Shares, acquired by certain Holders, including “restricted financial institutions” (as defined in the Tax Act), registered or licensed investment dealers or corporations controlled by one or more of the foregoing, will generally not be held as capital property by such Holders and will be subject to special “mark-to-market” rules.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. Accordingly, prospective purchasers are urged to consult their own tax advisors with respect to their particular circumstances.**

This summary is based upon the current provisions of the Tax Act, the regulations thereunder, all specific proposals to amend the Tax Act and the regulations publicly announced by the Minister of Finance prior to the date hereof and counsel’s understanding of the current administrative and assessing practices published by Revenue Canada. This summary does not otherwise take into account or anticipate any changes in law or Revenue Canada’s administrative or assessing practices, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax considerations.

### **Taxation of Dividends**

Dividends (including deemed dividends) received on the Series 2 Preferred Shares and Series 3 Preferred Shares by an individual will be included in the individual’s income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations.

Dividends (including deemed dividends) received on the Series 2 Preferred Shares and Series 3 Preferred Shares by a corporation other than a “specified financial institution”, within the meaning of the Tax Act, will be included in computing the corporation’s income and will generally be deductible in computing the taxable income of the corporation.

Dividends (including deemed dividends) received on the Series 2 Preferred Shares or Series 3 Preferred Shares by a corporation that is a “specified financial institution”, within the meaning of the Tax Act, will be included in computing the corporation’s income and will generally be deductible in computing the corporation’s taxable income, provided the Series 2 Preferred Shares or Series 3 Preferred Shares, as the case may be, are not “term preferred shares” within the meaning of the Tax Act at the time the dividend is paid or, if the Series 2 Preferred Shares or the Series 3 Preferred Shares, as the case may be, are term preferred shares, such shares were not acquired by the specified financial institution in the ordinary course of the business carried on by it. A share may be considered a term preferred share if its terms or conditions are modified or established and, as a consequence of its terms or conditions, the issuing corporation or any person related thereto “may reasonably be expected at any time to redeem, acquire or cancel, in whole or in part, the share or reduce its paid-up capital”.

Midland Walwyn Capital Inc. has delivered its opinion of even date herewith that the terms and conditions of the Series 2 Preferred Shares and Series 3 Preferred Shares are not such that, as a consequence of such terms and conditions, the Corporation or a person related thereto may reasonably be expected at any time to redeem, acquire or cancel in whole or in part or reduce the paid-up capital of any of the Series 2 Preferred Shares or Series 3 Preferred Shares. Based on and relying on such opinion, the Series 2 Preferred Shares and Series 3 Preferred Shares are not, in the opinion of counsel, term preferred shares.

A private corporation, as defined in the Tax Act, or any other corporation controlled by or for the benefit of an individual or a related group of individuals, will generally be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Series 2 Preferred Shares and Series 3 Preferred Shares to the extent such dividends are deductible in computing its taxable income.

The Series 2 Preferred Shares and Series 3 Preferred Shares are “taxable preferred shares” as defined in the Tax Act. The terms of the Series 2 Preferred Shares and Series 3 Preferred Shares require the Corporation to make the necessary election under Part VI.1 of the Tax Act so that corporate shareholders will not be subject to tax under Part IV.1 of the Tax Act on dividends paid (or deemed to be paid) by the Corporation on the Series 2 Preferred Shares and Series 3 Preferred Shares. Consequently, provided that such election is made, dividends on the Series 2 Preferred Shares and Series 3 Preferred Shares received (or deemed to be received) by corporations, including “specified financial institutions”, will not be subject to the 10% tax payable under Part IV.1 of the Tax Act.

#### **Dispositions of Series 2 Preferred Shares and Series 3 Preferred Shares**

A Holder who disposes of or is deemed to dispose of Series 2 Preferred Shares and Series 3 Preferred Shares will generally realize a capital gain (or sustain a capital loss) to the extent that the holder’s proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the Holder. If the Holder is a corporation, any capital loss may in certain circumstances be reduced by the amount of certain dividends, including certain deemed dividends, which have been received on the Series 2 Preferred Shares and/or Series 3 Preferred Shares. Analogous rules apply to a partnership or trust of which a corporation partnership or trust is a member or beneficiary.

#### **Redemption of Series 2 Preferred Shares and Series 3 Preferred Shares**

If the Corporation redeems Series 2 Preferred Shares and/or Series 3 Preferred Shares, or otherwise acquires or cancels Series 2 Preferred Shares and/or Series 3 Preferred Shares (other than by a purchase in the open market in the manner in which shares are normally purchased by any member of the public in the open market), the Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Corporation in excess of the paid-up capital of such shares at such time as computed for purposes of the Tax Act. The amount of any such deemed dividend will generally not be included in computing the holder’s proceeds of disposition for purposes of computing the capital gain or loss arising on disposition of such Series 2 Preferred Shares and/or Series 3 Preferred Shares. In the case of a corporate Holder, it is possible that in certain circumstances all or part of any such deemed dividend may be treated as proceeds of disposition and not as a dividend.

#### **Conversion of Series 2 Preferred Shares and Series 3 Preferred Shares**

The conversion of the Series 2 Preferred Shares into Series 3 Preferred Shares and of the Series 3 Preferred Shares into Series 2 Preferred Shares will not constitute a disposition thereof and the cost to the Holder of the Series 3 Preferred Shares or Series 2 Preferred Shares, as the case may be, acquired on the conversion will (subject to the averaging rules) be the adjusted cost base to the holder of the converted Series 2 Preferred Shares or Series 3 Preferred Shares, as the case may be, immediately before the conversion.

## **ELIGIBILITY FOR INVESTMENT**

In the opinion of Ogilvy Renault, Montreal, a general partnership, and of Desjardins Ducharme Stein Monast, Montreal, a general partnership, the Series 2 Preferred Shares will, at the time of closing, qualify as investments under the Tax Act for trusts governed by a registered retirement savings plan, a registered retirement income fund or a deferred profit sharing plan under the Tax Act.

## **PLAN OF DISTRIBUTION**

Under the underwriting agreement dated May 6, 1997 (the "Underwriting Agreement") between the Corporation and Midland Walwyn Capital Inc., ScotiaMcLeod Inc., RBC Dominion Securities Inc., CIBC Wood Gundy Securities Inc., Lévesque Beaubien Geoffrion Inc., Nesbitt Burns Inc., TD Securities Inc. and Trilon Securities Inc. (collectively the "Underwriters"), the Corporation has agreed to sell and the Underwriters have agreed to purchase on May 22, 1997, or such other date not later than June 14, 1997 as may be agreed upon, all but not less than all of the Series 2 Preferred Shares at a price of \$25.00 per share, payable in cash to the Corporation against delivery of the Series 2 Preferred Shares, and the Corporation has agreed to pay the Underwriters a fee equal to \$0.25 per Series 2 Preferred Share sold to certain institutions and \$0.75 per share for all other Series 2 Preferred Shares sold to the public.

The Underwriters may terminate the Underwriting Agreement at their discretion upon the occurrence of certain stated events. The Underwriters are obligated, however, to take up and pay for all the Series 2 Preferred Shares offered by this prospectus if any are purchased under the Underwriting Agreement.

The Series 2 Preferred Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and, subject to certain exceptions, may not be offered or sold, directly or indirectly, within the United States or to U.S. persons. In addition, until 40 days after the commencement of the offering, any offer or sale of the Series 2 Preferred Shares offered hereby within the United States by any dealer, whether or not participating in the offering, may violate the registration requirements of the U.S. Securities Act. The "United States" means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia.

Pursuant to policy statements of the Ontario Securities Commission and the Commission des valeurs mobilières du Québec, the Underwriters may not, throughout the period of distribution under this short form prospectus, bid for or purchase Series 2 Preferred Shares. The foregoing restriction is subject to certain exceptions, including a bid or purchase permitted under the by-laws and rules of The Toronto Stock Exchange and The Montreal Exchange relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution, provided that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Series 2 Preferred Shares. Pursuant to the first-mentioned exception, in connection with this offering the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Series 2 Preferred Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

CIBC Wood Gundy Securities Inc., Lévesque Beaubien Geoffrion Inc. and Nesbitt Burns Inc., three of the Underwriters, are, directly or indirectly, as the case may be, subsidiaries of Canadian banks which are among the principal bankers of the Corporation (the "Banks"). The decision to offer the Series 2 Preferred Shares and the determination of the terms of distribution were made without the involvement of any of the Banks.

CIBC Wood Gundy Securities Inc., Lévesque Beaubien Geoffrion Inc. and Nesbitt Burns Inc. will not receive any benefit in connection with this offering other than their respective portion of the Underwriters' fee payable by the Corporation. See "Use of Proceeds".

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Series 2 Preferred Shares offered hereunder, as well as for the Series 3 Preferred Shares, is Montreal Trust Company at its offices in Montreal, Toronto, Halifax, Saint John (N.B.), Winnipeg, Regina, Calgary and Vancouver.

## **LEGAL MATTERS**

Certain legal matters in respect of the Series 2 Preferred Shares will be passed upon, at the date of delivery, for the Corporation by Ogilvy Renault, Montreal, and for the Underwriters by Desjardins Ducharme Stein Monast, Montreal. Pierre Legrand, Q.C., Senior Partner of Ogilvy Renault, is a director and a member of the Audit Committee of the Corporation. The partners and associates of Ogilvy Renault, as a group, beneficially own, directly or indirectly, less than one percent of any class of outstanding securities of the Corporation. The partners and associates of Desjardins Ducharme Stein Monast, as a group, beneficially own, directly or indirectly, less than one percent of any class of outstanding securities of the Corporation.

## **PURCHASER'S STATUTORY RIGHTS**

Securities legislation in several of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase the securities offered hereby within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some provinces, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, but such remedies must be exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for particulars of these rights or consult with a legal advisor.

**CERTIFICATE OF BOMBARDIER INC.**

Dated: May 6, 1997

The foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities laws of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland. This short form prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed, as required by the *Securities Act* (Quebec) and regulations thereunder.

(Signed) LAURENT BEAUDOIN  
President, Chairman and  
Chief Executive Officer

(Signed) PAUL H. LAROSE  
Vice-President, Finance  
(being the Chief Financial Officer)

On behalf of the Board of Directors

(Signed) JEAN-LOUIS FONTAINE  
Director

(Signed) PIERRE LEGRAND, Q.C.  
Director

## CERTIFICATE OF THE UNDERWRITERS

Dated: May 6, 1997

To the best of our knowledge, information and belief, the foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities laws of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland. To our knowledge, this short form prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed, as required by the *Securities Act* (Quebec) and regulations thereunder.

MIDLAND WALWYN CAPITAL INC.

By: (Signed) Gary Littlejohn

SCOTIAMCLEOD INC.

By: (Signed) Claude Michaud

RBC DOMINION SECURITIES INC.

By: (Signed) Jean-Pierre De Montigny

CIBC WOOD GUNDY SECURITIES INC.

By: (Signed) François Gervais

LÉVESQUE BEAUBIEN GEOFFRION INC.

By: (Signed) Paul Béland

NESBITT BURNS INC.

By: (Signed) Luc Bachand

TD SECURITIES INC.

By: (Signed) Michel G. Bouchard

TRILON SECURITIES INC.

By: (Signed) Trevor Kerr

The following includes the names of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of:

MIDLAND WALWYN CAPITAL INC.: wholly-owned by Midland Walwyn Inc.;

SCOTIAMCLEOD INC.: wholly-owned by a Canadian Bank;

RBC DOMINION SECURITIES INC.: RBC Dominion Securities Limited, a majority-owned subsidiary of a Canadian Bank;

CIBC WOOD GUNDY SECURITIES INC.: wholly-owned subsidiary of The CIBC Wood Gundy Corporation, a majority-owned subsidiary of a Canadian Bank;

LÉVESQUE BEAUBIEN GEOFFRION INC.: wholly-owned by Lévesque, Beaubien and Company Inc., a majority-owned subsidiary of a Canadian Bank;

NESBITT BURNS INC.: The Nesbitt Burns Corporation Limited, a majority-owned subsidiary of a Canadian Bank;

TD SECURITIES INC.: wholly-owned subsidiary of a Canadian Bank;

TRILON SECURITIES CORPORATION: wholly-owned subsidiary of Trilon Financial Corporation.