This 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 similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended. These securities are being issued to holders of Special Warrants of the Company in connection with the exercise of such Special Warrants, and to certain persons for certain other purposes, and this prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities in the United States.

New Issues September 17, 1997

STRATEGIC VALUE CORPORATION

MAXIMUM $58,352,066

16,615,701 Class A or Class B Common Shares to be issued upon the exercise of 16,615,701 Equity Special Warrants

$10,000,000 6% First Convertible Subordinated Debentures due May 22, 1999 to be issued upon the exercise of 10,000 First Debenture Special Warrants

$5,800,000 Variable Rate Second Convertible Subordinated Debentures due May 22, 2003 to be issued upon the exercise of 5,800 Second Debenture Special Warrants

1,994,014 Class A Common Shares at $1.75 per Class A Common Share

2,127,660 Class A Common Shares at $2.35 per Class A Common Share

Rights to Subscribe for up to 2,848,608 Class A Common Shares

This prospectus qualifies for distribution the Class A and Class B Common Shares, 6% First Convertible Subordinated Debentures due May 22, 1999 and Variable Rate Second Convertible Subordinated Debentures due May 22, 2003 of Strategic Value Corporation (the "Company") to be issued upon the exercise of the special warrants described above (the "Special Warrants") previously issued by the Company on May 23, 1997. Each Equity Special Warrant was issued at a price of $1.75 and entitles the holder thereof, upon exercise and without payment of any additional consideration, to acquire one Class A or Class B Common Share of the Company. Each First Debenture Special Warrant and each Second Debenture Special Warrant was issued at a price of $1,000 and entitles the holder thereof, upon exercise and without payment of any additional consideration, to acquire, respectively, one $1,000 principal amount 6% First Convertible Subordinated Debenture due May 22, 1999 or one $1,000 principal amount Variable Rate Second Convertible Subordinated Debenture due May 22, 2003 of the Company (collectively, the "Convertible Debentures").

The Company is required to use its best efforts to repay certain indebtedness by the issuance of Class A Common Shares. Accordingly, this prospectus qualifies for distribution 1,994,014 Class A Common Shares of the Company for the purpose of funding such repayment. See "Details of the Offering and Plan of Distribution".

Yorkton Securities Inc. and CIBC Wood Gundy Securities Inc. (the "Underwriters"), as principals, conditionally offer 2,127,660 Class A Common Shares of the Company (the "Underwritten Offering"), subject to prior sale, if, as and when issued by the Company and accepted by the Underwriters in accordance with the Underwriting Agreement referred to under "Details of the Offering and Plan of Distribution" and subject to approval of certain legal matters at closing, which will take place on or about September 29, 1997, by Fasken Campbell Godfrey for the Company and by Gowling, Strathy & Henderson for the Underwriters.

Subscriptions in respect of the Underwritten Offering 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.

Definitive certificates for the 2,127,660 Class A Common Shares of the Company to be issued in connection with the Underwritten Offering are expected to be available for delivery at closing.

The Company is issuing to holders of record on October 1, 1997 (the "Record Date") of its Class A Common Shares (excluding, as required by or agreed with the Montreal Exchange (the "Exchange"), any shareholder who: (i) was also a shareholder of the Company on May 23, 1997 and participated in the private placement of Special Warrants; (ii) acquired Class A Common Shares pursuant to the exercise of the Special Warrants (including his or her transferee); (iii) was also a shareholder of the Company on May 23, 1997 and is entitled to receive any of the 1,994,014 Class A Common Shares which are qualified for distribution by this prospectus for the purpose of repaying certain indebtedness incurred by the Company to fund the acquisition of Laurentian Funds Management Inc.; (iv) acquired any of the 1,994,014 Class A Common Shares which are qualified for distribution by this prospectus for the purpose of repaying certain indebtedness incurred by the Company to fund the acquisition of Laurentian Funds Management Inc. (including his or her transferee); or (v) acquired Class A Common Shares pursuant to the Underwritten Offering (including his or her transferee)) transferable rights ("Rights"; the "Rights Offering") to subscribe for up to 2,848,608 Class A Common Shares at a price of $1.75 per Class A Common Share (the "Subscription Price"). Each such holder of Class A Common Shares on the Record Date is entitled to receive one Right for each Class A Common Share held, and three Rights will entitle the holder to purchase one Class A Common Share at the Subscription Price. The Rights expire at 4:30 p.m. (Toronto time) on October 23, 1997 (the "Expiration Time") after which time they will be void and without value. A certificate evidencing Rights (a "Rights Certificate") will be issued to all such holders of record of Class A Common Shares as of the Record Date except shareholders who are not residents of the Provinces of Ontario, Quebec or Nova Scotia. The Company has retained the Underwriters to solicit subscriptions for Class A Common Shares issuable upon exercise of the Rights from residents of Ontario, Quebec and Nova Scotia. In addition, the Underwriters have agreed to purchase up to a maximum of 2,848,608 Class A Common Shares not taken up pursuant to the Rights Offering (the "Stand-by Commitment") at a price of $1.75 per share on October 27, 1997 or such other date as the Company and the Underwriters may agree. See "Details of the Rights Offering".

As the Rights will not be issued to all the holders of record on October 1, 1997 of the Company's Class A Common Shares, those shareholders of the Company who receive Rights (including those shareholders whose Rights are issued to the Rights Custodian on their behalf) will be required to include in income the value of their Rights, if any. The cost of a Right for the purposes of the Income Tax Act (Canada) will be equal to the amount required to be included in income in respect thereof. See "Details of the Rights Offering" and "Canadian Federal Income Tax Considerations - Rights".

The Special Warrants may be exercised at any time during the period (the "Exercise Period") which commenced upon the issuance of the Special Warrants and which terminates at 5:00 p.m. (Toronto time) (the "Expiry Time") on the date (the "Expiry Date") which is the earlier of (i) the fifth business day after the date (the "Clearance Date") on which a receipt for this prospectus is issued by the securities regulatory authority in each of Ontario, Quebec and Nova Scotia (the "Qualifying Provinces") and (ii) May 22, 1998. All Special Warrants not exercised prior to the Expiry Time will be deemed to have been exercised immediately before the Expiry Time.

A holder of Special Warrants may, at any time during the Exercise Period, exercise all or any number of the Special Warrants held and take delivery of the relevant Class A or Class B Common Shares, 6% First Convertible Subordinated Debentures due May 22, 1999 or Variable Rate Second Convertible Subordinated Debentures due May 22, 2003, as the case may be.

The Class A Common Shares are listed for trading on the Exchange, which has conditionally approved the listing of the Rights and the listing of the Class A Common Shares: (i) issuable upon exercise of the Equity Special Warrants; (ii) issuable upon conversion of the Convertible Debentures to be issued upon exercise of the First Debenture Special Warrants and the Second Debenture Special Warrants; (iii) to be issued to repay certain indebtedness; (iv) to be issued pursuant to the Underwritten Offering; (v) issuable upon exercise of the Rights; (vi) issuable to the Underwriters pursuant to the Stand-by Commitment; (vii) issuable pursuant to an option granted to the Underwriters for the purpose of covering over-allotments; (viii) issuable to the Underwriters pursuant to the Underwriters' Compensation Options (as hereinafter defined); and (ix) issuable to Deacon Capital Corporation in respect of the Deacon Compensation Option (as hereinafter defined). On May 22, 1997, the date prior to the issuance of the Special Warrants, the closing price of the Class A Common Shares on the Exchange was $2.15. On September 16, 1997, the last trading date prior to this prospectus, the closing price of the Class A Common Shares on the Exchange was $2.85.

Price: $1.75 per Equity Special Warrant
$1,000 per First Debenture Special Warrant
$1,000 per Second Debenture Special Warrant
$1.75 per share as regards 1,994,014 Class A Common Shares qualified by this prospectus
$2.35 per share as regards 2,127,660 Class A Common Shares qualified by this prospectus
Subscription Price: $1.75 per Class A Common Share issuable upon the exercise of three Rights

	Proceeds	**Commission**	**Net Proceeds**
16,615,701 Equity Special Warrants	$29,077,476(1)	$208,130 (2)	$27,952,476(3)
10,000 First Debenture Special Warrants	10,000,000	600,000 (2)	9,400,000
5,800 Second Debenture Special Warrants	5,800,000	—	5,800,000
1,994,014 Class A Common Shares	3,489,525	—	3,489,525
2,127,660 Class A Common Shares	5,000,001	350,000 (4)	4,400,001(5)
2,848,608 Class A Common Shares issuable upon exercise of the Rights(6)(7)	4,985,064	300,000 (8)	4,685,064

(1) 10,665,928 Equity Special Warrants were issued to Desjardins-Laurentian Financial Corporation at a price of $1.75 per Equity Special Warrant as partial payment of the purchase price payable on the acquisition by the Company of all the issued and outstanding shares of Laurentian Funds Management Inc. As a result thereof, no cash proceeds were paid to the Company in respect of their issuance. See "Strategic Value Corporation - Acquisition of Laurentian Funds Management Inc."

(2) A commission of $808,130 was paid to Deacon Capital Corporation (the "Agent") in respect of the sale of 1,982,187 Equity Special Warrants and 10,000 First Debenture Special Warrants. As additional consideration, the Company has agreed to issue to the Agent a compensation option (the "Deacon Compensation Option") which grants the Agent the right to purchase up to 453,320 Class A Common Shares at a price equal to the issue price of the Equity Special Warrants or such other price (not less than the issue price of the Equity Special Warrants) which represents the lowest exercise price as permitted under the applicable securities laws and the rules of the Exchange. The Deacon Compensation Option is exercisable in whole or in part until November 21, 1998. This prospectus also qualifies the distribution of one-half of the Deacon Compensation

Option. In addition to the disclosure in the above table, fees aggregating $525,000 were paid to parties other than the Agent in respect of the issue of certain Special Warrants. See "Details of the Offering and Plan of Distribution".

(3) After deducting the commission of approximately $208,130 paid to the Agent, fees aggregating $525,000 paid to parties other than the Agent in connection with the issue of certain Special Warrants and the estimated expenses of the Special Warrant offering of $391,870. See "Details of the Offering and Plan of Distribution".

(4) A commission of $350,000 will be paid to the Underwriters in respect of the sale of 2,127,660 Class A Common Shares pursuant to the Underwritten Offering. As additional consideration, the Company has agreed to issue to the Underwriters compensation options (the "Underwriters Compensation Options") which grant the Underwriters the right to purchase up to an aggregate of 212,766 Class A Common Shares at a price equal to $2.35 per share. The Underwriters Compensation Options are exercisable in whole or in part until the second anniversary of the closing date of the Underwritten Offering. This prospectus also qualifies the distribution of one-half of the Underwriters Compensation Options. In addition to the disclosure in the above table, a fee of $100,000 was paid to the Agent in respect of the Underwritten Offering. See "Details of the Offering and Plan of Distribution".

(5) After deducting the commission of $350,000 to be paid to the Underwriters in connection with the issue of 2,127,660 Class A Common Shares pursuant to the Underwritten Offering and the estimated expenses of such offering of $250,000.

(6) This number assumes that 8,545,825 Rights will be issued. Additional Rights will be issued if any shareholder who was a shareholder of the Company on May 23, 1997 and: (i) acquired Special Warrants, or (ii) is entitled to receive any of the Class A Common Shares of the Company which are qualified by this prospectus, sells, prior to the close of business on the Record Date, any of his or her Class A Common Shares which were held by such shareholder on May 23, 1997. See "Details of the Rights Offering".

(7) The Underwriters have agreed to purchase up to a maximum of 2,848,608 Class A Common Shares not taken up pursuant to the Rights Offering at a price of $1.75 per share on October 27, 1997 or such other date as the Company and the Underwriters may agree. This prospectus also qualifies the distribution of such Class A Common Shares. In addition, the Company has granted the Underwriters an option to purchase up to an additional 319,149 Class A Common Shares at a price of $2.35 per Class A Common Share for the purpose of covering over-allotments. This prospectus also qualifies the distribution of such Class A Common Shares. See "Details of the Rights Offering" and "Details of the Offering and Plan of Distribution".

(8) A commission of $300,000 will be paid to the Underwriters for services rendered by the Underwriters in connection with the Rights Offering. See "Details of the Rights Offering".

The net proceeds realized by the Company from the private placement of its Special Warrants have been utilized to fund the Company's acquisition of Laurentian Funds Management Inc. The net proceeds from the Company's Rights Offering will be utilized for working capital purposes. The net proceeds realized by the Company from the sale of 2,127,660 Class A Common Shares offered pursuant to the Underwritten Offering will be applied to reduce indebtedness incurred by the Company in connection with the acquisition of Laurentian Funds Management Inc. See "Strategic Value Corporation - Acquisition of Laurentian Funds Management Inc." and "Use of Proceeds". The issue price of the Equity Special Warrants was determined by negotiation between the Company, the Exchange and the Agent. The issue price of the First Debenture Special Warrants was determined by negotiation between the Company, the Exchange and the Agent. Hambros Tower Hill Holdings Limited ("Hambros") acquired all of the Second Debenture Special Warrants. The issue price of the Second Debenture Special Warrants was determined by negotiation between the Company, the Exchange and Hambros. The issue price of the 1,994,014 Class A Common Shares to be issued to repay indebtedness incurred by the Company to fund the acquisition of Laurentian Funds Management Inc. is based on the price of the Equity Special Warrants. The issue price of the 2,127,660 Class A

Common Shares to be issued pursuant to the Underwritten Offering was determined by negotiation between the Company and the Underwriters.

The price to be paid for each of the 1,994,014 Class A Common Shares issued to repay the indebtedness described above and the effective price paid for each Class A Common Share or Class B Common Share issuable on exercise of an Equity Special Warrant exceeds the net tangible book value of each Class A Common Share or Class B Common Share as at June 30, 1997 by $1.20 after giving effect to the issue of 1,994,014 Class A Common Shares qualified by this prospectus and the exercise of the Equity Special Warrants for 16,615,701 Class A or Class B Common Shares and before giving effect to the issue of 2,127,660 Class A Common Shares issued pursuant to the Underwritten Offering and the issue of 2,848,608 Class A Common Shares pursuant to the the Rights Offering, representing a dilution factor of 68%. See "Dilution".

The price to be paid for each of the 2,127,660 Class A Common Shares issued hereunder pursuant to the Underwritten Offering exceeds the net tangible book value of each Class A Common Share or Class B Common Share as at June 30, 1997 by $3.11 after giving effect to the issue of the 4,121,674 Class A Common Shares qualified by this prospectus and the exercise of the Equity Special Warrants for 16,615,701 Class A or Class B Common Shares, representing a dilution factor of 132%. See "Dilution".

The Class A Common Shares, the Class B Common Shares and the Convertible Debentures are speculative investments subject to risk factors including general risks associated with the promotion, distribution and management of mutual funds. See "Risk Factors".

There is no market through which the Class B Common Shares or the Convertible Debentures may be sold. However, Class B Common Shares are convertible into Class A Common Shares. See "Description of Share Capital - Class B Common Shares".

Certain legal matters relating to the offerings will be passed upon by Fasken Campbell Godfrey on behalf of the Company. Certain legal matters relating to the offerings of the Equity Special Warrants and the First Debenture Special Warrants will be passed upon by Fogler, Rubinoff on behalf of the Agent. Certain legal matters relating to the Underwritten Offering will be passed upon by Gowling, Strathy & Henderson on behalf of the Underwriters.

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PROSPECTUS SUMMARY

The following is a summary only. Reference should be made to the more detailed information appearing elsewhere in this prospectus.

The Canadian Mutual Fund Industry

Since 1980, the Canadian mutual fund industry has grown from $5 billion to over $258 billion of assets under administration. Over 75% of this growth has taken place over the past five years, a period marked by low inflation, low interest rates and rising stock and bond markets. These factors have encouraged investment in mutual funds as an alternative to savings accounts and guaranteed investment certificates. Other factors contributing to growth in this industry include the wide range of mutual fund products now available and the heightened public awareness of mutual funds brought about by intensified marketing. The continued rate of growth of the Canadian mutual fund industry is subject to market forces and a number of other factors. See "Risk Factors" and "The Mutual Fund Industry in Canada".

Strategic Value Corporation

The Company

Strategic Value Corporation ("SVC" or the "Company"), through its subsidiaries, is a Canadian mutual fund management company. SVC's chief executive officer, Mark S. Bonham, has been actively involved in the Canadian mutual fund industry for over 15 years. Mark S. Bonham acquired control of the Company in February, 1997, whereupon it commenced its involvement in the mutual fund industry. In May 1997, the Company completed the acquisition of Laurentian Funds Management Inc., now Strategic Value Funds Management Inc. ("SVFM"), the promoter, distributor, manager and administrator of 14 public mutual funds offered by prospectus in Canada which, until such acquisition, were known as the Laurentian Mutual Funds (the "Former Laurentian Mutual Funds"). The Company, through its subsidiaries, currently is the promoter, distributor, investment advisor, manager and administrator of a total of 18 public mutual funds and one private mutual fund known collectively as the Strategic Value Series of Funds (collectively, the "Strategic Value Funds" and individually, a "Fund"). As at August 31, 1997, the total assets of the Strategic Value Funds were $1.914 billion. The Company's revenues are generated principally through management fees which are calculated as a percentage of average net assets under administration. As assets increase or decrease, so do management fee revenues. See "Strategic Value Corporation - Overview of the Company".

Relationship with Hambros

The Company has an investment sub-advisor agreement with Guinness Flight Hambro Investment Managers International Limited ("GFHIMIL") pursuant to which GFHIMIL provides investment advice with respect to nine Strategic Value Funds that invest primarily in non-Canadian securities. GFHIMIL is a wholly-owned subsidiary of Guinness Flight Hambro Investment Management Limited which, in turn, is a wholly-owned subsidiary of Guinness Flight Hambro Asset Management Limited ("Guinness Flight"). Guinness Flight's majority shareholders are Guinness Mahon Holdings plc and Hambros PLC and it has operations in London, Guernsey, Hong Kong and Los Angeles. GFHIMIL is registered in Ontario as a Non-Canadian Advisor-Investment Counsel & Portfolio Manager and is regulated in the United Kingdom by the Investment Management Regulatory Organization in the conduct of its investment business. See "Strategic Value Corporation - Overview of the Company" and "Strategic Value Corporation - Management Arrangements".

Hambros PLC is part of the Hambros Group of Companies which held 24.47% of the Company's Class A and Class B Common Shares (on a non-diluted basis) prior to the offerings qualified by this prospectus. After giving effect to the offerings qualified by this prospectus, the Hambros Group of Companies will hold 21.41% (on a non-diluted basis) or 22.81% (on a fully diluted basis) of the aggregate number of issued and outstanding Class A and Class B Common Shares of the Company. See "Principal Shareholders".

The Company's Business Strategy

SVC's principal objective is to maximize growth and to achieve and sustain profitability through effective and efficient management, distribution and administration of and investment advice to the Strategic Value Funds. There are approximately 81,000 holders of units or shares of the Strategic Value Funds. As at August 31, 1997, almost all of such unitholders or shareholders, many of whom have held their units or shares for a number of years, were holders of the Former Laurentian Mutual Funds. The Company views the holders of units or shares of the Strategic Value Funds as representing a stable base upon which to achieve growth. The Company's long term strategy is to build upon its client base. See "Strategic Value Corporation - The Company's Business Strategy".

The Strategic Value Funds

The Strategic Value Funds comprise a total of 19 mutual funds. The following table sets out, in respect of each Fund, the net assets as at August 31, 1997, the performance of each Fund for the eight and twelve month periods ended August 31, 1997, the annual management fee charged by SVC and the management expense ratio for the eight months ended August 31, 1997:

Name of Fund	(in 000's) Net Assets as at August 31, 1997	Performance for 8 months ended August 31, 1997	Performance for 12 months ended August 31, 1997 (unaudited)	Annual Management Fee(1)	Management Expense Ratio
Money Market Fund					
†Strategic Value Money Market Fund	$37,354	1.1%	2.3%	0.50%	1.12
Income Funds					
†Strategic Value Dividend Fund Ltd.	419,852	11.0%	24.8%	2.00%	2.64
†Strategic Value Income Fund	153,298	6.0%	12.6%	1.50%	2.13
†Strategic Value Government Bond Fund	69,576	2.5%	6.2%	1.50%	2.13
Balanced Funds					
†Strategic Value Canadian Balanced Fund	160,734	9.3%	20.4%	2.00%	2.64
†*Strategic Value Global Balanced Fund	24,662	3.6%	9.9%	2.00%	2.69
Strategic Value Global Balanced RSP Fund	750	12.4%	N / A	2.00%	3.82
†*Strategic Value Commonwealth Fund Ltd.	284,200	5.4%	10.5%	2.00%	2.69
Canadian Growth Funds					
†Strategic Value Canadian Small Companies Fund	162,269	13.4%	25.9%	2.00%	2.64
†Strategic Value Canadian . Equity Fund Ltd	254,147	13.5%	27.4%	2.00%	2.64
Strategic Value Canadian Equity Value Fund	6,252	21.4%	N / A	2.00%	3.10
International Growth Funds					
†*Strategic Value American Equity Fund Ltd.	125,949	15.2%	22.0%	2.00%	2.64
*Strategic Value American Equity Value Fund	747	6.2%	N / A	2.00%	4.06
†*Strategic Value Europe Fund	26,277	9.1%	21.9%	2.00%	2.69
†*Strategic Value Asia Pacific Fund	10,182	–7.7%	–7.1%	2.00%	2.70
†*Strategic Value International Fund Ltd.	164,831	6.0%	10.8%	2.00%	2.69
†*Strategic Value Emerging Markets Fund	4,946	9.6%	7.7%	2.25%	2.97
*Strategic Value Global Equity Fund	1,485	3.8%	N / A	2.00%	3.63
Strategic Value Fund	6,865	6.1%	15.0%	2.25%(2)	3.33

(1) The weighted average management fee received by the Company from the Strategic Value Funds as at August 31, 1997 was 1.91%.

(2) The Company is entitled to a performance fee from investors in this Fund if the net asset value of the investors' units increases in value by more than 10% per year; the Company is entitled to 20% of the increase in excess of 10%.

* Managed by GFHIMIL (See "The Strategic Value Group of Funds - Management Arrangements").

† One of the Former Laurentian Mutual Funds.

The Offerings

Offering of Special Warrants:	16,615,701 Equity Special Warrants were previously issued on a private placement basis for consideration of $1.75 per Equity Special Warrant. Each Equity Special Warrant entitles the holder, without payment of any additional consideration, to acquire one Class A or Class B Common Share of the Company.
	10,000 First Debenture Special Warrants were previously issued on a private placement basis for consideration of $1,000 per First Debenture Special Warrant. Each First Debenture Special Warrant entitles the holder, without payment of any additional consideration, to acquire a $1,000 principal amount 6% First Convertible Subordinated Debenture due May 22, 1999 of the Company which will mature on May 22, 1999.
	5,800 Second Debenture Special Warrants were previously issued on a private placement basis for consideration of $1,000 per Second Debenture Special Warrant. Each Second Debenture Special Warrant entitles the holder, without payment of any additional consideration, to acquire a $1,000 principal amount Variable Rate Second Convertible Subordinated Debenture due May 22, 2003 of the Company which will mature on May 22, 2003. The Variable Rate Second Convertible Subordinated Debentures due May 22, 2003 of the Company bear interest at the lesser of 6% per annum and a rate equal to the dividends which would be payable on the shares issuable on exercise of the conversion rights attaching to such debentures.
	The Special Warrants may be exercised at any time during the period (the "Exercise Period") which commenced upon the issuance of the Special Warrants and which terminates at 5:00 p.m. (Toronto time) (the "Expiry Time") on the date (the "Expiry Date"), which is the earlier of (i) the fifth business day after the date (the "Clearance Date") on which a receipt for this prospectus is issued by the securities regulatory authority in each of Ontario, Quebec and Nova Scotia (the "Qualifying Provinces"); and (ii) May 22, 1998. All Special Warrants not exercised prior to the Expiry Time will be deemed to have been exercised immediately before the Expiry Time.

	A holder of Special Warrants may at any time during the Exercise Period, exercise all or any number of the Special Warrants held and take delivery of the securities referred to therein.
Offering of Common Shares:	At or about the time the Company issued the Special Warrants, it borrowed an aggregate of $3,489,525. Of such amount, $3,000,000 was borrowed from Mark S. Bonham, the Chief Executive Officer and President of the Company. The Company is required to use its best efforts to repay such indebtedness by the issuance of Class A Common Shares valued at $1.75 per share, being 1,994,014 Class A Common Shares in the aggregate. This prospectus qualifies 1,994,014 Class A Common Shares for distribution in order to permit the Company to repay such indebtedness through the issue of its Class A Common Shares. See "Details of the Offering and Plan of Distribution". The Company, pursuant to an agreement (the "Underwriting Agreement") dated September 17, 1997 between the Company and Yorkton Securities Inc. and CIBC Wood Gundy Securities Inc. (the "Underwriters") agreed to sell and the Underwriters agreed to purchase, as principals, 2,127,660 Class A Common Shares at $2.35 per share upon the terms and subject to the conditions contained therein (the "Underwritten Offering"). This prospectus qualifies 2,127,660 Class A Common Shares for distribution pursuant to the Underwritten Offering. In addition, the Company has granted the Underwriters an option to purchase up to an additional 319,149 Class A Common Shares at a price of $2.35 per Class A Common Share for the purpose of covering over-allotments. This prospectus also qualifies the distribution of such Class A Common Shares. See "Details of the Offering and Plan of Distribution".
Rights:	Shareholders (excluding any shareholder who: (i) was also a shareholder of the Company on May 23, 1997 and participated in the private placement of Special Warrants; (ii) acquired Class A Common Shares pursuant to the exercise of the Special Warrants (including his or her transferee); (iii) was also a shareholder of the Company on May 23, 1997 and is entitled to receive any of the 1,994,014 Class A Common Shares which are qualified for distribution by this prospectus for the purpose of repaying certain indebtedness incurred by the Company to fund the acquisition of Laurentian Funds Management Inc.; (iv) acquired any of the 1,994,014 Class A Common Shares which are qualified for distribution by this prospectus for the purpose of repaying certain indebtedness incurred by the Company to fund the acquisition of Laurentian Funds Management Inc. (including his or her transferee); and (v) acquired Class A Common Shares pursuant to the Underwritten Offering (including his or her transferee)) will be entitled to receive one Right for each Class A Common Share held on the Record Date.

Record Date for Rights Offering:	October 1, 1997
Subscription Price for Rights:	Each shareholder of the Company who is issued Rights will receive one Right for each Class A Common Share held and three Rights entitle the holder thereof to subscribe for one Class A Common Share at a subscription price of $1.75 per share.
Expiration Time for Rights Offering:	4:30 p.m. (Toronto time) on October 23, 1997
Additional Subscription Privilege:	Each holder of a Rights Certificate who exercises all the Rights evidenced by such certificate will have the right to subscribe for any additional Class A Common Shares available as a result of Rights that are not exercised. See "Details of the Rights Offering - Additional Subscription Privilege".
Use of Proceeds:	The Company received gross proceeds of $44,877,476 on the issue of the Special Warrants and net proceeds of $43,152,476, after deducting the commission of $808,130 paid to the Agent, fees aggregating $525,000 paid to parties other than the Agent in connection with the issue of certain Special Warrants and the estimated expenses of the offering of $391,870. The Company applied such net proceeds to satisfy a portion of the acquisition cost of Laurentian Funds Management Inc., now SVFM. Assuming that 8,545,825 Rights are issued, the gross subscription proceeds from: (i) the Rights Offering; and (ii) the Underwriters' agreement to purchase up to a maximum of 2,848,608 Class A Common Shares not taken up pursuant to the Rights Offering (the "Stand-by Commitment"), are estimated to be $4,985,064. Net proceeds from the Rights Offering and the Stand-by Commitment are estimated to be $4,685,064 (after deducting the commission of $300,000 to be paid to the Underwriters) which will be utilized for working capital purposes. The Company incurred certain indebtedness in the aggregate amount of $3,489,525 in order to fund the acquisition of Laurentian Funds Management Inc., now SVFM. Such indebtedness comes due on May 22, 2003. The Company is required to use its best efforts to repay such indebtedness by the issuance of Class A Common Shares from its treasury at a price of $1.75 per share. This prospectus qualifies 1,994,014 Class A Common Shares of the Company for distribution, being the aggregate number of Class A Common Shares necessary to repay such indebtedness.

The Company will receive gross proceeds of $5 million on the issue of 2,127,660 Class A Common Shares pursuant to the Underwritten Offering and net proceeds of $4.4 million, after deducting the commission of $350,000 to be paid to the Underwriters and the estimated expenses of the Underwritten Offering of $250,000. Such net proceeds will be applied by the Company to reduce indebtedness incurred by it on the acquisition of Laurentian Funds Management Inc., now SVFM.

Selected Consolidated Financial Information Relating to the Company:

The following selected pro forma and historical consolidated financial information of Strategic Value Corporation is derived from the Company's pro forma and historical financial statements found elsewhere in this prospectus. This financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operation" and such pro forma and historical financial statements including the notes thereto.

	Pro Forma	Historical		
	Year Ended June 30, 1997[1]	Eight Month Period Ended June 30, 1997	Period Ended June 30, 1996[2]	Period Ended Oct. 31, 1996[3]
	($ in thousands except per share amounts)			
	(unaudited)	(unaudited)	(unaudited)	
Income Statement Information:				
Revenue	$52,536	$6,403	$9	$12
Expenses	44,673	4,332	97	410
Income (loss) before taxes for the period	$7,863	$2,071	($88)	($398)
Basic and fully diluted Income (loss per share)	$0.057	$0.023	($0.003)	($.010)

	June 30, 1997 (unaudited)	Oct. 31, 1996
Balance Sheet Information:		
Working capital	$(9,068)	$1,764
Total assets	124,869	2,238
Long-term debt	39,552	0
Total liabilities	89,301	126
Shareholders' equity	35,568	2,112

(1) The pro forma consolidated income statement for the year ended June 30, 1997 includes information derived from the unaudited income statement of Strategic Value Corporation for the year ended June 30, 1997 and the audited statement of income of Laurentian Funds Management Inc. for the year ended December 31, 1996. The pro forma consolidated income statement may not be indicative of either the results that actually would have occurred if the acquisition had taken place at the beginning of the period presented, or the results which may be obtained in the future.

(2) For the period from November 9, 1995 to June 30, 1996.

(3) For the period from November 9, 1995 to October 31, 1996.

Risk Factors:	An investment in the securities offered hereby involves certain risks including: (i) market risks, (ii) competition, (iii) regulatory risks, (iv) reliance on a key individual, (v) risks relevant to financing sales of deferred sales charge units or shares, (vi) reliance on a key advisor; (vii) there is no assurance that an active market for the Class A Common Shares will be sustained, (viii) there is potential for increased redemptions of units or shares of the Former Laurentian Mutual Funds as a consequence of the acquisition by the Company of Laurentian Funds Management Inc., (ix) interest rate exposure; (x) the prior investment performance of the Former Laurentian Mutual Funds; (xi) the Eaton's Restructuring; and (xii) the additional challenges faced by independent mutual fund management companies. See "Risk Factors".

STRATEGIC VALUE CORPORATION

Overview of the Company

Strategic Value Corporation, through its subsidiaries, is a Canadian mutual fund management company whose chief executive officer is Mark S. Bonham. Strategic Value Corporation has two wholly-owned subsidiaries, Bonham & Co. Inc. ("Bonhamco") and Strategic Value Funds Management Inc. ("SVFM"). Unless the context otherwise requires, references to "SVC" or the "Company" mean Strategic Value Corporation together with Bonhamco and SVFM.

Mark S. Bonham acquired control of the Company in February, 1997. Mr. Bonham has been actively involved in the Canadian mutual fund industry for over 15 years and is generally credited with participating in the creation of a significant mutual fund management company with a focus on value maximization and superior performance.

On May 23, 1997, the Company completed the acquisition of Laurentian Funds Management Inc., now called Strategic Value Funds Management Inc. (see "Strategic Value Corporation - Acquisition of Laurentian Funds Management Inc."). Laurentian Funds Management Inc. was in the business of managing and promoting mutual funds in Canada and did so for a total of 14 public mutual funds in Canada which, until the acquisition, were known as the Laurentian Mutual Funds (the "Former Laurentian Mutual Funds"). As a result of the acquisition of LFMI, the Company, through its subsidiaries, currently manages, promotes, distributes and advises 18 public mutual funds and one private mutual fund in Canada known collectively as the Strategic Value Series of Funds (the "Strategic Value Funds" and individually, a "Fund"). As at August 31, 1997, the assets of the Strategic Value Funds totalled $1.914 billion.

Over the longer term, the Company intends to expand its business to include advising pension funds, institutions and high net worth individuals as an adjunct to its core mutual fund business.

The Company's revenues are generated principally through management fees which are calculated as a percentage of average net assets under administration. As assets increase or decrease, so do management fee revenues. The Company's operations include arranging for or providing mutual fund management and administration services, investment analysis, investment decisions and brokerage arrangements for the purchase and sale of portfolio securities, and arranging for the distribution of units and shares of the Strategic Value Funds through dealers and other distribution channels.

The Company's principal office is at Suite 700, 95 St. Clair Avenue West, Toronto, Ontario M4V 1N7 and its registered office is 161 Bay Street, Suite 3760, BCE Place, Toronto, Ontario M5J 2S1. Effective October 1, 1997, both offices will be relocated to 220 Bay Street, Suite 600, Toronto, Ontario M5J 2W4.

Between July 1, 1997 and September 30, 1997 the Company is leasing an aggregate of approximately 40,000 square feet of office space at 95 St. Clair Avenue West, Toronto, Ontario. The gross cost paid by the Company in respect of these facilities will be approximately $300,000. The Company will lease an aggregate of approximately 25,250 square feet of office space at 220 Bay Street, Suite 600, Toronto, Ontario beginning October 1, 1997 for annual gross costs of approximately $821,000. The Company has negotiated an initial rent-free period of eight months. The lease in respect of the Bay Street offices expires on September 30, 2007.

Acquisition of Laurentian Funds Management Inc.

On April 11, 1997, SVC and Desjardins-Laurentian Financial Corporation ("DLFC") entered into a share purchase agreement (the "Purchase Agreement") pursuant to which SVC agreed to purchase all the issued and outstanding shares of Laurentian Funds Management Inc. ("LFMI") and a $6 million subordinated promissory note of LFMI payable to an affiliated company from DLFC or an affiliate. LFMI was the manager and principal distributor of the Former Laurentian Mutual Funds which, on May 23, 1997, the date on which the transactions contemplated by the Purchase Agreement were completed, had assets totalling approximately $1.856 billion.

The purchase price (including costs), which was determined pursuant to arms-length negotiations with DLFC, was $114 million. The purchase price was financed through a cash payment of $10.6 million, the issuance of the Special Warrants, including the issuance of 10,665,928 Equity Special Warrants to DLFC, borrowings in the amount of $55 million from a major Canadian chartered bank and borrowings in the amount of $3,489,525 from Mark S. Bonham and certain other individuals. DLFC was paid a commitment fee of $150,000 in consideration of its acquisition of the Equity Special Warrants. DLFC has granted Yorkton Securities Inc. ("Yorkton") an option to purchase not less than all of the 10,665,928 Equity Special Warrants acquired pursuant to SVC's acquisition of LFMI. See "Details of the Offering and Plan of Distribution" and "Principal Shareholders".

LFMI, immediately following the acquisition by the Company of all of its issued and outstanding shares, amalgamated with a wholly-owned subsidiary of the Company and continued under the name Strategic Value Funds Management Inc.

Provided that DLFC retains Equity Special Warrants or the underlying Class A Common Shares representing at least 10% of the aggregate Class A and Class B Common Shares on a fully diluted basis, DLFC is entitled to put forward such number of management nominees for election to the Company's board of directors as will result in DLFC proportionately having the same representation on the board of directors as its equity ownership (on a fully diluted basis) of the Company (except that in no event shall DLFC be entitled to less than one nominee on the board of directors of the Company). Mark Bonham has further agreed to vote his shares of the Company in favour of such nominees of DLFC at any shareholders meeting called for such purpose. DLFC is currently entitled to have one nominee on the Company's board of directors and Marco Fortier is DLFC's current nominee.

In addition to providing for the sale of LFMI, the Purchase Agreement contemplated that the Company would continue to provide administrative and support services for certain segregated funds of the Imperial Life Assurance Company of Canada ("ILACO"). The Company ceased to provide these administrative and support services on August 25, 1997.

Prior to the Company's acquisition of LFMI, ILACO had entered into a technology services agreement with Desjardins-Laurentian Technology Inc. ("DLT"), an affiliate, pursuant to which DLT provides certain computer services to ILACO and its subsidiaries. The Company, pursuant to the Purchase Agreement, agreed to continue to use the data communication and system support services provided by DLT until May 31, 1998, in respect of the data telecommunications services and May 31, 2000 in respect of all other services. These services are expected to cost the Company approximately $800,000 on an annualized basis.

Deacon Capital Corporation, pursuant to an agreement dated April 4, 1997 (the "Deacon Advisory Agreement") provided certain advisory services to the Company in connection with the acquisition of all of LFMI's issued and outstanding shares. The Company paid Deacon Capital Corporation a fee of $500,000 as consideration for such services. In addition, Deacon Capital Corporation, pursuant to the Deacon Advisory Agreement, is entitled to receive an additional

$100,000 for advisory services relating to the acquisition of LFMI when the Company closes an additional equity financing during the twelve months following completion of the acquisition of LFMI. Deacon Capital Corporation also acted as agent to the Company in respect of the private placement by the Company of 1,982,187 Equity Special Warrants and 10,000 First Debenture Special Warrants. See "Details of the Offering and Plan of Distribution".

The Company's Business Strategy

SVC's principal objective is to maximize growth and to achieve and sustain profitability through effective and efficient management, distribution and administration of its family of mutual funds known as the Strategic Value Series of Funds (collectively, the "Strategic Value Funds" and individually, a "Fund"). The Company's long-term strategy is to grow its mutual fund operations and, over time, to begin managing private investment counsel account assets ("counsel accounts") as an adjunct to its core business particularly with a view to attracting counsel account business from pension funds, institutions and high net worth individuals. Not only do the Company's existing business operations complement counsel account operations, but the Company expects to be able to attract counsel account business without the commission costs and other charges usual in attracting purchasers of mutual fund units.

The Company strives to achieve investment returns that are above the industry average over a full business cycle (five years), with a diversified portfolio which reflects low risk. The Company seeks, and expects its sub-advisor to seek, to achieve the investment objectives of each mutual fund managed by it by adopting a bottom-up value investment approach. This approach emphasizes the value characteristics of a specific company, relative to comparable companies, more than general macro-economic considerations, such as industry characteristics or geographical considerations.

The equity investment approach of the Company is based on value and is oriented to individual stock selection designed to achieve above-average long term capital appreciation in a well diversified portfolio. Individual stocks which are identified for investment will typically be those which the Company believes to be, based on an analysis of comparable companies, inexpensive relative to their earnings, cash flow, assets and revenues.

The investment approach of the Company for fixed income investments is to preserve capital and provide a steady compounding rate of return. The Company emphasizes short term debt securities and fixed income investments which are not high risk in nature. Longer term investments are used on a short term opportunistic basis when analysis indicates that such investments will enhance return without a significant increase in risk.

Guinness Flight Hambro Investment Managers International Limited

The Company has an investment sub-advisor agreement (the "GFHIMIL Sub-advisor Agreement") with Guinness Flight Hambro Investment Managers International Limited ("GFHIMIL") pursuant to which GFHIMIL provides investment advice with respect to the nine Strategic Value Funds that invest primarily in non-Canadian securities, namely Strategic Value Global Balanced Fund, Strategic Value American Equity Fund Ltd., Strategic Value American Equity Value Fund, Strategic Value Europe Fund, Strategic Value Asia Pacific Fund, Strategic Value International Fund Ltd., Strategic Value Commonwealth Fund Ltd., Strategic Value Emerging Markets Fund and Strategic Value Global Equity Fund. As at August 31, 1997, such Funds represented approximately 33.6% of the total net assets of the Strategic Value Funds.

As compensation for its advisory services, GFHIMIL receives a fee paid to it by the Company. This fee is not charged to a Fund but is paid from the management fees paid by such fund to the

Company. The GFHIMIL Sub-advisor Agreement may be terminated by either party at any time on 90 days' written notice. See "Strategic Value Group of Funds - Management Arrangements" and "Material Contracts".

GFHIMIL is a wholly-owned subsidiary of Guinness Flight Hambro Investment Management Limited, which, in turn, is a wholly-owned subsidiary of Guinness Flight Hambro Asset Management Limited ("Guinness Flight"). Guinness Flight's majority shareholders are Guinness Mahon Holdings plc and Hambros PLC and it has operations in London, Guernsey, Hong Kong and Los Angeles. As of June 30, 1997, Guinness Flight managed or advised approximately £9.3 billion in assets. GFHIMIL is registered in Ontario as a Non-Canadian Advisor in the categories Investment Counsel and Portfolio Manager and is regulated in the United Kingdom by the Investment Management Regulatory Organization in the conduct of its investment business.

Hambros PLC is part of the Hambros Group of Companies which held 24.47% of the Company's Class A and Class B Common Shares (on a non-diluted basis) prior to the offerings qualified by this prospectus. The Hambros Group of Companies will, after giving effect to the offerings qualified by this prospectus, hold 21.41% (on a non-diluted basis) or 22.81% (on a fully diluted basis) of the aggregate number of issued and outstanding Class A and Class B Common Shares of the Company. See "Principal Shareholders".

Relationships with Dealers

Like most other independent mutual fund management companies not affiliated with financial institutions, the Company does not have its own sales force. Instead, the Company relies upon independent dealers (including stock brokers, mutual fund dealers and financial planners) in each province of Canada to distribute the securities of the Strategic Value Funds. Access to this distribution network is extremely competitive.

The Former Laurentian Mutual Funds were, prior to the acquisition by the Company of all the issued and outstanding shares of Laurentian Funds Management Inc., primarily sold through distribution channels related to Laurentian Funds Management Inc. (see "Strategic Value Corporation - Acquisition of Laurentian Funds Management Inc."). Management of the Company expects, given the Company's competitive commission structure and the familiarity that these distributors have with these funds, that sales will continue to be effected through these channels. See "Risk Factors - Eaton's Restructuring" and "Risk Factors - Independent Mutual Fund Company". As at August 31, 1997, this distribution network represented approximately 1,500 individual sales representatives.

Mark S. Bonham has built up a relationship with the Canadian dealer community over more than 15 years in the Canadian financial services industry which has fostered a dealer distribution network beyond what might be expected of a start-up mutual fund group, the promoter of which is an individual with a less proven track record. Management of SVC believes that maintaining and building upon the Company's relationship with this distribution network is essential to the continued growth of the Company's assets under administration.

Responsiveness to Dealer and Investor Demands

An important factor in developing and maintaining a dealer distribution network is responsiveness to dealer and investor demands. SVC has emphasized this aspect of its business from the outset, establishing and expanding its marketing support staff and initiating programs directed at facilitating sales of the Strategic Value Funds. Currently, these marketing efforts are focused upon direct dealer contact and presentations, supplemented by focused materials and initiatives designed to assist dealers in their sales efforts by describing in greater detail the advantages and nature of the

Strategic Value Funds. As the marketing programs expand, management of SVC expects that they may include advertising campaigns designed to make the investing public more aware of the Company and the Strategic Value Funds. In addition, the Funds' portfolio managers intend to provide dealers with more regular updates, in person and electronically, regarding the composition and strategic placement of the portfolio assets of the Strategic Value Funds. SVC intends to make selective additions to the Strategic Value Funds from time to time as market conditions warrant.

Portfolio Management

Strong investment performance is essential to meeting investor demands. Management of SVC believes that its ability to recognize and secure the services of leading investment portfolio management with investment philosophies and management styles well-suited to meet the investment objectives of the various Strategic Value Funds is integral to the Company's success. Bonhamco has implemented this strategy in respect of the appointment of its external portfolio manager (GFHIMIL) and the assembly of a team of in-house portfolio managers with the requisite abilities, profiles and track records. The Company is expanding this strategy to the Former Laurentian Mutual Funds whose performance was not as successful as similar competing mutual funds. The Company expects that the change of investment manager and investment style, combined with more focussed investment portfolios, will produce improved returns, on a going forward basis, for such Funds.

Marketing

Management of SVC believes that the most cost efficient and effective marketing strategy for the Company targets investment dealers and their clients. This strategy will be achieved by providing educational seminars and printed materials which are designed to effectively describe and communicate the advantages of the Strategic Value Funds. In addition, the Company uses cooperative advertising with dealers. In the future, the Company's marketing campaigns will be expanded to include other means of increasing sales of the Strategic Value Funds.

Managing Future Growth

Management of SVC believes that the Company is well-positioned for future growth because: (i) the change in the investment manager of the Former Laurentian Mutual Funds combined with changes to the investment style and portfolio compositions of such funds are expected to improve returns; (ii) of increased marketing initiatives in respect of the Former Laurentian Mutual Funds which historically were not broadly marketed; and (iii) of the introduction by the Company of a broker/planner distribution channel in respect of the Former Laurentian Mutual Funds. The Company's acquisition of Laurentian Funds Management Inc., now SVFM, has allowed it to take advantage of SVFM's well established administrative systems and continued access to its distribution network, to provide continuity to unitholders and shareholders of the Former Laurentian Mutual Funds and to maintain a consistently high level of dealer and investor service.

SVFM's internal computer facilities and systems will meet the Company's requirements for some years to come, allowing the Company to grow and facilitate the transition to new levels of operations as growth continues.

Finally, the Company believes that it has sufficient depth and experience of management and marketing personnel to enable it to deal efficiently with the current rate of growth and to facilitate the transition to new levels of operations to accommodate future growth.

History of the Company

The Company was incorporated by Letters Patent, on June 11, 1956, under the laws of the Province of Ontario. On October 31, 1974 the Company amalgamated with Galt-Brantford Malleable Limited and GMI Properties Limited and continued under the name Galt Malleable Iron Limited. On May 31, 1979 the Company amalgamated with Spraymould Limited and continued under the name Galtaco Inc. The Company originally operated a malleable iron foundry which was engaged in the production of castings for the automotive and agricultural industries and subsequently became involved in electroplating, metal craft, automotive and truck part exports as well as industrial textile manufacturing. The Company's foundry was closed in 1981 and between January, 1989 and February, 1997 the Company did not carry on any active business.

On November 8, 1996, the Company entered into an agreement (the "Reverse Take-over Agreement") with Mark S. Bonham, the principal shareholder of Bonhamco, and Instant Gains Group Limited, the Company's then principal shareholder, pursuant to which the Company agreed to acquire all of the issued and outstanding shares of Bonhamco in exchange for the issue, by the Company, of Class A Common Shares and Class B Common Shares to Bonhamco's shareholders. See "Interest of Management and Others in Material Transactions".

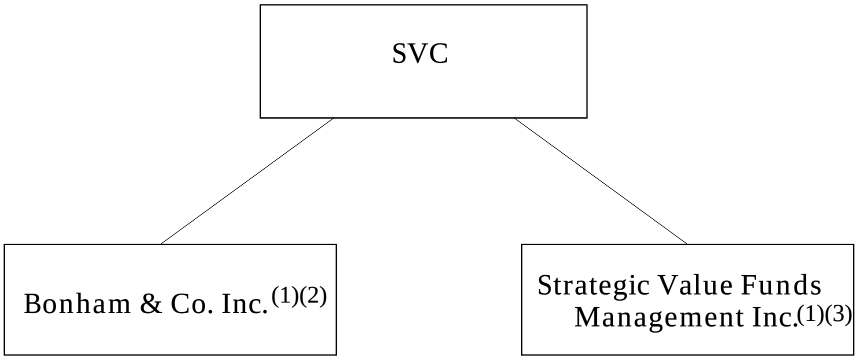
The transactions contemplated by the Reverse Take-over Agreement were completed on February 21, 1997 (the "Closing") and, as a result thereof: (i) Bonhamco became a wholly-owned subsidiary of the Company; (ii) the then current shareholders of the Company held 804,599 (after giving effect to a 1-for-5 share consolidation) Class A Shares of the Company (2% of the Company's then issued and outstanding Class A and Class B Common Shares); and (iii) the then current shareholders of Bonhamco held 32,587,379 Class A Common Shares and 6,517,378 Class B Common Shares (after giving effect to a 1-for-5 share consolidation) of the Company (98% of the Company's issued and outstanding Class A and Class B Common Shares).

Bonhamco incurred transaction costs of $996,561 in connection with the transactions contemplated by the Reverse Take-over Agreement. $500,000 of such amount was paid to Instant Gains Group Limited as consideration for consulting services rendered to facilitate the transactions contemplated by the Reverse Take-over Agreement; $284,683 related to professional fees; $200,000 of such amount was on account of fees payable to an individual responsible for introducing Mark S. Bonham to Instant Gains Group Limited and the Company (this fee was satisfied by the issuance of 40,000 Class A Common Shares of the Company); and $11,878 related to printing costs, meeting costs and other miscellaneous expenses.

Prior to the Closing on February 21, 1997, the Company filed articles of amendment to: (i) change its name to its present form; (ii) amend its authorized capital by: (A) redesignating its Common Shares as Class A Common Shares and authorizing the Company to issue an unlimited number of Class A Common Shares; and (B) authorizing the Company to issue an unlimited number of Class B Common Shares; (iii) consolidate, immediately after the Closing, the Company's Class A Common Shares and Class B Common Shares on a 1-for-5 basis; and (iv) change the location of the Company's registered office to the Municipality of Metropolitan Toronto, Ontario; all as contemplated by the Reverse Take-over Agreement.

Corporate Structure

The following chart shows the corporate structure of the Company:



(1) All subsidiaries of the Company are wholly-owned.
(2) Bonham & Co. Inc. was incorporated on November 9, 1995 under the laws of the Province of Ontario.
(3) Strategic Value Funds Management Inc. was incorporated on April 15, 1997 under the laws of the Province of Ontario. Strategic Value Funds Management Inc. amalgamated with Laurentian Funds Management Inc. on May 23, 1997 and continued under the name Strategic Value Funds Management Inc.

THE STRATEGIC VALUE GROUP OF FUNDS

Overview of the Funds

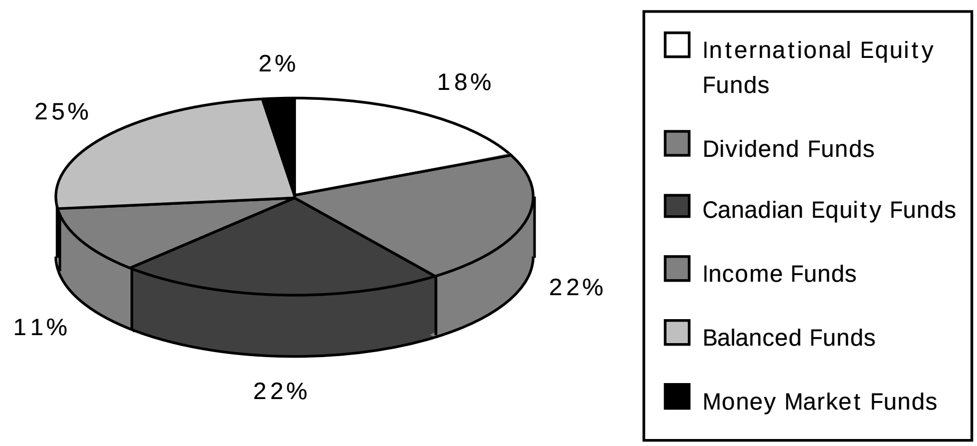
The Company has a total of 18 public mutual funds and one private mutual fund under management. Each fund has different objectives and policies for the investment of money entrusted to it. The following table sets out, in respect of each of the Strategic Value Funds, the net asset value as at August 31, 1997, the performance of each Fund for the eight and twelve month periods ended August 31, 1997**,** the maximum annual management fee charged by SVC and the management expense ratio for the eight months ended August 31, 1997:

Name of Fund	(in 000's) Net Assets as at August 31, 1997	Performance for 8 months ended August 31, 1997	Performance for 12 months ended August 31, 1997	Annual Management Fee[1]	Management Expense Ratio
			(unaudited)		
Money Market Fund					
†Strategic Value Money Market Fund	$37,354	1.1%	2.3	0.50%	1.12
Income Funds					
†Strategic Value Dividend Fund Ltd.	419,852	11.0%	24.8%	2.00%	2.64
†Strategic Value Income Fund	153,298	6.0%	12.6%	1.50%	2.13
†Strategic Value Government Bond Fund	69,576	2.5%	6.2%	1.50%	2.13

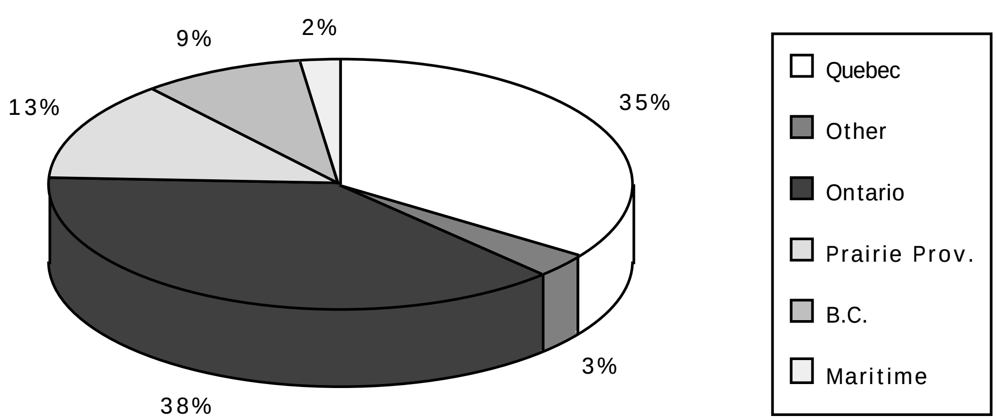
Name of Fund	(in 000's) Net Assets as at June 30, 1997	Performance for 8 months ended August 31, 1997	Performance for 8 months ended August 31, 1997	Annual Management Fee[(1)]	Management Expense Ratio
		(unaudited)			
Balanced Funds					
†Strategic Value Canadian Balanced Fund	160,734	9.3%	20.4%	2.00%	2.64
†*Strategic Value Global Balanced Fund	24,662	3.6%	9.9%	2.00%	2.69
Strategic Value Global Balanced RSP Fund	750	12.4%	N / A	2.00%	3.82
†*Strategic Value Commonwealth Fund Ltd.	284,200	5.4%	10.5%	2.00%	2.69
Canadian Growth Funds					
†Strategic Value Canadian Small Companies Fund	162,269	13.4%	25.9%	2.00%	2.64
†Strategic Value Canadian Equity Fund Ltd.	254,147	13.5%	27.4%	2.00%	2.64
Strategic Value Canadian Equity Value Fund	6,252	21.4%	N / A	2.00%	3.10
International Growth Funds					
†*Strategic Value American Equity Fund Ltd.	125,949	15.2%	22.0%	2.00%	2.64
*Strategic Value American Equity Value Fund	747	6.2%	N / A	2.00%	4.06
†*Strategic Value Europe Fund	26,277	9.1%	21.9%	2.00%	2.69
†*Strategic Value Asia Pacific Fund	10,182	-7.7%	-7.1%	2.00%	2.70
†*Strategic Value International Fund Ltd.	164,831	6.0%	10.8%	2.00%	2.69
†*Strategic Value Emerging Markets Fund	4,946	9.6%	7.7%	2.25%	2.97
*Strategic Value Global Equity Fund	1,485	3.8%	N / A	2.00%	3.63
Strategic Value Fund	6,865	6.1%	15.0%	2.25%[(2)]	3.33

(1) The weighted average management fee received by the Company from the Strategic Value Funds as at August 31, 1997 was 1.91%.
(2) The Company is entitled to a performance fee from investors in this Fund if the net asset value of the investors' units increases in value by more than 10% per year; the Company is entitled to 20% of the increase in excess of 10%.
* Managed by GFHIMIL (See "The Strategic Value Group of Funds - Management Arrangements").
† One of the Former Laurentian Mutual Funds.

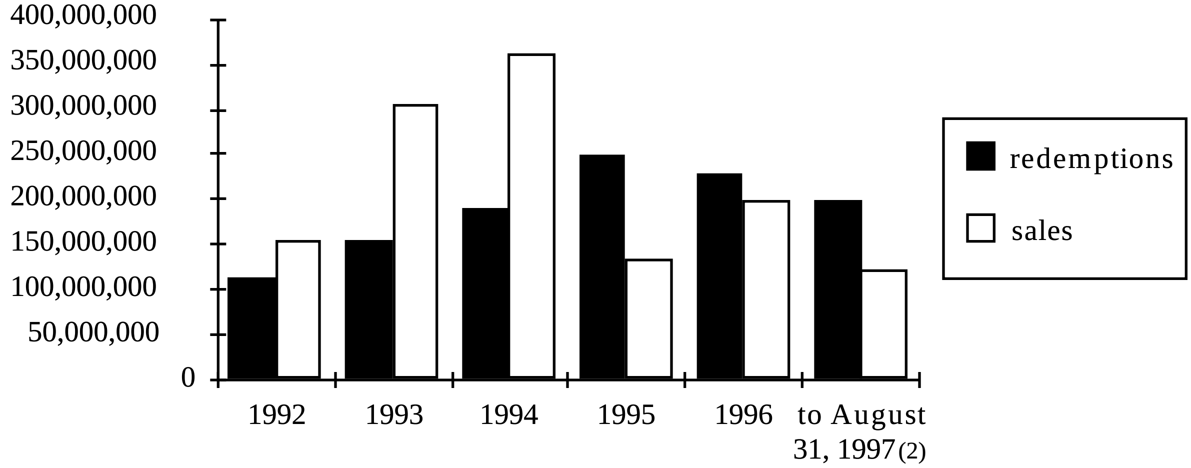
As at August 31, 1997, the breakdown by fund-category of the assets under administration in the Strategic Value Funds was as follows:



As at August 31, 1997, the breakdown by province of the holders of units or shares of the Strategic Value Funds (based on the address in the registers of the Funds) was as follows:



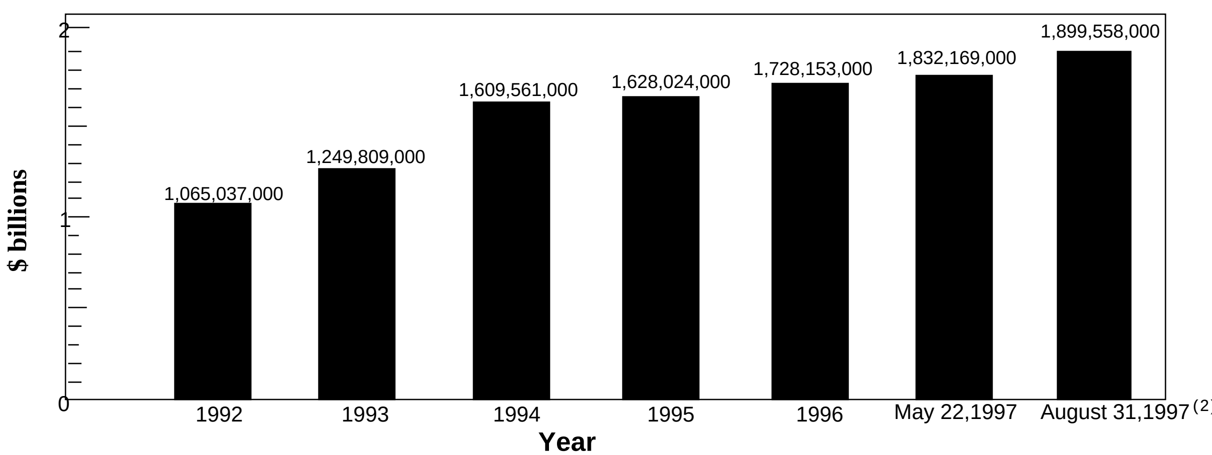
The following chart shows the record of sales and redemption activity in the Former Laurentian Mutual Funds (excluding the Money Market Fund) for each of the 5 years ended December 31, 1996 and for the eight months ended August 31, 1997(1):



(1) Management of the Company is of the view that the redemption activity in the Former Laurentian Mutual Funds during the two years ended December 31, 1996 and for the eight-month period ended August 31, 1997 exceeded sales because the performance of the Former Laurentian Mutual Funds, during such periods, was not as successful as similar competing mutual funds. See "Strategic Value Corporation - The Company's Business Strategy - Portfolio Management".

(2) Total sales and redemptions relating to the Former Laurentian Mutual Funds (excluding the Money Market Fund) for the period from May 23, 1997 (the date on which the Company began to manage such Funds) to August 31, 1997 aggregated approximately $42,798,000 and $67,469,000, respectively.

The following chart shows the average aggregate net assets under the management of Laurentian Funds Management Inc., now SVFM, for each of the 5 years ended December 31, 1996 and for the periods ended May 22 and August 31, 1997(1):



(1) Notwithstanding the fact that redemption activity exceeded sales during the two years ended December 31, 1996, during the period beginning January 1, 1997 and ending May 22, 1997 (the date immediately preceding the date that the Company acquired all the issued and outstanding shares of Laurentian Funds Management Inc.) and during the period beginning May 23, 1997

and ending August 31, 1997, the average aggregate net assets under management continued to grow because of the rate of return achieved thereon.

(2) Includes $12.7 million of assets under the management of the Company prior to the acquisition of Laurentian Funds Management Inc.

Investment Management and Objectives

Bonhamco provides investment advisory and portfolio management services in respect of each of the public Funds pursuant to the constating documents of certain of the Funds and a Primary Investment Advisor Agreement between Bonhamco and SVFM. Bonhamco provides similar services to Strategic Value Fund pursuant to a management agreement between Bonhamco as manager of the Fund and Bonhamco as trustee of the Fund. Bonhamco formulates overall investment policies and strategies for each of the Funds and has discretion to purchase and sell investments of the Funds in accordance with the investment policies and criteria established for the Funds. In carrying out its duties, Bonhamco may retain other investment advisors to provide investment analysis and recommendations in respect of any of the Funds. In this regard, Bonhamco has entered into a sub-advisor agreement with GFHIMIL pursuant to which GFHIMIL provides investment advice with respect to nine of the Funds that invest primarily in non-Canadian securities. See "The Strategic Value Group of Funds - Management Arrangements".

The primary investment objectives of the Strategic Value Funds are set forth below. The following descriptions generally reflect the information provided in the simplified prospectus (in the case of the first 18 funds described below) as filed with the applicable securities regulatory authorities and the offering memorandum (in the case of the Strategic Value Fund) pursuant to which the securities of the Strategic Value Funds are offered:

Money Market Fund

Strategic Value Money Market Fund ("Money Market Fund")

The objective of Money Market Fund (formerly, Laurentian Money Market Fund) is to provide a higher level of interest income than can normally be obtained from savings accounts, combined with a high level of liquidity and safety of capital. This Fund invests primarily in Canadian government treasury bills and bankers' acceptances.

Income Funds

Strategic Value Dividend Fund Ltd. ("Dividend Fund Ltd.")

The objective of Dividend Fund Ltd. (formerly, Laurentian Dividend Fund Ltd.) is to provide the investor with a balance of capital growth and dividend income. The Fund invests primarily in a mix of high yielding common shares and preferred shares of Canadian corporations and to a lesser extent in interest bearing instruments.

Strategic Value Income Fund ("Income Fund")

The objective of Income Fund (formerly, Laurentian Income Fund) is to provide above average interest income with some potential for capital growth. The Fund invests primarily in bonds and other interest bearing instruments of Canadian federal and provincial governments and high quality corporations. Its emphasis is primarily on medium and long term maturities. Such maturities normally provide higher returns and better potential for capital gains but also higher variability of performance during periods of rapidly changing interest rates.

Strategic Value Government Bond Fund ("Government Bond Fund")

The objective of Government Bond Fund (formerly, Laurentian Government Bond Fund) is to provide above average interest income with some potential for capital growth. The Fund invests exclusively in Canadian federal, provincial and municipal government bonds and other interest bearing instruments. Its emphasis is on short and medium term maturities not exceeding 5 years. Such maturities normally provide lower returns and lower potential for capital gains than can be obtained with long term maturities, but also benefit from less volatility during periods of rapidly changing interest rates.

Balanced Funds

Strategic Value Canadian Balanced Fund ("Canadian Balanced Fund")

The objective of Canadian Balanced Fund (formerly, Laurentian Canadian Balanced Fund) is to provide investors with a balance of capital growth and interest income. It does so by investing a portion of its assets in the common shares of medium and large size Canadian corporations and the remainder in high quality government and corporate bonds and other interest bearing instruments. While Bonhamco will shift the weighting between the two components of the portfolio from time to time to obtain better returns, a measure of balance will be maintained between these components of the portfolio at all times.

Strategic Value Global Balanced Fund ("Global Balanced Fund")

The objective of Global Balanced Fund (formerly, Laurentian Global Balanced Fund) is to provide investors with long term capital growth based on an internationally diversified portfolio. The Fund invests its assets primarily in a balanced portfolio of common shares of major corporations located in many countries and high quality foreign currency denominated bonds and other interest bearing instruments issued by Canadian and foreign entities.

Strategic Value Global Balanced RSP Fund ("Global Balanced RSP Fund")

The objective of Global Balanced RSP Fund is to provide investors with both capital appreciation and interest income through investment primarily in equity securities, bonds and debt securities of international companies, Canadian companies with significant international business and Canadian and non-Canadian governments and their agencies. The issuers of such securities may have a small, medium or large capitalization, and may be situated in both developed and less developed countries. Depending on market conditions prevailing from time to time, this Fund may also invest in treasury bills, bonds, debentures and notes issued by governments or corporations throughout the world.

Strategic Value Commonwealth Fund Ltd. ("Commonwealth Fund Ltd.")

The objective of Commonwealth Fund Ltd. (formerly, Laurentian Commonwealth Fund Ltd.) is to provide investors with long term capital growth. The major component of its portfolio is invested in the common shares of large companies with growth potential located in many countries (i.e., similar to the portfolio of International Fund Ltd.). A small component of the Fund is invested in Canadian bonds and preferred shares. This component could vary from period to period, but is expected over the long term to average 20% of the Fund's assets.

Canadian Growth Funds

Strategic Value Canadian Small Companies Fund ("Canadian Small Companies Fund")

The objective of Canadian Small Companies Fund (formerly, Laurentian Special Equity Fund) is to provide investors with long term capital growth. The Fund invests primarily in the common shares, or other types of securities convertible into common shares, of medium size and emerging Canadian companies with above average expected growth, as well as in companies in turn-around situations. The performance of this Fund is potentially subject to more variability, but also has the potential to provide higher long term returns than Canadian Equity Fund Ltd. or Canadian Equity Value Fund.

Strategic Value Canadian Equity Fund Ltd. ("Canadian Equity Fund Ltd.") and Strategic Value Canadian Equity Value Fund ("Canadian Equity Value Fund")

The objective of each of Canadian Equity Fund Ltd. (formerly, Laurentian Canadian Equity Fund Ltd.) and Canadian Equity Value Fund is to provide investors with long term capital growth. These Funds invest primarily in the common shares of medium and large Canadian corporations. Canadian Equity Value Fund will also invest in common shares of small Canadian corporations.

International Growth Funds

Strategic Value American Equity Fund Ltd. ("American Equity Fund Ltd.")

The objective of American Equity Fund Ltd. (formerly, Laurentian American Equity Fund Ltd.) is to provide investors with long term capital growth. The Fund invests primarily in the common shares of medium and large corporations located in the United States.

Strategic Value American Equity Value Fund ("American Equity Value Fund")

The objective of American Equity Value Fund is to provide investors with long term capital appreciation through investment primarily in equity securities of small, medium and large capitalization U.S. issuers. The Fund may also invest in equity securities of Canadian, Central American or South American issuers. Depending on market conditions prevailing from time to time, this Fund may also invest in treasury bills, bonds, debentures and notes issued by U.S., Canadian, Central American or South American issuers.

Strategic Value Europe Fund ("Europe Fund")

The objective of Europe Fund (formerly, Laurentian Europe Fund) is to provide investors with long term capital growth. The Fund invests primarily in the shares of medium and large companies in the various countries of Europe. Diversification by country will be maintained at all times. The specific mix of countries and industry sectors in which investments are held will change over time, based on continuous re-evaluation of growth prospects by GFHIMIL.

Strategic Value Asia Pacific Fund ("Asia Pacific Fund")

The objective of Asia Pacific Fund (formerly, Laurentian Asia Pacific Fund) is to provide investors with long term capital growth. The Fund invests primarily in the shares of medium and large companies whose securities are traded in markets located in Asia. It also invests in other companies that have their principal activities in Asia, or that derive approximately 50% or more of their revenues from that region. Investments can be made directly or through closed-end country funds. Diversification among several countries will be maintained at all times. The specific countries in which investments are held will change over time, based on continuous re-evaluation of the growth potential of each country by GFHIMIL.

Strategic Value International Fund Ltd. ("International Fund Ltd.")

The objective of International Fund Ltd. (formerly, Laurentian International Fund Ltd.) is to provide investors with long term capital growth based on an internationally diversified equity portfolio. The Fund invests its assets primarily in the common shares of large companies with growth potential located in many countries. The principal geographic asset mix is North America, Europe and Asia. The exact mix within these three areas, and investments in other geographic areas, will vary from period to period based on the continuous review and reassessment of the portfolio by GFHIMIL.

Strategic Value Emerging Markets Fund ("Emerging Markets Fund")

The objective of Emerging Markets Fund (formerly, Laurentian Emerging Markets Fund) is to provide investors with long term capital growth. The Fund invests its assets primarily in the shares of companies whose securities are traded in the various emerging markets of the world. The Fund also invests in other companies that have their principal activities in or that derive approximately 50% or more of their revenues from emerging market economies. Investments can be made directly or through closed-end country funds. Diversification by continent, country and company will be maintained at all times. The specific countries in which investments are held will change over time, based on continuous re-evaluation of the growth potential of each country by GFHIMIL.

Strategic Value Global Equity Fund ("Global Equity Fund")

The objective of Global Equity Fund is to provide investors with long-term capital appreciation through investment primarily in equity securities of small, medium and large capitalization issuers in both developed and less developed countries. Depending on market conditions prevailing from time to time, this Fund may from time to time shift its investment focus from a particular region or global market, in order to diversify itself across a broader range of geographical markets. This Fund may also from time to time invest in treasury bills, bonds, debentures and notes issued by governments or corporations throughout the world.

Strategic Value Fund

The Strategic Value Fund is only offered on a private placement basis to sophisticated investors. The minimum investment in the Fund varies between $25,000 to $150,000 depending on the investor's place of residence.

The objective of this Fund is to achieve long-term capital growth primarily through investment in stocks, bonds and other securities. In addition to a core basket of equity and bond securities, the Fund's portfolio may also include: listed securities which, due to risk, liquidity or custodial concerns, may not be suitable for traditional mutual fund investment; options on stocks, bonds, currencies or market indices which allow the Fund to leverage its returns from specific securities or timely market calls; options which hedge against sudden fluctuations in markets; and, where companies are believed to be overvalued, short sale equity positions to a maximum of 50% (at the time of investment) of the net asset value of the Fund.

Management Arrangements

The Company, through its subsidiaries, is the manager, primary investment advisor, distributor and promoter of the Strategic Value Funds. Each public Fund has entered into a written agreement with SVFM (the "Management Agreement") under which SVFM is responsible for the day-to-day administration of each Fund, including processing subscriptions and redemptions, calculating the net asset value and processing the distribution of net income, net realized capital gains, dividends and other distributions of property of each Fund, preparing and delivering reports to the unitholders or shareholders of each Fund, appointing investment advisors to manage each Fund's investment portfolio and supervising brokerage arrangements for the purchase and sale of portfolio securities and other assets. The Management Agreement is in effect for an indefinite period, but may be terminated at any time as to a Fund by SVFM or the Fund on the giving of at least 90 days' notice in writing to the other party.

Strategic Value Fund has also entered into a written agreement with Bonhamco (the "SVF Management Agreement") whereby Bonhamco provides similar services to such Fund. The SVF Management Agreement is in effect for an indefinite period, but may be terminated at any time by Bonhamco on the giving of at least 60 days' notice in writing to the Fund.

In relation to each Fund, the Company is entitled to a monthly management fee in respect of the management and administrative services provided or arranged by the Company. Each Fund is responsible for the payment, on the last day of each month, subject to the limitations described below, of all normal day-to-day operating expenses of the Fund including the expenses of the Company (insofar as they relate to the management of the Fund), registrar fees and expenses, audit, accounting, record keeping and legal fees and expenses, fees and expenses of the custodian of the assets of the Fund, all expenses of providing reports to unitholders and/or shareholders of the Fund, convening and holding meetings of unitholders and/or shareholders of the Fund, all taxes, assessments or other governmental charges levied against the Fund and all brokerage and other fees relating to the purchase and sale of investments of the Fund.

In determining the costs and expenses to be borne by each of the Former Laurentian Mutual Funds (other than management fees, brokerage commissions and taxes), each such Fund reimburses the Company for that portion of the Company's total operating costs and expenses for a given month which is equal to the fraction obtained by dividing the average net asset value of such Fund during the month by the aggregate average net asset value in such month of all such Funds. Notwithstanding the foregoing, the reimbursement of costs and expenses by each such Fund (other than management fees, brokerage commissions and taxes) is not to exceed each month an amount equal to 1/12th of 70 basis points (0.70%) of such Fund's average net assets for such month.

In addition, if the net asset value of units of the Strategic Value Fund held by a unitholder of the Fund increases in value by more than 10% per year (determined on an annualized basis for units not held for a full calendar year), the Company is entitled to receive from the unitholder, 20% of the increase in excess of 10%. Such fee is calculated and is payable on the last valuation date of each year. For units of the Fund which are redeemed during a year, such fee will be calculated on an annualized basis and paid as of the valuation date on which the redemption is effected.

Under the terms of the instruments governing certain of the Strategic Value Funds, the management of such Funds by SVFM can only be terminated with the sanction of a resolution passed by a majority of the votes cast at a meeting of securityholders of the relevant Fund duly called for such purpose at which two unitholders of the Fund are present or represented by proxy.

The sole external portfolio manager engaged by SVC to manage portfolio investments is GFHIMIL which has been engaged to manage the portfolio investments of nine of the Funds pursuant to the GFHIMIL Sub-advisor Agreement. The GFHIMIL Sub-advisor Agreement may be terminated by either party at any time on 90 days' written notice. Bonhamco and GFHIMIL receive a fee for managing the investment portfolios of the public Funds from SVFM and Bonhamco, respectively, and the fees are not charged to the public Funds. GFHIMIL will be replaced as sub-advisor to such Funds by Hambros Bank (Jersey) Limited ("Hambros Jersey") once Hambros Jersey obtains certain regulatory approvals. Hambros Jersey is also a member of the Hambros Group of Companies. See "Strategic Value Corporation - The Company's Business Strategy - Guinness Flight Hambro Investment Managers International Limited" and "The Strategic Value Group of Funds - Overview of the Funds".

Mark S. Bonham, the Chief Executive Officer and President of the Company, Bonhamco and Hambros Fund Managers (UK) Limited ("HFM") entered into an amended and restated Shareholders' Agreement dated January 15, 1997 pursuant to which, among other things, HFM or an affiliate is to act as the exclusive international investment sub-advisor to mutual funds established and managed by the Company that invest primarily in the securities of non-Canadian issuers. See "Material Contracts".

The Company has arranged mutual fund asset protection and professional liability insurance to cover the Company against liability for loss incurred in the course of managing the investment portfolios of the Funds, either directly or through sub-advisors, when the loss is attributable to an error on the part of the portfolio manager. The Company is in the process of increasing its coverage to an amount per occurrence of not less than $5,000,000 and a deductible amount of not more than $100,000 per occurrence. The amount of annual premiums for this insurance is not expected to exceed $20,000.

Purchasing Units or Shares of the Funds

An investor may purchase units or shares of the publicly offered Funds under one of the following sales charge options: (a) Option 1 - with a negotiable sales charge (see below); (b) Option 2 - without a sales charge, but subject to a negotiable deferred sales charge (see below); (c) Option 3 - without a sales charge, but subject to a fixed deferred sales charge (see below); or (d) some combination thereof. The Company may terminate or restrict the option to purchase units or shares under any of these options at any time.

Option 1 - Sales Charge

An investor may choose to purchase units or shares of a Fund subject to a sales charge payable by the investor to the dealer or to Bonhamco in Ontario, as the case may be. The amount of the sales charge, which is negotiable between the investor and the dealer or Bonhamco in Ontario, may not exceed 9% of the aggregate subscription price of the units or shares purchased (or a maximum of 9.89% of the net amount invested).

No sales charge is charged on units or shares acquired upon a reinvestment of distributions on units or dividends on shares.

Option 2 - Negotiable Deferred Sales Charge

An investor may choose to purchase units or shares of a Fund without a sales charge, but subject to a negotiable deferred sales charge. The investor may negotiate with his or her dealer, or Bonhamco in Ontario, the deferred sales charge which may apply depending on when the investor redeems the units or shares purchased. The deferred sales charge negotiated by the investor determines the sales commission to be paid by, or caused to be paid by, SVFM to the dealer or to Bonhamco, as a distributor of the Funds in Ontario i.e., the negotiated deferred sales charge less 1%. The deferred sales charge, which is a percentage of the aggregate unit or share value of the units or shares redeemed, respectively, at the time of redemption, will vary over time depending on when the units or shares were purchased and ranges from 2% to 10% if the units or shares are redeemed in the first year after purchase, and in all cases will decline to 0% after 6 years.

When units or shares of a Fund acquired without a sales charge are redeemed, a deferred sales charge may be deducted from the redemption proceeds of the units or shares, depending on when such units or shares were purchased, and will be payable by the unitholder or shareholder to SVFM. The deferred sales charge expressed as a percentage of the unit or share value subject to this fee at the time of redemption, is set out in the following table:

If units and/or shares are redeemed during the following period after the date of purchase	**Deferred Sales Charge (%)**								
	2%	**3%**	**4%**	**5%**	**6%**	**7%**	**8%**	**9%**	**10%**
During the 1st Year.........	2	3	4	5	6	7	8	9	10
During the 2nd Year........	1	2	3	4	5	6	7	8	9
During the 3rd Year.........	nil	1	2	3	4	5	6	7	8
During the 4th Year........	nil	nil	1	2	3	4	5	6	7
During the 5th Year........	nil	nil	1	2	3	4	5	6	7
During the 6th Year........	nil	nil	nil	1	2	3	4	5	6
After the 6th Year..........	nil	nil	nil	nil	nil	nil	nil	nil	nil

For example, if the investor negotiates a 6% deferred sales charge with his or her dealer, a deferred sales charge in such amount will be payable by the investor if he or she redeems the units or shares in the first year following purchase, with such fee declining to 0% after 6 years.

No deferred sales charge is charged on units or shares acquired upon a reinvestment of distributions on units or dividends on shares.

Option 3 - Fixed Deferred Sales Charge

An investor may choose to purchase units or shares of a Fund without a sales charge, but subject to a fixed deferred sales charge. A sales commission of up to 5.5% will be paid by, or caused to be paid by, SVFM to the dealer or to Bonhamco, as a distributor of the Funds in Ontario. The deferred sales charge, which is a percentage of the aggregate unit or share value of the units or shares redeemed, respectively, at the time of redemption, will vary over time, depending on when the units or shares were purchased, from 5.5% if units or shares are redeemed in the first year after purchase, and will decline to 0% after 5 years.

The deferred sales charge, expressed as a percentage of the unit or share value subject to this fee at the time of redemption, is set out in the following table:

If units/shares are redeemed during the following period <u>after the date of purchase</u>	**<u>Deferred Sales Charge (%)</u>**
During the 1st Year	5.5
During the 2nd Year	5.0
During the 3rd Year	4.5
During the 4th Year	4.0
During the 5th Year	3.5
After the 5th Year	nil

No deferred sales charge is charged on units or shares acquired upon a reinvestment of distributions on units or dividends on shares.

Prior Purchases

Units or shares of a Fund sold pursuant to Option 1 prior to June 26, 1997 were only subject to a sales charge of between 2% to 3%. However, LFMI paid certain dealers a sales charge of up to 5.5% with respect to such sales and financed the additional sales charge over an appropriate period of time. This sales incentive is no longer being provided.

In addition, units or shares of a Fund purchased on a deferred sales charge basis prior to September 9, 1997 are subject to the deferred sales charges outlined in the simplified prospectus of the Fund in effect at the time of purchase. For example, certain units and shares of the Funds which are invested in an RRSP or were purchased pursuant to a systematic withdrawal plan may be entitled to an annual waiver of up to 12% of the deferred sales charges otherwise owing. Certain units and shares were also sold on the basis of a deferred sales charge which is based on the total assets held by the unitholder or shareholder in the Funds and varies from 6% to 1/4% of the total value of such assets. The Company estimates that approximately 61% and 93% of the total assets of the Funds are subject, respectively, to such terms. In addition, the total deferred sales charges which may be charged on almost all units or shares purchased on a deferred sales charge basis cannot exceed 9% of the original acquisition cost of such units or shares.

Units of Money Market Fund acquired prior to June 26, 1997 were sold on a no load basis.

Strategic Value Fund

Units of Strategic Value Fund are sold under sales charge options which are similar to Option 1 and Option 2 described above and may be purchased on an instalment basis over 24 months.

Short Term Trading Fee

A short term trading fee, equal to 2% of the unit or share value of the units or shares redeemed of a public Fund will be charged to the unitholder or shareholder and will be payable to the Company if units or shares are redeemed within 90 days of such units or shares having been purchased. This fee is in addition to any sales charge or deferred sales charge otherwise payable by the investor. This will not apply to scheduled redemptions under a systematic withdrawal plan. No such deferred sales charge is payable if purchasers exercise their statutory right of rescission or withdrawal or if the units or shares are redeemed following the death of the unitholder or shareholder within the 90 day period. In addition, no such short term trading fee will be charged upon the exchange of units or shares of one Fund for units or shares of any other Fund, or for redemptions of units of Money Market Fund, unless such units were obtained in exchange for units or shares of another Fund.

A short term trading fee equal to 5% of the unit value maybe charged if units of Strategic Value Fund are redeemed within 180 days of purchase or if any instalment payment remains unpaid.

The Company may at any time in its discretion change such short term trading fee, provided that any such change that will result in an increase of such fee shall apply only to units or shares purchased and redeemed on or after the valuation date on which the change is effective.

Method of Distribution

Each public Fund has entered into a written agreement with Bonhamco (the "Distribution Agreement") which provides that Bonhamco is to distribute directly or through dealers the units or shares of the Fund. The Distribution Agreement is in effect for an indefinite period of time, but may be terminated at any time by the Fund or Bonhamco on the giving of at least 90 days' notice in writing to the other party to the agreement.

Units and shares of the public Funds are distributed on a continuous basis by Bonhamco in Ontario and dealers in all provinces of Canada.

Bonhamco distributes units of Strategic Value Fund in Ontario and through dealers in certain provinces pursuant to the SVF Management Agreement. See "The Strategic Value Group of Funds - Management Arrangements".

An investor may purchase units or shares with or without a sales charge, or a combination of both, and dealers and Bonhamco are entitled to receive commissions on the purchase of units or shares by investors. SVFM is also entitled to any deferred sales charges which may be paid by investors depending on when the units or shares being redeemed were purchased.

SVFM (Bonhamco with respect to Strategic Value Fund) will pay to approved dealers a servicing commission (the "Servicing Commission") for each salesperson employed by the dealer who has clients who have invested in the aggregate $100,000 ($250,000 for Strategic Value Fund) or more (an "Approved Salesperson") in units and/or shares of the Funds, other than Money Market Fund. The Servicing Commission is based on the total unit value or share value of such units or shares (the "Outstanding Units" and "Outstanding Shares"), respectively, held by clients of the Approved Salesperson on the last valuation date of each month. The Servicing Commission is equal to the net asset value per unit or share on the applicable valuation date, multiplied by the number of Outstanding Units and Outstanding Shares, as applicable, and multiplied by 1/12th of 1.0% for Outstanding Units or Outstanding Shares of all Funds, except those noted below, which are sold subject to a sales charge, and by 1/12th of 0.5% for Outstanding Units or Outstanding Shares sold subject to a redemption fee, in each case, paid monthly. The applicable rate for calculating the Servicing Commission for Outstanding Units of Income Fund and Government Bond Fund sold subject to a sales charge is 0.5%. The Servicing Commission is not paid by unitholders or shareholders or from the assets of the Fund and is intended to provide a sales incentive to dealers and to reimburse them for ongoing expenses incurred in the servicing of clients who are unitholders and shareholders. The Servicing Commission may be modified or discontinued by SVFM and/or Bonhamco at any time, including modifications necessary to ensure compliance with any applicable law, rule or policy of any relevant securities regulatory authority.

Financing of Sales of Deferred Sales Charge Units or Shares

The financing of units or shares of a Fund sold pursuant to Option 2 or 3 (see above) on the basis of a deferred sales charge (the "DSC Option" and units or shares sold under these options are "DSC Units or Shares") represents a very large proportion of the cost associated with the management of mutual funds. This is due to the fact that a large proportion of sales of securities of mutual funds distributed by independent mutual fund managers are sold on this basis. Mutual funds sold on a deferred sales charge basis provide investors with the opportunity to pay reduced or no sales charges if they remain invested in the fund for a certain period of time. When mutual fund securities are sold on a deferred sales charge basis, although no sales commission is paid by the investor at the time of sale, the dealer distributing the mutual fund securities still receives a sales commission which is the responsibility of the manager. In periods where the volume of units or shares sold on a deferred sales charge basis is high, a mutual fund manager may require sources of funding other than cash flow from operations in order to pay dealer commissions. The ability to develop and access financing of dealer commissions is a significant competitive factor in the mutual fund industry for mutual fund managers that offer funds on a deferred sales charge basis. The required additional funding has historically been derived by the mutual fund industry in Canada from equity financing, debt financing, certain limited partnership arrangements and, more recently, the securitization of management and redemption fees. The commissions on sales of DSC Units or Shares have been funded by the Company to date through the use of working capital.

On November 18, 1996, the federal Department of Finance tabled in the House of Commons a Notice of Ways and Means Motion proposing changes to the Income Tax Act (Canada) which, among other things, restrict the deductibility of dealer commissions financed by limited partnerships by requiring these expenditures to be amortized over the economic life of the related right to receive future income. As a result of these proposals, it is unlikely that limited partnership vehicles used for funding dealer commissions will remain viable, at least in their current form. Accordingly, if these proposals are implemented in their current form, independent mutual fund groups may be required to develop alternative financing vehicles or other external financing sources in order to continue selling mutual fund securities on a deferred sales charge basis.

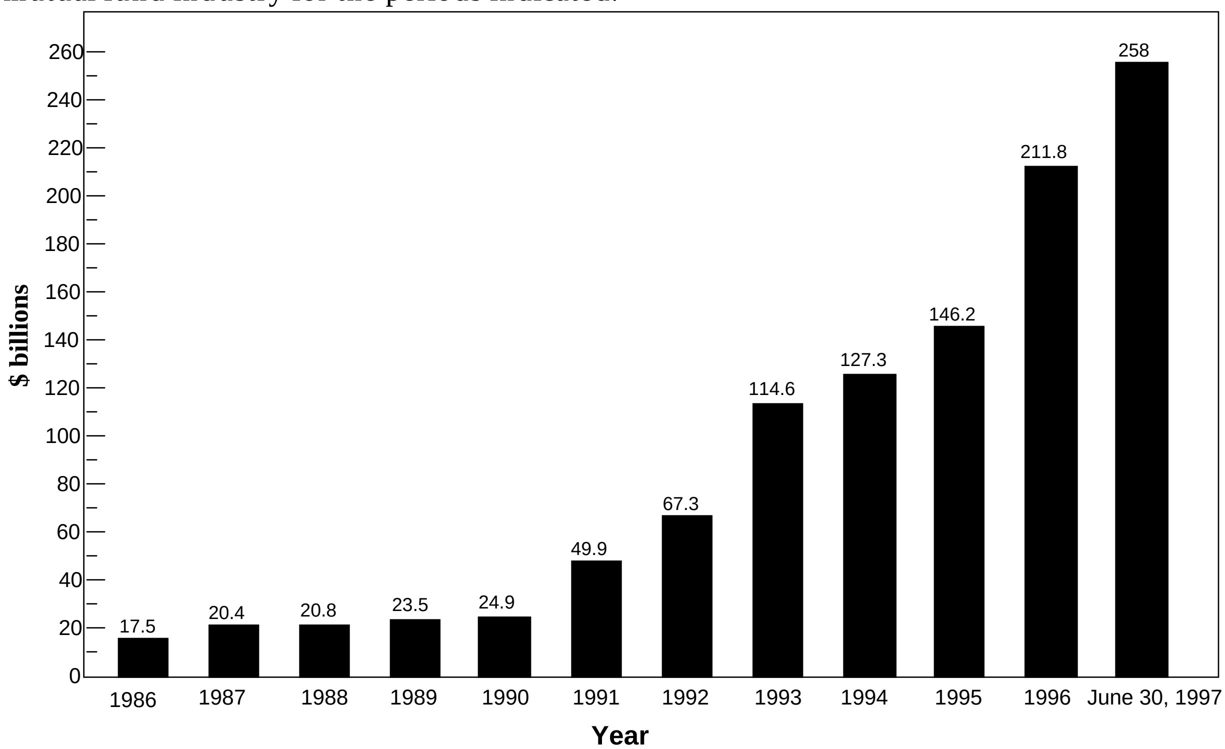
Management of SVC believes that the proposed changes may pose a significant barrier to entry into the Canadian mutual fund industry for companies which are not well capitalized and whose options for financing are limited. SVC intends to finance commissions for DSC Units or Shares initially through internally generated cash flow. A Canadian chartered bank has made a credit facility of up to $10 million available to SVC to finance sales commissions (the "Sales Commissions Facility"). However, the amount which may be drawn down under this facility is reduced by the amount drawn down by the Company under a $5 million non-revolving three month term credit facility (the "Short Term Facility") granted by the same bank to the Company. As at September 16, 1997, the Short Term Facility was fully drawn. Consequently, as at September 16, 1997, $5 million was available under the Sales Commissions Facility and no amount had been drawn down thereon. After the closing of the Underwritten Offering (as defined herein), the Company intends to apply the net proceeds from such offering to reduce amounts owing under the Short Term Facility. See "Use of Proceeds". In addition, SVC is evaluating several alternative means of financing deferred sales charge commissions which are available to it and has met with several financial institutions about the possibility of "securitization" products in order to obtain financing to fund the commissions payable with respect to sales of units or shares on a deferred sales charge basis.

THE MUTUAL FUND INDUSTRY IN CANADA

Industry Overview

The Canadian mutual fund industry has grown from $5 billion (according to the Bank of Canada) to $258 billion (according to The Investment Funds Institute of Canada ("IFIC") and The Globe and Mail newspaper) of assets under management during the period from December 1980 to June 1997. Over 75% of this growth has occurred over the past five years. The recent growth in the mutual fund industry is attributable to many factors. Principal among these are the low inflation, low interest rates and rising stock and bond markets which have prevailed since late 1993, thereby encouraging investors to invest in mutual funds as an alternative to placing their money in savings accounts or guaranteed investment certificates. Other factors affecting growth in the Canadian mutual fund industry include the wider range of mutual fund products offered each year to investors (including many offering access to foreign securities markets) and the increased marketing of mutual funds. The continued rate of growth of the Canadian mutual fund industry is subject to market forces and a number of other factors (see "Risk Factors").

The following graph sets forth the aggregate assets under administration for the Canadian mutual fund industry for the periods indicated:



Mutual fund managers have successfully promoted self-directed registered retirement savings plans ("RRSPs") which permit investment within such self-directed RRSPs in mutual funds managed by them. The mutual fund industry has, therefore, benefited and will continue to benefit as a result of the current contribution levels and contribution carry-forward provisions permitted by tax legislation, including the foreign property component which may be held in RRSPs, registered retirement income funds ("RRIFs"), deferred profit sharing plans ("DPSPs") and registered pension plans under applicable income tax legislation. In addition, pension legislation permits employees, upon leaving an employer, to transfer pension moneys to "locked-in" RRSPs. Changes to both tax and pension legislation have caused companies to re-examine the retirement benefit packages they are providing to their employees and, in particular, some employers are now providing group RRSPs in lieu of pension plans. These changes provide additional opportunities for growth in assets under management in the investment industry, including mutual funds.

Proposals announced by the federal Department of Finance on February 18, 1997 to amend the tax legislation relating to registered education savings plans ("RESPs") will, if enacted, permit a tax-deferred transfer to an RRSP in certain circumstances of up to $40,000 of income earned in an RESP, subject to applicable RRSP contribution levels, thereby creating an opportunity to invest in various instruments, including mutual funds, within an RESP.

Proposed changes to the Trustee Act (Ontario) will permit trustees governed by that legislation to invest in mutual funds. The ability of trustees subject to this Act to invest in mutual funds was previously restricted and subject to uncertainty.

Competition

The growth in the mutual fund industry has resulted in increased competition. Since the entrance of the banks and trust companies into the mutual fund industry in the late 1980s, competition from financial institutions has increased significantly. With the entrance of the banks and trust companies and, more recently, insurance companies, the market has developed into two distinct segments: mutual fund groups owned by chartered banks, insurance companies and major trust companies; and independent mutual fund groups. SVC is an independent mutual fund company. In addition, a few very large foreign-based mutual fund companies have established Canadian mutual fund operations, thereby further increasing competition. Competition in the mutual fund industry may intensify in future years, particularly if further well-capitalized foreign mutual fund groups enter the Canadian market.

Increased competition has led to the development of increasingly specialized mutual funds, including funds that invest in certain regions and funds that invest in countries that have reached a certain stage in their economic strategies. Through investment in companies with an international presence and investment up to foreign property limits, among other techniques, many mutual fund groups offer funds which give an investor an effective exposure to foreign markets while still remaining 100% eligible for investment by RRSPs.

Distribution Channels

Financial institutions entered the mutual fund industry in a significant way in the late 1980s, using their existing distribution networks, such as branches, in the case of banks and trust companies, and insurance agents, in the case of insurance companies, to offer mutual funds with no sales commissions. Mutual funds are now typically offered for sale through the following four channels, the second of which is utilized by SVC:

(a) banks, trust companies and other deposit-taking institutions,

(b) investment dealers, brokers and financial planning organizations,

(c) insurance companies, and

(d) direct sales forces.

Independent mutual fund groups have traditionally offered mutual funds through mutual fund dealers, investment dealers, and brokers (collectively, "dealers") and have recently begun to offer mutual funds through banks, trust companies and other deposit-taking institutions as well as insurance companies. These mutual fund groups offer mutual funds on a front-end load basis as well as a deferred sales charge basis, whereby the manager pays a sales commission to the distributing dealer at the time of purchase and the investor is subject to a declining redemption charge if the investment is redeemed within a specified time (typically six years) from the date of purchase. Some independent mutual fund groups have developed their own direct marketing capability. Others, such as SVC, have responded to enhanced competition by improving service and marketing to dealers and investors. Recently, banks and insurance companies have begun to offer mutual funds managed by other companies.

Factors Affecting Profitability

Mutual fund managers and investment counsel receive their revenue primarily from the management fees charged to the various funds or counsel accounts managed by them. Management fees are typically expressed as a percentage of the average net asset value of a mutual fund or counsel account during a specific period. The amount of management fee revenue will depend on the rate charged to the mutual fund or counsel account and the average net assets of the mutual fund or counsel account during the specified period. In the case of mutual funds, the rate of fees charged varies with the type of portfolio managed. The fee charged to manage a balanced or an equity portfolio is generally higher than the fee charged to manage a fixed income or money market portfolio. In the case of counsel accounts, the rate of fees charged is generally less than that applicable to a mutual fund with a corresponding investment portfolio.

The net assets of a mutual fund will be affected by gross sales, redemptions and changes in the market value of the mutual fund's portfolio investments. Generally speaking, the net assets of a mutual fund will increase through sales of units and/or the appreciation in the market value of its investment portfolio and will decrease through redemptions and/or the decline in the market value of its investment portfolio. Gross sales and redemptions are a function of a number of factors including relative performance among comparable mutual funds, prevailing market conditions and effective marketing. Mutual fund managers generally experience higher levels of sales during and after a period of above-average performance and higher levels of redemptions during and after a period of below-average performance. Similarly, during periods of low interest rates, investors will tend to increase their proportion of investments in equity securities, while they will tend to do the opposite during periods of high interest rates when they shift to bonds, bank deposits, guaranteed investment certificates and other interest-bearing investments. Prevailing market conditions have an effect on redemptions. The level of net assets of a mutual fund has a direct impact on the management fees paid to mutual fund managers and consequently the earnings of mutual fund managers.

The expenses of a manager are generally related to portfolio management, distribution, financing of sales commissions, marketing, fund administration and accounting and client and dealer services. Fund managers that distribute their mutual funds through dealers incur expenses by providing sales compensation to such dealers to sell the manager's funds and to provide ongoing service to clients invested in the funds. Sales compensation may take the form of sales commissions, trailer or service fees, cooperative advertising and general marketing support. Marketing expenses are generally related to advertising, preparation of marketing materials and promotions. Expenses related to services will be incurred primarily through the hiring and training of personnel, the development or purchase and maintenance of computer systems and the development of other systems designed to ensure the efficient administration of mutual funds.

Financing of Fund Securities Sold on a Deferred Sales Charge Basis

As described under the heading "The Strategic Value Group of Funds - Financing of Sales of Deferred Sales Charge Units or Shares", recent changes proposed by the Department of Finance will, if implemented in their current form, force greater reliance upon alternatives to the form of limited partnership vehicles widely used for funding the sales commissions on deferred sales charge units or shares. These alternatives include debt and equity financing and securitization of management and redemption fees. Smaller fund companies may have limited access to these and other alternatives to the limited partnership structure. Accordingly, the proposed changes may constitute a barrier to entry to the Canadian mutual fund industry to such companies where the deferred sales charge option is essential in competing with "no load" mutual fund groups. SVC intends to finance commissions for DSC Units or Shares initially through internally generated cash flow. A Canadian chartered bank has made the Sales Commissions Facility available to SVC to finance up to $10 million of sales commissions. The amount which may be drawn down under the Sales Commissions Facility is reduced by the amount drawn down by the Company under the Short Term Facility granted by the same bank to the Company. As at September 16, 1997, the Short Term Facility was fully drawn. Consequently, as at September 16, 1997, $5 million was available under the Sales Commissions Facility and no amount had been drawn down thereon. After the closing of the Underwritten Offering, the Company intends to apply the net proceeds from such offering to reduce amounts owing under the Short Term Facility. See "Use of Proceeds". In addition, SVC is evaluating several alternative means of financing deferred sales charge commissions which are available to it and has met with several financial institutions about the possibility of "securitization" products in order to obtain financing to fund the commissions payable with respect to sales of units or shares on a deferred sales charge basis.

REGULATORY REQUIREMENTS

SVC and the Strategic Value Funds are subject to regulation by the Canadian securities administrators. The Company's wholly-owned subsidiary, Bonhamco, is registered as an investment counsel, portfolio manager and securities dealer in Ontario in order to allow the Company to conduct its business and application must be made annually to renew these registrations. SVFM is in the process of terminating its registrations in each province of Canada. On or before the termination of SVFM's registrations, Bonhamco will assume all activities on behalf of the Company and the Funds requiring registration under applicable securities legislation. The Securities Act (Ontario) and comparable legislation of other provinces prescribes educational and proficiency standards for individuals engaged in making investment decisions and trading in securities, imposes capital requirements to protect against insolvency and requires the filing of financial statements and reports.

In its capacity as investment counsel and portfolio manager, SVC, through its subsidiaries, is subject to conflict of interest regulations made pursuant to the Securities Act (Ontario). These regulations impose limitations on the ability of the Company to advise or make recommendations with respect to the Strategic Value Funds.

An annual information form and simplified prospectus must be filed annually in respect of each of the publicly offered Strategic Value Funds in every province of Canada and a receipt for same must be obtained from the securities regulatory authorities in each province in order that the units or shares of each Fund may continue to be sold in such provinces. Each Strategic Value Fund and the relevant subsidiary of SVC, as the manager and principal distributor, is liable for any misrepresentation in the offering documents of the Strategic Value Funds, relating to such Fund.

Pursuant to securities legislation in certain of the provinces of Canada, a Fund is prohibited from making an investment, by way of a loan or otherwise, in or to SVC, directors and officers of SVC, its associates, principal investors in the Strategic Value Funds or in companies in which any of the foregoing has a significant interest.

Pursuant to a policy issued by the Canadian securities administrators, each publicly offered Fund is required to obtain securityholder approval for certain changes in its operations, including (with certain exceptions) changes to any contract which could result in increased fees being charged to a Fund, a change in the manager of the Fund (other than to an affiliate of the existing manager), a change in the fundamental investment objectives of a Fund, a change in the auditors of a Fund or a decrease in the frequency of calculating the net asset value of a Fund. In addition, the prior approval of the relevant securities regulatory authorities is required for a change in the manager of the Fund (other than to an affiliate of the existing manager), a change in the control of the manager of a Fund and, in certain circumstances, a change in the custodian of a Fund. In June, 1997, the Ontario Securities Commission (the "OSC") released for comment proposed rules and companion policies which will, when adopted, replace this policy and certain other policies regulating mutual funds. SVC conducts its mutual fund operations in compliance with such policies and intends to comply with the proposed national rules and companion policies when they are brought into force.

Marketing activities and sales incentives are regulated by policies of Canadian securities administrators and are subject to change. IFIC published its Recommendations for a Code of Sales Practices (the "IFIC Code") in March 1996 as a voluntary code for the mutual fund industry. In July, 1997, the OSC released for comment proposed changes to a proposed national rule and companion policy dealing with sales practices applicable to the sale of mutual fund securities, which is based on an earlier Ontario draft rule that was largely derived from the IFIC Code. SVC conducts its mutual fund operations in compliance with the IFIC Code and intends to comply fully with the proposed national rule and companion policy when it is brought into force.

Over the past two years, Canadian securities administrators have been engaged in a comprehensive review of the way in which investment funds are regulated in Canada. In January 1995, the OSC released a report prepared for Canadian securities administrators entitled "Regulatory Strategies for the Mid-'90s -Recommendations for Regulating Investment Funds in Canada", commonly referred to as the Stromberg Report. The OSC established the Investment Funds Steering Group and various working committees, which included individuals drawn from the investment funds industry, to focus on the extensive recommendations in the Stromberg Report. In November 1996, the OSC released the Steering Group's report prepared for Canadian securities administrators entitled "The Stromberg Report: An Industry Perspective". The Steering Group's report covered a broad range of issues, including (i) changes to the structure of regulators of investment funds, (ii) recommendations relating to standards of conduct, sales and business practices, education proficiency requirements and compensation schemes for industry participants, (iii) recommendations relating to disclosure documents, fund performance information and advertising restrictions, (iv) recommendations relating to the governance, organization and management of investment funds, including conflict of interest issues, and (v) recommendations relating to infrastructure and internal controls regarding back office administration of funds. Canadian securities administrators have organized a committee to consider priorities and methods of implementing certain Stromberg Report recommendations in light of the Steering Group's report. It is not yet clear what legislative changes will result from the Stromberg Report and the Steering Group's report or how such changes might impact mutual fund management companies, including SVC.

SELECTED FINANCIAL INFORMATION

The following selected pro forma and historical consolidated financial information of Strategic Value Corporation is derived from the Company's pro forma and historical financial statements found elsewhere in this prospectus. This financial information should be read in conjunction with

"Management's Discussion and Analysis of Financial Condition and Results of Operations" and such pro forma and historical financial statements including the notes thereto.

	Pro Forma	Historical		
	Year Ended June 30, 1997 (1) (unaudited)	Eight Month Period Ended June 30, 1997 (unaudited)	Period Ended June 30, 1996 (2) (unaudited)	Period Ended October 31, 1996 (3)
	($ in thousands except per share amounts)			
Income Statement Information:				
Revenue	$52,536	$6,403	$ 9	$ 12
Expenses	44,673	4,332	97	410
Income (loss) before taxes for the period	$7,863	2,071	($88)	($398)
Basic and fully diluted Income (loss) per share	$0.057	$0.023	($0.003)	($0.010)

Balance Sheet Information:	June 30, 1997 (unaudited)	October 31, 1996
Working capital	$(9,068)	$1,764
Total assets	124,869	2,238
Long-term debt	39,552	0
Total liabilities	89,301	126
Shareholders' equity	35,568	2,112

(1) The pro forma consolidated income statement for the year ended June 30, 1997 includes information derived from the unaudited income statement of Strategic Value Corporation for the year ended June 30, 1997 and the audited statement of income of Laurentian Funds Management Inc. for the year ended December 31, 1996. The pro forma consolidated income statement may not be indicative of either the results that actually would have occurred if the acquisition had taken place at the beginning of the period presented, or the results which may be obtained in the future.

(2) For the period from November 9, 1995 to June 30, 1996.

(3) For the period from November 9, 1995 to October 31, 1996.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company

The Company derives its revenue principally through management fees charged to the various Funds managed by it. Management fees are typically expressed as a percentage of the net assets of a Fund during a specified period. The amount of management fees will depend on the rate of the fee and the net assets of the Fund. The rate of the management fee will vary depending on the type of portfolio managed. The rate for managing equity portfolios is higher than the rate for managing a fixed income portfolio.

The net assets of a Fund will increase through sales of units or shares of the Fund and the appreciation in the market value of its portfolio and will decrease through redemptions and the decline in the market value of portfolio investments. Sales are a function of a number of factors including relative performance, effective marketing and distribution, quality of service and prevailing market conditions. Redemptions are a function of a number of factors, including relative rates of return as compared to competing funds, prevailing market conditions and ongoing client service.

The expenses of SVC are generally related to distribution, marketing and service. The distribution of mutual fund securities through agents and dealers requires the provision of incentives to such dealers to sell the Strategic Value Funds and to provide ongoing service to clients invested in the Funds. Incentives take the form of commissions, subsidized education seminars and trailer or service fees. Marketing expenses are generally related to travel, advertising, the preparation of marketing materials and promotions. Expenses related to services will be incurred primarily through the hiring and training of personnel, the development of computer systems and the development of other systems designed to ensure the efficient administration of the Funds.

SVC, through its subsidiaries, has retained GFHIMIL as investment advisor in the management of Funds which invest in non-Canadian securities. For providing such services, GFHIMIL is paid a fee by Bonhamco based on the assets of the Funds being advised.

The Company, in connection with its acquisition of LFMI, entered into a credit agreement (the "Credit Agreement") made as of April 30, 1997 with a major Canadian chartered bank. Three fully secured credit facilities are available to the Company under the Credit Agreement:

(i) a non-revolving five year term loan of $50 million which is fully drawn, bearing interest at prime plus 1-1/2% or the bankers acceptance rate plus 3% and repayable in equal quarterly installments commencing in August, 1997;

(ii) a non-revolving three month term loan (the "Short Term Facility") of $5 million which is fully drawn, bearing interest at prime plus 5% and payable in full on October 22, 1997 (reflecting an agreed upon three month extension of the original payment due date); and

(iii) a revolving operating loan of $10 million (the "Sales Commissions Facility") (less any amount outstanding under the Short Term Facility) to be used to finance the payment of deferred sales commissions. This facility bears interest at prime plus 1% and has an initial term of one year but is renewable, at the discretion of the lender, for further one year periods.

In addition, upon conversion of 10,000 First Debenture Special Warrants and 5,800 Second Debenture Special Warrants, the Company will have issued Convertible Debentures in the aggregate principal amount of $15,800,000.

The Company anticipates that cash-on-hand and cash flow will be sufficient to satisfy interest and principal payments as they become due. See "Company Asset and Income Coverage".

Since the Company's mutual fund operations prior to the acquisition of LFMI were insignificant compared to those of LFMI, the discussion below in respect of results of prior periods relates only to the operations of LFMI.

Laurentian Funds Management Inc.

Six months ended June 30, 1997

For the six months ended June 30, 1997, revenues of LFMI increased to $26.915 million from $25.254 million, an increase of 6.58% over the same six month period in 1996. Cash flow from operations was $3.853 million during this period as compared to negative $502,000 for the period ended June 30, 1996 This increase was attributable primarily to decreased sales commissions.

Total net assets of the Former Laurentian Mutual Funds as at June 30, 1997 were $1.901 billion as compared to $1.714 billion as at June 30, 1996. As a result of such changes, management fees for the first six months of 1997 were $23.408 million, an increase of 6.19% as compared to the same six months of 1996. Net assets increased despite net redemptions of units and shares during the period. These redemptions adversely affected earnings for the period.

General, selling and administrative expenses were 7.35% lower during the first six months of 1997, decreasing from $19.323 million in 1996 to $17.902 million. This reduction was due almost entirely to reduced operating expenses.

During the first six months of 1997, sales commissions paid by LFMI to sub-distributors of the Funds were $10.239 million, a decrease of 10.29% as compared to 1996. These commissions were funded out of working capital and cash flow.

As at June 30, 1997, LFMI had a working capital surplus of $17.691 million.

Fiscal 1996 Compared to Fiscal 1995

For the year ended December 31, 1996, revenues of LFMI increased to $51.24 million from $49.88 million, an increase of 2.73%. Cash flow from operations was $4.62 million in 1996 as compared to $16.27 million for fiscal 1995. This decrease of 71.62% was attributable primarily to increased sales commissions and the higher 1995 income taxes which were payable in 1996.

Total net assets of the Former Laurentian Funds as at December 31, 1996 were $1.828 billion as compared to $1.671 billion for the year ended December 31, 1995. As a result of such changes, management fees for fiscal 1996 increased by $2.46 million from $42.05 million to $44.51 million. Net assets increased despite net redemptions of units and shares during the year. These redemptions adversely affected earnings for the year.

General, selling and administrative expenses were 2.65% higher in 1996, rising from $35.861 million to $36.813 million. This increase was due primarily to an increase in operating expenses.

For fiscal 1996, sales commissions paid by LFMI to sub-distributors of the Funds were $21.197 million, an increase of 20.73% from 1995. These commissions were funded out of working capital and cash flow.

At the end of 1996, LFMI had a working capital surplus of $11.92 million, a decrease of 15.36%. During the year, LFMI repaid $16.0 million of indebtedness owing to Desjardins-Laurentian

Life Group and replaced this with a $6.0 million loan from Imperial Life Assurance Company of Canada, both affiliated companies.

Fiscal 1995 Compared to Fiscal 1994

For the year ended December 31, 1995, revenues of LFMI increased to $49.88 million from $47.03 million, an increase of 6.06%. Cash flow from operations was $16.27 million in 1995 as compared to negative $0.31 million for fiscal 1994. This increase was attributable primarily to reduction in sales commissions.

Total net assets of the Former Laurentian Mutual Funds as at December 31, 1995 were $1.671 billion as compared to $1.615 billion for the year ended December 31, 1994. As a result of such changes, management fees for fiscal 1995 increased by $0.41 million from $41.64 million to $42.05 million. Net assets increased despite net redemptions of units and shares during the year. These redemptions adversely affected earnings for the year.

General, selling and administrative expenses were 3.57% lower in 1995, decreasing from $37.190 million to $35.861 million. Substantially reduced sale commissions during 1995 were offset by increased deferred acquisition costs. Operating expenses decreased in 1995 by approximately $0.2 million.

For fiscal 1995, sales commissions paid by LFMI to sub-distributors of the Funds were $17.558 million, a decrease of 40.17%. These commissions were funded out of working capital, cash flow and related party borrowings.

At the end of 1995, LFMI had a working capital surplus of $14.087 million. During the year, LFMI borrowed an additional $1.350 million under its credit facility with Desjardins-Laurentian Life Group.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company as at the dates indicated (in thousands of dollars):

	Outstanding as at June 30, 1997	**Outstanding as at August 31, 1997 After Giving Effect to the Laurentian Acquisition Offerings**(1)(2)	**Outstanding as at August 31, 1997 After Giving Effect to all offerings qualified under this prospectus**
Debt:			
Bank Indebtedness	54,552	51,095	51,095
6% First Convertible Subordinated Debentures due May 22, 1999	-	10,000	10,000
Variable Rate Second Convertible Subordinated Debentures due May 22, 2003	–	5,800	5,800
First Debenture Special Warrants	10,000	-	-
Second Debenture Special Warrants	5,800	-	-
Total Debt	70,352	66,895	66,895

Shareholders' Equity:[2]			
Capital Stock	2,607	34,049	43,134
Variable Rate Convertible Subordinated Debenture	1,000	1,000	1,000
Equity Special Warrants	27,952	-	-
Shareholder and individual loans	3,490	-	-
Retained earnings	519	519[3]	519[3]
Total Shareholders' Equity	35,568	35,568	44,653
Total Capitalization	105,920	102,463	111,548

(1) "Laurentian Acquisition Offerings" means the offering of all securities qualified hereunder excluding the 2,127,660 Class A Common Shares to be issued pursuant to the Underwritten Offering and 2,848,608 Class A Common Shares to be issued pursuant to the Rights Offering. For terms and conditions of the Laurentian Acquisition Offerings and the Underwritten Offering, see "Details of the Offering and Plan of Distribution". For terms and conditions of the Rights Offering see "Details of the Rights Offering".

(2) In addition, the Company has reserved: (i) under a stock option plan 1,000,000 Class A Common Shares (subject to increase, as described under "Stock Option Plan") of which 560,000 options are issued having an exercise price of $2.50 per share, 360,000 options expiring in 2002 and the balance expiring at various dates through 2004 and 140,000 options are issued having an exercise price of $2.85 per share and expiring on September 16, 2004; (ii) 221,823 Class A Common Shares in respect of 1,109,116 purchase warrants which expire on June 27, 2001 entitling the holder thereof to acquire one-fifth of a Class A Common Share for $2.50; (iii) 453,320 Class A Common Shares under the Deacon Compensation Option, expiring on November 21, 1998; (iv) 212,766 Class A Common Shares at a price of $2.35 under the Underwriters Compensation Options, expiring 24 months from the date of closing of the Underwritten Offering; (v) 319,149 Class A Common Shares at an issue price of $2.35 per share in respect of an option, which expires 60 days after the closing of the Underwritten Offering, for the purpose of covering over-allotments in connection with the Underwritten Offering; and (vi) 295,858 Class A Common Shares issuable at a conversion price of $3.38 per share under a $1,000,000 convertible debenture issued to Mark S. Bonham.

(3) As at June 30, 1997.

DIRECTORS AND OFFICERS OF THE COMPANY

The names and municipalities of residence of the directors and officers of the Company, their respective positions with the Company and their principal occupations or business associations for the five years preceding the date of this prospectus are as follows:

Name and Municipality of Residence	**Principal Occupation**	**Office**
Mark S. Bonham[1] Toronto, Ontario	CEO and President of the Company	Director, CEO and President
*Howard B. Borlack[2] Toronto, Ontario	Lawyer McCague, Wires, Peacock, Borlack, McInnis, Lloyd	Director
Marco Fortier[3] Montreal, Quebec	Vice-President, Development, Investments, Desjardins-Laurentian Life Group	Director
*David K. Moritsugu[4] Toronto, Ontario	Lawyer Fasken Campbell Godfrey	Director
*Harry S. Swain[5] Toronto, Ontario	Director, Hambros Bank Limited and Director, Hambros Canada Inc.	Director
Grahame Lyons[6] Mississauga, Ontario	Managing Director, Sales and Marketing of the Company	Managing Director, Sales and Marketing
Dennis Pellarin[7] Etobicoke, Ontario	Chief Financial Officer and Secretary of the Company	Chief Financial Officer and Secretary
Jim Craven[8] Oakville, Ontario	Managing Director, Operations of the Company	Managing Director, Operations
Chad Alderson[9] Burlington, Ontario	Managing Director, Technology Services of the Company	Managing Director, Technology Services
Christine Hughes[10] Toronto, Ontario	Director Portfolio Management of the Company	Senior Portfolio Manager

* Member of audit committee.

(1) Prior to establishing Bonhamco in November 1995, Mark S. Bonham was Chairman, President and Chief Executive Officer of BPI Capital Management Corporation and of BPI Financial Corporation or its predecessor (the parent company of BPI Capital Management Corporation), a publicly traded mutual fund management company.

(2) Mr. Borlack has been a partner of the Toronto law firm of McCague, Wires, Peacock, Borlack, McInnis, Lloyd since 1994. Prior to that time, Mr. Borlack was a partner of the Toronto law firm of Smith, Lyons, Torrance, Stevenson & Mayer.

(3) Mr. Fortier, prior to assuming his current position in April 1996, was the Vice-President, Assistance and Indemnity - Canada for Boreal Insurance (formerly Laurentian General).

(4) Mr. Moritsugu has been a partner of the Toronto law firm of Fasken Campbell Godfrey since 1993. Prior to that time, Mr. Moritsugu was an associate of Fasken Campbell Godfrey.

(5) Mr. Swain joined Hambros in 1996. Prior thereto, Mr. Swain was Special Advisor to the Minister of Finance, Canada 1995 - 1996; Deputy Minister of Industry, Canada 1992 - 1995; and Deputy Minister of Indian Affairs and Northern Development, Canada 1987 - 1992.

(6) Mr. Lyons joined Bonhamco in February 1997. Prior to that time, Mr. Lyons was a District Vice-President of Sales at Fidelity Investments Canada.

(7) Mr. Pellarin is a chartered accountant and joined Bonhamco in November 1996. Prior to that time, Mr. Pellarin was employed as an Assistant Manager, Financial Services Industry Practice at Price Waterhouse, Chartered Accountants.

(8) Mr. Craven is a lawyer and joined Strategic Value Corporation in July 1997. From June 1994 until July, 1997, Mr. Craven was an associate of Fasken Campbell Godfrey. Prior to that time, Mr. Craven was a law student.

(9) Mr. Alderson joined the Company in May 1997. From October 1995 to May 1997, Mr. Alderson was the Director, Systems Operations at BPI Mutual Funds. From January 1994 to October 1995, Mr. Alderson was the Manager, Systems at Bell Sygma. Prior to that time, Mr. Alderson was a programmer / analyst with CIBC / Wood Gundy Inc.

(10) Ms. Hughes joined the Company in May 1997. From May 1995 to May 1997, Ms. Hughes was a Portfolio Manager, Investment Counselling Officer at National Trust. Prior to that time Ms. Hughes was a Portfolio Manager and investment counselling officer at Cassels Blaikie Investment Management.

EXECUTIVE COMPENSATION

The Ontario Securities Commission's "Staff Report on Executive Compensation and Indebtedness Disclosure" requires that executive compensation disclosure be made in respect of Bonhamco's chief executive officer and any other executive officer of Bonhamco whose aggregate salary and bonus for the fiscal year ended October 31, 1996 exceeded $100,000 (the "Named Executive Officers"). Mark S. Bonham, Bonhamco's President and Secretary, did not receive any compensation from Bonhamco for the fiscal year ended October 31, 1996. No executive officer of Bonhamco received total compensation in excess of $100,000 during Bonhamco's fiscal year ended October 31, 1996. Bonhamco was incorporated on November 9, 1995.

Compensation of Directors

All non-management members of the Company's board of directors are entitled to receive an annual fee of $5,000 and the Company will also reimburse members of the board for all expenses incurred while performing board or committee duties. In addition, each non-management director receives $250 for every directors' or committee meeting attended or participated in ($350 per committee meeting for the chair of the committee). The Company also contributes $1.00 towards the purchase of units or shares of the Strategic Value Funds for each $1.00 of units or shares purchased by a director, to a maximum of $4,800 per annum.

Employment Contract

The Company entered into an employment agreement with Mark S. Bonham dated May 21, 1997 (the "Employment Agreement'). Pursuant to the Employment Agreement, Mr. Bonham is to be paid an annual salary of $250,000 (subject to annual review). In addition, Mr. Bonham is to be paid an annual bonus based on the Company's return on equity and is entitled to participate in the Company's employee stock option plan, both as determined, from time to time, by the Company's board of directors (excluding Mr. Bonham). The Employment Agreement is for an initial term of two years, subject to automatic renewals for successive periods of one year. Mark S. Bonham may terminate the Employment Agreement upon providing six months' prior notice to the Company. The

Company may terminate the Employment Agreement upon providing Mr. Bonham with 36 months' prior written notice or pay in lieu thereof (to be calculated based on the greater of $400,000 and Mr. Bonham's actual salary and benefits on the date of termination). Mark S. Bonham has agreed not to compete in Canada with the Company for a period of one year following the date of his termination if his employment is terminated in accordance with the provisions of the Employment Agreement and he is paid all sums owing as a result of his termination.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

Name and Principal Position	Involvement of the Company	Largest Amount Outstanding During the fiscal year ended September 30, 1996	Amount Outstanding as at September 16, 1997
Mark S. Bonham CEO and President of the Company	The Company has loaned the funds to Mark S. Bonham	$0	$1,000,000

See "Interest of Management and Others in Material Transactions".

STOCK OPTION PLAN

Effective January 9, 1997, shareholders of the Company adopted a stock option plan (the "SOP") which reserved 5,845,645 Class A Common Shares for its directors, officers and key employees. The SOP is designed to promote the long-term success of the Company and its affiliates byencouraging participants to acquire a proprietary interest in the Company. The purpose of the SOP is to (i) recognize the abilities and efforts of the directors, officers and employees of the Company who have contributed to the success of the Company, (ii) provide an incentive to achieve the long-term objectives of the Company, (iii) attract persons of experience and ability to serve as directors, officers and employees of the Company; and (iv) encourage such directors, officers and employees to promote the affairs of the Company.

The exercise price of the options will not be less than the closing price per Class A Common Share on the Montreal Exchange (the "Exchange") on the day prior to the date of grant. An option may not be exercised until the date specified by the Board of Directors at the time of grant and all options will expire ten years after the date of grant, or at such earlier date as may be provided by the SOP.

If the service of an option holder with the Company is terminated due to death or disability, all options held by such holder, whether or not exercisable immediately prior to such termination, will be exercisable from the date of such termination until the earliest of the date of termination specified by the Board of Directors when it granted the options, the tenth anniversary of the date of grant and 60 days after the termination of service. If the service of an option holder is terminated for cause, all options held by such holder immediately terminate. Where the service of an option holder terminates for any other reason, options which are exercisable at the date of termination remain exercisable from the date of such termination until the earliest of the date of termination specified by the Board of Directors when it granted the options, the tenth anniversary of the date of grant and 60 days after the termination of service, and options which are non-exercisable at such date shall terminate immediately unless determined otherwise by the Board of Directors.

In addition, where an offer is made for more than 50% of the outstanding Class A Common Shares, options will be exercisable for a period determined by the Board of Directors, and where a compromise or arrangement is proposed under which the Company could become a subsidiary of another company, options will be exercisable for a period of one month. Where the Company is to be voluntarily wound up, options will be exercisable until the commencement of the winding up.

The SOP which Company's shareholders approved on January 9, 1997 provided for the issuance of 5,845,645 Class A Common Shares representing approximately 14.6% of the outstanding Class A and Class B Common Shares (on a non-diluted basis). A condition of the Exchange, in allowing the Company's Class A Common Shares to be listed thereon, was that not more than an aggregate of 1,000,000 Class A Common Shares representing approximately 2.5% of the outstanding Class A and Class B Common Shares (on a non-diluted basis) be eligible for issuance under the SOP. The Exchange's rationale, in imposing this condition, was that the number of Class A Common Shares eligible for issuance under the SOP should not exceed the public "float" of the Company's Class A Common Shares. On February 21, 1997, the Board of Directors amended the SOP to reserve for issuance an aggregate of 1,000,000 Class A Common Shares under the SOP. After giving effect to all the offerings described in this prospectus, the public "float" of the Company's Class A Common Shares will be significantly increased. Consequently, the Company has made application to the Exchange requesting that an aggregate of 5,845,645 Class A Common Shares be eligible for issuance under the SOP as was originally approved by the Company's shareholders. Class A Common Shares subject to options which are unexercised will be available for future grants. The number of Class A Common Shares reserved for issuance to any one person pursuant to options must not exceed 5% of the issued and outstanding Common Shares.

The SOP is administered by the Company's Board of Directors, which is authorized to interpret the SOP and select directors, officers and employees to receive options. Members of the Board of Directors are eligible to receive grants of options under the SOP. The Board of Directors may at any time amend or terminate the SOP, although no amendment may increase the number of Class A Common Shares to be granted or reserved under the SOP, and no amendment or termination may affect rights and obligations created prior to such amendment or termination to the advantage of option holders without the prior approval of shareholders in a general meeting. Under the rules of the Exchange, any amendment to the SOP or to any option must be pre-cleared with the Exchange.

At the date of this prospectus, the following options have been granted to eligible participants under the SOP:

	Number of Common Shares Under Options Granted	Date of Grant	Exercise Price	Market Price on date immediately preceding Date of Grant	Expiry Date
Options held by 6	150,000	June 26, 1997	$2.50	$2.50	June 25, 2002
Executive Officers	70,000 (1)	June 26, 1997	$2.50	$2.50	June 25, 2004
as a group	50,000	July 7, 1997	$2.50	$2.50	July 6, 2002
Options held by 3 directors who are not Executive Officers, as a group................................	160,000	June 26, 1997	$2.50	$2.50	June 25, 2002

	Number of Common Shares Under Options Granted	Date of Grant	Exercise Price	Market Price on date immediately preceding Date of Grant	Expiry Date
Options held by employees, as a group..................................	130,000[1]	June 26, 1997	$2.50	$2.50	June 25, 2004
	140,000[2]	September 17, 1997	$2.85	$2.85	September 16, 2004

(1) These options cannot be exercised before June 26, 1999.
(2) These options cannot be exercised before September 17, 1999.

OPTIONS TO PURCHASE SECURITIES

As at the date of this prospectus, other than as set forth under "Stock Option Plan":

1. A total of 221,823 Class A Common Shares of the Company are reserved for issuance in respect of 1,109,116 outstanding purchase warrants. Each purchase warrant entitles the holder thereof to acquire one-fifth of a Class A Common Share for a price of $2.50. These purchase warrants expire on June 27, 2001.

2. A total of 295,858 Class A Common Shares of the Company are reserved for issuance in respect of a $1,000,000 variable rate convertible debenture issued to Mark S. Bonham. See "Interest of Management and Others in Material Transactions".

USE OF PROCEEDS

The net proceeds of $43,152,476 realized by the Company from the private placement of the Special Warrants have been utilized to fund the Company's acquisition of Laurentian Funds Management Inc., now SVFM. See "Strategic Value Corporation - Acquisition of Laurentian Funds Management Inc." The net proceeds from the Company's Rights Offering will be applied to reduce indebtedness incurred by the Company in connection with that acquisition.

At or about the time the Company issued the Special Warrants, the Company incurred certain indebtedness totalling $3,489,525 in order to fund the acquisition of Laurentian Funds Management Inc., now SVFM. Mark S. Bonham, the Chief Executive Officer and President of the Company, loaned $3,000,000 of the $3,489,525 borrowed by the Company. The remainder of such indebtedness was borrowed from shareholders of the Company or associates of Mr. Bonham. The Company is required to use its best efforts to repay such indebtedness by the issuance of Class A Common Shares based on a subscription price of $1.75 per share. This prospectus qualifies 1,994,014 Class A Common Shares of the Company for distribution, being the aggregate number of Class A Common Shares necessary to repay such indebtedness.

The net proceeds from the Rights Offering and the Underwriters' agreement to purchase up to a maximum of 2,848,608 Class A Common Shares pursuant to the Stand-by Commitment (as defined herein) will be $4,685,064 after deducting the commission of $300,000 to be paid to the Underwriters (as defined herein). The net proceeds of the Rights Offering and the Stand-by Commitment will be utilized for working capital purposes.

The net proceeds from the sale of 2,127,660 Class A Common Shares offered pursuant to the Underwritten Offering are estimated to be $4,400,000. The net proceeds comprise gross proceeds of $5 million less the Underwriters' fees of $350,000 and expenses of the Underwritten Offering which are estimated to be $250,000. The net proceeds will be applied by the Company to reduce indebtedness owing under the Short Term Facility. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - The Company".

DETAILS OF THE RIGHTS OFFERING

Because of the risks associated with the subscription for Class A Common Shares identified under "Risk Factors", each shareholder should, prior to exercising his or her Rights, carefully consider whether the Class A Common Shares represent an appropriate investment in light of his or her investment objectives. As the Rights will not be issued to all common shareholders, the tax consequences of the Rights Offering are not the same as if Rights were issued to all common shareholders. See "Canadian Federal Income Tax Considerations".

Issue of Rights

Each holder of Class A Common Shares of record at the close of business on the Record Date, excluding any shareholder who: (i) was a shareholder of the Company on May 23, 1997 and participated in the private placement of Special Warrants; (ii) acquired Class A Common Shares pursuant to the exercise of the Special Warrants (including his or her transferee); (iii) was a shareholder of the Company on May 23, 1997 and is entitled to receive any of the 1,994,014 Class A Common Shares which are qualified for distribution by this prospectus for the purpose of repaying certain indebtedness incurred by the Company to fund the acquisition of Laurentian Funds Management Inc.; (iv) acquired any of the 1,994,014 Class A Common Shares which are qualified for distribution by this prospectus for the purpose of repaying certain indebtedness incurred by the Company to fund the acquisition of Laurentian Funds Management Inc. (including his or her transferee); or (v) acquired Class A Common Shares pursuant to the Underwritten Offering (including his or her transferee), is entitled to receive one Right for each Class A Common Share held and three Rights will entitle the holder to subscribe for one Class A Common Share at a price of $1.75 per share. Such holders of Class A Common Shares will receive a total of 8,545,825 Rights entitling them to receive a total of 2,848,608 Class A Common Shares.

The number of Rights to be issued pursuant to the Rights Offering is based upon information furnished to the Company as to their shareholdings by shareholders who (i) acquired Special Warrants; or (ii) are entitled to receive any of the Class A Common Shares of the Company which are qualified by this prospectus. Additional Rights will be issued if any shareholder described in the preceding sentence, who was a shareholder of the Company on May 23, 1997, sells, prior to the close of business on the Record Date, any of his or her Class A Common Shares which were held by such shareholder on May 22, 1997.

Holders of Class A Common Shares of record as of the Record Date whose recorded addresses are not in Ontario, Quebec or Nova Scotia will not receive Rights Certificates or a copy of this prospectus from the Company. See "Shareholders Resident Outside Ontario, Quebec and Nova Scotia". This Offering is made upon the terms and conditions set forth below.

Rights Certificates

The Rights will be evidenced by transferable Rights Certificates in registered form. Except as noted under “Issue of Rights” and "Shareholders Resident Outside Ontario, Quebec and Nova Scotia", a Rights Certificate will be sent to each holder of Class A Common Shares of record as of the Record Date. A register of holders of Rights Certificates will be maintained by Montreal Trust Company of Canada.

A Rights Certificate does not constitute the holder a shareholder of the Company.

Expiration Date

This Rights Offering and the Rights evidenced by the Rights Certificates will expire on October 23, 1997 (the "Expiration Date"), at 4:30 p.m., Toronto time. **RIGHTS NOT EXERCISED BEFORE 4:30 P.M., TORONTO TIME, ON OCTOBER 23, 1997, THE EXPIRATION DATE, WILL BE VOID AND WITHOUT VALUE.**

Subscription for Class A Common Shares

The Class A Common Shares may be subscribed for by completing and signing Form 1 on the face of the Rights Certificate and delivering the Rights Certificate, with the total subscription price for the number of Class A Common Shares subscribed for, to the subscription office listed below. The total subscription price for the number of Class A Common Shares subscribed for is to be paid in the manner described below under "Payment of Subscription Price". **COMPLETED RIGHTS CERTIFICATES AND THE RELATED PAYMENT SENT TO SUCH OFFICE MUST BE RECEIVED THERE BEFORE 4:30 P.M., TORONTO TIME, ON OCTOBER 23, 1997, THE EXPIRATION DATE.**

Subscriptions must be for whole Class A Common Shares only. Fractional Class A Common Shares will not be issued.

Step-Up Privilege

Each registered holder of a Rights Certificate mailed upon the original issue which evidences a number of Rights not evenly divisible by three will be entitled to round up his or her subscription to the next highest whole number of Class A Common Shares. This step-up privilege will be void and of no effect if the Rights Certificate is divided or combined or if any of the Rights evidenced by such certificate are sold, transferred or assigned by the holder to whom such Rights were originally issued. However, a bank, trust company, securities dealer or broker which holds Class A Common Shares as of the Record Date for more than one beneficial owner may, upon providing evidence satisfactory to Montreal Trust Company of Canada, exercise the Rights evidenced by its Rights Certificate or exchange its Rights Certificate on the same basis as though each of the beneficial owners were a shareholder of record as of the Record Date.

Additional Subscription Privilege

A Rights Certificate holder who has fully exercised the Rights evidenced thereby by subscribing for the maximum number of Class A Common Shares for which he or she is entitled to subscribe (the "Basic Subscription Right") may subscribe for additional Class A Common Shares (the "Additional Subscription Privilege") at a price of $1.75 per share. The Class A Common Shares available for additional subscriptions (the "Additional Shares") will be allotted from the Class A Common Shares, if any, not issued upon the exercise of Rights under the Basic Subscription Right. If there should be insufficient Class A Common Shares available to satisfy the subscriptions for the Additional Shares, each holder who has validly subscribed for Additional Shares will be allocated that number of Additional Shares as is described in the following paragraph.

A Rights Certificate holder who in Form 1 subscribes for all of the Class A Common Shares pursuant to the Basic Subscription Right may at the same time subscribe for Additional Shares (at a subscription price of $1.75 per share) by completing Form 4 and including the additional subscription price which must be paid in Canadian funds by certified cheque, bank draft or money order payable at par (without deduction for bank service charges or otherwise) to the order of Montreal Trust Company of Canada. These funds will be placed in a trust account pending allocation of the Additional Shares, with any excess funds being returned by mail without interest or deduction.

If the aggregate number of Additional Shares subscribed for by those Rights Certificate holders who exercise their Additional Subscription Privilege exceeds the number of Additional Shares available, the number of Additional Shares allocated to each Rights Certificate holder will be the lesser of (i) the number of Additional Shares which such Rights Certificate holder has subscribed for pursuant to the Additional Subscription Privilege and (ii) the product (disregarding fractions) of the number of Additional Shares multiplied by a fraction, of which the numerator is such Rights Certificate holder's initial subscription under the Basic Subscription Right and the denominator is the aggregate of the initial subscriptions under the Basic Subscription Right of all Rights Certificate holders who participate in the Additional Subscription Privilege. If any Rights Certificate holder has subscribed for fewer Additional Shares than the number resulting from the application of the formula in (ii) above, the excess Additional Shares will be allocated in the manner described above among the Rights Certificate holders who were allocated fewer Additional Shares than they subscribed for. This procedure will be continued until either all Additional Shares are allocated or all requests for Additional Shares are met, whichever first occurs.

If, as a result of the application of the foregoing formula, a participant in the Additional Subscription Privilege is allotted a number of Class A Common Shares which falls short of the number specified in Form 4 on the face of the participant's Rights Certificate, Montreal Trust Company of Canada will, when mailing the share certificate for the Class A Common Shares to be issued to the participant, refund, without interest, the excess portion of the total subscription price paid by the participant.

Shareholders Resident Outside Ontario, Quebec and Nova Scotia

Rights Certificates will not be issued to and subscriptions for the Class A Common Shares will not be accepted from any person or his agent who appears to be, or whom the Company has reason to believe is, not a resident of Ontario, Quebec or Nova Scotia ("Non-Qualifying Shareholders"). Instead, they will be sent a letter advising them that Rights Certificates evidencing their Rights have been issued to and are held by Montreal Trust Company of Canada. Montreal Trust Company of Canada will hold such Rights as agent for the benefit of all Non-Qualifying Shareholders and will, prior to the Expiration Date, attempt to sell such Rights in Ontario, Quebec or Nova Scotia.

No charge will be made for Rights sold through Montreal Trust Company of Canada, except for brokerage commissions. Montreal Trust Company of Canada will use its best efforts to effect sales of Rights in the open market as herein provided, but cannot accept responsibility if it is unable to do so. The price obtained for any Rights sold will be dependent upon market conditions.

The net proceeds received by Montreal Trust Company of Canada from sales of such Rights will be divided rateably among the Non-Qualifying Shareholders and Montreal Trust Company of Canada will, as soon as practicable following the Expiration Date, make payment thereof to the Non-Qualifying Shareholders.

Solicitation and Stand-by Commitment

The Company has entered into an agreement dated September 17, 1997 (the "Underwriting Agreement") with Yorkton Securities Inc. and CIBC Wood Gundy Securities Inc. (the "Underwriters") pursuant to which the Underwriters have agreed to solicit subscriptions for the Class A Common Shares issuable upon exercise of the Rights from residents of Ontario, Quebec and Nova Scotia. In addition, the Underwriting Agreement provides that the Underwriters agree to purchase up to a maximum of 2,848,608 Class A Common Shares not taken up pursuant to the Rights Offering (the "Stand-by Commitment") at the price of $1.75 per share on October 27, 1997 or such other date as the Company and the Underwriters may agree in writing. This prospectus also qualifies the distribution of the Class A Common Shares of the Company issuable to the Underwriters pursuant to the Stand-by Commitment. The Underwriting Agreement provides that the Underwriters will be paid a fee of $300,000 by the Company in consideration for the services performed in connection with the Rights Offering.

The obligations of the Underwriters may be terminated, at any time prior to the closing of the Stand-by Commitment, at the Underwriters' discretion upon the occurrence of certain stated events which include their assessment of the state of the financial markets.

Subscription Office

Rights Certificates may be delivered by mail to Montreal Trust Company of Canada at either of the following addresses: Montreal Trust Company of Canada, Stock and Bond Transfer Department, 151 Front Street West, 8th Floor, Toronto, Ontario M5J 2N1 or Montreal Trust Company of Canada, 1800 McGill College Avenue, Place Montreal Trust, Montreal, Quebec H3A 3K9. In the event of a postal disruption, Rights Certificates must be delivered by hand or courier to Montreal Trust Company of Canada at either of the above-noted addresses. Additional information may be obtained by contacting Montreal Trust Company of Canada at (416) 981-9633.

Payment of Subscription Price

The total subscription price for the number of Class A Common Shares subscribed for must be paid in Canadian funds by certified cheque, bank draft or money order payable at par (without deduction for bank service charges or otherwise) to the order of Montreal Trust Company of Canada.

Purchase, Sale or Transfer of Rights

Rights may be purchased and sold through the usual investment channels such as investment dealers and brokers.

A shareholder may sell or transfer the Rights evidenced by a Rights Certificate by completing and signing Form 2 on the front of the Rights Certificate. A certificate so completed should be delivered to the appropriate person in ample time for the transferee to use it before the expiration of the Rights. Where Rights are sold or transferred through an investment dealer or broker, a holder should allow at least five business days for this to occur. Where Rights are sold or transferred privately, a holder should allow ample time for this to occur. It is expected that trading of Rights on the Exchange will cease at 12:00 (noon) (Toronto time) on the Expiration Date.

Dividing or Combining Rights Certificates

A Rights Certificate may be exchanged for two or more new Rights Certificates and two or more Rights Certificates may be exchanged for a new Rights Certificate representing, in each case, a whole number of Rights which are in aggregate the same number of whole Rights evidenced by the original Rights Certificate or Rights Certificates, by completing and signing Form 3 on the front of such Rights Certificates and surrendering them to Montreal Trust Company of Canada at the office set forth above. This should be done in ample time prior to the Expiration Date in order to allow new Rights Certificates to be issued and used before the expiration of the Rights.

Delivery of Certificates

Certificates for Class A Common Shares subscribed and paid for will be mailed as soon as practicable after the Expiration Date by Montreal Trust Company of Canada to the subscriber.

DETAILS OF THE OFFERING AND PLAN OF DISTRIBUTION

On May 23, 1997, an aggregate of 1,982,187 Equity Special Warrants and 10,000 First Debenture Special Warrants were sold on a private placement basis (the "Deacon Offering") to investors pursuant to an agency agreement (the "Agency Agreement") dated May 22, 1997 between the Company and Deacon Capital Corporation (the "Agent") and were issued pursuant to a special warrant indenture (the "Special Warrant Indenture") dated as of May 22, 1997 between the Company and Montreal Trust Company of Canada, as trustee (the "Trustee"). The Company, pursuant to the terms of the Agency Agreement, has agreed with the Agent not to issue or sell any Common Shares or securities convertible or exchangeable into Class A Common Shares (other than offerings relating to the acquisition of Laurentian Funds Management Inc. and other than securities issuable pursuant to the exercise of employee stock options and to satisfy existing obligations) before November 19, 1997, without the prior consent of the Agent, which consent may not be unreasonably withheld or delayed. The Agent has consented to the Underwritten Offering. The Company has agreed to indemnify the Agent and its directors, officers, employees and agents against certain liabilities.

In connection with the Deacon Offering, the Agent was paid $808,130 and is entitled to receive, as additional consideration, at no additional cost, a compensation option (the "Deacon Compensation Option") which entitles the Agent to purchase 453,320 Class A Common Shares at a price equal to the issue price of the Equity Special Warrants or such other price (not less than the issue price of the Equity Special Warrants) which represents the lowest exercise price as permitted under applicable securities laws and the rules of the Exchange. The Deacon Compensation Option is exercisable in whole or in part until November 21, 1998. This prospectus qualifies the distribution of the Deacon Compensation Option.

In addition, on May 23, 1997:

(i) an aggregate of 3,828,572 Equity Special Warrants and 5,800 Second Debenture Special Warrants were sold on a private placement basis (the "Hambros Offering") pursuant to a subscription agreement between the Company and Hambros Tower Hill Holdings Limited and were issued pursuant to the Special Warrant Indenture;

(ii) 10,665,928 Equity Special Warrants were issued on a private placement basis to DLFC (the "Desjardins Offering") as partial consideration for the acquisition of LFMI and were issued pursuant to the Special Warrant Indenture (See "Strategic Value Corporation - Acquisition of Laurentian Funds Management Inc.") DLFC has granted Yorkton

Securities Inc. an option to purchase not less than all of the 10,665,928 Equity Special Warrants acquired pursuant to SVC's acquisition of LFMI. See "Principal Shareholders"; and

(iii) 139,014 Equity Special Warrants were sold to certain officers and directors of the Company and its affiliates relying upon prospectus and registration exemptions contained in applicable securities legislation and were issued pursuant to the Special Warrant Indenture.

An affiliate of Hambros was paid a commitment fee of $375,000 in connection with the Hambros Offering. The Company, in connection with the Desjardins Offering, paid DLFC a fee of $150,000 as consideration for its accepting Special Warrants as partial consideration for the acquisition price.

Each Equity Special Warrant entitles the holder thereof, upon exercise and without payment of any additional consideration, to acquire, subject to adjustment in accordance with the terms and conditions contained in the Special Warrant Indenture, either one Class A Common Share or one Class B Common Share of the Company.

Each First Debenture Special Warrant and each Second Debenture Special Warrant entitles the holder thereof, upon exercise and without payment of any additional consideration, to acquire, respectively, a $1,000 principal amount 6% First Convertible Subordinated Debenture due May 22, 1999 or a $1,000 principal amount Variable Rate Second Convertible Subordinated Debenture due May 22, 2003 of the Company.

The 6% First Convertible Subordinated Debentures due May 22, 1999 become due and payable on May 22, 1999 and bear interest at the rate of 6% per annum, payable semi-annually in arrears on November 22, 1997, May 22, 1998, November 22, 1998 and May 22, 1999. Interest accrues and is payable on the First Debenture Special Warrants on the same terms and conditions as the 6% First Convertible Subordinated Debentures due May 22, 1999. All accrued and unpaid interest on the First Debenture Special Warrants, upon exercise of the conversion feature contained therein, shall be transferred to, and deemed to be accrued and unpaid on, the 6% First Convertible Subordinated Debentures due May 22, 1999. Subject to their subordination to the obligations of the Company to its banker and their priority over the Variable Rate Second Convertible Subordinated Debentures due May 22, 2003, the 6% First Convertible Subordinated Debentures due May 22, 1999 rank *pari passu* with respect to all existing and future senior unsecured indebtedness of the Company and are convertible into Class A Common Shares at a conversion price, subject to adjustment, of $1.96 per Class A Common Share.

Each Variable Rate Second Convertible Subordinated Debenture due May 22, 2003 will bear interest at the rate, per annum, equal to the lesser of (a) 6% per annum and (b) a rate equal to the dividends which the holder would have received on the shares issuable upon exercise of the conversion rights attaching to such debenture payable semi-annually in arrears on May 22 and November 22 in each year, in respect of interest triggered as a result of (a) above, and the date of payment of such dividends, in respect of interest triggered as a result of (b) above. All accrued and unpaid interest on the Second Debenture Special Warrants, upon exercise of the conversion feature contained therein, shall be transferred to, and deemed to be accrued and unpaid on, the Variable Rate Second Convertible Subordinated Debentures due May 22, 2003. The Variable Rate Second Convertible Subordinated Debentures due May 22, 2003 become due and payable on May 22, 2003 and are subordinate to the obligations of the Company to its banker and the 6% First Convertible Subordinated Debentures due May 22, 1999. The Variable Rate Second Convertible Subordinated Debentures due May 22, 2003 are convertible into Class A Common Shares or Class B Common Shares at a conversion price, subject to adjustment, of $1.75 per share. The Company may, subject to certain conditions, also require a holder to convert the Variable Rate Second Convertible Subordinated Debentures due May 22, 2003 into Class A Common Shares or Class B Common Shares when the "current market price" (as defined in the Variable Rate Second Convertible Subordinated Debentures due May 22, 2003) of a Class A Common Share exceeds $1.75 per share.

The Special Warrants may be exercised at any time during the period (the "Exercise Period") which commenced upon issue of the Special Warrants and which terminates at 5:00 p.m. (Toronto time) (the "Expiry Time") on the date (the "Expiry Date") which is the earlier of (i) the fifth business day after the date (the "Clearance Date") on which a receipt for the prospectus is issued by the securities regulatory authority in each of Ontario, Quebec and Nova Scotia (the "Qualifying Provinces"), and (ii) May 22, 1998. All Special Warrants not exercised prior to the Expiry Time on the Expiry Date will be deemed to have been exercised immediately before the Expiry Time.

A holder of Special Warrants may, at any time during the Exercise Period, exercise all or any number of the Special Warrants held and take delivery of the relevant securities.

The Special Warrant Indenture referred to above contains provisions designed to adjust the number and class of securities of the Company issuable on exercise of the Special Warrants in certain events affecting the capital of the Company.

This prospectus also qualifies for distribution 1,994,014 Class A Common Shares of the Company, which the Company will utilize to repay certain indebtedness incurred by it at or about the time the Special Warrants were issued to fund a portion of the acquisition of LFMI, now SVFM. $3,000,000 of the $3,489,525 borrowed by the Company was loaned by Mark S. Bonham, the Chief Executive Officer and President of the Company. The remainder of such indebtedness was borrowed from shareholders of the Company or associates of Mark S. Bonham. No fee is payable to the Agent in connection with the issuance of these shares. If requested by a lender or the lender's assignee, the Company will file a joint election with such lender (or assignee) under subsection 85(1) of the Income Tax Act (Canada), and the comparable provisions of applicable provincial tax legislation, such that the proceeds of disposition of the indebtedness to such lender (or assignee) for the purposes of such legislation be deemed to be the agreed amount in such election, as determined by the lender (or assignee), within the limits provided in such legislation. See "Interest of Management and Others in Material Transactions" and "Canadian Federal Income Tax Considerations - Issue of Class A Common Shares on Repayment of Indebtedness."

Under the Underwriting Agreement, the Company agreed to sell and the Underwriters agreed to purchase, as principals, 2,127,660 Class A Common Shares (the "Underwritten Offering") at $2.35 per Class A Common Shares upon the terms and subject to the conditions contained therein. The Company will pay the Underwriters a fee equal to $0.1645 per Class A Common Share sold, for an aggregate fee of $350,000.

The obligations of the Underwriters under the Underwriting Agreement may be terminated, at any time prior to the closing of the Underwritten Offering, at the Underwriters' discretion upon the occurrence of certain stated events including their assessment of the state of the financial markets. The Company has agreed with the Underwriters not to authorize, issue or sell any Class A Common Shares of the Company or securities convertible into or exchangeable for Class A Common Shares of the Company (other than the offerings qualified by this prospectus, issuances made pursuant to the exercise of employee stock options and issuances made to satisfy existing obligations) for a period of four months following the closing of the Underwritten Offering without the prior written consent of the Underwriters, such consent not to be unreasonably withheld. The Company has agreed to indemnify the Underwriters and their directors, officers, employees and agents against certain liabilities.

The Underwriting Agreement also grants to the Underwriters non-assignable options (collectively, the "Compensation Options") to purchase up to an additional 212,766 Class A Common Shares of the Company at an exercise price of $2.35 per Class A Common Share. The Class A Common Shares forming the subject matter of these options represent 10% of the total number of Class A Common Shares offered pursuant to the Underwritten Offering. The Compensation Options are exercisable, subject to regulatory policies, at any time on or before the second anniversary of the closing of the Underwritten Offering. This prospectus qualifies the grant of one-half of the Compensation Options to the Underwriters.

In addition, the Company has granted to the Underwriters an option (the "Over-Allotment Option") for the purpose of covering over-allotments, if any. The Over-Allotment Option is exercisable until 60 days after the closing date of the Underwritten Offering and entitles the Underwriters to purchase additional Class A Common Shares at a price of $2.35 per share. The Over-Allotment Option is limited to 319,149 Class A Common Shares if exercised on or prior to the closing of the Underwritten Offering and if exercised thereafter to the lesser of (i) the size of the Underwriters' over-allotment position as at 5:00 p.m. (Toronto time) on the second trading day after the closing date of the Underwritten Offering, and (ii) 319,149 Class A Common Shares. The Underwriters will be paid a fee (the "Over-Allotment Fee") equal to $0.1645 for each Class A Common Share purchased upon the exercise of the Over-Allotment Option. This prospectus also qualifies the distribution of Class A Common Shares issuable by the Company pursuant to the Over-Allotment Option.

Pursuant to Policy Statement Q-26 of the Commission des valeurs mobilières du Québec, the Underwriters may not, throughout the period of distribution, bid for or purchase Class A Common Shares. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Class A Common Shares. Such exceptions include a bid or purchase permitted under the by-laws and rules of the Exchange relating to market stabilization and passive market making activities and a bid or purchase made for or on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with the Underwritten Offering, the Underwriters may allot or effect transactions which stabilize or maintain the market price of the Class A Common Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The securities issuable upon exercise of the Special Warrants and the Class A Common Shares qualified for distribution hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act") and, except in limited circumstances, may not be offered or sold in the United States. The Underwriters have agreed that they will only offer to sell any of the 2,127,660 Class A Common Shares offered pursuant to the Underwritten Offering to residents of Ontario, Quebec and Nova Scotia.

The offering price of the 2,127,660 Class A Common Shares offered by the Underwriters has been determined by negotiation between the Company and the Underwriters.

The Agent will be paid a fee of $100,000 in connection with the Underwritten Offering as is required by the Deacon Advisory Agreement. See "Strategic Value Corporation - Acquisition of Laurentian Financial Management Inc."

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Fasken Campbell Godfrey, counsel to SVC, and Fogler, Rubinoff, counsel to the Agent, the following summary fairly presents the principal Canadian federal income tax considerations generally applicable to holders of 6% First Convertible Subordinated Debentures due May 22, 1999 acquired on the exercise of the First Debenture Special Warrants and, in the opinion of Fasken Campbell Godfrey, the principal Canadian federal income tax considerations generally applicable to shareholders to whom Rights are issued (including Non-Qualifying Shareholders whose Rights Certificates are delivered to Montreal Trust Company of Canada (the "Rights Custodian") as their agent) ("Participating Shareholders"), to holders of the Variable Rate Second Convertible Subordinated Debentures due May 22, 2003 acquired on the exercise of the Second Debenture Special Warrants and to persons ("Lenders") who acquire Class A Common Shares on the repayment by SVC of certain indebtedness as described under the heading "Details of the Offering and Plan of Distribution". It is assumed that Participating Shareholders hold Common Shares and Rights as capital property and deal at arm's length with SVC for the purposes of the Income Tax Act (Canada) (the "Act"). It is assumed that holders of 6% First Convertible Subordinated Debentures due May 22, 1999 hold 6% First Convertible Subordinated Debentures due May 22, 1999 as capital property, will hold Class A Common Shares acquired on the conversion of a 6% First Convertible Subordinated Debenture due May 22, 1999 as capital property and deal at arm's length with SVC. It is assumed that the holders of the Variable Rate Second Convertible Subordinated Debentures due May 22, 2003 are non-residents of Canada for the purposes of the Act, do not carry on business in Canada, hold the Variable Rate Second Convertible Subordinated Debentures due May 22, 2003 as capital property, will hold Class A or Class B Common Shares of SVC acquired on the conversion of a Variable Rate Second Convertible Subordinated Debenture due May 22, 2003 as capital property and deal at arm's length with SVC. It is assumed that Lenders are residents of Canada for the purposes of the Act, that the indebtedness of SVC to each Lender is capital property to the Lender for the purposes of the Act and that each Lender will hold Class A Common Shares acquired on the repayment of the indebtedness as capital property.

This summary is based on the current provisions of the Act, the regulations thereunder (the "Regulations"), all specific proposals to amend the Act and Regulations publicly announced by the Minister of Finance prior to the date hereof (the "Tax Proposals") and counsel's understanding of the current administrative practices of Revenue Canada, Customs, Excise & Taxation ("Revenue Canada"). Except for the Tax Proposals, this summary does not take into account or anticipate any other changes in law whether by way of judicial, legislative or governmental decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations. No assurance can be given that the Tax Proposals will be enacted in the form proposed, if at all.

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 Participating Shareholder, holder of Special Warrants or Lender. Accordingly, Participating Shareholders, holders of Special Warrants and Lenders should consult their own tax advisors with respect to their particular circumstances.

Rights

Residents of Canada

Issue of Rights

Rights will not be issued to all holders of common shares (as defined in the Act) of SVC. Consequently, Participating Shareholders will be required to include in income the value of their Rights when received. For these purposes, Rights issued to the Rights Custodian on behalf of a Non-Qualifying Shareholder will be considered to be received by the Non-Qualifying Shareholder. The cost to a Participating Shareholder of a Right for the purposes of the Act will be equal to the amount required to be included in income in respect thereof.

Exercise, Disposition and Expiry of Rights

Participating Shareholders will not realize any gain or loss upon the exercise of a Right. The cost of the Class A Common Share acquired on the exercise of three Rights will be equal to the aggregate of the adjusted cost base of such Rights to the Participating Shareholder and the exercise price paid for the Class A Common Share. The cost of such Class A Common Share will be averaged with the adjusted cost base of any other Class A Common Shares held by the Participating Shareholder as capital property.

A Participating Shareholder will realize a capital gain (or a capital loss) on the sale or other disposition of a Right to the extent that the proceeds of disposition exceed (or are exceeded by) the adjusted cost base of the Right and any costs of disposition. With respect to those Rights issued to the Rights Custodian on behalf of a Non-Qualifying Shareholder, the Non-Qualifying Shareholder will be treated as having disposed of such Rights for an amount equal to the Non-Qualifying Shareholder's share of the aggregate net proceeds realized by the Rights Custodian on the sale of all Rights delivered to the Rights Custodian.

In the event of the expiry of an unexercised Right, the Participating Shareholder will realize a capital loss equal to the adjusted cost base of the Right to the Participating Shareholder.

Non-Residents of Canada

Issue of Rights

A Non-Qualifying Shareholder that is a non-resident of Canada will be subject to a 25% withholding tax on the value, if any, of the Non-Qualifying Shareholder's Rights, subject to reduction under an applicable tax treaty between Canada and the Non-Qualifying Shareholder's country of residence. Such tax, if any, will be deducted by the Rights Custodian from the Non-Qualifying Shareholder's share of the net proceeds realized from the sale of Rights delivered to the Rights Custodian on behalf of all Non-Qualifying Shareholders. The cost of a Right to a Non-Qualifying Shareholder for the purposes of the Act will be equal to the value of the Right.

Disposition of Rights

A Right will constitute taxable Canadian property to a Non-Qualifying Shareholder at the time of disposition if, at any time during the five year period ending at the time of disposition, the Non-Qualifying Shareholder, persons with whom the Non-Qualifying Shareholder did not deal at arm's length, or any combination thereof, owned 25% or more of the issued shares of any class of SVC. It is Revenue Canada's administrative practice that shares that a person has a right to acquire will be considered to be owned by the person for the purposes of the application of the 25% test.

A Non-Qualifying Shareholder who disposes of, or is deemed to dispose of, a Right that is taxable Canadian property will realize a capital gain subject to tax under the Act to the extent that the proceeds of disposition of the Right exceed the adjusted cost base of the Right and any costs of disposition. A Non-Qualifying Shareholder will be treated as having disposed of the Non-Qualifying Shareholder's Rights for an amount equal to the Non-Qualifying Shareholder's share of the aggregate net proceeds (before the deduction of any tax referred to under "Issue of Rights") realized by the Rights Custodian on the sale of all Rights delivered to the Rights Custodian. The provisions of an applicable tax treaty between Canada and the holder's country of residence may restrict the ability of Canada to impose tax on the capital gain arising on the disposition of a Right.

6% First Convertible Subordinated Debentures due May 22, 1999

Residents of Canada

Interest

A holder of a 6% First Convertible Subordinated Debenture due May 22, 1999 will be required to include in income for a taxation year any amount received or receivable as interest in the year (depending upon the method regularly followed by the holder in computing profit) on the 6% First Convertible Subordinated Debenture due May 22, 1999, to the extent that such amount was not included in income for a preceding year. A holder that is a corporation, partnership, unit trust or trust of which a corporation or partnership is a beneficiary will also be required to include in income for a taxation year, any interest that accrued on the 6% First Convertible Subordinated Debenture due May 22, 1999 to the end of the taxation year, to the extent such interest was not otherwise included in income for the year or a preceding year. Other holders will also be required to include in income, for any taxation year that includes an "anniversary day" (as defined in the Act) of the 6% First Convertible Subordinated Debenture due May 22, 1999, the interest which accrues up to such date, to the extent that such interest was not otherwise included in computing income for the year or a preceding year.

Conversion

Where a holder of a 6% First Convertible Subordinated Debenture due May 22, 1999 converts the 6% First Convertible Subordinated Debenture due May 22, 1999 into Class A Common Shares, the holder will not be considered to have disposed of the 6% First Convertible Subordinated Debenture due May 22, 1999 for the purposes of the Act and, therefore, no capital gain or loss will arise on conversion. The cost to the holder of the Class A Common Shares acquired on the conversion will be equal to the adjusted cost base of the 6% First Convertible Subordinated Debenture due May 22, 1999 immediately before the conversion and must be averaged with the adjusted cost base of any other Class A Common Shares held by the holder as capital property. If the holder receives cash on the conversion of a 6% First Convertible Subordinated Debenture due May 22, 1999 in lieu of a fractional Class A Common Share and the cash received does not exceed $200, it is Revenue Canada's administrative position that the holder may reduce, by the amount of cash received, the cost of the Class A Common Shares received.

Disposition

Where a holder of a 6% First Convertible Subordinated Debenture due May 22, 1999 disposes of or is deemed to dispose of the 6% First Convertible Subordinated Debenture due May 22, 1999 otherwise than on a conversion, the holder will realize a capital gain (or a capital loss) to the extent that the holder's proceeds of disposition exceed (or are exceeded by) the adjusted cost base of the Convertible Debenture and any costs of disposition. For this purpose, the holder's proceeds of disposition will not include any interest that has accrued to, but is payable after, the date of disposition which will be taxed as interest to the holder as described above under the heading "Interest".

Non-Residents of Canada

Interest

A non-resident holder of a 6% First Convertible Subordinated Debenture due May 22, 1999 will be subject to a 25% withholding tax on amounts paid or credited or deemed to be paid or credited as, on account of, or in lieu of, interest on the 6% First Convertible Subordinated Debenture due May 22, 1999, subject to reduction under an applicable tax treaty between Canada and the non-resident holder's country of residence.

Conversion

Where a non-resident holder of a 6% First Convertible Subordinated Debenture due May 22, 1999 converts the 6% First Convertible Subordinated Debenture due May 22, 1999 into Class A Common Shares, the holder will not be considered to have disposed of the 6% First Convertible Subordinated Debenture due May 22, 1999 for the purposes of the Act and, therefore, no capital gain or loss will arise on conversion. The cost to the holder of the Class A Common Shares acquired on the conversion will be equal to the adjusted cost base of the 6% First Convertible Subordinated Debenture due May 22, 1999 immediately before the conversion. The cost of the Class A Common Shares acquired on conversion must be averaged with the adjusted cost base of any other Class A Common Shares held by the holder as capital property. If the holder receives cash on the conversion of a 6% First Convertible Subordinated Debenture due May 22, 1999 in lieu of a fractional Class A Common Share and the cash received does not exceed $200, it is Revenue Canada's administrative position that the holder may reduce, by the amount of cash received, the cost of the Class A Common Shares received. If the 6% First Convertible Subordinated Debenture due May 22, 1999 is "taxable Canadian property" as described under "Disposition", the Class A Common Shares acquired on conversion will be deemed to be taxable Canadian property to the holder.

Disposition

Under Revenue Canada's administrative practice, a 6% First Convertible Subordinated Debenture due May 22, 1999 will constitute taxable Canadian property to a holder at the time of disposition if, at any time during the five-year period ending at the time of disposition, the holder, persons with whom the holder did not deal at arm's length, or any combination thereof, owned 25% or more of the issued shares of any class of SVC. As described above, it is Revenue Canada's administrative practice that Class A Common Shares that a person has the right to acquire, including on conversion of a 6% First Convertible Subordinated Debenture due May 22, 1999, will be considered to be owned by the person for the purposes of the application of the 25% test.

Where a holder disposes of, or is deemed to dispose of, a 6% First Convertible Subordinated Debenture due May 22, 1999 that is taxable Canadian property, the holder will realize a capital gain subject to tax under the Act to the extent that the holder's proceeds of disposition exceed the adjusted cost base of the 6% First Convertible Subordinated Debenture due May 22, 1999 and any costs of disposition. If the 6% First Convertible Subordinated Debenture due May 22, 1999 is acquired by a person resident in Canada, the Canadian resident may, subject to the detailed rules in the Act, be deemed to have made a payment of interest on the 6% First Convertible Subordinated Debenture due May 22, 1999 that would be subject to withholding tax as described above and excluded in computing the holder's proceeds of disposition. The provisions of an applicable tax treaty between Canada and the holder's country of residence may restrict the ability of Canada to impose tax on the capital gain arising on the disposition of a 6% First Convertible Subordinated Debenture due May 22, 1999 that is taxable Canadian property.

Disposition of Class A Common Shares Acquired on Conversion

If the 6% First Convertible Subordinated Debenture due May 22, 1999 is taxable Canadian property as described above, the Class A Common Shares acquired on conversion of the 6% First Convertible Subordinated Debenture due May 22, 1999 will be deemed to be taxable Canadian property. Otherwise, Class A Common Shares will constitute taxable Canadian property to a holder at the time of disposition if, at any time during the five-year period ending at the time of disposition, the holder, persons with whom the holder did not deal at arm's length, or any combination thereof, owned 25% or more of the issued shares of any class of SVC. As described above, it is Revenue Canada's administrative practice that shares that a person has a right to acquire will be considered to be owned by the person for the purposes of the application of the 25% test.

Where a holder disposes of, or is deemed to dispose of, a Class A Common Share that is taxable Canadian property, the holder will realize a capital gain subject to tax under the Act to the extent that the holder's proceeds of disposition exceed the adjusted cost base of the Class A Common Share and any costs of disposition. The provisions of an applicable tax treaty between Canada and the holder's country of residence may restrict the ability of Canada to impose tax on the capital gain arising on the disposition of a Class A Common Share that is taxable Canadian property.

Variable Rate Second Convertible Subordinated Debentures due May 22, 2003

Interest

A non-resident holder of a Variable Rate Second Convertible Subordinated Debenture due May 22, 2003 will be subject to a 25% withholding tax on amounts paid or credited or deemed to be paid or credited as, on account of, or in lieu of, interest on the Variable Rate Second Convertible Subordinated Debenture due May 22, 2003, subject to reduction under an applicable tax treaty between Canada and the non-resident holder's country of residence.

Conversion at the Holder's Option

Where a non-resident holder of a Variable Rate Second Convertible Subordinated Debenture due May 22, 2003 exercises the holder's right to convert the Variable Rate Second Convertible Subordinated Debenture due May 22, 2003 into Common Shares, the holder is not considered to have disposed of the Variable Rate Second Convertible Subordinated Debenture due May 22, 2003 for the purposes of the Act and, therefore, no capital gain or loss will arise on conversion. The cost to the holder of the Class A or Class B Common Shares acquired on the conversion will be equal to the adjusted cost base of the Variable Rate Second Convertible Subordinated Debenture due May 22, 2003 immediately before the conversion. As the Variable Rate Second Convertible Subordinated Debenture due May 22, 2003 is "taxable Canadian property" as described under "Disposition", the Class A or Class B Common Shares acquired on conversion will be deemed to be taxable Canadian property to the holder. The cost of the Class A or Class B Common Shares acquired on conversion must be averaged with the adjusted cost base of any other Class A or Class B Common Shares, as applicable, held by the holder as capital property. If the holder receives cash on the conversion of a Variable Rate Second Convertible Subordinated Debenture due May 22, 2003 in lieu of a fractional Common Share and the cash received does not exceed $200, it is Revenue Canada's administrative position that the holder may reduce, by the amount of cash received, the cost of the Common Shares received.

Disposition

Since a Variable Rate Second Convertible Subordinated Debenture due May 22, 2003 may be converted into Class B Common Shares, as well as Class A Common Shares, the Variable Rate Second Convertible Subordinated Debenture due May 22, 2003 will constitute "taxable Canadian property" and, subject to an applicable tax treaty between Canada and a non-resident holder's country of residence, the non-resident holder will be liable to tax in respect of any capital gain arising on the disposition of the Variable Rate Second Convertible Subordinated Debenture due May 22, 2003.

Where a holder disposes of, or is deemed to dispose of, a Variable Rate Second Convertible Subordinated Debenture due May 22, 2003 (otherwise than on a conversion pursuant to the holder's right to convert the Variable Rate Second Convertible Subordinated Debenture due May 22, 2003), the holder will realize a capital gain subject to tax under the Act to the extent that the holder's proceeds of disposition exceed the adjusted cost base of the Variable Rate Second Convertible Subordinated Debenture due May 22, 2003 and any costs of disposition. Where the Variable Rate Second Convertible Subordinated Debenture due May 22, 2003 is acquired by a person resident in Canada, the Canadian resident may, subject to the detailed rules in the Act, be deemed to have made a payment of interest on the Variable Rate Second Convertible Subordinated Debenture due May 22, 2003 that would be subject to withholding tax as described above and excluded in computing the holder's proceeds of disposition. If the Variable Rate Second Convertible Subordinated Debenture due May 22, 2003 is converted at the option of SVC, the proceeds of disposition of the Variable Rate Second Convertible Debenture due May 22, 2003 will be the fair market value thereof and the cost of the Class A or Class B Common Shares acquired on conversion will be equal to the fair market value of the Variable Rate Second Convertible Subordinated Debenture due May 22, 2003 and will be averaged with the adjusted cost base of any other Class A or Class B Common Shares, as applicable, held by the holder as capital property.

Disposition of Common Shares Acquired on Conversion

Class A and Class B Common Shares acquired on the conversion of a Variable Rate Second Convertible Subordinated Debenture due May 22, 2003 pursuant to the holder's option to convert the Variable Rate Second Convertible Subordinated Debenture due May 22, 2003 will be deemed to be taxable Canadian property. Class B Common Shares acquired on a conversion pursuant to SVC's option will be taxable Canadian property. Class A Common Shares acquired on a conversion pursuant to SVC's option will constitute taxable Canadian property to a holder at the time of disposition if, at any time during the five-year period ending at the time of disposition, the holder, persons with whom the holder did not deal at arm's length, or any combination thereof owned 25% or more of the issued shares of any class of SVC. As described above, it is Revenue Canada's administrative practice that shares that a person has the right to acquire will be considered to be owned by the person for the purpose of the application of the 25% test.

Where a holder disposes of, or is deemed to dispose of, a Class A or Class B Common Share that is taxable Canadian property, the holder will realize a capital gain subject to tax under the Act to the extent that the holder's proceeds of disposition exceed the adjusted cost base of the Class A or Class B Common Share and any costs of disposition. The provisions of an applicable tax treaty between Canada and the holder's country of residence may restrict the ability of Canada to impose tax on the capital gain arising on the disposition of a Class A or Class B Common Share.

Issue of Class A Common Shares on Repayment of Indebtedness

On the repayment of the indebtedness of SVC to a Lender through the issuance of Class A Common Shares to the Lender, the Lender will be considered to have received proceeds of disposition for the indebtedness equal to the value of such shares, unless a valid election under subsection 85(1) of the Act is filed, and will realize a capital gain (capital loss) to the extent that such proceeds of disposition exceed (are exceeded by) the adjusted cost base to the Lender of the indebtedness and any costs of disposition. The cost of the Class A Common Shares will be equal to their value on the date of repayment of the indebtedness. A Lender may obtain a full or partial tax-free "rollover" in respect of the repayment by filing with Revenue Canada an election under subsection 85(1) of the Act made jointly with SVC in respect of the disposition of the indebtedness of SVC to the Lender. Such election must specify therein an agreed amount which will be deemed to be the proceeds of disposition of the indebtedness and the cost of the Class A Common Shares acquired. In general, the Act provides that the agreed amount cannot be less than the lesser of the adjusted cost base and the fair market value of the indebtedness of SVC to the Lender at the time of the repayment and may not exceed the fair market value of the indebtedness of SVC to the Lender at the time of repayment. An agreed amount which is specified in an otherwise valid election which does not comply with these limitations will be automatically adjusted to do so under the Act. **Lenders are responsible for the preparation and filing of the relevant election forms and should consult their own tax advisors as to the technical requirements of making such elections.**

The cost of any Class A Common Shares acquired by a Lender on the repayment of the indebtedness of SVC to the Lender must be averaged with the adjusted cost base of any other Class A Common Shares held by the Lender as capital property.

Eligibility for Investment

Rights**,** Common Shares (including those issued on the exercise of Rights or Special Warrants or on the conversion of the 6% First Convertible Subordinated Debentures due May 22, 1999 or Variable Rate Second Convertible Subordinated Debentures due May 22, 2003), 6% First Convertible Subordinated Debentures due May 22, 1999 and Variable Rate Second Convertible Subordinated Debentures due May 22, 2003 will, at the date of issue, be qualified investments under the current provisions of the Act for registered retirement savings plans, registered retirement income funds and deferred profit sharing plans (other than, in the case of the 6% First Convertible Subordinated Debentures due May 22, 1999 and Variable Rate Second Convertible Subordinated Debentures due May 22, 2003, a deferred profit sharing plan to which SVC or a corporation with which SVC does not deal at arm's length has made contributions) and will not constitute foreign property to such plans or funds and other persons liable to tax under Part XI of the Act.

DESCRIPTION OF SHARE CAPITAL

Authorized Capital

The authorized capital of the Company consists of an unlimited number of shares of a class designated as Class A Common Shares, an unlimited number of shares of a class designated as Class B Common Shares, 2,828 shares of a class designated as 6% cumulative redeemable sinking fund First Preference Shares (the "First Preference Shares"), 779 shares of a class designated as 6-1/4% cumulative redeemable participating Second Preference Shares (the "Second Preference Shares") and an unlimited number of Third Preference Shares issuable in series (the "Third Preference Shares"), of which 3,111,500 have been created for a series designated as Third Preference Shares, Series 1 (the "Third Preference Shares, Series 1").

Class A Common Shares

A total of 33,432,031 Class A Common Shares are issued and outstanding as of the date hereof. The holders of the Class A Common Shares are entitled to one vote for each Class A Common Share at all meetings of shareholders of the Company, other than meetings at which only the holders of another class or series of shares are entitled to vote separately as a class or series.

Subject to the prior rights of the holders of the First Preference Shares, the holders of Second Preference Shares, the holders of the Third Preference Shares, Series 1 and any other shares ranking senior to the Class A Common Shares (the "Prior Ranking Shares"), the holders of the Class A Common Shares and the holders of the Class B Common Shares have the right to receive such dividends (if any) as the directors in their discretion may declare from time to time. The Class A Common Shares and the Class B Common Shares participate equally with respect to the payment of dividends so that all dividends must be declared and paid in equal amounts per share on the Class A Common Shares and Class B Common Shares at the time outstanding without preference or distinction.

In the event of the liquidation, dissolution or winding-up of the Company, after payment to the holders of the Prior Ranking Shares, the holders of the Class A Common Shares and the holders of the Class B Common Shares are entitled to share all remaining property and assets of the Company, share for share, without preference or distinction.

The Class A Common Shares may not be sub-divided, consolidated, reclassified or otherwise changed unless contemporaneously therewith the Class B Common Shares are sub-divided, consolidated, reclassified or otherwise changed in the same proportion and in the same manner.

Class B Common Shares

A total of 6,517,378 Class B Common Shares are issued and outstanding as of the date hereof. The rights, privileges, restrictions and conditions attaching to the Class A Common Shares and the Class B Common Shares are identical in all material respects except that the Class B Common Shares are non-voting and the Class B Common Shares are convertible into Class A Common Shares of the Company on a one for one basis.

First Preference Shares

A total of 318 First Preference Shares are issued and outstanding as of the date hereof. The holders of First Preference Shares are entitled to a dividend at a rate of 6% per annum, payable quarterly on the first day of January, April, July and October. Such dividends accrue, are cumulative and are to be paid in priority to dividends on any other shares of the Company. The holders of First Preference Shares are not entitled to vote at or attend shareholders' meetings unless the Company fails to pay dividends on the First Preference Shares for a period aggregating two years, in which circumstances the holders of the First Preference Shares are, until all arrears of dividends have been paid thereon, entitled to one vote for each First Preference Share at all meetings of shareholders of the Company.

In the event of liquidation, dissolution or winding-up of the Company, the holders of First Preference Shares will be entitled to receive the sum of $105 per share together with all accrued and unpaid dividends in priority to any distributions made in respect of the other shares of the Company.

The First Preference Shares are redeemable, at the option of the Company, at a price of $105 per share together with all accrued and unpaid dividends.

The Company is required to set aside, within 120 days of its fiscal year end, the lesser of 2% of the aggregate stated capital attributable to the First Preference Shares then outstanding and 5% of the net profit of the Company (as determined by its articles), and to apply such amounts towards the repurchase of the First Preference Shares.

Second Preference Shares

A total of 279 Second Preference Shares are issued and outstanding as of the date hereof. Subject to the rights of the First Preference Shares, the holders of Second Preference Shares are entitled to a dividend at a rate of $6.25 per share per annum, payable quarterly on the first day of January, April, July and October. Such dividends accrue, are cumulative and are to be paid in priority to dividends on the Class A Common Shares, Class B Common Shares and any shares of any other class ranking junior to the Second Preference Shares. In any fiscal year in which dividends have been paid, declared or set aside on the First Preference Shares aggregating $6.00 per share and dividends have been paid, declared or set aside on the Second Preference Shares aggregating $6.25 per share, the holders of Second Preference Shares are entitled to receive additional dividends in such year equivalent to $0.25 for each dividend of $0.05 or part thereof paid on a Class A Common Share or a Class B Common Share, to a maximum of an additional $1.75 per Second Preference Share. The holders of Second Preference Shares are not entitled to vote at or attend shareholders' meetings unless the Company fails to pay dividends on the Second Preference Shares for a period aggregating two years, in which circumstances the holders of the Second Preference Shares are, until all arrears of dividends have been paid thereon, entitled to one vote for each Second Preference Share at all meetings of shareholders of the Company.

Subject to the prior rights of the First Preference Shares, in the event of liquidation, dissolution or winding-up of the Company, the holders of Second Preference Shares are entitled to receive the sum of $105 per share together with all accrued and unpaid dividends in priority to any distributions made in respect of the Class A Common Shares, Class B Common Shares and any shares of any other class ranking junior to the Second Preference Shares.

The Second Preference Shares are redeemable, at the option of the Company, at a price of $105 per share together with all accrued and unpaid dividends.

Third Preference Shares

The Third Preference Shares may be issued at any time and from time to time in one or more series and the directors of the Company are empowered to fix the number of shares and the rights and privileges attached to each series. The Third Preference Shares of each series shall rank on a parity with the Third Preference Shares of every other series with respect to dividends and return of capital in the event of liquidation, dissolution or winding-up of the Company. The Third Preference Shares of each series shall rank junior to the First Preference Shares and Second Preference Shares and any other shares ranking senior to the Third Preference Shares in respect of the payment of dividends and return of capital.

A total of 8,504 Third Preference Shares, Series 1 are issued and outstanding as of the date hereof. The holders of Third Preference Shares, Series 1 are not entitled to any dividends nor entitled to vote at or attend shareholders' meetings.

Subject to the prior rights of the First Preference Shares and Second Preference Shares, in the event of liquidation, dissolution or winding-up of the Company, the holders of Third Preference Shares, Series 1 are entitled to receive the sum of $0.95 per share in priority to any distributions made in respect of the Class A Common Shares, Class B Common Shares and any shares of any other class ranking junior to the Third Preference Shares, Series 1.

DIVIDEND POLICY

The Company has no fixed dividend policy. The Company intends to retain earnings to finance the growth and development of its business and does not intend to pay dividends on its Class A or Class B Common Shares in the immediate future. The payment of dividends on its Class A or Class B Common Shares in the future, if any, will depend, among other factors, on the Company's earnings, capital requirements and operating and financial condition.

The holders of First Preference Shares are, pursuant to the terms of the First Preference Shares, entitled to cumulative dividends at the rate of 6% per annum, payable quarterly. The holders of

Second Preference Shares, pursuant to the terms of the Second Preference Shares, are entitled to cumulative dividends at the rate of $6.25 per share per annum payable quarterly. See "Description of Share Capital - First Preference Shares" and "Description of Share Capital - Second Preference Shares". The table below sets forth the amount of dividends paid on the First Preference Shares and Second Preference Shares during the Company's last five completed fiscal years ending September 30, 1996:

Fiscal Year Ended September 30,	Aggregate Amount of Dividends paid on the Company's First Preference Shares and Second Preference Shares
1996	$3,000
1995	$3,000
1994	$3,000
1993	$3,000
1992	$3,000

The Credit Agreement provides, among other things, that the Company shall not declare or pay dividends or make any other distributions or payments to its shareholders, direct or indirect, other than as permitted pursuant to the terms of the Credit Agreement.

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and officers of the Company, as at the date hereof, the following table lists those persons or companies who own of record or beneficially, directly or indirectly, more than 10% of the issued and outstanding Class A and/or Class B Common Shares of the Company.

		Number of Class A and Class B Common Shares		Percentage of Class A and Class B Common Shares		
Name	Type of Owner-ship	Prior to all Offerings described hereunder	After Giving Effect to the Laurentian Acquisition Offerings (1)	Prior to all Offerings described hereunder (on a Non-Diluted Basis)	After Giving Effect to all the Offerings described hereunder (on a Non-Diluted Basis)	After Giving Effect to all the Offerings described hereunder (on a Fully Diluted Basis)
Mark S. Bonham Toronto, Ontario	Direct or Indirect	20,517,877	22,232,173	51.36%	34.99%	30.38%(2)
Hambros PLC London, England	Indirect	9,776,067	13,604,639	24.47	21.41%	22.81%(3)
Desjardins-Laurentian Financial Corporation(4) Montreal, Quebec	Direct	Nil	10,665,928	0.0	16.79%	14.38%

(1) "Laurentian Acquisition Offerings" means the offering of all securities qualified hereunder excluding the 2,127,660 Class A Common Shares to be issued pursuant to the Underwritten

Offering and the 2,848,608 Class A Common Shares to be issued pursuant to Rights Offering. For terms and conditions of the Laurentian Acquisition Offerings and the Underwritten Offering, see "Details of the Offering and Plan of Distribution". For terms and conditions of the Rights Offering see "Details of the Rights Offering".

(2) Assumes the conversion of a $1,000,000 floating rate convertible debenture into 295,858 Class A Common Shares. See "Interest of Management and Others in Material Transactions".

(3) Assumes the conversion of the Variable Rate Second Convertible Subordinated Debentures due May 22, 2003 into 3,314,286 Class A Common Shares.

(4) On August 28, 1997, Yorkton Securities Inc. ("Yorkton") entered into an agreement (the "DLFC / Yorkton Agreement") with DLFC pursuant to which DLFC granted Yorkton the right, for a period of 30 days from the date of the DLFC / Yorkton Agreement, to purchase not less than all of the 10,665,928 Equity Special Warrants (the "DLFC Securities") acquired by DLFC pursuant to the Desjardins Offering at a net price of $2.125 per Equity Special Warrant. The Company has been advised that the purchase price for the DLFC Securities was determined pursuant to arm's-length negotiations between Yorkton and DLFC. DLFC, pursuant to the DLFC / Yorkton Agreement, has agreed, for a period of 30 days from the date thereof, not to sell or otherwise dispose of any interest which it has in the DLFC Securities or the Class A or Class B Common Shares of the Company issuable upon the exercise thereof without the prior written consent of Yorkton.

As at the date hereof, the directors and senior officers of the Company, as a group, owned beneficially, directly or indirectly, no Class B Common Shares and 20,806,938 Class A Common Shares representing approximately 52.08% of the issued and outstanding Class A and Class B Common Shares of the Company (on a non diluted basis).

PRIOR SALES

The following are the only transactions involving the issuance of Class A or Class B Common Shares by the Company during the twelve months preceding the date of this prospectus:

1. On February 21, 1997 the Company issued 32,587,379 Class A Common Shares and 6,517,378 Class B Common Shares (after giving effect to a 1-for-5 share consolidation) as consideration for acquiring 1,810,572 Class A and 362,114 Class B Shares of Bonhamco. See "Strategic Value Corporation - History of the Company" and "Interest of Management and Others in Material Transactions".

2. On February 21, 1997, the Company issued 40,000 Class A Common Shares as a finders' fee to the individual responsible for introducing Mark S. Bonham to the Company and Instant Gains Group Limited, its then controlling shareholder. These shares were issued at an effective price of $5.00 per share.

PRICE RANGE AND TRADING VOLUME[1]

Since February 24, 1997, the Class A Common Shares of the Company have been listed for trading on the Exchange under the symbol "SVA". Prior to February 24, 1997 the Class A Common Shares were listed for trading on The Toronto Stock Exchange under the Symbol "GMI". The following table sets forth the reported high and low sales prices on the relevant exchange for the Class A Common Shares for the following periods commencing with the third quarter of 1995:

Year	High	Low	Close	Volume
1997				
September 1 - 16	$2.85	$2.50	$2.85	91,580
August	$3.75	$2.45	$2.50	365,372
July	$2.65	$2.35	$2.65	45,700
June	$2.80	$2.20	$2.35	89,570
May	$3.00	$1.75	$2.20	791,537
April	$3.50	$2.40	$3.00	39,594
1st quarter 1997(2)	$5.00	$2.70	$3.00	77,055
1996				
4th quarter(2)	$4.75	$0.575	$3.00	664,600
3rd quarter(2)	$0.85	$0.625	$0.80	78,300
2nd quarter(2)	$1.00	$0.525	$0.80	290,300
1st quarter(2)	$0.875	$0.25	$0.60	279,600
1995				
4th quarter(2)	$0.60	$0.175	$0.60	638,100
3rd quarter(2)	$1.30	$0.625	$0.625	53,800

(1) The Company was inactive between January 1989 and February 1997. See "Strategic Value Corporation - History of the Company".

(2) Share prices have been adjusted to reflect a 1-for-5 share consolidation which occurred on February 21, 1997.

ESCROWED SHARES

In accordance with the policies and requirements of the Ontario Securities Commission, and pursuant to the terms of an escrow agreement (the "OSC Escrow Agreement") dated as of September 16, 1997 entered into between Mark S. Bonham and Hambros Fund Managers (U.K.) Limited (the "Escrowed Shareholders") and to be entered into by Montreal Trust Company of Canada (the "Escrow Agent"), as escrow agent, and the Company, a total of 23,430,349 Class A Common Shares and 6,517,378 Class B Common Shares (collectively, the "OSC Escrowed Shares"), representing approximately 74.96% of the Company's issued shares before giving effect to the offering, have been deposited or will be deposited in escrow with the Escrow Agent.

The OSC Escrow Agreement provides that the OSC Escrowed Shares and the beneficial ownership of any interest in them may not be sold, assigned, pledged, hypothecated, alienated, transferred within escrow or in any other manner dealt with without the express consent, order or direction in writing of the Ontario Securities Commission first being obtained except in the case of transfers to the registered retirement savings plan of the Escrowed Shareholders, as may be required by reason of the death or bankruptcy of an Escrowed Shareholder or in certain circumstances where a take-over bid is made for the shares of the Company. The OSC Escrow Agreement further provides that the OSC Escrowed Shares will be released automatically to the Escrowed Shareholders, on a pro rata basis as follows:

(i) 10% of the OSC Escrowed Shares will be released on the date which is nine months following the date on which the Ontario Securities Commission issues a final receipt for this prospectus (the "Initial Release Date");

(ii) 20% of the OSC Escrowed Shares will be released on each of the first, second and third anniversaries of the Initial Release Date; and

(iii) 30% of the OSC Escrowed Shares will be released on the fourth anniversary of the Initial Release Date.

An aggregate of 28,448, 830 Class A Common Shares of the Company are also subject to the terms of an escrow agreement made as of February 21, 1997 among 24 shareholders of the Company, Montreal Trust Company of Canada, as escrow agent, and the Company (the "Private Escrow Agreement") (19,902,341 of such shares are also subject to the OSC Escrow Agreement and will be deposited thereunder on release from the Private Escrow Agreement to the extent required). The Private Escrow Agreement provides for the release of 10% of such shares on November 21, 1997, and 30% of such shares on each of November 21, 1998, November 21, 1999 and November 21, 2000. The directors of the Company may exercise their discretion to grant the early release of any of such shares or the release of more than the scheduled number of shares.

Applicable Agreement	Number of Class A Common Shares held in or subject to escrow	Number of Class B Common Shares held in escrow	Percentage of Class A and Class B Common Shares held in escrow prior to all the Offerings described hereunder (on a non-diluted basis)
OSC Escrow Agreement	23,430,349	6,517,378	74.96%
Private Escrow Agreement	28,448,830	--	71.21%

DILUTION

Laurentian Acquisition Offerings[(1)]

The price to be paid for each of the 1,994,014 Class A Common Shares issued to repay the $3,489,525 of indebtedness incurred by the Company to fund the acquisition of LFMI and the effective price paid for each Class A Common Share or Class B Common Share issuable on exercise of an Equity Special Warrant exceeds the net tangible book value of each Class A Common Share or Class B Common Share as at June 30, 1997 by $1.20 after giving effect to the issue of 1,994,014 Class A Common Shares qualified by this prospectus and the exercise of the Equity Special Warrants for 16,615,701 Class A or Class B Common Shares and before giving effect to the issue of 2,127,660 Class A Common Shares issued pursuant to the Underwritten Offering and the issue of 2,848,608 Class A Common Shares pursuant to the Rights Offering, representing a dilution factor of 68%.

The following table sets forth the dilution to the Class A and Class B Common Shares offered pursuant to the Laurentian Acquisition Offerings based upon the net tangible book value of the Company per Common Share as at June 30, 1997, after giving effect to the Laurentian Acquisition Offerings only:

Effective price per Class A or Class B Common Share........................	$1.75
Net tangible book value per Class A and Class B Common Share as at June 30, 1997 before giving effect to the purchase of LFMI and the related financing...	$0.02

Increase in net tangible book value attributable to the issuance of 16,615,701 Class A or Class B Common Shares on exercise of the Equity Special Warrants and 1,994,014 Class A Common Shares qualified by this prospectus	$0.53
Net tangible book value after giving effect to the issuance of 1,994,014 Class A Common Shares qualified by this prospectus and the issue of an aggregate of 16,615,701 Class A and Class B Common Shares upon the exercise of 16,615,701 Equity Special Warrants, and before giving effect to the acquisition of LFMI and the related debt financing	$0.55
Dilution to purchasers of Class A or Class B Common Shares	$1.20
Percentage of dilution in relation to the effective price for Class A or Class B Common Shares	68%

(1) "Laurentian Acquisition Offerings" means the offering of securities qualified hereunder excluding the 2,127,660 Class A Common Shares to be issued pursuant to the Underwritten Offering and the 2,848,608 Class A Common Shares to be issued pursuant to the Rights Offering.

Underwritten Offering

The price to be paid for each of the 2,127,660 Class A Common Shares issued pursuant to the Underwritten Offering exceeds the net tangible book value of each Class A Common Share or Class B Common Share as at June 30, 1997 by $3.11 after giving effect to the issue of 4,121,674 Class A Common Shares qualified by this prospectus and the exercise of the Equity Special Warrants for 16,615,701 Class A or Class B Common Shares, representing a dilution factor of 132%.

The following table sets forth the dilution of the Class A Common Shares offered pursuant to the Underwritten Offering based upon the net tangible book value of the Company per Common Share as at June 30, 1997, after giving effect to the Laurentian Acquisition Offerings and the Underwritten Offering:

Price per Class A Common Share Pursuant to the Underwritten Offering	$2.35
Net tangible book value per Common Share as at June 30, 1997 after giving effect to the purchase of LFMI, the related financing and the Laurentian Acquisition Offerings	$(0.86)
Increase in net tangible book value attributable to the issuance of 2,127,660 Class A Common Shares issuable pursuant to the Underwritten Offering	$0.10
Net tangible book value after giving effect to the issuance of 2,127,660 Class A Common Shares pursuant to the Underwritten Offering after giving effect to the acquisition of LFMI, the related debt financings and the Laurentian Acquisition Offerings	$(0.76)
Dilution to purchasers of Class A Common Shares pursuant to the Underwritten Offering	$3.11

Percentage of dilution in relation to the price for Class A Common Shares pursuant to the Underwritten Offering..	132%

COMPANY ASSET AND INCOME COVERAGE

Interest Coverage:

The Company's interest requirements, after giving effect to the issue of 10,000 6% First Convertible Subordinated Debentures due May 22, 1999, 5,800 Variable Rate Second Convertible Subordinated Debentures due May 22, 2003 and $55,000,000 in bank financing incurred in connection with the acquisition by the Company of LFMI, now SVFM, amounted to $5,885,891 including amortization of deferred financing fees on a pro forma basis for the twelve month period ended June 30, 1997. The Company's pro forma earnings before interest (including amortization of deferred financing fees) and income taxes for the period then ended was $13,569,098 which is 2.31 times the Company's pro forma interest requirements (including amortization of deferred financing fees) for this period.

Asset Coverage:

Adjusted net tangible assets of the Company of $31,559,255 at June 30, 1997 were equivalent to $446 for each $1,000 of the $70,800,000 principal amount of long-term debt outstanding at June 30, 1997 after giving effect to the issue of 10,000 6% First Convertible Subordinated Debentures due May 22, 1999, 5,800 Variable Rate Second Convertible Subordinated Debentures due May 22, 2003 and $55,000,000 in bank financing issued in connection with the acquisition by the Company of LFMI, now SVFM.

The Credit Agreement requires that any redemption fees received by the Company be applied to reduce amounts outstanding thereunder. See "Management's Discussion and Analysis of Financial Condition and Results of Operations- The Company".

RISK FACTORS

An investment in the securities offered hereby may involve certain risks. Prospective investors should carefully consider the following in light of personal circumstances:

Market Risks

As measured by gross sales and assets under management, growth in the mutual fund industry in the 1996 calendar year was very strong. This growth has been especially pronounced in the case of equity funds, which have experienced increased sales due in part to the current low rates of return from fixed income products. When interest rates increase or there is a general decline in equity markets, the amount of new investment in equity funds may decline and investors may seek to diversify their portfolios by transferring their investments out of equity mutual funds into fixed income products. These factors may result in a slowing in growth or a decrease in assets under management for mutual fund groups that emphasize equity portfolios. See "The Mutual Fund Industry in Canada - Industry Overview."

Competition

The mutual fund industry is highly competitive and competition may intensify in future years. The revenues of mutual fund managers are based on the net asset value of funds under administration, which is dependent upon sales and redemptions of mutual fund securities and the performance of the investment portfolio of the mutual funds. See "The Mutual Fund Industry in Canada - Competition" and "The Mutual Fund Industry in Canada - Factors Affecting Profitability."

Regulatory Risks

The mutual fund industry is a highly regulated industry. There are currently a number of proposed changes to the regulatory framework in which mutual funds operate which, if implemented, could have a substantial impact on the mutual fund industry and, therefore, on the operations of the Company. See "Regulatory Requirements."

Reliance on Key Individual

The Company's success is highly dependent upon the continuing services of certain members of management and key employees, particularly Mark S. Bonham. It is expected that these individuals will be a significant factor in the Company's continued growth and success. The loss of the services and participation of Mark S. Bonham or of one or more others of these individuals could have a material adverse effect upon the Company. The Company has obtained and is the beneficiary of a ten year term key man insurance policy on the life of Mark S. Bonham in the amount of $3,000,000.

Reliance on Key Advisor

GFHIMIL provides investment advice for a significant proportion of the total net assets of the Strategic Value Funds (approximately 33.6% as at August 31, 1997). The GFHIMIL Sub-Advisor Agreement can be terminated by the Company or by GFHIMIL upon 90 days' prior written notice. In the event that GFHIMIL terminates this agreement, there may be a material adverse effect upon the assets of the Funds and, therefore, upon the Company's net assets under administration. See "The Strategic Value Group of Funds - Investment Management and Objectives", "The Strategic Value Group of Funds - Management Arrangements" and "Material Contracts".

In addition to the foregoing, the fact that the Hambros Group of Companies, after giving effect to Offerings described hereunder, will hold 21.41% (on a non-diluted basis) of the Company's aggregate issued and outstanding Class A and Class B Common Shares and $5.8 million principal amount of Variable Rate Second Convertible Subordinated Debentures due May 22, 2003 of the Company, may affect the Company's dealings with GFHIMIL in its capacity as an investment sub-advisor.

Financing Sales of Deferred Sales Charge Units or Shares

Proposed changes to the Income Tax Act (Canada) will, if implemented in their current form, force greater reliance upon alternatives to the form of limited partnership vehicles widely used for funding the sales commissions on deferred sales charge units or shares. These alternatives include debt and equity financing and securitization of management and redemption fees. Smaller fund companies may have limited access to these and other alternatives to the limited partnership structure. Accordingly, the proposed changes may pose significant difficulties to such companies where the deferred sales charge option is essential in competing with "no load" mutual fund groups. SVC intends to finance commissions for deferred sales charge units or shares initially through internally generated cash flow. A Canadian chartered bank has made up to $10,000,000 available to SVC to finance sales commissions pursuant to the Sales Commissions Facility. However, the amount which may be drawn down under this facility is reduced by the amount drawn down by the Company under the Short Term Facility granted by the same bank to the Company. As at September 16, 1997, the Short Term Facility was fully drawn. Consequently, as at September 16, 1997, $5 million was available under the Sales Commissions Facility and no amount had been drawn down thereon. After the closing of the

Underwritten Offering the Company intends to apply the net proceeds from such offering to reduce amounts owing under the Short Term Facility. See "Use of Proceeds". In addition, SVC is evaluating several alternative means of financing deferred sales charge commissions which are available to it and has met with several financial institutions about the possibility of "securitization" products in order to obtain financing to fund the commissions payable with respect to sales of units or shares on a deferred sales charge.

No Assurance of Continued Active Market

There can be no assurance that an active market for the Class A Common Shares issuable upon exercise of the Special Warrants will be sustained following their issuance.

Possible Increased Redemptions

There is potential for increased redemptions relating to the Former Laurentian Mutual Funds as a consequence of the acquisition by the Company of LFMI. See "Strategic Value Corporation - Acquisition of Laurentian Funds Management Inc."

Interest Rate Exposure

The Company has borrowed an aggregate of $55 million which bears interest at prime plus 5% in respect of $5 million and prime plus 1-1/2% in respect of $50 million. Any increase in interest rates would adversely affect the Company's cash flow position.

Performance of the Former Laurentian Mutual Funds

The investment returns achieved by the Former Laurentian Mutual Funds were not as strong as comparable mutual funds and, consequently, may affect the ability of the Company to attract new investors to invest in the Strategic Value Funds.

Eaton's Restructuring

The Eaton's department store chain is presently subject to proceedings under the Companies Creditors' Arrangement Act (Canada). The closure of certain Eaton's stores pursuant to the court approved restructuring plan may affect the sale of units and shares of the Strategic Value Funds within LFMI's traditional distribution network to the extent that representatives related to LFMI were operating out of such stores.

Independent Mutual Fund Management Company

The Company is an independent mutual fund management company which is not affiliated with financial institutions and does not have its own sales force. Consequently, the Company relies upon independent dealers (including stockbrokers, mutual fund dealers and financial planners) in each province of Canada to distribute the securities of the Strategic Value Funds. Access to this distribution network is extremely competitive.

PROMOTER

Mark S. Bonham has taken the initiative in organizing the Company and, accordingly, may be considered to have been a promoter of the Company within the meaning of relevant securities legislation.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Company are KPMG, Chartered Accountants, Suite 3300, Commerce Court West, P.O. Box 31, Stn. Commerce Court, Toronto, Ontario, M5L 1B2.

The registrar and transfer agent of the Class A Common Shares, the Special Warrants and the Rights is Montreal Trust Company of Canada Company at its principal offices in Toronto and Montreal.

The registrar and transfer agent of the Class B Common Shares is the Company.

LEGAL MATTERS

Certain legal matters relating to the offerings will be passed upon by Fasken Campbell Godfrey on behalf of the Company. Certain legal matters relating to the offerings of the Equity Special Warrants and the First Debenture Special Warrants will be passed upon by Fogler, Rubinoff on behalf of the Agent. Certain legal matters relating to the Underwritten Offering will be passed upon by Gowling, Strathy & Henderson. Partners and associates of Fasken Campbell Godfrey own 719,926 Class A Common Shares of the Company.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only contracts which the Company has entered into in the past two years which are currently material to persons entitled to acquire (i) securities on the exercise of Special Warrants, (ii) Class A Common Shares in repayment of indebtedness of the Company or (iii) Class A Common Shares on the exercise of Rights are the following:

(1) the Agency Agreement referred to under "Details of the Offering and Plan of Distribution";

(2) the Purchase Agreement referred to under "Strategic Value Corporation - Acquisition of Laurentian Funds Management Inc.";

(3) the Special Warrant Indenture referred to under "Details of the Offering and Plan of Distribution";

(4) the OSC Escrow Agreement referred to under "Escrowed Shares;

(5) the Private Escrow Agreement referred to under "Escrowed Shares";

(6) the Credit Agreement referred to under "Management's Discussion and Analysis of Financial Condition and Results of Operations - The Company".

(7) the Bonham Loan Agreement referred to under "Interest of Management and Others in Material Transactions";

(8) the Reverse Take-over Agreement referred to under "Strategic Value Corporation - History of the Company.";

(9) an agreement dated November, 1996 between Bonhamco and Instant Gains Group Limited pursuant to which Bonhamco agreed to pay Instant Gains Group Limited fees aggregating $500,000 for consulting services to facilitate the transactions contemplated under the Reverse Take-over Agreement;

(10) Bonhamco, Hambros Fund Managers (UK) Limited ("HFM") and Mark S. Bonham entered into an amended and restated Shareholders' Agreement dated January 15, 1997 pursuant to which: (i) subject to certain exceptions, each of HFM and Mark S. Bonham agreed not to transfer any of the shares of SVC held by them without the consent of the other; (ii) Mark S. Bonham has the right to nominate three representatives to the SVC board of directors and, provided HFM owns Class A Common Shares representing at least 10% of the aggregate Class A Common Shares, HFM has the right to nominate one representative to SVC's board of directors, a fifth member of the board is to be jointly nominated by Mark S. Bonham and HFM, and each of Mark S. Bonham and HFM is to vote their shares of SVC so as to effect the foregoing; (iii) certain fundamental changes to SVC may not be effected without the consent of both Mark S. Bonham and HFM; (iv) HFM or any affiliate of HFM is to act as exclusive international investment sub-advisor to the Company in respect of the mutual funds established and managed by the Company that invest primarily in the securities of non-Canadian issuers; and (v) in certain circumstances set out in the Agreement, HFM has the right to require Mark S. Bonham to purchase all of HFM's shares or to require Mark S. Bonham to sell to HFM all of Mark S. Bonham's shares in SVC, and Mark S. Bonham has the right to require HFM to sell to Mark S. Bonham all of HFM's shares of SVC;

(11) the Deacon Advisory Agreement referred to under "Strategic Value Corporation - Acquisition of Laurentian Funds Management Inc.";

(12) the Underwriting Agreement referred to under "Details of the Rights Offering - Solicitation and Stand-by Commitment" and "Details of the Offering and Plan of Distribution";

(13) the SVC Loan Agreement referred to under "Interest of Management and Others in Material Transactions".

(14) the Management Agreement referred to under the heading "The Strategic Value Group of Funds - Management Arrangements";

(15) the SVF Management Agreement referred to under the heading "The Strategic Value Group of Funds - Management Arrangements";

(16) the Primary Investment Advisor Agreement referred to under the heading "The Strategic Value Group of Funds - Investment Management and Objectives";

(17) the GFHIMIL Sub-advisor Agreement referred to under "The Strategic Value Group of Funds - Management Arrangements"; and

(18) the Distribution Agreement referred to under the heading "The Strategic Value Group of Funds - Method of Distribution".

Copies of the above contracts may be inspected during normal business hours at the offices of the Company at any time until a receipt for this prospectus is issued.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The only material transactions within the three years prior to the date of this prospectus in which any directors, senior officers or principal shareholders of the Company, or any of its associates or affiliates, had any material interest, direct or indirect, are as follows:

1. On November 8, 1996 the Company entered into an agreement (the "Reverse Take-over Agreement") with Mark S. Bonham, the principal shareholder of Bonhamco, and Instant Gains Group Limited, the Company's then principal shareholder, pursuant to which the Company agreed, subject to the terms and conditions thereof, to purchase 1,140,000 Bonhamco Class A Shares held by Mark S. Bonham on the basis of 89.99069 Class A Common Shares of the Company for each Bonhamco Class A Share. The share exchange ratio was determined pursuant to arm's length negotiation between Mark S. Bonham and the Company. A condition of the Reverse Take-over Agreement was that the Company make follow-up offers to all the holders of Bonhamco's remaining issued and outstanding shares on the basis of 89.99069 Class A or Class B Common Shares of the Company for each issued and outstanding Bonhamco Class A or Class B Share (as applicable).

Bonhamco incurred transaction costs of $996,561 in connection with the transactions contemplated by the Reverse Take-over Agreement. $500,000 of such amount was paid to Instant Gains Group Limited as consideration for consulting services rendered to facilitate the transactions contemplated by the Reverse Take-over Agreement; $284,683 related to professional fees; $200,000 of such amount was on account of fees payable to an individual responsible for introducing Mark S. Bonham to Instant Gains Group Limited and the Company (this fee was satisfied by the issuance of 40,000 Class A Common Shares of the Company); and $11,878 related to printing costs, meeting costs and other miscellaneous expenses.

The transactions contemplated by the Reverse Take-over Agreement were completed on February 21, 1997 and, as a result thereof: (i) Bonhamco became a wholly-owned subsidiary of the Company; (ii) the then current shareholders of the Company held 804,599 (after giving effect to a 1-for-5 share consolidation) Class A Common Shares of the Company (2% of the Company's issued and outstanding Class A and Class B Common Shares); (iii) Mark S. Bonham held 20,517,877 (after giving effect to a 1-for-5 share consolidation) Class A Common Shares of the Company (51.4% of the Company's then issued and outstanding Class A and Class B Common Shares); and (iv) the then current shareholders of Bonhamco (including Mark S. Bonham) held 32,587,379 Class A Common Shares and 6,517,378 Class B Common Shares (after giving effect to a 1-for-5 share consolidation) of the Company (98% of the Company's issued and outstanding Class A and Class B Common Shares). See "Strategic Value Corporation - History of the Company".

2. The Company entered into a subscription agreement dated May 22, 1997 with Hambros Tower Hill Holdings Limited, an affiliate of GFHIMIL, pursuant to which the Company issued 3,828,572 Equity Special Warrants at a price of $1.75 per Equity Special Warrant and 5,800 Second Debenture Special Warrants at a price of $1,000 per Second Debenture Special Warrant to Hambros Tower Hill Holdings Limited. The $12.5 million purchase price paid for the Equity Special Warrants and 5,800

Second Debenture Special Warrants was determined pursuant to arm's length negotiations with the Company. See "Details of the Offering and Plan of Distribution".

3. On February 21, 1997, the Company issued a Variable Rate Convertible Debenture (the "February 21 Debenture") due February 21, 1999 in the principal amount of $1,000,000 to Mark S. Bonham, the President and Chief Executive Officer of the Company. The outstanding principal amount of the February 21 Debenture bears interest at prime plus 2% per annum calculated and compounded daily and payable quarterly in arrears on February 17, May 17, August 17 and November 17 in each and every year until maturity. The Company has the right, subject to Mark S. Bonham's right to convert the principal outstanding thereunder into Class A Common Shares, if certain conditions set forth in the February 21 Debenture are met, to redeem the February 21 Debenture prior to its scheduled maturity date. Mark S. Bonham, subject to the conditions set forth in the February 21 Debenture, has the right until February 19, 1999 to convert each $1,000 principal amount outstanding under the February 21 Debenture into that number of Class A Common Shares which equals $1,000 divided by $3.38.

4. The Company entered into a loan agreement dated May 22, 1997 with Mark S. Bonham, the President and Chief Executive Officer of the Company, pursuant to which Mark S. Bonham loaned the Company $3,000,000 (the "Bonham Loan Agreement"). The Bonham Loan Agreement provides that no interest is payable in respect of the Company's indebtedness to Mark S. Bonham during the first year of the loan, and that interest shall accrue, during the second year of the loan at a rate of 3% per annum and thereafter at a rate of 6% per annum. In addition, the Bonham Loan Agreement provides that the Company, subject to regulatory approval, shall repay the indebtedness by issuing to Mark S. Bonham, 1,714,286 Class A Common Shares at an issue price of $1.75 per share. If, for whatever reason, the Company is unable to issue Class A Common Shares as repayment of the amounts owing under the Bonham Loan Agreement before May 22, 2003 (the "Due Date"), then the loan becomes due and payable on the Due Date. All amounts owing under the Bonham Loan Agreement are subordinated to amounts owing under the Credit Agreement and the 6% First Convertible Subordinated Debentures due May 22, 1999 and rank *pari passu* with the amounts owing under the Variable Rate Subordinated Debentures.

5. The GFHIMIL Sub-advisor Agreement referred to under "Strategic Value Corporation - The Company's Business Strategy - Guinness Flight Hambro Investment Managers International Limited" and "The Strategic Value Group of Funds - Management Arrangements".

6. On September 15, 1997 the Company entered into an agreement with Mark S. Bonham, the President and Chief Executive Officer of the Company, pursuant to which Mark S. Bonham borrowed $1,000,000 from the Company (the "SVC Loan Agreement"). The loan is payable on demand and accrues interest at the rate of 2% per annum. If Mark S. Bonham fails to pay the loan and all accrued and unpaid interest thereon when due, the Company has the right to set-off all amounts owing under the SVC Loan Agreement against amounts owing by the Company to Mark S. Bonham pursuant to the February 21 Debenture. Mark S. Bonham, pursuant to the SVC Loan Agreement, has agreed not to exercise his right to convert the principal amount outstanding under the February 21 Debenture into Class A Common Shares of the Company if the result of such conversion is to cause the principal outstanding thereunder to be less than the amount owing under the SVC Loan Agreement. In addition, Mark S. Bonham has agreed not to sell or otherwise transfer the February 21 Debenture without the consent of the Company.

LEGAL PROCEEDINGS

The Company is not currently a party to any material legal proceedings and no such proceedings are known to be contemplated or threatened.

CONTRACTUAL RIGHTS OF ACTION FOR RESCISSION OR DAMAGES

In the event that a holder of Special Warrants that acquires Class A or Class B Common Shares, 6% First Convertible Subordinated Debentures due May 22, 1999 or Variable Rate Second Convertible Subordinated Debentures due May 22, 2003 upon the exercise of the Special Warrants as provided for in this prospectus, is or becomes entitled under applicable securities legislation to the remedy of rescission by reason of this prospectus or any amendment hereto containing a misrepresentation, any such holder shall be entitled to rescission not only of the holder's exercise of its Special Warrants but also of the private placement transaction pursuant to which the Special Warrants were initially acquired, and shall be entitled in connection with such rescission to a full refund of all consideration paid to the Company on the acquisition of the Special Warrants. In the event that such holder is a permitted assignee of the interest of the original Special Warrant subscriber, such permitted assignee shall be entitled to exercise the rights of rescission and refund granted hereunder as if such permitted assignee was such original subscriber. The foregoing rights are in addition to any other right or remedy available to a holder of Special Warrants under section 130 of the Securities Act (Ontario) or otherwise at law.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in the provinces of Ontario, Quebec and Nova Scotia 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. Securities legislation in the provinces of Ontario, Quebec and Nova Scotia 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, provided that such remedies are exercised by the purchaser within the time limit prescribed by applicable securities legislation. The purchaser should refer to any applicable provisions of the applicable securities legislation for the particulars of these rights or consult with a legal advisor.

COMPILATION REPORT

To the Board of Directors of Strategic Value Corporation

We have reviewed, as to compilation only, the accompanying pro forma consolidated statement of income of Strategic Value Corporation for the year ended June 30, 1997. This pro forma consolidated statement of income has been prepared for inclusion in the Prospectus dated September 17, 1997 relating to the distribution of (i) Class A and Class B common shares, 6% first convertible subordinated debentures and variable rate convertible second subordinated debentures to be issued upon the exercise of special warrants previously issued by the Company, (ii) 4,121,674 Class A common shares, and (iii) rights to subscribe for approximately 2,848,608 Class A common shares. In our opinion, the pro forma consolidated statement of income has been properly compiled to give effect to the proposed transactions and assumptions described in the notes thereto.

"KPMG"

Chartered Accountants

Toronto, Canada

September 17, 1997

STRATEGIC VALUE CORPORATION

Pro Forma Consolidated Statement of Income

Year ended June 30, 1997
(Unaudited)

	Strategic Value Corporation (note 1)	Laurentian Funds Management Inc. (note 1)	Pro Forma adjustments (note 3)		Pro Forma
Revenue:					
Management fees	$ 4,132,910	$ 44,510,000	$(3,954,662)	(i)	$ 44,688,248
Performance fees	86,640	–			86,640
Administration fees	1,052,575	–	(1,015,019)	(i)	37,556
Trustee fees	532,042	–	(511,821)	(i)	20,221
Investment and other income	72,265	841,000	(45,511)	(i)	867,754
Sales and redemption fees	530,814	5,885,000	(523,481)	(i)	
			943,000	(iv)	6,835,333
	6,407,246	51,236,000			52,535,752
Expenses:					
Professional fees	234,629	–	(22,112)	(i)	212,517
General and administration	416,382	–	(151,054)	(i)	265,328
Salaries and benefits	618,232	–	(323,497)	(i)	294,735
Rent	198,076	–	(199,883)	(i)	78,193
Computer services	149,765	–	(104,154)	(i)	45,611
Amortization of capital assets	45,766	–	(790)	(i)	44,976
Registration	7,025	–			7,025
Amortization of deferred sales commissions	831,049	–	(731,209)	(i)	99,840
Commissions	971,158	–	(945,123)	(i)	26,035
Amortization of management contracts	12,131	74,000	(74,000)	(iii)	12,131
Advertising	129,232	–	(48,589)	(i)	80,643
Investment advisory fees	248,411		(248,411)	(i)	–
Marketing fees to related companies	–	21,197,000			21,197,000
Fees and expenses to related companies	–	8,541,000			8,541,000
Other operating expenses	–	7,439,000	(249,000)	(iii)	7,190,000
Deferral of acquisition costs, net of amortization	–	(1,625,000)			(1,625,000)
Interest	479,794	998,000	(487,925)	(i)	
			4,418,750	(ii)	5,408,619
Mutual funds directors' fees and expenses	–	135,000			135,000
Marketing fees to others	–	54,000			54,000
Amortization of excess purchase consideration	242,889		(242,889)	(i)	
			2,127,620	(iii)	2,127,620
Amortization of deferred financing fees			477,272	(ii)	477,272
	4,584,539	36,813,000			44,672,545
Income before income taxes	1,822,707	14,423,000			7,863,207
Provision for income taxes:					
Current	834,616	6,092,000	(834,616)	(i)	
			(2,136,557)	(ii)	3,955,443
Deferred	320,322	202,000	(320,322)	(i)	
			410,000	(iv)	612,000
	1,154,938	6,294,000			4,567,443
Net income for the year	$ 667,769	$ 8,129,000			$ 3,295,764
Basic and fully diluted earnings per share	$ 0.017				$ 0.057
Weighted average number of shares outstanding (basic and fully diluted)	39,403,310				58,013,025

See accompanying notes to pro forma consolidated financial statements.

1. Basis of preparation:

The pro forma consolidated statement of income of Strategic Value Corporation ("SVC" or the "Company") has been prepared in accordance with generally accepted accounting principles and reflects the effect of the acquisition by SVC of all of the issued and outstanding shares of Laurentian Funds Management Inc. ("LFMI") and the exercise of the special warrants issued in connection with such acquisition on the statement of income of the Company for the year ended June 30, 1997. A pro forma consolidated balance sheet has not been presented as the unaudited interim balance sheet of the Company as at June 30, 1997 included elsewhere in the prospectus reflects the acquisition of LFMI by the Company. The purchase method of accounting has been used to account for this acquisition.

In compiling the pro forma consolidated statement of income, the following historical information was used:

(a) the unaudited statement of income of SVC for the year ended June 30, 1997.

(b) the audited statement of income of LFMI for the year ended December 31, 1996.

The pro forma consolidated statement of income should be read in conjunction with such financial statements, including the notes thereto. The audited statement of income of LFMI was included in the audited financial statements of LFMI as at and for the year ended December 31, 1996 which were audited by another firm of chartered accountants.

The pro forma consolidated statement of income has been prepared as though the transaction occurred on June 30, 1996. The pro forma consolidated statement of income may not be indicative of either the results that actually would have occurred if the acquisition had taken place on the date indicated, or the results which may be obtained in the future.

2. Acquisition of LFMI:

On April 11, 1997, SVC and Desjardins-Laurentian Financial Corporation ("DLFC") entered into a share purchase agreement pursuant to which SVC agreed to purchase all of the issued and outstanding shares of LFMI from DLFC or an affiliate. LFMI was the manager and principal distributor of the 14 public mutual funds comprising the Laurentian Mutual Funds.

2. Acquisition of LFMI (continued):

On May 23, 1997, SVC completed the purchase of the shares and debt of LFMI from DLFC. The net purchase price, including estimated post-closing adjustments based on working capital and assets under administration, and estimated costs of acquisition, was approximately $114.0 million. The purchase price was financed through the issuance of special warrants, including the issuance of 10,665,928 equity special warrants to DLFC, borrowings in the amount of $55 million from a major Canadian chartered bank and borrowings in the amount of $3.5 million from a shareholder of SVC and certain other individuals. DLFC was paid a commitment fee of $150,000 in consideration of its acquisition of such equity special warrants. The special warrants consisted of the following:

16,615,701 equity special warrants
10,000 first debenture special warrants
5,800 second debenture special warrants

The terms and conditions of the special warrants issued in connection with the acquisition are summarized as follows:

16,615,701 equity special warrants were issued for consideration of $1.75 per equity special warrant. Each equity special warrant entitles the holder, without payment of any additional consideration, to acquire one Class A or Class B common share of the Company.

10,000 first debenture special warrants were issued for consideration of $1,000 per first debenture special warrant. Each first debenture special warrant entitles the holder, without payment of any additional consideration, to acquire a $1,000 principal amount 6% first convertible subordinated debenture of the Company which will mature on May 22, 1999.

5,800 second debenture special warrants were issued for consideration of $1,000 per second debenture special warrant. Each second debenture special warrant entitles the holder, without payment of any additional consideration, to acquire a $1,000 principal amount variable rate second convertible subordinated debenture of the Company which will mature on May 22, 2003. The variable rate second convertible subordinated debentures of the Company bear interest at the lesser of 6% per annum and a rate equal to the dividends which would be payable on the shares issuable on exercise of the conversion rights attaching to such debenture.

2. Acquisition of LFMI (continued):

The special warrants may be exercised at any time during the period (the "Exercise Period") which commenced upon the issuance of the special warrants and which terminates on the expiry time which is 5:00 p.m. (Toronto time) on the expiry date, which is the earlier of (i) the fifth business day after the date (the "Clearance Date") on which a receipt for this prospectus is issued by the securities regulatory authority in each of Ontario, Quebec and Nova Scotia (the "Qualifying Provinces") and (ii) May 22, 1998. All special warrants not exercised prior to the expiry time on the expiry date will be deemed to have been exercised on that date.

In connection with the prospectus to qualify the securities described above, the Company is issuing to holders of record on October 1, 1997 (the "Record Date") of its Class A common shares, excluding certain shareholders as required by or agreed with the Montreal Exchange, transferable rights to subscribe for up to 2,848,608 Class A common shares at a price of $1.75 per Class A common share (the "Subscription Price"). Each such holder of Class A common shares on the Record Date is entitled to receive one Right for each Class A common share held and three Rights confers the right to purchase one Class A common share at the Subscription Price. The Rights expire at 4:30 p.m. (Toronto time) on October 23, 1997 (the "Expiration Time") after which time they will be void and without value. A certificate evidencing Rights (a "Rights Certificate") will be issued to all such holders of record of Class A common shares as of the Record Date or, in the case of certain shareholders, a custodian on their behalf. The Company has retained Yorkton Securities Inc. and CIBC Wood Gundy Securities Inc. (the "Underwriters") to solicit subscriptions for Class A common shares issuable upon exercise of the Rights from residents of Ontario, Quebec and Nova Scotia. In addition, the Underwriters have agreed to purchase up to a maximum of 2,848,608 Class A common shares not taken up pursuant to the Rights Offering at a price of $1.75 per share on October 27, 1997 or such other date as the Company and the Underwriters may agree. A commission of $300,000 will be paid to the Underwriters for services rendered by the Underwriters in connection with the offering of Rights.

2. Acquisition of LFMI (continued):

Under an agreement dated September 17, 1997 between the Underwriters and the Company, the Company agreed to sell and the Underwriters agreed to purchase, as principal, 2,127,660 Class A common shares (the "Underwritten Offering") at $2.35 per Class A common share upon the terms and conditions contained therein. Net proceeds of the offering are estimated to be $4,400,000, after deducting the related commission of $350,000 to be paid to the Underwriters and the estimated expenses of such offering of $250,000. As additional consideration, the Company has agreed to issue to the Underwriters a compensation option which grants the Underwriters the right to purchase up to 212,766 Class A common shares at a price equal to $2.35 per share, expiring 24 months from the date of closing of the Underwritten Offering. In addition, the Company has granted the Underwriters an option to purchase up to an additional 319,149 Class A Common Shares at a price of $2.35 per Class A common share for the purpose of covering overallotments.

In connection with the sale of special warrants, the Agent, Deacon Capital Corporation, is entitled to receive, as additional consideration, at no additional cost, a compensation option which entitles the Agent to purchase up to 453,320 Class A common shares at a price equal to the issue price of the equity special warrants or such other price (not less than the issue price of the equity special warrants) which represents the lowest exercise price as permitted under applicable securities laws and the rules of the Montreal Exchange. The compensation option is exercisable in whole or in part until November 21, 1998.

No consideration has been given to the effect of the Rights Offering or the Underwritten Offering in the preparation of the pro forma consolidated statement of income.

3. Pro forma adjustments:

(i) To eliminate the results of operations of LFMI that have been consolidated with those of SVC since May 23, 1997, the effective date of the acquisition.

(ii) To record interest expense of $4,418,750 and amortization of deferred financing fees of $477,272 relating to the debt issued on acquisition of LFMI and the related income tax effect of $2,136,557.

(iii) To record amortization of excess purchase consideration over a period of forty years, and eliminate amortization of management contracts and software development costs.

(iv) To adjust amounts recorded by LFMI in order to reflect SVC's policy for recording redemption fee income.

AUDITORS' REPORT TO THE DIRECTORS OF STRATEGIC VALUE CORPORATION

We have audited the consolidated balance sheet of Strategic Value Corporation as at October 31, 1996 and the consolidated statements of operations and deficit and changes in financial position for the period from November 9, 1995 to October 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 1996 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.

"KPMG"

Chartered Accountants

Toronto, Canada
November 28, 1996

STRATEGIC VALUE CORPORATION

Consolidated Balance Sheet

June 30, 1997, with comparative figures as at October 31, 1996

	June 30, 1997 (Unaudited)	October 31, 1996
Assets		
Current assets:		
Cash	$ 6,620,712	$ 347,088
Securities owned, at market value (note 3)	459,000	1,440,380
Accounts receivable	5,979,018	15,430
Goods and services tax recoverable	–	35,240
Prepaid expenses and other assets	254,738	51,830
	13,313,468	1,889,968
Contingency fund deposit (note 4)	60,000	10,000
Capital assets (note 5)	137,559	147,381
Management contracts (note 6)	158,300	107,452
Deferred sales commissions (note 7)	25,108,247	83,493
Deferred financing costs (note 8)	1,229,167	–
Goodwill (note 9)	84,861,911	
	$124,868,652	$ 2,238,294
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	5,446,870	125,940
Income taxes payable	1,934,616	–
Current portion of long term debt (note 10)	15,000,000	–
	22,381,486	125,940
Long term debt (note 10)	39,552,161	–
Convertible debenture special warrants (note 11)	15,800,000	–
Deferred taxes	11,567,451	–
Shareholders' equity:		
Capital stock (note 12)	30,559,204	2,510,000
Variable rate convertible debenture (note 13)	1,000,000	–
Shareholder and individual loans (note 14)	3,489,525	–
Retained earnings/(deficit)	518,825	(397,646)
	35,567,554	2,112,354
Commitments (note 17)		
	$124,868,652	$ 2,238,294

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(Signed) HOWARD B. BORLACK Director

(Signed) MARK S. BONHAM Director

STRATEGIC VALUE CORPORATION

Consolidated Statement of Operations and Retained Earnings (Deficit)

	For the period November 1, 1996 to June 30, 1997	For the period November 9, 1995 to June 30, 1996	For the period November 9, 1995 to October 31, 1996
	(Unaudited)	(Unaudited)	
Revenue:			
Management fees	$4,100,427	$ 6,421	$ 38,904
Performance fees	86,640	–	–
Net realized and unrealized gains and (losses) on securities	–	–	(36,850)
Administration fees	1,048,244	856	5,187
Trustee fees	528,432	713	4,323
Redemption fees	530,814	–	–
Investment income	108,826	689	978
	6,403,383	8,679	12,542
Expenses:			
Salaries and benefits	566,792	8,170	59,610
General and administration	404,263	34,320	114,310
Professional fees	127,219	2,500	109,910
Amortization of deferred sales commissions	827,508	–	3,541
Advertising	129,232	–	–
Rent	172,912	25,165	50,329
Amortization of capital assets	32,230	6,333	19,869
Commissions	968,592	90	2,656
Computer services	121,527	20,133	48,371
Amortization of management contracts	10,539	–	1,592
Interest	459,027	66	–
Investment advisory fees	248,411	–	–
Amortization of goodwill	242,889	–	–
Amortization of deferred financing costs	20,833		
	4,331,974	96,777	410,188
Income (loss) before income taxes	2,071,409	(88,098)	(397,646)
Provision for income taxes			
Current	834,487	–	–
Deferred	320,451	–	–
	1,154,938	–	–
Net income (loss) for the period	916,471	(88,098)	(397,646)
Deficit, beginning of period	397,646	–	–
Retained earnings/(deficit), end of period	$ 518,825	$ (88,098)	$(397,646)
Earnings/(loss) per share (note 15)	$ 0.023	$ (0.003)	$ (0.010)

See accompanying notes to consolidated financial statements.

STRATEGIC VALUE CORPORATION

Consolidated Statement of Changes in Financial Position

	For the period November 1, 1996 to June 30, 1997	For the period November 9, 1995 to June 30, 1996	For the period November 9, 1995 to October 31, 1996
	(Unaudited)	(Unaudited)	
Cash provided by (used in):			
Operations:			
Income/loss for the period	$ 916,471	$ (88,098)	$ (397,646)
Add back items not involving cash			
Amortization	1,133,999	6,333	25,002
Deferred income taxes	320,451	–	–
Add (deduct) changes in non-cash balances relating to operations:			
Securities owned	1,440,380	(100,745)	(1,440,380)
Goods and services tax recoverable/payable	149,223	(16,864)	(35,240)
Accounts receivable	(4,361,588)	(4,873)	(15,430)
Contingency fund deposit	–	–	(10,000)
Prepaid expenses and other assets	(202,908)	(77,601)	(51,830)
Accounts payable and accrued liabilities	3,895,947	16,174	125,940
Income taxes payable	834,616	–	–
	4,126,591	(265,674)	(1,799,584)
Financing activities:			
Financing costs	(1,250,000)	–	–
Issuance of common shares	28,049,204	460,000	2,510,000
Issuance of long-term debt	54,552,161	–	–
Issuance of convertible debenture special warrants	15,800,000	–	–
Issuance of variable rate convertible debenture	1,000,000	–	–
Issuance of shareholder and individual loans	3,489,525	–	–
	101,640,890	460,000	2,510,000
Investing activities:			
Purchase of capital assets	(22,408)	(155,738)	(167,250)
Management contracts	(61,387)	–	(109,044)
Selling commissions paid	(1,543,262)	(3,161)	(87,034)
Acquisition of Laurentian Funds Management Inc., net of cash acquired	(97,866,800)	–	–
	(99,493,857)	(158,899)	(363,328)
Net increase in cash	6,273,624	35,427	347,088
Cash, beginning of period	347,088	–	–
Cash, end of period	$ 6,620,712	$ 35,427	$ 347,088

See accompanying notes to consolidated financial statements.

Strategic Value Corporation ("SVC"), through its subsidiary, Bonham & Co. Inc. ("Bonham & Co.") is a Canadian mutual fund management company which has its shares traded on the Montreal Exchange. On November 8, 1996, SVC agreed to acquire all of the outstanding shares of Bonham & Co. which, under generally accepted accounting principles was recorded as a reverse take over transaction (note 1(a)). This purchase transaction closed on February 21, 1997.

Bonham & Co. was incorporated in Ontario on November 9, 1995 under the Business Corporations Act. Bonham & Co. is registered with the Ontario Securities Commission as a securities dealer, investment counsellor and portfolio manager. Bonham & Co. is the trustee and manager of the Strategic Value Fund, and the Strategic Value Series of Funds (the "Funds").

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods specified. Actual results could differ from those estimates.

Information and amounts presented as at June 30, 1997 and for the period from November 9, 1995 to June 30, 1996 and from November 1, 1996 to June 30, 1997 are unaudited.

1. Significant accounting policies:

(a) Basis of presentation:

On November 6, 1996, Bonham & Co. issued an offering memorandum (the "Offering") for the issuance of Class A common shares. Pursuant to the Offering, Bonham & Co. issued on November 8, 1996, 119,515 Class A common shares at $4.70234 per share for gross proceeds to Bonham & Co. of $562,000. Also on November 8, 1996, Hambros Fund Managers (Channel Islands) Limited converted 13,280 Class B common shares into an equal number of Class A common shares of Bonham & Co.. On the same date, Bonham & Co.'s principal shareholder entered into a share purchase agreement with SVC (formerly Galtaco Inc.), a public company, and its principal shareholder, Instant Gains Group Limited ("IGGL"). On February 21, 1997, and under the terms of the share purchase agreement, SVC purchased all of the outstanding shares of Bonham & Co., including the common shares issued pursuant to the Offering, in exchange for 89.99069 of its shares for each share of Bonham & Co. Bonham & Co. also paid IGGL a fee of $500,000 for certain services rendered by IGGL to Bonham & Co. in facilitating the transaction. As a result of this transaction, the shareholders of Bonham & Co. owned approximately 98% of the outstanding shares of SVC and, accordingly, the purchase of Bonham & Co. by SVC is accounted for as a reverse takeover transaction under generally accepted accounting principles.

1. Significant accounting policies (continued):

Under the principles of reverse takeover accounting, the consolidated financial statements of SVC, the legal parent, are presented as a continuation of the financial position and results from operations of Bonham & Co., the legal subsidiary.

Application of reverse takeover accounting results in the following:

(i) The consolidated financial statements of the combined entity are issued under the name of the legal parent SVC but are considered a continuation of the financial statements of the legal subsidiary, Bonham & Co.;

(ii) As Bonham & Co. is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values;

(iii) The comparative financial statements for the period from November 9, 1995 (date of incorporation of Bonham & Co.) to October 31, 1996 and for the period from November 9, 1995 to June 30, 1996 are those of Bonham & Co.; and

(iv) Control of the net assets and operations of SVC is deemed to be acquired by Bonham & Co. effective February 21, 1997. For purposes of this transaction, the deemed consideration is the $270,300 ascribed to the common shares and preferred shares of SVC outstanding immediately prior to the business combination, plus $996,561 of transaction costs.

The accounting for the business combination on this basis can be summarized as follows:

	(Unaudited)
Deemed consideration (including transaction costs)	$ 1,266,861
Assigned value of net liabilities of SVC assumed	10,083
Excess of deemed consideration over net liabilities assumed	$ 1,276,944

The excess of deemed consideration over net liabilities assumed has been applied to reduce share capital as it is considered for accounting purposes to be a capital transaction.

1. Significant accounting policies (continued):

(b) Revenue recognition:

Management, administration and trustee fees are recognized in income as the services are performed.

Redemption fees are recognized in income when cash is received.

Performance fees are recognized in income when the fees are earned.

(c) Securities owned:

Securities owned are recorded at market value which approximates fair value. Realized and unrealized gains and losses are included in income.

(d) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Amortization is provided using the straight-line method at the following annual rates:

Asset	Rate
Furniture and fixtures	Over 5 years
Computer equipment	Over 2 years
Leasehold improvements	Over lease term

(e) Deferred sales commissions:

Commissions paid on sales of mutual fund securities of back-end load funds represent commissions paid to brokers and dealers. These commissions are deferred and amortized to income on a straight-line basis over seven years. Any unamortized costs are written off when related mutual fund securities are redeemed.

(f) Management contracts:

Management contracts are carried at cost less accumulated amortization, and are amortized on a straight-line basis over ten years.

1. Significant accounting policies (continued):

(g) Income taxes:

The company follows the tax allocation basis of accounting for income taxes whereby income taxes deferred to future years as a result of timing differences between accounting income and income for tax purposes are recorded as deferred income taxes.

(h) Goodwill:

Goodwill represents the excess of the purchase price over the fair values of the net tangible assets acquired, and is being amortized on a straight-line basis over forty years. On an ongoing basis, management reviews the valuation and amortization of goodwill, taking into consideration any events and circumstances which might have impaired the fair value. Goodwill is written down to the estimated recoverable amount when declines in value are considered to be other than temporary based upon expected future cash flows.

(i) Deferred financing costs:

Deferred financing costs represent the unamortized cost of the issue of convertible subordinated special warrants. Amortization is provided on a straight-line basis over the term of the related debt.

(j) Other financial assets and liabilities:

The carrying value of financial assets and liabilities recorded at cost approximates fair value.

2. Acquisition of Laurentian Funds Management Inc.:

On April 11, 1997, SVC and Desjardins-Laurentian Financial Corporation ("DLFC") entered into a share purchase agreement pursuant to which SVC agreed to purchase all of the issued and outstanding shares of Laurentian Funds Management Inc. ("LFMI") from DLFC or an affiliate. LFMI was the manager and principal distributor of the 14 public mutual funds comprising the Laurentian Mutual Funds.

On May 23, 1997, SVC completed the purchase of the shares and debt of LFMI from DLFC. The net purchase price, including estimated post-closing adjustments based on working capital and assets under administration, and estimated costs of acquisition, was $114.0 million. The consideration paid (including costs) for the acquisition of LFMI comprised cash of $95.3 million and 10,665,928 equity special warrants valued at $18.7 million. The purchase price was financed through the issuance of special warrants, including the issuance of 10,665,928 equity special warrants to DLFC, borrowings in the amount of $55 million from a major Canadian chartered bank and borrowings in the amount of $3.5 million from a shareholder of SVC and certain other individuals. DLFC was paid a commitment fee of $150,000 in consideration of its acquisition of such equity special warrants.

The financing for the acquisition is summarized as follows:

		($ millions)
Cash	$	10.6
Equity special warrants		29.1
First debenture special warrants		10.0
Second debenture special warrants		5.8
Bank borrowings		55.0
Shareholder and individual borrowings		3.5
	$	114.0

2. Acquisition of Laurentian Funds Management Inc. (continued):

The transaction has been accounted for by the purchase method with the results of operations included in these financial statements from the date of acquisition. Details of the acquisition are as follows:

	(Unaudited)
Net assets acquired at assigned values:	
Cash	$ 16,166,000
Non-cash current assets	1,611,000
Deferred sales commissions	24,309,000
Other assets	500,000
	42,586,000
less:	
Current liabilities	2,411,000
Deferred income taxes	11,247,000
	13,658,000
	28,928,000
Goodwill	85,104,800
	$114,032,800

The purchase equation is subject to final adjustments and the actual allocation of the purchase price to the net assets acquired may vary from that presented above.

The special warrants issued in connection with the acquisition, and their terms and conditions are as follows:

16,615,701 equity special warrants were issued for consideration of $1.75 per equity special warrant. Each equity special warrant entitles the holder, without payment of any additional consideration, to acquire one Class A or Class B common share of SVC.

2. Acquisition of Laurentian Funds Management Inc. (continued):

10,000 first debenture special warrants were issued for consideration of $1,000 per first debenture special warrant. Each first debenture special warrant entitles the holder, without payment of any additional consideration, to acquire a $1,000 principal amount 6% first convertible subordinated debenture of SVC which will mature on May 22, 1999.

5,800 second debenture special warrants were issued for consideration of $1,000 per second debenture special warrant. Each second debenture special warrant entitles the holder, without payment of any additional consideration, to acquire a $1,000 principal amount variable rate second convertible subordinated debenture of SVC which will mature on May 22, 2003. The variable rate second convertible subordinated debentures of SVC bear interest at the lesser of 6% per annum and a rate equal to the dividends which would be payable on the shares issuable on exercise of the conversion rights attaching to such debenture.

The special warrants may be exercised at any time during the period (the "Exercise Period") which commenced upon the issuance of the special warrants and which terminates on the expiry time which is 5:00 p.m. (Toronto time) on the expiry date, which is the earlier of (i) the fifth business day after the date (the "Clearance Date") on which a receipt for a prospectus is issued by the securities regulatory authority in each of Ontario, Quebec and Nova Scotia (the "Qualifying Provinces") and (ii) May 22, 1998. All special warrants not exercised prior to the expiry time on the expiry date will be deemed to have been exercised on that date.

2. Acquisition of Laurentian Funds Management Inc. (continued):

In connection with the prospectus to qualify the securities described above, SVC is issuing to holders of record on October 1, 1997 (the "Record Date") of its Class A common shares, excluding certain shareholders as required by or agreed with the Montreal Exchange, transferable rights to subscribe for up to 2,848,608 Class A common shares at a price of $1.75 per Class A common share (the "Subscription Price"). Each such holder of Class A common shares on the Record Date is entitled to receive one Right for each Class A common share held and three Rights confers the right to purchase one Class A common share at the Subscription Price. The Rights expire at 4:30 p.m. (Toronto time) on October 23, 1997 (the "Expiration Time") after which time they will be void and without value. A certificate evidencing Rights (a "Rights Certificate") will be issued to all such holders of record of Class A common shares as of the Record Date or, in the case of certain shareholders, a custodian on their behalf. SVC has retained Yorkton Securities Inc. and CIBC Wood Gundy Securities Inc. (the "Underwriters") to solicit subscriptions for Class A common shares issuable upon exercise of the Rights from residents of Ontario, Quebec and Nova Scotia. In addition, the Underwriters have agreed to purchase up to a maximum of 2,848,608 Class A common shares not taken up pursuant to the Rights Offering at a price of $1.75 per share on October 27, 1997 or such other date as SVC and the Underwriters may agree. A commission of $300,000 will be paid to the Underwriters for services rendered by the Underwriters in connection with the offering of Rights. Under an agreement dated September 17, 1997 between the Underwriters and SVC, SVC agreed to sell and the Underwriters agreed to purchase, as principal, 2,127,660 Class A common shares (the "Underwritten Offering") at $2.35 per Class A common share upon the terms and conditions contained therein. Net proceeds of the offering are estimated to be $4,400,000, after deducting the related commission of $350,000 to be paid to the Underwriters and the estimated expenses of such offering of $250,000. As additional consideration, SVC has agreed to issue to the Underwriters a compensation option which grants the Underwriters the right to purchase up to 212,766 Class A common shares at a price equal to $2.35 per share, expiring 24 months from the date of closing of the Underwritten Offering. In addition, SVC has granted the Underwriters an option to purchase up to an additional 319,149 Class A common shares at a price of $2.35 per Class A common share for the purpose of covering overallotments.

In connection with the sale of special warrants, the Agent, Deacon Capital Corporation, is entitled to receive, as additional consideration, at no additional cost, a compensation option which entitles the Agent to purchase up to 453,320 Class A common shares at a price equal to the issue price of the equity special warrants or such other price (not less than the issue price of the equity special warrants) which represents the lowest exercise price as permitted under applicable securities laws and the rules of the Montreal Exchange. The compensation option is exercisable in whole or in part until November 21, 1998.

3. Securities owned:

Securities owned include units of the Strategic Value Series of Funds and the Strategic Value Fund which, at June 30, 1997 had a market value of $450,000 (October 31, 1996 - $1,380,000).

4. Contingency fund deposit:

Through its subsidiaries, SVC has deposited funds with a trustee pursuant to securities regulatory requirements. The deposits may not be remitted to the subsidiary companies while they remain registered with the securities regulatory authorities.

5. Capital assets:

Capital assets are comprised of:

	June 30, 1997		
	Cost	Accumulated amortization	Net book value
		(Unaudited)	
Furniture and fixtures	$ 105,073	$ 22,694	$ 82,379
Computer equipment	47,485	20,904	26,581
Leasehold improvements	37,100	8,501	28,599
	$ 189,658	$ 52,099	$ 137,559

	October 31, 1996		
	Cost	Accumulated amortization	Net book value
Furniture and fixtures	$ 95,855	$ 9,278	$ 86,577
Computer equipment	34,295	7,037	27,258
Leasehold improvements	37,100	3,554	33,546
	$ 167,250	$ 19,869	$ 147,381

6. Management contracts:

	June 30, 1997	October 31, 1996
	(Unaudited)	
Management contracts, at cost	$ 170,431	$ 109,044
Less accumulated amortization	12,131	1,592
	$ 158,300	$ 107,452

7. Deferred sales commissions:

	June 30, 1997	October 31, 1996
	(Unaudited)	
Deferred sales commissions	$ 25,939,296	$ 87,034
Less accumulated amortization	831,049	3,541
	$ 25,108,247	$ 83,493

8. Deferred financing costs:

	June 30, 1997	October 31, 1996
	(Unaudited)	
Deferred financing costs	$ 1,250,000	$ –
Less accumulated amortization	20,833	–
	$ 1,229,167	$ –

9. Goodwill:

	June 30, 1997	October 31, 1996
	(Unaudited)	
Goodwill	$ 85,104,800	$ –
Less accumulated amortization	242,889	–
	$ 84,861,911	$ –

10. Long-term debt:

SVC has arranged for three credit facilities aggregating $55,000,000 with a Canadian chartered bank. At June 30, 1997, $54,552,161 was outstanding under the facility, of which $5,000,000 matures on October 22, 1997 and is subject to interest at prime plus 5%. The remaining balance of $49,552,161 matures on May 20, 2002, is repayable in quarterly instalments of $2,500,000, and is subject to interest at prime plus 1-1/2%. The loan facilities are secured by a general security agreement covering all assets and material contracts of SVC and its subsidiaries.

	June 30, 1997 (Unaudited)	October 31, 1996
Balance outstanding	$ 54,552,161	$ –
less: current portion	15,000,000	–
	$ 39,552,161	$ –

11. Convertible debenture special warrants:

	June 30, 1997 (Unaudited)	October 31, 1996
10,000 first debenture special warrants (a)	$ 10,000,000	$ –
5,800 second debenture special warrants (b)	5,800,000	–
	$ 15,800,000	$ –

(a) 10,000 First Debenture Special Warrants were issued on a private placement basis for consideration of $1,000 per First Debenture Special Warrant. Each First Debenture Special Warrant entitles the holder, without payment of any additional consideration, to acquire a $1,000 principal amount 6% First Convertible Subordinated Debenture of SVC which will mature on May 22, 1999 (note 2).

(b) 5,800 Second Debenture Special Warrants were issued on a private placement basis for consideration of $1,000 per Second Debenture Special Warrant. Each Second Debenture Special Warrant entitles the holder, without payment of any additional consideration, to acquire a $1,000 principal amount Variable Rate Second Convertible Subordinated Debenture of SVC which will mature on May 22, 2003. The Variable Rate Second Convertible Subordinated Debentures of SVC bear interest at the lesser of 6% per annum and a rate equal to the dividends which would be payable on the shares issuable on exercise of the conversion rights attaching to such debentures (note 2).

12. Capital stock:

The authorized share capital consists of an unlimited number of Class A and Class B common shares, and preferred shares described below. The rights, privileges, restrictions and conditions attaching to the Class A and Class B common shares are identical in all material respects, except that the Class B common shares are non-voting and the Class B common shares are convertible into Class A common shares on a one-for-one basis.

	June 30, 1997	October 31, 1996
	(Unaudited)	
Preferred shares	$ 66,000	$ –
Class A and Class B common shares	2,540,728	2,510,000
Equity special warrants	27,952,476	–
	$ 30,559,204	$ 2,510,000

As described in note 1(a), Bonham & Co. is deemed, for accounting purposes, to have acquired SVC effective February 21, 1997.

(a) First, second and third preference shares:

On February 21, 1997, SVC's authorized and issued first, second and third preferred shares were as follows:

	Number of shares		
	Authorized	Issued	Stated capital
		(Unaudited)	
First preference shares, redeemable at up to $105 per share, and bearing a cumulative annual dividend of $6.00 per share	2,828	318	$ 32,000
Second preference participating shares, redeemable at up to $105 per share, and bearing a cumulative annual dividend of $6.25 per share	779	279	28,000
Third preference shares, Series I	3,111,500	8,504	6,000
Preferred share capital, June 30, 1997			$ 66,000

12. Capital stock (continued):

(b) Common shares:

To February 21, 1997:

The authorized share capital of Bonham & Co. consisted of 1,677,777 Class A shares and 237,157 Class B shares without par value at October 31, 1996. Changes in the capital stock of Bonham & Co. to February 21, 1997, the effective date of the business combination with SVC, were as follows:

Issued for cash from November 9, 1995 to October 31, 1996:	
1,677,777 Class A shares	$ 1,924,331
237,157 Class B shares	585,669
Share capital of Bonham & Co., October 31, 1996	2,510,000
Conversion of 13,280 Class B shares to Class A shares on a one for one basis	-
Issued for cash:	
119,515 Class A shares	562,000
138,237 Class B shares, upon exercise of option	341,372
Share capital of Bonham & Co., February 21, 1997 (unaudited)	$ 3,413,372

As at June 30, 1997:

The ascribed share capital of SVC, the continuing consolidated entity, as at February 21, 1997 and to June 30, 1997, for accounting purposes, is computed as follows:

	(Unaudited)
Existing share capital of Bonham & Co., February 21, 1997	$ 3,413,372
Ascribed value of the shares of SVC (note 1(a)(iv))	270,300
Issued for services	200,000
Excess of deemed consideration over net assets of SVC (note 1(a)(iv))	(1,276,944)
Share capital of SVC, February 21, 1997	2,606,728
Less amount allocated to preferred shares outstanding (note 12(a))	(66,000)
Common share capital, June 30, 1997	$ 2,540,728

12. Capital stock (continued):

As a result of the business combination, Bonham & Co. became a wholly-owned subsidiary of SVC. For accounting purposes, at February 21, 1997, the outstanding shares of SVC, the continuing consolidated entity, consisted of the number of SVC shares issued to that date with an ascribed value equal to the share capital of the continuing consolidated entity at that date as computed above. As a result, the number of outstanding Class A and Class B common shares of SVC is as follows:

	Class A	Class B
	(Unaudited)	
Existing outstanding common shares of SVC, February 21, 1997	4,022,997	–
Shares issued to effect the business combination with Bonham & Co.	162,937,158	32,586,884
	166,960,155	32,586,884
Issued shares outstanding after giving effect to a 1 for 5 share consolidation immediately following the business combination	33,392,031	6,517,378
Issued for services	40,000	–
Outstanding shares, June 30, 1997	33,432,031	6,517,378

(c) Special Warrants:

On May 23, 1997, SVC issued 16,615,701 equity special warrants for proceeds of $29,077,476 before estimated issue costs of $1,125,000.

(d) Stock Option Plan:

On January 9, 1997, a Stock Option Plan (the "Plan") was approved by the shareholders to promote the long-term success of SVC by encouraging directors, officers and employees to acquire a proprietary interest in SVC. 1,000,000 Class A common shares may be issued under the Plan. On June 26, 1997 and July 7, 1997, the Board of Directors approved the issuance of 540,000 options to purchase Class A common shares at a price of $2.50 per share of which, 310,000 options expire on June 25, 2002, 180,000 expire on June 25, 2004 and 50,000 expire on July 6, 2002. On September 17, 1997, the Board of Directors approved the issuance of 140,000 options to purchase Class A common shares at a price of $2.85 per share which expire on September 17, 2004.

12. Capital stock (continued):

(e) Purchase Warrants:

A total of 221,823 Class A common shares of SVC are reserved for issuance in respect of 1,109,116 outstanding purchase warrants. Each purchase warrant entitles the holder thereof to acquire one-fifth of a Class A common share for a price of $2.50. These purchase warrants expire on June 27, 2001.

13. Variable rate convertible debenture:

The variable rate convertible debenture matures on February 21, 1999, is unsecured, and is subject to interest at prime plus 2%. Interest and principal are payable, at the option of the holder or the issuer, by the issuance of Class A common shares of SVC, and accordingly the convertible debenture is presented as part of shareholders' equity.

14. Shareholder and individual convertible loans:

On May 23, 1997, SVC borrowed $3,489,525 from a shareholder of SVC and certain other individuals. SVC is required to use its best efforts to repay such indebtedness by the issuance of Class A common shares valued at $1.75 per share being 1,994,014 Class A common shares in aggregate.

15. Earnings/(loss) per share:

Earnings/(loss) per share has been calculated using the weighted average number of common shares deemed or actually outstanding during the periods presented and consists of 39,555,028 shares for the period ended June 30, 1997 and 39,104,808 for the period ended June 30, 1996 and October 31, 1996.

16. Income taxes:

At October 31, 1996, Bonham & Co. had non-capital losses of approximately $390,000 available to offset taxable income in future years, the benefit of which had not been recorded in these financial statements. These losses expire in 2003.

17. Commitments:

At October 31, 1996, Bonham & Co. was committed under long-term lease commitments for its premises in Toronto. The future minimum annual rental payments under the terms of the lease, including estimated operating costs, are as follows:

1997	$ 83,479
1998	83,479
1999	83,479
2000	83,479
2001	83,479
2002	55,652
	$ 473,047

In June 1997, SVC entered into a ten year lease commitment for its premises in Toronto commencing August 1, 1997. The future minimum annual rental payments under the terms of the lease, including estimated operating costs, for years one to five aggregate to $3,988,925 and for years six to ten aggregate to $4,494,385.

AUDITORS' REPORT

To the Directors of
Laurentian Funds Management Inc.

We have audited the balance sheets of **Laurentian Funds Management Inc.** as at December 31, 1995 and 1996 and the statements of income, retained earnings and changes in financial position for the years ended December 31, 1994, 1995 and 1996. These financial statements are the responsibility of the Company's management Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1995 and 1996 and the results of its operations and the changes in its financial position for the years ended December 31, 1994, 1995 and 1996 in accordance with generally accepted accounting principles.

Toronto, Canada
January 17, 1997 (except as to
note 1 which is as of May 23, 1997)

"Ernst & Young"
Chartered Accountants

Laurentian Funds Management Inc.

BALANCE SHEET

	June 30, 1997 (Unaudited)	Dec 31, 1996	Dec 31, 1995
ASSETS			
Current			
Cash and short-term notes	$16,221,000	$12,368,000	$17,751,000
Accounts receivable and prepaid expenses	5,954,000	2,084,000	1,995,000
Due from related companies	0	0	64,000
Accrued redemption fees - current portion	1,735,000	1,838,000	2,121,000
Investments in other funds	9,000	9,000	8,000
	23,919,000	16,299,000	21,939,000
Accrued redemption fees, net of current portion	6,016,000	6,456,000	7,116,000
Deferred acquisition costs	24,272,000	24,463,000	22,838,000
Computer software development costs, net	277,000	402,000	651,000
Investment in Laurentian mutual funds	450,000	450,000	450,000
Contingency funds deposits	50,000	50,000	50,000
Funds management contracts, net	2,451,000	2,488,000	2,562,000
	$57,435,000	$50,608,000	$55,606,000
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current			
Accounts payable and accrued liabilities	977,000	1,346,000	1,250,000
Due to related companies	2,164,000	1,051,000	664,000
Current income taxes	2,195,000	1,035,000	4,847,000
Deferred income taxes - current portion	892,000	944,000	1,091,000
	6,228,000	4,376,000	7,852,000
Subordinated loans from			
Desjardins-Laurentian Life Group	0	0	16,000,000
Parent	6,000,000	6,000,000	0
Deferred income taxes	14,307,000	14,701,000	14,352,000
	26,535,000	25,077,000	38,204,000
Shareholder's Equity			
Capital stock			
Authorized -			
690,000 7% non-cumulative, redeemable, preference shares			
10,000 common shares			
Issued - (June 30, 1997 - 2,750 common shares)	10,025,000	25,000	25,000
2,500 common shares			
Contributed surplus	225,000	225,000	225,000
Retained Earnings	20,650,000	25,281,000	17,152,000
	30,900,000	25,531,000	17,402,000
	$57,435,000	$50,608,000	$55,606,000

On behalf of the Board:

(Signed) MARK S. BONHAM Director

(Signed) DENNIS PELLARIN Director

Laurentian Funds Management Inc.

STATEMENT OF INCOME

	Six Months Ended June 30, 1997 (Unaudited)	Six Months Ended June 30, 1996 (Unaudited)	Year Ended Dec 31, 1996	Year Ended Dec 31, 1995	Year Ended Dec 31, 1994
REVENUE					
Mutual funds management fees	$23,408,000	$22,044,000	$44,510,000	$42,046,000	$41,639,000
Mutual funds sales and redemption fees	3,297,000	2,744,000	5,885,000	6,907,000	5,072,000
Other income	210,000	466,000	841,000	925,000	323,000
	26,915,000	25,254,000	51,236,000	49,878,000	47,034,000
EXPENSES					
Marketing fees to related companies	10,239,000	11,413,000	21,197,000	17,558,000	29,346,000
Marketing fees to others	28,000	26,000	54,000	0	0
Deferral of acquisition costs, net of amortization	191,000	(1,031,000)	(1,625,000)	1,440,000	(10,472,000)
Fees and expenses to related companies	3,606,000	4,252,000	8,541,000	7,542,000	8,531,000
Other operating expenses	3,561,000	4,008,000	7,439,000	7,251,000	7,449,000
Interest	180,000	576,000	998,000	1,887,000	2,160,000
Mutual funds directors' fees and expenses	60,000	42,000	135,000	110,000	103,000
Amortization of funds management contracts	37,000	37,000	74,000	73,000	73,000
	17,902,000	19,323,000	36,813,000	35,861,000	37,190,000
Income before income taxes	9,013,000	5,931,000	14,423,000	14,017,000	9,844,000
Provision for (recovery of) income taxes					
Current	4,090,000	2,504,000	6,092,000	5,114,000	270,000
Deferred	(446,000)	84,000	202,000	983,000	4,093,000
	3,644,000	2,588,000	6,294,000	6,097,000	4,363,000
Net income for the period	$5,369,000	$3,343,000	$8,129,000	$7,920,000	$5,481,000

Laurentian Funds Management Inc.

STATEMENT OF RETAINED EARNINGS

	Six Months Ended June 30, 1997 (Unaudited)	Six Months Ended June 30, 1996 (Unaudited)	Year Ended Dec 31, 1996	Year Ended Dec 31, 1995	Year Ended Dec 31, 1994
Retained earnings, beginning of year	$25,281,000	$17,152,000	$17,152,000	$9,232,000	$3,751,000
Net Income for the period	5,369,000	3,343,000	8,129,000	7,920,000	5,481,000
Less:					
Dividends on commons shares	(10,000,000)	0	0	0	0
Retained earnings, end of period	$20,650,000	$20,495,000	$25,281,000	$17,152,000	$9,232,000

Laurentian Funds Management Inc.

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Six Months Ended June 30, 1997 (Unaudited)	Six Months Ended June 30, 1996 (Unaudited)	Year Ended Dec 31, 1996	Year Ended Dec 31, 1995	Year Ended Dec 31, 1994
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Net Income for the period	$5,369,000	$3,343,000	$8,129,000	$7,920,000	$5,481,000
Add (deduct) non-cash items included in income -					
Deferred income taxes	(446,000)	84,000	202,000	983,000	4,093,000
Decrease in accrued redemption fees	543,000	675,000	943,000	1,165,000	1,475,000
Decrease (increase) in deferred acquisition costs	191,000	(1,031,000)	(1,625,000)	1,440,000	(10,472,000)
Amortization of funds management contracts	37,000	37,000	74,000	73,000	73,000
Amortization of computer software development costs	125,000	124,000	249,000	250,000	249,000
	5,819,000	3,232,000	7,972,000	11,831,000	899,000
Net change in other non-cash working capital balances related to operating activities	(1,966,000)	(3,734,000)	(3,355,000)	4,440,000	(1,206,000)
Cash provided by (used in) operating activities	3,853,000	(502,000)	4,617,000	16,271,000	(307,000)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES					
Net repayment of loans from related companies	0	0	(10,000,000)	(9,850,000)	8,500,000
Cash provided by (used in) financing activites	0	0	(10,000,000)	(9,850,000)	8,500,000
CASH USED IN INVESTING ACTIVITIES					
Contingency funds deposit	0	0	0	(15,000)	0
Investment in Laurentian mutual funds	0	0	0	0	(450,000)
Cash used in investing activities	0	0	0	(15,000)	(450,000)
Net increase (decrease) in cash during period	3,853,000	(502,000)	(5,383,000)	6,406,000	7,743,000
Cash and short-term notes, beginning of year	12,368,000	17,751,000	17,751,000	11,345,000	3,602,000
Cash and short-term notes, end of period	$16,221,000	$17,249,000	$12,368,000	$17,751,000	$11,345,000

1. CORPORATE AND SUBSEQUENT EVENTS

(a) Prior to certain transactions detailed below, Laurentian Funds Management Inc. (the "company") was a wholly-owned subsidiary of The Imperial Life Assurance Company of Canada ("Imperial").

(b) On April 30, 1997, the company declared and paid a $10,000,000 common share dividend to its sole shareholder, satisfied by the issue of 250 common shares. As a result, retained earnings was reduced and issued capital stock increased by $10,000,000.

(c) On May 21, 1997, Imperial transferred its ownership of the company to an affiliate which was then wound up and distributed its ownership of the company to Desjardins-Laurentian Financial Corporation ("DLFC"). On May 23, 1997, pursuant to share purchase agreement date April 11, 1997, DLFC sold its interest in the company to Strategic Value Corporation ("SVC"), a public company. Under the terms of the agreement, DLFC acquired a 19% interest in SVC.

(d) Pursuant to articles of amalgamation effective May 23, 1997, the company was amalgamated with Strategic Value Funds Management Inc., a wholly-owned subsidiary of SVC. The amalgamated company continues as Strategic Value Funds Management Inc. Unaudited results as at or for the period ending June 30, 1997 include only the operating results relating to the former Laurentian Mutual Funds.

The company acts as manager and distributor of the fourteen Laurentian mutual funds (the "Funds") whose shares (units) are offered for sale through Imperial and other companies.

2. BASIS OF PRESENTATION AND SUBSEQUENT EVENT

These financial statements have been prepared for management purposes on a basis consistent with prior years.

Under the terms of the share purchase agreement, effective May 23, 1997, SVC acquired beneficial ownership of the company's $6,000,000 subordinated loan (note 6(d)).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with generally accepted accounting principles within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Mutual funds management fees

Mutual funds management fees are calculated in accordance with mutual funds management contracts and are recorded on the accrual basis. They include management fees and reimbursement by the mutual funds of a portion of the operating expenses of the company. See note 4(a).

(b) Mutual funds sales and redemption fees

Mutual funds sales and redemption fees are calculated in accordance with prospectuses issued by the mutual funds and are received by the company in accordance with mutual funds distribution agreements between the mutual funds and the company. See note 4(b).

(c) **Amortization of funds management contracts**

Funds management contracts are amortized on a straight-line basis over a forty-year period.

(d) **Accrued redemption fees**

Accrued redemption fees represent the estimated present value of the fees to be received in the future on the redemption of certain mutual funds shares (units) which were sold prior to May 31, 1993 in the then Viking family of funds.

(e) **Deferred acquisition costs**

Deferred acquisition costs represent a portion of the sales and marketing costs of the then Endurance family of funds which were sold prior to May 31, 1993, and of all the Funds sold after that date. The deferred acquisition costs are amortized over seven years. Any unamortized costs are written off when related shares (units) are redeemed.

(f) **Computer software development costs**

The company capitalizes certain computer software development costs paid to third parties which are then amortized on a straight line basis over five years.

(g) **Income taxes**

The company follows the tax allocation basis of accounting for income taxes whereby income taxes deferred to future years as a result of timing differences between accounting income and income for tax purposes are recorded as deferred income taxes.

4. MUTUAL FUNDS CONTRACTS

(a) **Funds management contracts**

Under agreements with the Funds, the company has contracted to provide all of the management functions necessary for the operation of the Funds. These agreements are perpetual and may be terminated by either party upon giving the other party at least 365 days notice in writing. Under these management contracts, the company receives a management fee based on the average daily net asset value of the Funds. It also receives a reimbursement of a portion of its operating expenses.

(b) **Funds distribution agreements**

Under distribution agreements with the Funds, the company is exclusively responsible for the conduct and all expenses of the sale and distribution of shares (units) of the Funds. For these services, the company receives all applicable sales commissions, administration and redemption fees.

5. DEFERRED INCOME TAXES

Deferred income taxes relate principally to accrued redemption fees (note 3(d)), which are not included in taxable income until the relevant mutual funds shares (units) have been redeemed, and to deferred acquisition costs arising from the sale of the Funds (note 3(e)).

6. RELATED PARTY TRANSACTIONS

(a) Expenses include net charges from related companies for management, technology and portfolio advisory services.

(b) Other operating expenses are net of recoveries from related companies.

(c) On December 23, 1994, all of the company's subordinated loans were purchased from the various previous lenders by Desjardins-Laurentian Life Group (DLLG), a related company. The existing terms and conditions of each subordinated loan continued on effect from that date until a new $30,000,000 Credit Agreement was entered into between the company and DLLG on June 2, 1995. The existing loans on that date were incorporated into the Credit Agreement. The Credit Agreement is a revolving term credit facility which expires on March 31, 2000.

During 1996, the company repaid the $16,000,000 outstanding under the above facility.

Interest paid during the periods were as follows:

i. the six months ended June 30, 1996 was $576,000
ii. the year ended December 31, 1996 was $998,000
iii. the year ended December 31, 1995 was $1,887,000
iv. the year ended December 31, 1994 was $2,160,000.

(d) On December 30, 1996, the company received a $6,000,000 loan from Imperial Life Assurance Company of Canada (the former parent). The loan is interest bearing at a rate equal to the prime rate established by a chartered bank in Canada and is repayable on demand. Imperial has indicated that it is not their intention to demand repayment during 1997, so long as Imperial continues to own the company. SVC has acquired the loan and indicated that it is not its intention to demand repayment during the next twelve months. The loan is subordinated to the claims of any other creditors and requires various securities commissions' notification and/or approval before any repayment is made.

Interest paid during the period was $113,000.

7. INVESTMENT IN LAURENTIAN MUTUAL FUNDS

On August 16, 1994, the company invested $150,000 seed capital in each of the Laurentian Emerging Markets Fund, Laurentian Asia Pacific Fund and the Laurentian Europe Fund in order to establish each fund for future public sale. This investment is reported at cost. Market values are as follows:

June 30, 1997	$576,300
December 31, 1996	$510,000
December 31, 1995	$475,000

CERTIFICATE OF THE COMPANY

Dated: September 17, 1997

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XV of the *Securities Act* (Ontario) and by Section 63 of the *Securities Act* (Nova Scotia) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

(Signed) MARK S. BONHAM
Chief Executive Officer

(Signed) DENNIS PELLARIN
Chief Financial Officer

On behalf of the Board of Directors

(Signed) HOWARD B. BORLACK
Director

(Signed) HARRY SWAIN
Director

PROMOTER

(Signed) MARK S. BONHAM

CERTIFICATE OF THE AGENT

Dated: September 17, 1997

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XV of the *Securities Act* (Ontario) and by Section 64 of the *Securities Act* (Nova Scotia) and the respective regulations thereunder. To our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

DEACON CAPITAL CORPORATION

By: (Signed) F. GWYER MOORE

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

DEACON CAPITAL CORPORATION: a wholly-owned subsidiary of Deacon Capital Holdings Limited

CERTIFICATE OF THE UNDERWRITERS

Dated: September 17, 1997

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XV of the *Securities Act* (Ontario) and by Section 64 of the *Securities Act* (Nova Scotia) and the respective regulations thereunder. To our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

YORKTON SECURITIES INC.

By: (Signed) MICHAEL J. DENNY

CIBC WOOD GUNDY SECURITIES INC.

By: (Signed) DANIEL J. MCCARTHY

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

YORKTON SECURITIES INC: a wholly-owned subsidiary of Yorkton Holdings Limited

CIBC WOOD GUNDY SECURITIES INC.: a wholly-owned subsidiary of a Canadian chartered bank.