

## CAE INC.

### STOCK DIVIDEND PLAN

**Amended and Restated as of November 13, 2008**

CAE Inc. (the “**Company**”) has established a stock dividend plan pursuant to which registered holders of common shares (“**Common Shares**”) of the Company will have the option to elect to receive cash dividends which have been declared by the board of directors of the Company (the “**Directors**”) in the form of a stock dividend of Common Shares as and when authorized by the Directors in their discretion. The stock dividend plan as restated and amended hereby is hereinafter referred to as the “**Plan**”.

#### **Administration**

Computershare Trust Company of Canada currently acts as the Company’s agent to administer the Plan (the “**Agent**”).

#### **Participation**

A registered holder of record of Common Shares who is resident in Canada (an “**Eligible Shareholder**”) may enroll in the Plan (electing thereby to receive cash dividends which have been declared by the Directors in the form of a stock dividend as and when authorized and declared by the Directors in their discretion) by duly completing a Reinvestment Enrollment - Participant Declaration Form and returning it to the Agent no later than the record date for the dividend in respect of which the Eligible Shareholder wishes to initiate participation in the Plan. If the Agent receives the Reinvestment Enrollment - Participant Declaration Form after such date, the cash distribution will be paid to the Shareholder in the usual manner and participation in this Plan will be initiated for the succeeding dividends. The Reinvestment Enrollment - Participant Declaration Form directs the Company to pay and satisfy all cash dividends on all or part of the Eligible Shareholder’s Common Shares by the issue of a stock dividend of Common Shares to the Agent for the account of the Eligible Shareholder as and when permitted by the Directors.

Beneficial owners of Common Shares whose shares are not registered in their own names may participate in this Plan by either: (a) having their Common Shares transferred into their own name, or (b) by instructing their broker, trust company, bank or other nominee to participate in this Plan on their behalf while maintaining the Common Shares in their nominee's account. It is not necessary for beneficial owners of Common Shares to remove such shares from their account with a broker or other nominee to enroll in this Plan.

Once an Eligible Shareholder has enrolled in this Plan (a “**Participant**”), participation continues automatically unless terminated in accordance with the terms of this Plan.

## **Non-Residents of Canada are not eligible to participate in this Plan**

The Agent reserves the right to deny participation in the Plan to, and to not accept Enrollment and Authorization Forms from, any person or agent of such person who appears not to be a resident of Canada.

## **Valuation of Common Shares Issued Under the Plan**

Common Shares will be issued under the Plan at the weighted average trading price of the Common Shares on The Toronto Stock Exchange for the trading day immediately preceding the dividend payment date (the “**Market Price**”).

With respect to each dividend payment date on which the Directors authorize Common Shares to be issued under the Plan, the Company will advise the Agent of the amount of the cash dividend per Common Share which Participants of the Plan would otherwise receive and the Market Price of the Common Shares to be issued. This information is provided by CAE.

Each Participant’s account will be credited with that number of Common Shares, including fractions of a share (up to 6 decimal places), which, when multiplied by the Market Price will be equal to the dividends declared on all Common Shares held of record by the Participant and/or the Agent on behalf of the Participant under the Plan on the record date for such dividend in respect of which an election has been made less any applicable withholding tax.

## **Costs**

There will be no brokerage commission payable in connection with the issue of Common Shares under the Plan. All administrative costs of the Plan, including the fees and expenses of the Agent, will be borne by the Company.

## **Withdrawal of Plan Shares**

Certificates for Common Shares issued under the Plan will not be issued to Participants unless specifically requested. A Participant who wishes to withdraw Plan shares, but do not wish to terminate their participation in this Plan, may do so by duly completing the withdrawal portion of the voucher located on the reverse of the statement of account (“**Withdrawal Request Form**”) and sending it to the Agent. A Withdrawal Request Form may also be obtained from the Agent at the address below. The Agent will generally issue certificates to a Participant within three weeks of receipt of the Withdrawal Request Form. Certificates will not be issued for fractions of a Common Share. Please note that dividends on the certificated Common Shares will, until such shares are sold or otherwise transferred, continue to be reinvested under this Plan, as will dividends on any Common Shares remaining in the Participant's account.

Accounts under the Plan will be maintained in the names in which Common Shares were registered at the time the Participants entered the Plan. Consequently, certificates for whole

Common Shares withdrawn from this Plan will be registered in exactly the same manner when issued.

### **Termination of Participation**

Participation in the Plan may be terminated by a Participant at any time by duly completing the termination portion of the voucher on the reverse of the statement of account (“**Termination Request Form**”) and sending it to the Agent. A duplicate statement copy containing the voucher may be obtained from the Agent at the address below.

When a Participant terminates participation in the Plan, the Participant will receive a certificate for the whole Common Shares held for such Participant’s account and a cash payment for any fractions of a share held in such account based on the last investment price. If the Agent does not receive the Termination Request Form at least 1 day prior to the applicable Record Date, the termination and settlement of the Participant’s account will not commence until after the next dividend investment has been completed.

Generally, a Termination Request Form will be processed within three weeks of the receipt by the Agent of the Termination Request Form or within three weeks after the next dividend pay date. No Termination Request Form will be processed between the dividend record date and the dividend pay date.

Participation in the Plan will be terminated upon receipt by the Agent of evidence satisfactory to the Plan Agent and the Administrator of the death of a Participant; thereafter all dividends paid in respect of the Common Shares of the deceased Participant will be paid in cash. In the case of termination of participation due to death, a certificate for whole Common Shares held in such Participant’s account will be issued in the name of the estate of the deceased Participant along with a cheque representing payment for any fraction of a Share in the account.

### **Statements of Account**

The Agent will maintain an account for each Participant other than those registered with CDS & Co. A statement of account will be mailed by the Agent to each Participant approximately three weeks after each investment. This statement will set out the amount of the dividend paid on the Participant’s Common Shares for the relevant period, the number of additional Common Shares purchased through this Plan for the period, the dates of these purchases, the applicable purchase price per Common Share and the updated total number of Common Shares being held for the Participant in this Plan. These statements are a Participant’s continuing record of the cost of purchases and should be kept for tax purposes. In addition, each Participant will receive the appropriate information annually for reporting dividends for tax purposes.

### **Rules and Regulations**

The Company may from time to time adopt rules and regulations to facilitate the administration of the Plan, and such rules and regulations will be binding on all shareholders (including those who may have already become Participants) when adopted. The Company also

reserves the right to regulate and interpret the Plan as it deems necessary or desirable to ensure its efficient and equitable operation in the best interests of the Company.

### **Amendment, Suspension or Termination of the Program**

The Company reserves the sole right to amend, suspend or terminate the Plan at any time and such amendment, suspension or termination will be binding on all Participants. In the event of termination of the Plan by the Company, a certificate for whole Common Shares held for Participant's account under the Plan and a cash payment for any fractions of a share held in such account, based on the closing price of the Common Shares on the TSX as of the close of the trading day following the date of the termination of the Plan, will be remitted to the Participant. Amendments to the Plan will be notified to the TSX and, in the case of material amendments, its prior approval will be obtained before the material amendment is implemented.

### **Responsibilities of the Agent**

The Plan Agent shall not be liable for any act undertaken or omitted in good faith, or have any duties, responsibilities or liabilities except as are expressly set forth in this Plan or as required by law. In particular, the Agent must comply with all applicable laws now or hereafter in force that may impose a duty to permit any properly authorized party to have access to and examine and make copies of any records relating to this Plan. Participants should recognize that the Agent and the Company cannot assure a profit or protect against a loss on Common Shares purchased under this Plan.

### **Notices**

All notices required to be given to a Participant in this Plan will be mailed to the Participant at the most recent address shown on the records of the Agent.

All communications to the Plan Agent and requests for forms or information regarding this Plan should be directed to:

Computershare Trust Company of Canada.  
100 University Ave, 9<sup>th</sup> Floor  
Toronto, Ontario M5J 2Y1  
Canada  
Attention: Dividend Reinvestment Department