New Issue June 25, 1997

EMCO LIMITED

$75,000,000

6½% Convertible Unsecured Subordinated Debentures

To be dated July 4, 1997 To mature July 4, 2007

The Debentures of Emco Limited ("Emco" or the "Company") offered hereby (the "Debentures") will be sold by the Company at a price of $1,000 per Debenture plus accrued interest, if any, payable on closing. See "Details of the Offering".

Interest on the Debentures at an annual rate of 6½% per $1,000 principal amount of Debentures will be payable on June 30 and December 31 of each year beginning December 31, 1997. The Debentures may not be redeemed by the Company prior to January 4, 2001 and thereafter until January 4, 2002 the Debentures will be redeemable, in whole or in part, at $1,000 per $1,000 principal amount thereof plus accrued and unpaid interest provided that the weighted average trading price of the common shares ("Common Shares") of the Company on The Toronto Stock Exchange during the 20 consecutive trading days ending five trading days preceding the date on which the notice of redemption is given is not less than 125% of the conversion price referred to below. On and after January 4, 2002, the Debentures will be redeemable by the Company at $1,000 per $1,000 principal amount thereof plus accrued interest. Subject to regulatory approval, the Company may, at its option, satisfy the obligation to repay the principal amount of the Debentures on redemption or at maturity in freely tradeable Common Shares. Further particulars of the interest, redemption and maturity provisions are set out under "Details of the Offering".

Conversion Privilege

Each Debenture will be convertible at the option of the holder into Common Shares at any time after October 4, 1997 and before the close of business on the last business day prior to the earlier of the date fixed for redemption or the maturity date at a conversion price of $19.75 per Common Share, being a rate of 50.633 Common Shares per $1,000 principal amount of Debentures, subject to adjustment in certain events.

In the opinion of counsel, the Debentures will, as of the closing date, qualify for investment under certain statutes as set out under "Eligibility for Investment".

The outstanding Common Shares are listed on The Toronto Stock Exchange, the Montreal Exchange and are traded on the NASDAQ National Market System in the United States. The Toronto Stock Exchange has conditionally approved the listing of the Debentures. In addition, The Toronto Stock Exchange and the Montreal Exchange have conditionally approved the listing of the Common Shares issuable on conversion, redemption or maturity of the Debentures. The listing of the Debentures and the Common Shares is subject to the Company fulfilling all of the requirements of such stock exchanges on or before September 23, 1997. The offering price of the Debentures was determined by negotiation between the Company and the Underwriters. On June 24, 1997, the closing price of the Common Shares on The Toronto Stock Exchange was $15.80.

Price: 100% plus accrued interest, if any

We, as principals, conditionally offer these Debentures subject to prior sale, if, as and when issued by the Company and accepted by us in accordance with the conditions contained in the underwriting agreement referred to under "Plan of Distribution" and subject to approval of certain legal matters on behalf of the Company by McCarthy Tétrault and on our behalf by Borden & Elliot.

	Issue Price (1)	Underwriters' Fee	Net Proceeds to the Company(1)(2)
Per Debenture	$1,000	$28.50	$971.50
TOTAL	$75,000,000	$2,137,500	$72,862,500

(1) Plus accrued interest, if any, from July 4, 1997 to the closing date.
(2) Before deduction of the expenses of the issue estimated at $250,000.

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 intended that the closing of the offering will take place on July 4, 1997, or such other date as may be agreed upon, but not later than July 24, 1997. Certificates representing the Debentures will be available for delivery at closing.

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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) Annual Information Form of the Company dated February 28, 1997;

(b) Audited consolidated financial statements of the Company as at and for the year ended December 31, 1996 together with the auditors' report thereon and management's discussion and analysis, all as contained in the Company's Annual Report for the year ended December 31, 1996;

(c) Management Information Circular of the Company dated March 14, 1997; and

(d) Unaudited interim consolidated financial statements of the Company as at and for the three months ended March 31, 1997.

All documents of the type referred to in the preceding paragraph and any material change reports (excluding confidential reports) filed by the Company with a securities commission or similar authority in any of the provinces in Canada subsequent to the date of this short form prospectus and prior to the termination of the offering hereunder shall be deemed to be incorporated by reference into 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 the purpose of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes 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

As used in this short form prospectus references to the Company shall refer to Emco Limited only, without reference to its subsidiaries.

Issuer: Emco Limited

Offering: 6½% Convertible Unsecured Subordinated Debentures, due July 4, 2007.

Amount: $75,000,000

Price: $1,000 per Debenture.

Interest: 6½% per annum, payable semi-annually on June 30 and December 31 of each year, commencing on December 31, 1997.

Conversion: Each Debenture will be convertible at the option of the holder into Common Shares at any time after October 4, 1997 and before the close of business on the last business day immediately preceding the earlier of the date fixed for redemption or the maturity date, at a conversion price of $19.75 per Common Share, being a rate of 50.633 Common Shares per $1,000 principal amount of the Debentures, subject to adjustments in certain events. See "Details of the Offering — Conversion Privilege".

Redemption: The Debentures will not be redeemable by the Company prior to January 4, 2001. On and after January 4, 2001 until January 4, 2002, the Debentures will be redeemable, in whole or in part, at a price equal to $1,000 per $1,000 principal amount thereof plus accrued and unpaid interest to the date specified for redemption, provided that the weighted average trading price of the Common Shares on The Toronto Stock Exchange for the 20 consecutive trading days ending five trading days prior to the date on which the notice of redemption is given is not less than 125% of the conversion price. On and after January 4, 2002 to and including the maturity date, the Debentures will be redeemable at a price equal to $1,000 per $1,000 principal amount thereof plus accrued and unpaid interest. See "Details of the Offering — Redemption and Purchase".

Payment upon Redemption or Maturity: Subject to any required regulatory approval, the Company may, at its option, satisfy the obligation to pay the principal amount of the Debentures on redemption or at maturity in freely tradeable Common Shares at 95% of the weighted average trading price of the Common Shares on The Toronto Stock Exchange for the 20 consecutive trading days ending five trading days prior to the relevant redemption date or maturity. See "Details of the Offering".

Subordination: The Debentures are direct unsecured obligations of the Company. The payment of principal of, and interest on, the Debentures will be subordinate in right of payment to the prior payment in full of Senior Liabilities but rank pari passu with the Company's 8% and 7.25% subordinated debentures. See "Details of the Offering — Subordination".

Earnings and Asset Coverages: After giving effect to the issue of the Debentures but before redemption of any of the Company's 8% or 7.25% subordinated debentures, pro-forma earnings and asset coverages on long-term debt for the twelve months ended December 31, 1996 and March 31, 1997 are as follows:

	December 31, 1996	March 31, 1997
Earnings coverage	2.4	3.0
Asset coverage	1.8	1.7

Use of Proceeds:	The proceeds of this offering will be used to fund potential acquisitions, to redeem some of the Company's outstanding 8% and 7.25% subordinated debentures (approximately $35 million and $70 million, respectively, of which are currently outstanding) and for general corporate purposes. See "Use of Proceeds".
Closing Date:	On or about July 4, 1997.

The above information is a summary only and should be read in conjunction with the detailed information provided elsewhere in this short form prospectus.

ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault, counsel to the Company, and Borden & Elliot, counsel to the Underwriters, subject to compliance with the prudent investment standards and general investment provisions and restrictions of the statutes referred to below (and, where applicable, the regulations thereunder) and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies or goals and, in certain cases, the filing of such policies or goals, the Debentures issued hereunder will not, at the date of issue, be precluded as investments under or by the following statutes:

Insurance Companies Act (Canada)
An Act respecting insurance (Quebec)
Trust and Loan Companies Act (Canada)
Loan and Trust Corporations Act (Ontario)
An Act respecting trust companies and savings companies (Quebec)
Loan and Trust Corporations Act (Alberta)
Pension Benefits Standards Act, 1985 (Canada)
Pension Benefits Act (Ontario)
Supplemental Pension Plans Act (Quebec)
Financial Institutions Act (British Columbia)

In the opinion of such counsel, the Debentures will, at the date of issue, also be qualified investments under the *Income Tax Act* (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans (other than trusts governed by deferred profit sharing plans for which an employer is the Company or is a corporation which does not deal with the Company at arm's length).

THE COMPANY

The Company is a major Canadian distributor of plumbing and related products and a major Canadian manufacturer and distributor of building and home improvement products. The Company also produces custom manufactured components, brass and aluminum forgings, tools, dies and molds and provides other services on a contract basis for equipment manufacturers and others. Approximately 94% of the Company's sales are directly or indirectly related to the wholesale plumbing and building materials industries.

The Company is incorporated under the laws of Ontario. The original predecessor of the Company, the Empire Manufacturing Company Limited, was incorporated under the laws of Ontario in 1906. The Company's registered and principal office is located at 620 Richmond Street, London, Ontario N6A 5J9.

MascoTech, Inc. ("MascoTech") is the Company's principal shareholder and owns approximately 43% of the Common Shares. MascoTech is a leading supplier of metalwork components, technical services and aftermarket products to the transportation industry in the United States. MascoTech is listed on the New York Stock Exchange and is based in Taylor, Michigan. For the year ended December 31, 1996, MascoTech reported sales of US $1.3 billion and shareholders' equity of US $165 million.

Recent Development

On June 18, 1997, Emco's contract offer to the unionized employees at its Lasalle, Quebec, roofing products plant was narrowly rejected in a ratification vote. A revised offer, which is designed to meet concerns expressed by employees and which has been recommended for approval by the union executive, will be voted upon on July 4, 1997. Emco believes that its offer will be approved and does not anticipate a strike.

USE OF PROCEEDS

The net proceeds to the Company from the sale of the Debentures offered hereby, after payment of expenses of the offering and Underwriters' Commission, are estimated to be approximately $72.6 million.

The proceeds of this offering will be used to fund potential acquisitions, to redeem some of the Company's outstanding 8% and 7.25% subordinated debentures (approximately $35 million and $70 million, respectively, of which are currently outstanding) and for general corporate purposes.

EARNINGS AND ASSET COVERAGES

After giving effect to the issue of the Debentures but before redemption of any of the Company's outstanding 8% or 7.25% subordinated debentures, pro-forma earnings and asset coverages on long-term debt for the twelve months ended December 31, 1996 and March 31, 1997 are as follows:

	December 31, 1996	March 31, 1997
Earnings coverages (1)(2)	2.4	3.0
Asset coverages (1)(2)	1.8	1.7

(1) Current Canadian generally accepted accounting principles, which have been in effect since 1996, require the allocation of the Debenture proceeds between the present value of the interest payment stream as a liability, and the Debenture holders' potential participation in the Company as a component of shareholders' equity. The effect is to reduce reported interest expense and total long-term debt, which has a favourable impact on the Company's earnings and asset coverage ratios.

(2) Had the Debentures been classified solely as long-term debt, with the corresponding interest payments charged fully to earnings, the earnings coverage ratios at December 31, 1996 and March 31, 1997 would have been 2.1 and 2.6, respectively, and the asset coverage ratios at December 31, 1996 and March 31, 1997 would have been 1.5 and 1.4, respectively.

DETAILS OF THE OFFERING

Debentures

The Debentures will be issued under a trust indenture (the "Indenture") dated as of July 4, 1997 and made between the Company and Montreal Trust Company of Canada (the "Trustee"), as trustee. This summary does not purport to be complete. Reference is made to the Indenture for the full text of the attributes and characteristics.

The Debentures will be dated July 4, 1997, will mature on July 4, 2007 and will bear interest at the rate of 6½% per annum, payable semi-annually on June 30 and December 31 of each year. The interest on the Debentures will be payable in lawful money of Canada at any branch in Canada of the chartered bank to be specified in the Indenture. The first interest payment will be made on December 31, 1997 in the amount of $32.06 per $1,000 principal amount of Debentures. Subsequent semi annual interest payments will be in the amount of $32.50 per $1,000 principal amount of Debentures.

The Debentures are issuable only as fully registered Debentures in denominations of $1,000 and integral multiples thereof. The Debentures will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to other liabilities of the Company as described under "Subordination". The Indenture does not restrict the Company from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its properties to secure any indebtedness.

Payment Upon Maturity

On maturity, the Company will repay the indebtedness represented by the Debentures by paying the Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Debentures. The Company may, at its option on not more than 60 and not less than 30 days' prior notice and subject to applicable regulatory approval, elect to satisfy its obligation to repay the principal amount of the Debentures on maturity by delivery of that number of freely tradeable Common Shares obtained by dividing the principal amount of the Debentures by 95% of the weighted average trading price of the Common Shares on The Toronto Stock Exchange for the 20 consecutive trading days ending five trading days preceding the maturity date of the Debentures.

Conversion Privilege

Each Debenture will be convertible at the holder's option into fully paid and non-assessable Common Shares at any time after October 4, 1997 and before the close of business on the last business day immediately preceding the earlier of the date fixed for redemption or the maturity date, at a conversion price of $19.75 per Common Share, being a rate of 50.633 Common Shares for each $1,000 principal amount of Debentures. No adjustment will be made for dividends on Common Shares issuable upon conversion or for interest accrued on Debentures surrendered for conversion.

Subject to the provisions thereof, the Indenture will provide for the adjustment of the conversion price in certain events including: (a) the subdivision or consolidation of the outstanding Common Shares; (b) the distribution of Common Shares to holders of its Common Shares by way of stock dividend or otherwise other than an issue of shares to holders of outstanding Common Shares who have elected to receive dividends in stock in lieu of receiving cash dividends paid in the ordinary course; (c) the issuance of options, rights or warrants to holders of Common Shares entitling them to acquire Common Shares or other securities convertible into Common Shares at less than 95% of the then Current Market Price (as defined in the Indenture) of the Common Shares; and (d) the distribution to all holders of Common Shares of any securities or assets (other than cash dividends and equivalent dividends in stock paid in lieu of cash dividends in the ordinary course). There will be no adjustment of the conversion price in respect of any event described in (b), (c) or (d) above if, with the prior approval of the Toronto and Montreal stock exchanges, the holders of the Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date. The Company will not be required to make adjustments in the conversion price unless the cumulative effect of such adjustments would change the conversion price by at least 1%.

No fractional Common Shares will be issued on any conversion but in lieu thereof the Company shall satisfy such fractional interest by a cash payment equal to the market price of such fractional interest.

Redemption and Purchase

The Debentures may not be redeemed by the Company prior to January 4, 2001. On and after January 4, 2001 until January 4, 2002, the Debentures will be redeemable, in whole or in part, at a price equal to $1,000 per $1,000 principal amount thereof plus accrued and unpaid interest to the date specified for redemption provided that the weighted average trading price of the Common Shares on The Toronto Stock Exchange during the 20 consecutive trading days ending five trading days preceding the date on which the notice of redemption is given is not less than 125% of the conversion price.

On and after January 4, 2002 to and including the maturity date, the Debentures will be redeemable at a price equal to $1,000 per $1,000 principal amount thereof plus accrued and unpaid interest.

The Company may, subject to applicable regulatory approval, elect to satisfy its obligation to repay the principal amount of the Debentures on redemption by delivery of that number of freely tradeable Common Shares obtained by dividing the principal amount of the Debentures by 95% of the weighted average trading price of the Common Shares on The Toronto Stock Exchange for the 20 consecutive trading days ending five trading days preceding the redemption date of the Debentures.

The Company will have the right to purchase Debentures in the open market or by tender or by private contract at prices not exceeding 100% of the principal amount thereof together with unpaid interest and costs of purchase.

Subordination

The payment of the principal of and interest on the Debentures will be subordinated in right of payment, as set forth in the Indenture, to the prior payment in full of any liability of the Company, other than the 8% and 7.25% subordinated debentures of the Company which will rank pari passu with the Debentures, for: (i) moneys borrowed or raised by whatever means (including, without limitation, by means of commercial paper, bankers acceptances, debt instruments and any liability evidenced by bonds, debentures, notes or similar instruments); (ii) the deferred purchase price of assets or services; or (iii) any trade debts (collectively, the "Senior Liabilities").

The Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Company, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Company, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Company, then those entitled to Senior Liabilities will receive payment in full before the holders of Debentures shall be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures. The Indenture will also provide that the Company shall not make any payment, and the holders of Debentures shall not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including without limitation by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Debentures (i) in a manner inconsistent with the terms (as they exist on the date of issue) of the Debentures or (ii) at any time when an event of default has occurred under the Senior Liabilities and is continuing and the notice of such event of default has been given by or on behalf of the holders of Senior Liabilities to the Company, unless the Senior Liabilities have been repaid in full.

In addition, the Trustee on behalf of the Debentureholders may enter into contractual subordination agreements with certain lenders of the Company with terms to the foregoing effect.

Modification

The rights of the holders of the Debentures may be modified. For that purpose, among others, the Indenture will contain certain provisions which will make binding on all Debentureholders resolutions passed at meetings of the holders of Debentures by votes cast thereat by holders of not less than 66⅔% of the principal amount of the Debentures, or rendered by instruments in writing signed by the holders of not less than 66⅔% of the principal amount of the Debentures.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault, counsel for the Company, and Borden & Elliot, counsel for the Underwriters, the following general summary fairly describes the principal Canadian federal income tax considerations applicable to holders of Debentures, other than a holder who is not resident in Canada for the purposes of the *Income Tax Act* (Canada) (the "Tax Act") and who carries on a business in Canada, who acquire Debentures under this offering and who, for purposes of the Tax Act hold the Debentures and Common Shares acquired under the terms of the Debentures as capital property and deal with the Company at arm's length. Debentures and Common Shares acquired by certain "financial institutions" (as defined in the Tax Act) will generally not be held as capital property by such holders and will be subject to special mark-to-market rules.

This summary is based upon the current provisions of the Tax Act, and the Regulations thereunder, counsels' understanding of the current administrative and assessing practices of Revenue Canada and the proposed amendments to the Tax Act and Regulations publicly announced by the Minister of Finance prior to the date hereof. This summary is not exhaustive of all possible Canadian federal income tax considerations and assumes that the proposed amendments will be enacted as proposed but does not otherwise take into account or anticipate any changes in law by way of judicial, legislative or governmental decision or action, nor does it take into account provincial, territorial or foreign tax considerations.

This summary is of a general nature only and is not intended to be legal or tax advice to any particular holder. Consequently, holders should consult their own tax advisors with respect to their individual circumstances.

Residents of Canada

Taxation of Interest on Debentures

A holder of a Debenture that is a corporation, partnership, unit trust or any trust of which a corporation or partnership is a beneficiary will be required to include in computing its income for a taxation year all interest that accrues to it on the Debenture at the end of that taxation year or that becomes receivable or is received by the holder before the end of that taxation year, except to the extent that such interest was included in computing the holder's income for a preceding taxation year.

Any other holder will be required to include in computing income for a taxation year all interest on a Debenture that is received or receivable in that taxation year (depending upon the method regularly followed by the holder in computing income) and, in addition, will be required to include in income any interest that accrued on a Debenture up to any anniversary date (as defined in the Tax Act) in that year to the extent that such amount was not otherwise included in the holder's income for that or any preceding taxation year.

Distributions to Holders of Debentures

In the event that a holder is permitted to participate in distributions, including distributions made to holders of Debentures or Common Shares, such holder may, depending on the circumstances, be required to include the amount or value of such distribution in computing income for the purposes of the Tax Act.

Dispositions

A disposition or deemed disposition by a holder of a Debenture, other than on the exercise of the conversion privilege, will generally result in the holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition are greater (or less) than the aggregate of the holder's adjusted cost base of the Debenture and any reasonable costs of such disposition. On such a disposition or deemed disposition, interest accrued on the Debenture to the date of disposition will be included in computing the holder's income and excluded from the holder's proceeds of disposition of the Debenture.

Exercise of Conversion Privilege

A holder of a Debenture that converts a Debenture into Common Shares pursuant to the conversion privilege will not be considered to realize a capital gain or capital loss. The cost to such holder of the Common Shares acquired on such conversion will be equal to the holder's adjusted cost base of the Debenture immediately before the conversion. The adjusted cost base to the holder of the Common Shares acquired on the conversion will be determined by averaging the cost of the Common Shares so acquired with the adjusted cost base of all other Common Shares then held by the holder as capital property (other than any Common Shares which the holder is considered to have owned continuously since December 31, 1971). Under the current administrative practices of Revenue Canada, a holder who, upon conversion of a Debenture receives cash not in excess of $200 in lieu of a fraction of a Common Share may either treat this amount as proceeds of disposition of a portion of a Debenture thereby realizing a capital gain or capital loss, or alternatively, may reduce the adjusted cost base of the Common Shares that the holder receives on the conversion by the amount of the cash received.

A subsequent disposition by the holder of the Common Shares will generally result in the holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition are greater (or less) than the aggregate of the holder's adjusted cost base of the Common Shares and any reasonable costs of such disposition.

Redemption or Repayment Upon Maturity

If the Company redeems a Debenture prior to maturity or repays a Debenture upon maturity and the holder does not exercise the conversion privilege prior to such redemption or repayment, the holder will be considered to have disposed of the Debenture for proceeds of disposition equal to the amount received by the holder on such redemption or repayment other than any portion of such amount which is paid in respect of interest. If, on such repayment on maturity of the Debentures, the Company makes such repayment in Common Shares, the holder's proceeds of disposition will be equal to the fair market value of the Common Shares so received. In either case, the holder may realize a capital gain or capital loss computed as described above under "Dispositions".

Tax Treatment of Capital Gains and Capital Losses

Three-quarters of any capital gain realized by a holder upon the disposition of a Debenture will be required to be included in computing the holder's income as a taxable capital gain. Three-quarters of any capital loss realized by a holder from the disposition of a Debenture may normally be deducted against taxable capital gains realized in the year of disposition and the three preceding taxation years or in any subsequent taxation year subject to detailed rules contained in the Tax Act in this regard.

The full amount of capital gains must be included in an individual holder's adjusted taxable income for the purposes of computing such holder's liability under the Tax Act for alternative minimum tax.

Common Shares

Dividends on Common Shares received 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 under the Tax Act to taxable dividends received from taxable Canadian corporations. Dividends on Common Shares received by a corporation will be included in computing its income and generally will be deductible in computing its taxable income.

A private corporation or a subject corporation (as defined in the Tax Act) will generally be liable to pay a refundable tax under Part IV of the Tax Act of the rate of 33⅓% on dividends received on the Common Shares. A refundable tax of 6⅔% is payable on investment income (other than dividends deductible in computing taxable income) earned by a Canadian-controlled private corporation (as defined in the Tax Act) which tax will be refunded when the corporation pays taxable dividends (at a rate of $1.00 for every $3.00 of taxable dividends paid). For this purpose, investment income includes certain dividends and a portion of taxable capital gains.

A disposition or deemed disposition by a holder of Common Shares will generally give rise to a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net any costs of disposition, are greater (or less) than the holder's adjusted cost base of the Common Shares. Such a capital gain (or capital loss) will be treated as described above under "Tax Treatment of Capital Gains and Capital Losses".

Non-Residents of Canada

The tax treatment of non-residents of Canada under the Tax Act and the following discussion can be affected by the provision of an applicable income tax convention. Non-resident holders are advised to consult their own tax advisors with regard to the availability of relief under an applicable income tax convention in their particular circumstances.

Exemption from Tax on Interest

Amounts paid or credited by the Company as interest on the Debentures to a person with whom the Company is dealing and continues to deal at arm's length will not be subject to non-resident withholding tax under the Tax Act.

Distributions to Holders of Debentures

In the event that a holder is permitted to participate in distributions, including distributions made to holders of Debentures or Common Shares, such holder may, depending on the circumstances, be subject to non-resident withholding tax under the Tax Act on the amount or value of such distribution.

Exercise of Conversion Privilege

The conversion of a Debenture into Common Shares at the option of a non-resident holder will not give rise to tax under the Tax Act.

Dispositions

A holder of a Debenture or a Common Share who is not resident in Canada will not be subject to tax under the Tax Act in respect of a capital gain unless the gain arises on a disposition of taxable Canadian property. In general, a

Debenture or a Common Share will not constitute taxable Canadian property to a non-resident holder unless the holder used or held such securities in carrying on a business in Canada, or, in the case of the Common Shares, if at any time in the five-year period immediately preceding the disposition, the holder together with persons with whom the holder did not deal at arm's length, owned, or had an option to acquire (including conversion rights) 25% or more of the issued and outstanding shares of any class or series of the capital stock of the Company. If a Debenture or a Common Share is not taxable Canadian property, any capital gain realized on a disposition by a non-resident holder thereof, including a redemption or repayment of a Debenture, will not be subject to tax under the Tax Act.

A non-resident holder whose Debentures or Common Shares constitute or are deemed to constitute taxable Canadian property is referred to the discussion above under "Residents of Canada" for general information regarding dispositions and the tax treatment of capital gains under the Tax Act.

Common Shares

Dividends paid or credited or deemed to be paid or credited by the Company to a holder of Common Shares who is a non-resident of Canada will generally be subject to Canadian non-resident tax at the rate of 25% on the gross amount of the dividends.

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the "Underwriting Agreement") dated as of June 16, 1997 between the Company, on the one hand, and CIBC Wood Gundy Securities Inc., Nesbitt Burns Inc., First Marathon Securities Limited, RBC Dominion Securities Inc., Gordon Capital Corporation and ScotiaMcLeod Inc. (collectively, the "Underwriters"), on the other hand, the Company has agreed to issue and sell the Debentures and the Underwriters have severally agreed to purchase, as principals, on or about July 4, 1997, or on such later date as may be agreed upon, but in any event not later than July 24, 1997, upon and subject to the conditions stipulated in the Underwriting Agreement, all but not less than all of the $75 million principal amount of the Debentures at an aggregate price of $1,000 per Debenture plus accrued interest, if any, from July 4, 1997 to the closing date, payable in cash to the Company against delivery of the certificates representing the Debentures. The offering price of the Debentures offered hereunder was determined by negotiation between the Company and the Underwriters.

The Company has agreed to pay the Underwriters from general corporate funds a fee of $2,137,500 (or 2.85% of the gross proceeds realized from the offering) for their services performed in connection with this offering.

The Underwriting Agreement provides that the Underwriters may, in their discretion, terminate their obligations thereunder upon the occurrence of certain stated events. However, the Underwriters are obligated to take up and pay for all of the Debentures offered hereby if any of such Debentures are purchased under the Underwriting Agreement. In the event that one or more Underwriters fails to purchase the Debentures which it has severally agreed to purchase under the Underwriting Agreement, then the other Underwriters or any of them may elect, but are not obliged, to purchase all but not less than all of the Debentures which the defaulting Underwriter(s) failed to purchase.

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, bid for or purchase Debentures or Common Shares, except in circumstances specifically permitted by such policy statements. Permitted bids or purchases include 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. Subject to the foregoing and applicable law, the Underwriters may over-allot or effect transactions in connection with this offering which stabilize or maintain the market price of the Debentures of the Common Shares at levels above that which would otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Debentures and Common Shares issuable upon the conversion thereof have not been and will not be registered under the United States *Securities Act of 1933* (the "1933 Act") and, subject to certain exceptions, may not be offered or sold in the United States or to residents of the United States, except as permitted by the Underwriting Agreement in transactions exempt from or not subject to the registration requirements of the 1933 Act. In addition, until 40 days after the commencement of the offering, an offer or sale of the Debentures within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the 1933 Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the 1933 Act.

DESCRIPTION OF SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of Common Shares, of which 23,399,518 were outstanding at May 31, 1997, and an unlimited number of preference shares issuable in series, none of which are outstanding.

The holders of Common Shares are entitled to one vote for each Common Share held on all matters to be voted on by the shareholders of the Company and, subject to the prior rights of the holders of the preference shares if and when any of such shares are issued, are entitled to receive such dividends as may be declared by the directors of the Company in their discretion and to receive the remaining property of the Company on a liquidation, winding-up or dissolution.

The preference shares are issuable by the directors of the Company from time to time in one or more series, with the directors fixing the rights, privileges, restrictions and conditions of each series before the issuance thereof. Preference shares of each series will rank on a parity with the preference shares of every other series with respect to dividends and return of capital on a liquidation, winding-up or dissolution and will be entitled to a preference over the Common Shares with respect to dividends and return of capital on liquidation, winding-up or dissolution.

Between January 1, 1997 and March 31, 1997, options to purchase 438,200 Common Shares were issued, 37,400 options were exercised for cash proceeds of $258,272 and 59,200 options were cancelled, leaving options to purchase 1,185,050 Common Shares outstanding as at March 31, 1997.

PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

The Common Shares are listed on The Toronto Stock Exchange and the Montreal Exchange in Canada and on the NASDAQ National Market System in the United States. The following table sets forth the high and low closing prices and the volume of trading of the Common Shares on The Toronto Stock Exchange for the periods indicated:

Period	High	Low	Volume
1995			
First Quarter	$8.70	$6.30	681,442
Second Quarter	9.00	6.20	1,347,774
Third Quarter	8.00	6.00	891,428
Fourth Quarter	6.40	4.50	716,156
1996			
First Quarter	5.70	4.80	1,083,403
Second Quarter	7.00	5.00	1,625,859
Third Quarter	7.00	5.35	123,938
Fourth Quarter	9.75	6.10	2,760,999
1997			
First Quarter	13.50	8.60	3,568,219
April	13.90	11.90	967,829
May	15.25	13.20	3,130,029
June (through June 24)	16.95	14.75	1,442,190

On June 24, 1997, the closing price of the Common Shares on The Toronto Stock Exchange was $15.80 per share.

LEGAL MATTERS

Certain legal matters concerning this offering will be passed upon by McCarthy Tétrault for the Company and by Borden & Elliot for the Underwriters.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are KPMG, Chartered Accountants, 1400 - 130 Dufferin Avenue, London, Ontario N6A 4E3.

Montreal Trust Company of Canada, at its principal offices in the cities of Toronto and Montreal, is the transfer agent and registrar for the Common Shares and Debentures. The Bank of Nova Scotia Trust Company of New York is the co-transfer agent for the Common Shares.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities 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 jurisdictions, 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 the particulars of these rights or consult with a legal adviser.

CERTIFICATE OF THE COMPANY

Dated: June 25, 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 all the provinces of Canada. For the purpose of the Province of Quebec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or market price of the securities to be distributed.

(Signed) DOUGLAS E. SPEERS
President and Chief Executive Officer

(Signed) RICHARD B. GROGAN
Executive Vice President
and Chief Financial Officer

On behalf of the Board of Directors

(Signed) FRANK M. HENNESSEY
Director and Chairman of the Board

(Signed) WAYNE B. LYON
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: June 25, 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 prospectus as required by the securities laws of each of the provinces of Canada. For the purpose of the Province of Quebec, to our knowledge this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation likely to affect the value or market price of the securities to be distributed.

CIBC Wood Gundy Securities Inc.

By: (Signed) Daniel J. Daviau

Nesbitt Burns Inc.

By: (Signed) James P. Bowland

First Marathon Securities Limited

By: (Signed) Barbara Millichamp

RBC Dominion Securities Inc.

By: (Signed) Rosemarie N. Baker

Gordon Capital Corporation

By: (Signed) Christopher Blackwell

ScotiaMcLeod Inc.

By: (Signed) Francis Mason

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

CIBC Wood Gundy Securities Inc.: a wholly-owned subsidiary of a Canadian chartered bank.

Nesbitt Burns Inc.: a wholly-owned subsidiary of The Nesbitt Burns Corporation Limited, a majority-owned subsidiary of a Canadian chartered bank.

First Marathon Securities Inc.: First Marathon Inc.

RBC Dominion Securities Inc.: RBC Dominion Securities Limited, a majority-owned subsidiary of a Canadian chartered bank.

Gordon Capital Corporation: J.R. Connacher, J.N. Green, Pacific Century GC Holdings Inc. and John Warwick.

ScotiaMcLeod Inc.: a wholly-owned subsidiary of a Canadian chartered bank.