

SNC stock plan pummels shares

Move to entrench control, delays at Great Whale project worry investors

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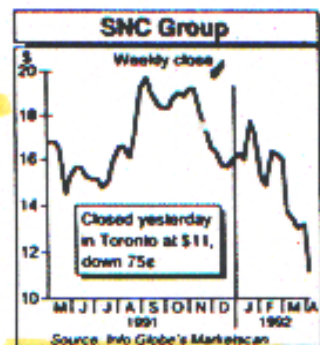
MONTREAL - Investor displeasure over a move to entrench management control of SNC Group Inc., and troubles facing Quebec's Great Whale hydroelectric project, sent SNC shares tumbling yesterday.

A block of one million class A subordinate voting shares changed hands on the Toronto Stock Exchange at \$11, more than 40 per cent below last November's peak of \$19.30. The stock ended the day on the TSE down 75 cents at \$11.

The block, crossed by Richardson Greenshields of Canada Ltd. for several sellers, represents 7.4 per cent of SNC's 13.9 million class A shares outstanding.

One analyst attributed the heavy trading to widespread displeasure over SNC's plan to boost the number of its multiple voting B shares. The shares carry 15 votes each and are held only by SNC employees.

Montreal-based SNC has said its aim is to reinforce management



control "at a critical juncture" in its history.

"Some people are not at all amused about this and maybe they are voting with their feet," the analyst said.

He said SNC management is worried because its lock on voting control is on the verge of slipping below 50 per cent. Recent layoffs, believed to number in the hundreds, have resulted in a flurry of

SNC shares being sold onto the market as former employees convert their class B stock to class A and unload it, he added.

The resolution, to be voted on by shareholders at SNC's annual meeting May 6, would also change the rules on the election of directors and the conditions affecting conversion of the class B shares.

SNC wants to sell newly issued class B shares to Lavalin Inc. employees coming on board in the merger at book value or well below its last public share issue. In November, the company issued 1.3 million class A shares at \$19.30 apiece.

Institutional investors may also have been reacting to delays facing the Great Whale hydroelectric project. SNC spokesman Robert Racine official said yesterday.

"It is something that could influence an institutional investor." SNC has a project management contract for continuing work at James Bay in Northern Quebec and would have a lock on the bulk of

new work on the 512.6-billion Great Whale project and subsequent hydroelectric megaprojects.

Investors believe Hydro-Quebec's decision to delay the second and third generating stations at Great Whale while putting other projects on hold is a "direct hit on SNC," one analyst said.

"SNC, through its stock price, is being unfairly held responsible for the angst over Hydro-Quebec's problems in the U.S."

The delay in the Hibernia offshore oil project is also a blow to SNC. The company shares a \$360 million Hibernia engineering contract.

But Mr. Racine, who said he does not know the identity of yesterday's buyers or sellers, said the company expects to announce several significant engineering orders in coming weeks.

He also said shareholders will have a chance to evaluate the share restructuring proposal when they receive proxy forms mailed with the company's annual report.