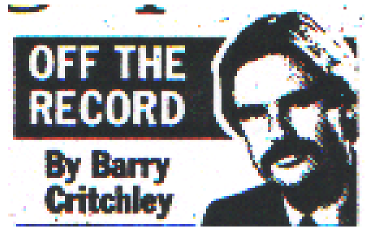
SNC pushed to change plan



Criticism from non-employee shareholders has prompted SNC Group Inc., the Montre-al-based engineering company, to make major. revisions to a draft plan to alter its articles of association.

The revisions were approved at a board meeting yesterday, about seven weeks after the original plan was released.

Shareholders will gather in Montreal on May 6 to vote on the merits of the revised plan . The special meeting will take place the . sameday sa SNC holds its annual meeting..

There were two major elements to the original plan:

- More multiple voting shares. would be created. Those shares, known as class B,, are now all owned by shoat 520 -employees and management and come with 15 votes each.

Under one scenario in the draft plan more than 500,000 new class B shares would have been issued, bringing to 15 million the number outstanding, but each would have fewer than the 15 votes now attached to B shares.

This was designed to limit the class B shareholder group members of which buy and sell shares at book value - to the same number of votes it has now. SNC also has 13.5 million class A shares, which are publicly listed and change hands at

- The minimum total voting position held by SNC employ-ees before B shares cease to be multiple voting shares would be lowered to 34% from 50%.

SNC says the two main changes are:

- The threshold for shares to lose their multiple voting status becomes 42%, not 34%. Now a maximum of 5.8 million class A shares would have to be issued before the threshold is reached compared with 14.3 million un-der the old plan.

"The 34% was viewed as too low, meaning that it would take many years before the mul-tiple voting shares would disap-pear", said Pierre Robitaille, SNC's chief financial officer.

- A sunset clause has been included.

If by May 6 1997, the B shares represent more than 42% of all the votes, they will auto-matically cease to be multiple voting shares.

Opposition to the original plan centred on three areas:

- It was considered anti-shareholder, at least anti-public shareholder. When SNC went public in 1986, the market was told that the company planned to have one class of shares with-in 10 years.

That intention has now been put on hold because SNC wants more class B shares issued to motivate new employees from Lavalin Inc., a company it ac-quired last August.

- It cements control in the hands of an elite group of shareholders,

The same 12 people who car-ry the title of director are also the directors of The SNC Em-ployee-Shareholders Corp. Inc., The company that holds all the class B shares. (as a group, the B shareholders have 52.76% of the SNC votes – 50.1% on a fully diluted basis.)

According to documentation sent to SNC shareholders, "Employee Corp. may exercise the voting rights attaching to the class B shares at its absolute discretion, without being sub-ject to the control or discretion of such employees in relation to such discretion."

In short, the 12 directors – they own a total 290,750 class A shares and 40,919 class B shares – run the show as they see fit.

Of the 12 directors in control, 10 are outside directors. (The two insiders are Guy Saint Pierre, president and chief ex-ecutive officer, and Jean Paul Gourdeau, chairman.)

Under one scenario in the original draft plan, election of directors would require at least 67% of the votes cast compared with the current bare majority.

- SNC's atatus as an engineering company was not considered sufficient reason for it to treat shareholders in a manner fundamentally differenr from the ways tin which other companies treat their shareholders.

The market didn't accept that because SNC's assets are engineers and a bunch of computers, it should be considered unique.

Currently there is a takeover bid for a company in a line of business similar to SNC's.

174540 Canada Ltd., a wholly-owned subsidiary of **Agra Industries Ltd.**, has made a bid for all the outstanding common shares of **Monenco Group Ltd**., a Calgary- based engineering company that provides engineering consulting services. Monenco's largest shareholder, **Majestic contractors Ltd.,** has agreed to tender its stake.

The SNC revisions may turn out to be another victory for Allenvest Group Ltd., a Toronto-based institutional brokerage firm that has made a career of standing up for the rights of shareholders.

Allenvest's involvement a couple of years beck led to major revisions in the way that "poison pills" were adopted by corporations. Earlier it led the campaign to prevent Canadian Tire dealres gaining control of Canadian Tire by bidding just for the multiple voting shares. Eventually the Ontario Securities Commission got involved and declared the deal an abuse of capital markets.

Allenvest prepared a seven-page criticism of SNC's original draft plan, which it circulated to its clients last week.