

Preliminary Prospectus dated October 27, 1997

This 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 or the United States has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. The securities offered herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and, accordingly, will only be offered or sold within the United States to certain institutional accredited investors. See "Plan of Distribution".

Initial Public Offering by way of Secondary Offering



Century Continental Transportation Corporation

● Common Shares of Century Continental Transportation Corporation upon the exercise of rights issued by **RUSSEL METALS INC.**

to holders of its Class A Common Shares and Class B Common Shares

Russel Metals Inc. ("Russel") is issuing by way of dividend to the existing holders of its Class A common shares and Class B common shares (the "Russel Common Shares") transferable rights (the "Rights") to acquire common shares of Century Continental Transportation Corporation (the "CCTC Common Shares"). Century Continental Transportation Corporation ("CCTC") is a wholly-owned subsidiary of Russel, formed to acquire certain of Russel's assets in the transportation sector. Russel has entered into a purchase agreement with certain underwriters (the "Underwriters"), pursuant to which the Underwriters will purchase any CCTC Common Shares not purchased pursuant to the offering of Rights, provided that in no event will the Underwriters be obligated to purchase more than 33⅓% of the CCTC Common Shares. See "Plan of Distribution".

Each holder of Russel Common Shares of record at 5:00 p.m. (Toronto time) on ●, 1997 (the "Record Date") is entitled to receive one Right for every Russel Common Share held. Each Right entitles the holder to acquire from Russel one CCTC Common Share at \$ ●. The exercise price to be paid for each CCTC Common Share on the exercise of one Right for one CCTC Common Share (the "Exercise Price") was arrived at through negotiations between Russel and the Underwriters. Any Rights not exercised before the prescribed time will expire. Neither the Rights nor the CCTC Common Shares have been or will be registered under the *United States Securities Act of 1933*, as amended (the "U.S. Securities Act"), or any state securities laws and, unless so registered, may not be offered or sold in the United States of America or any territory or possession thereof except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Holders of Russel Common Shares whose addresses of record are in the United States of America or any territory or possession thereof should refer to "The Reorganization and Rights Offering — U.S. Securities Restrictions".

The exercise period for the Rights expires at 4:30 p.m. (Toronto time) on ●, 1997. If the condition described below is satisfied or waived and if the Underwriters and Russel have not agreed to terminate this offering as provided below, a certificate evidencing the Rights (a "Rights Certificate") will be mailed to each shareholder of record (other than U.S. residents) as of the Record Date, together with a copy of this prospectus. To acquire CCTC Common Shares, a completed Rights Certificate, together with a certified cheque, bank draft or money order representing payment, must be received by CIBC Mellon Trust Company by 4:30 p.m. (Toronto time) on ●, 1997. See "Details of the Offering — How to Exercise". Any holder of Rights who exercises all such holder's Rights shall be entitled to acquire additional CCTC Common Shares that have not been taken up. See "Details of the Offering — Additional Acquisition Privilege".

This offering is conditional on the holders of Russel Common Shares providing binding commitments to acquire at least 40% of CCTC Common Shares through the exercise of Rights no later than 5 p.m. on the second business day after the date of this prospectus and not having withdrawn those commitments in accordance with applicable securities laws. If commitments to acquire at least 40% of CCTC Common Shares through the exercise of Rights have been provided as described above, the Underwriters and Russel may terminate this offering by mutual agreement. If the condition described above is met or waived and if the Underwriters and Russel have not agreed to terminate this offering as provided above, the Rights will be issued on the Record Date and Russel will send this prospectus to the holders of Russel Common Shares. If this condition is not met or waived or if the Underwriters and Russel have agreed to terminate this offering as provided above, Russel and CCTC will issue a press release advising holders of Russel Common Shares that this offering will not proceed. See "Details of the Offering — Condition to the Offering Proceeding".

This prospectus qualifies the distribution of the CCTC Common Shares issuable on the exercise of the Rights and the distribution to the public of any common shares of CCTC purchased by the Underwriters. Certificates for the CCTC Common Shares will be available for delivery as soon as practicable following the Expiration Date.

There is currently no market for the Rights or the CCTC Common Shares. An investment in the CCTC Common Shares involves certain risks. See "Risk Factors".

EXERCISE PRICE: \$ ● PER CCTC COMMON SHARE

	Exercise Price	Underwriters' Fee ⁽¹⁾	Net Proceeds to Russel ⁽²⁾⁽³⁾
Per Right	\$ ●	\$ ●	\$ ●
Maximum Totals	\$ ●	\$ ●	\$ ●

- (1) Assuming the exercise of all vested options to acquire Russel Common Shares exercisable before the Record Date and the exercise of the maximum number of Rights based upon the outstanding Russel Common Shares on the Record Date.
- (2) Before deducting expenses of this offering, estimated to be \$1 million. These expenses will be paid by Russel.
- (3) CCTC has granted the Underwriters an option (the "Over-Allotment Option"), exercisable to and including 60 days after the Expiration Date at a price equal to the Exercise Price plus \$0.01 per CCTC common share, to purchase up to an aggregate of approximately 7.7 million CCTC common shares. If the Over-Allotment Option is exercised in full, the purchase price for the CCTC common shares, Underwriters' Fee and Net Proceeds to CCTC will be \$ ●, \$ ● and \$ ●, respectively. The net proceeds of the sale of CCTC common shares pursuant to the Over-Allotment Option will be for CCTC's account. This prospectus qualifies the CCTC common shares issuable on the exercise of the Over-Allotment Option.

EXPIRATION DATE OF RIGHTS: ●, 1997

In the opinion of counsel, the Rights, if they had been issued at the date hereof, and the CCTC common shares qualified by this prospectus, if they had been acquired on the date hereof, would not be precluded as investments under the statutes set out under "Eligibility for Investment in Canada".

Certain legal matters relating to the offering of the Rights and the CCTC Common Shares have been reviewed on behalf of Russel by Davies, Ward & Beck and on behalf of the Underwriters by Tory Tory DesLauriers & Binnington. Blake, Cassels & Graydon has provided advice to CCTC in connection with the reorganization described in this prospectus.

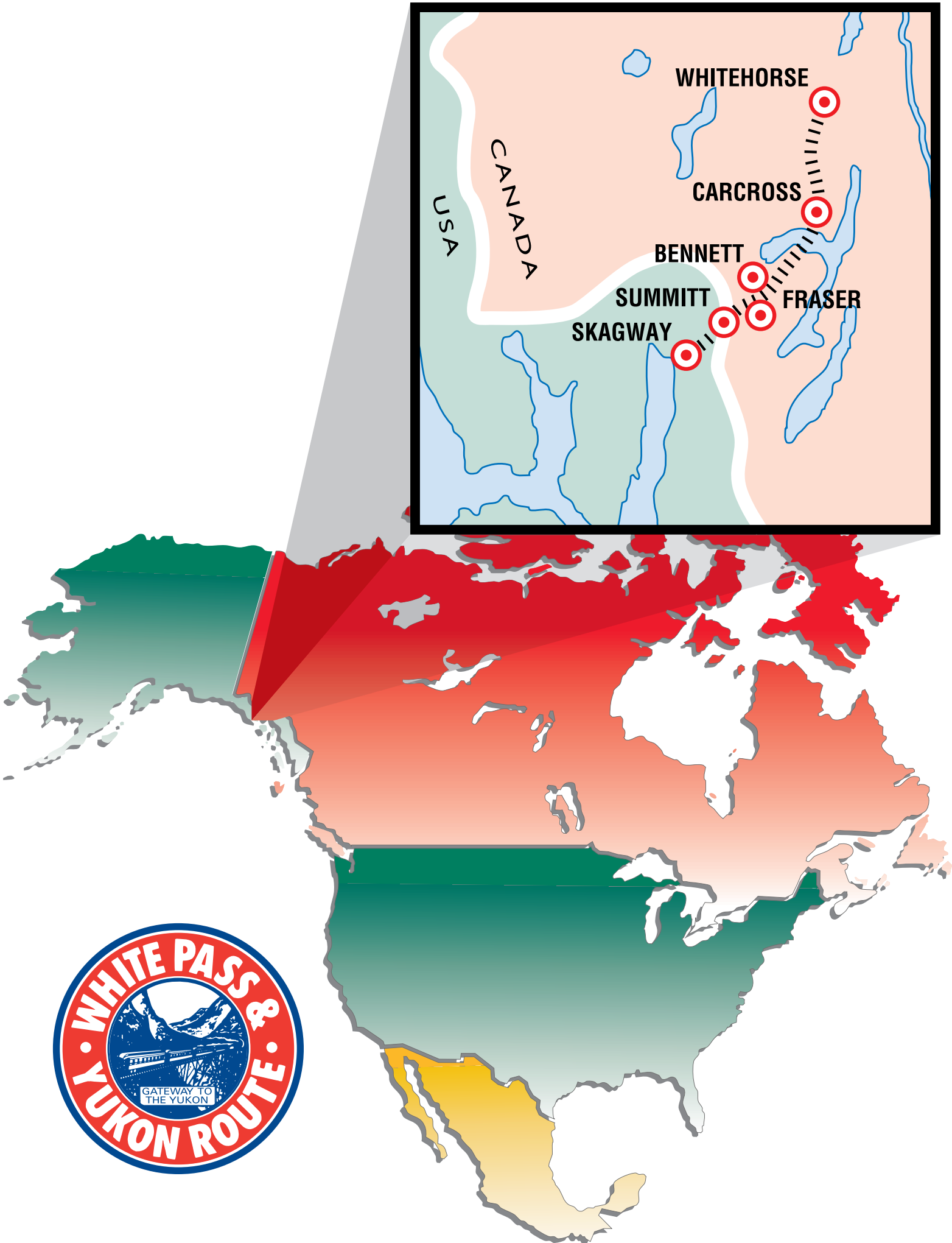


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U.S. SECURITIES RESTRICTIONS

Neither the Rights, the CCTC Common Shares nor the CCTC common shares, if any, issued pursuant to the Over-Allotment Option have been registered under the *United States Securities Act of 1933*, as amended (the "U.S. Securities Act"), or the securities laws of any state. Except as set forth below, this offering of Rights, CCTC Common Shares and CCTC common shares, if any, issued pursuant to the Over-Allotment Option is not being made in the United States of America or in any territory or possession thereof and is not, and under no circumstances is to be construed as, an offering of any Rights, CCTC Common Shares or CCTC common shares, if any, issued pursuant to the Over-Allotment Option for sale in the United States of America or any territory or possession thereof, or an offering to a U.S. Person (as such term is defined in this prospectus) or a solicitation therein or thereto of any offer to buy any securities of Russel or CCTC. Accordingly, no Rights will be delivered to, no offer to take up CCTC Common Shares or CCTC common shares, if any, issued pursuant to the Over-Allotment Option will be accepted from, and no CCTC Common Shares or CCTC common shares, if any, issued pursuant to the Over-Allotment Option will be sold to, any person or his agent who appears to be, or who Russel has reason to believe is, a U.S. Person (as such term is defined in this prospectus), except certain institutional accredited investors. See "The Reorganization and Rights Offering — U.S. Securities Restrictions" and "Details of the Offering — Foreign Registered Shareholders".

Unless accompanied by a separate prospectus restricted to certain U.S. Holders, this prospectus will not be distributed to U.S. Persons and will not constitute an offer to sell or a solicitation of or an offer to purchase Rights, CCTC Common Shares or the CCTC common shares, if any, issued pursuant to the Over-Allotment Option.

PROSPECTUS SUMMARY

The following is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this prospectus. Any references in this prospectus to "\$" and "dollars" are to Canadian dollars, unless otherwise stated.

THE SECONDARY OFFERING

Issuer:	Century Continental Transportation Corporation ("CCTC").
Offering:	Up to ● common shares of CCTC (the "CCTC Common Shares") acquired through the exercise of rights ("Rights") issued by Russel Metals Inc. ("Russel") to holders of its Class A common shares and Class B common shares (the "Russel Common Shares"). Each Right will entitle the holder to purchase one CCTC Common Share.
Exercise Price:	\$ ● .
Expiration Time of Rights:	4:30 p.m. (Toronto time), ● , 1997.
Additional Acquisition Privilege:	Any holder of Rights who exercises all such Rights shall be entitled to acquire additional CCTC Common Shares to the extent that they have not already been acquired by another holder of Rights. See "Details of the Offering — Additional Acquisition Privilege".

RUSSEL METALS INC.

Russel is a major processor and distributor of metals and metal products with a network of 45 Canadian and 13 U.S. locations. It also operates an international trading business which exports North American steel products to international customers and imports foreign steel products into Canada and the United States. Since 1991, Russel has undertaken a number of initiatives to restructure its business, allowing it to focus on its metals operations.

Prior to the issuance of the Rights, Russel will enter into certain transactions (referred to in this prospectus as the "Reorganization"). In the course of the Reorganization, Russel will transfer to CCTC substantially all of its investments in the freight transportation businesses operated by Tri-Line Expressways Ltd. ("Tri-Line") and the tourist railway and related services business operated in Alaska, British Columbia and the Yukon under the name "White Pass & Yukon Route" and will then offer to sell its interest in CCTC to holders of Russel Common Shares pursuant to the offering of the Rights.

CENTURY CONTINENTAL TRANSPORTATION CORPORATION

CCTC will own Russel's interest in businesses currently operated by Tri-Line and the entities operating the White Pass & Yukon Route and related services (collectively, "White Pass").

Tri-Line is a licensed and bonded common carrier transporting general merchandise throughout Canada, between Canada and the United States and, primarily through an association with a Mexican carrier, between Canada and Mexico. Tri-Line offers a wide range of truckload services, including flat deck operations, the transportation of shock sensitive high-tech equipment and logistics services. It has been in operation since 1964.

White Pass is engaged in passenger tourist transportation and related services along parts of the 110 mile White Pass & Yukon Route railway which runs from Skagway to Whitehorse. White Pass' revenues are derived primarily from passenger rail operations, dock operations and souvenir sales and other concessions. The railway was completed in 1900 and has operated exclusively as an historical tourist attraction since 1988.

CCTC will have a management group and board of directors that will focus on the operations and capital resources of the Tri-Line and White Pass businesses. CCTC's strategy will be to utilize a part of the strong, established cash flow from White Pass in order to fund growth in Tri-Line's business through acquisitions and capital expenditures. In addition, management believes that capital markets will look favourably at financing Tri-Line's growth as it uses some of the cash flow available through CCTC to become a consolidator in the trucking industry. A portion of CCTC's cash flow will also be used to finance capital expenditures principally on White Pass rail bridges and train sets and to finance costs for historic environmental matters. See "Environmental Matters".

RECOMMENDATION OF BOARD OF DIRECTORS OF RUSSEL AND CCTC

The board of directors of Russel has determined that the Reorganization and Rights Offering are in the best interests of Russel and that they are fair to its shareholders and creditors. In reaching this conclusion, Russel's board of directors considered a number of factors, and concluded that the Reorganization and the Rights Offering will have certain financial and operational benefits to Russel. They will enable Russel to dispose of two of its non-core businesses for fair value and will allow management to focus to a greater extent on the operation of Russel's metals business. In addition, the Board considered the fact that the Rights Offering would provide holders of Russel Common Shares (other than U.S. Persons (as such term is defined in this prospectus)) the opportunity to acquire CCTC Common Shares on a basis at least pro rata to their existing interest in Russel.

The board of directors of CCTC has determined that the Reorganization is in the best interests of CCTC. In reaching this determination it considered the businesses that CCTC is acquiring, the liabilities it is assuming, the indemnity it is giving to Russel and the indemnity it is receiving from Russel.

TAX CONSIDERATIONS

A holder of Russel Common Shares will be considered to have received a dividend equal to the fair market value of the Rights at the time at which they are received whether or not such Rights are exercised or sold. The value of the dividend of the Rights has been determined by the board of directors of Russel to be \$0.01 per Right, based upon financial advice of Gordon Capital Corporation. Such dividend received by an individual resident in Canada will be subject to the gross-up and dividend tax credit rules normally applicable to dividends received from taxable Canadian corporations. Subject to the potential application of subsection 55(2) of the *Income Tax Act* (Canada), such dividends received by a corporation resident in Canada will be included in income but generally will be deductible in computing taxable income. Certain companies will be subject to a refundable tax of 33½% of the dividend under Part IV of the *Income Tax Act* (Canada). Rights received by a holder of Russel Common Shares will have a cost equal to the amount of such dividend. Upon the exercise of a Right, the cost of a CCTC Common Share will be equal to the cost of the Right exercised plus the Exercise Price. If a Right expires, the holder will realize a capital loss. See "Canadian Federal Income Tax Considerations".

U.S. Taxpayers who receive Rights will be treated as receiving a taxable dividend equal to the fair market value, when received, of the Rights (including any Rights sold to pay Canadian withholding taxes) for U.S. federal income tax purposes. See "Special Considerations for U.S. Holders".

RISK FACTORS

An investment in the Rights and the CCTC Common Shares involves certain risks. Tri-Line may not be able to carry out its strategy of acquisition of other trucking companies as a result of a lack of suitable candidates and competition from other consolidators. White Pass will be adversely affected if cruise ships are unable to enter Skagway because of inclement weather or delays in sailings. In addition, White Pass cannot control the retail prices for passenger rail tickets sold aboard the cruise ships and price increases could affect the volume of passengers. The business of White Pass may be vulnerable to downturns in the economy affecting tourism generally, as well as changing patterns of tourist travel and availability of ships for the Alaska cruise route. Tri-Line operates in a highly competitive industry. White Pass secured the services of its current president in 1995 on a consulting basis. The continued success of the White Pass operations depends in large part on CCTC's ability to locate a permanent chief operating officer for White Pass who can continue to build a strong management team.

Both Tri-Line and White Pass operate in regulated industries and changes to regulations may restrict the ability of CCTC to carry on or expand its businesses. Management believes that White Pass has taken reasonable steps to ensure it holds valid title or rights to the real properties it uses in its business but there can be no guarantees that certain of its properties or rights will not be challenged.

Both Tri-Line and White Pass are exposed to potential environmental liability as a result of their operations or property holdings. A number of actual and potential environmental liabilities have been disclosed in "Environmental Matters". White Pass operates primarily in the United States and, because its net contribution to CCTC will be in U.S. dollars, that contribution will be subject to currency fluctuations.

Russel is providing CCTC with an indemnity for certain matters but no security is being provided for this indemnity and, while Russel today has a strong equity and asset base, there is no assurance that it will be in such a

position at such future date as CCTC may look for satisfaction of its indemnity. CCTC's operations are subject to the risks normally inherent in businesses in the trucking or rail industries and CCTC maintains insurance, where reasonably available, in such amounts as it considers prudent. It does not currently have insurance for environmental matters and may become subject to liability for hazards which it cannot or may not elect to insure because of high premium costs or other reasons or for occurrences which exceed maximum coverage under its policies.

There is no public market at present for the Rights or the CCTC common shares and there can be no assurance that such a market will develop. Sales of substantial amounts of CCTC common shares in the public market after the closing of this offering, or the perception that such sales might occur, could adversely affect prevailing market prices for the CCTC common shares. See "Risk Factors".

DIVIDEND POLICY

CCTC has no current intention of paying dividends on the CCTC Common Shares. Any decision to pay dividends in the future will be made by the board of directors of CCTC on the basis of earnings, financial position, financial requirements and other relevant factors.

U.S. RESTRICTIONS

Rights will not be issued to, and offers to take up CCTC Common Shares or the CCTC common shares, if any, issued pursuant to the Over-Allotment Option will not be accepted from, shareholders and beneficial owners of Russel Common Shares who are U.S. Persons (as defined in this prospectus), except certain institutional accredited investors. U.S. Persons will be treated in the manner described in "Details of the Offering — Foreign Registered Shareholders".

USE OF PROCEEDS

The net proceeds to Russel from this offering will be approximately \$ ● (after deducting expenses of the offering and assuming the exercise of all Rights) and will be used initially to repay short-term indebtedness and to finance capital projects and business growth in its existing metals business. CCTC has granted the underwriters in respect of this offering an option to purchase up to an aggregate of approximately 7.7 million CCTC common shares (the "Over-Allotment Option"). If the Over-Allotment Option is exercised by the Underwriters in whole or in part, CCTC will use the net proceeds from the issuance of CCTC common shares pursuant to the Over-Allotment Option to fund timing differences in working capital and seasonality of operations, rather than funding these differences with bank debt. Other than the proceeds of CCTC common shares, if any, issued pursuant to the Over-Allotment Option, none of the proceeds of this offering will be received by CCTC.

SELECTED FINANCIAL INFORMATION OF CCTC

(\$000's except per share amounts and operating data)
(unaudited)

	Years Ended December 31,			Nine Months Ended September 30, (1)	
	1994	1995	1996 (2)	1996	1997
Tri-Line					
Revenues	\$101,931	\$109,220	\$116,832	\$ 87,423	\$ 88,934
Operating expenses	96,602	104,349	113,013	84,194	83,784
Operating profits	5,329	4,871	3,819	3,229	5,150
EBITDA	7,031	6,838	5,835	4,751	6,626
White Pass					
Revenues	14,824	18,681	20,616	20,449	26,816
Operating expenses	10,255	12,297	14,911	12,748	15,374
Operating profits	4,569	6,384	5,705	7,701	11,442
EBITDA	5,199	7,132	6,457	8,312	12,839
Total					
Operating profits	9,898	11,255	9,524	10,930	16,592
Pro forma earnings per share (3)(4)(5)	0.12	0.13	0.11	0.13	0.20
EBITDA	12,230	13,970	12,292	13,063	19,465
Pro forma EBITDA per share(4)(5)	0.24	0.27	0.24	0.26	0.38

OPERATING DATA:

Tri-Line					
Revenue per mile	1.39	1.42	1.42	1.41	1.45
Empty Mile Factor	7.6%	8.1%	7.1%	7.3%	6.6%
Operating Ratio	94.8%	95.5%	96.7%	96.3%	94.2%
White Pass					
Approx. tour ship dockings	197	236	247	247	288
Passenger count on docks	203,000	253,000	300,000	300,000	432,000
Passengers on train	140,000	148,000	175,000	175,000	213,000

**Pro Forma as at
September 30, 1997**

FINANCIAL POSITION:

Accounts receivable	\$20,798
Fixed assets	72,025
Accounts payable and accrued liabilities	14,383
Equity	65,678
Tangible book value per share (4)	1.29

(1) Rail and cruise ship docking revenues are generated only in the months May through September. Annual budgets anticipate losses in the first and fourth quarters as the majority of rail revenue ceases to be generated during those periods, but certain expenses continue to be incurred (in particular maintenance of right of way, most of which is carried out during the off season).

(2) Operating profits and EBITDA are calculated before the site restoration charge in December 1996.

(3) The pro forma earnings per share are calculated on a pro forma basis excluding the site restoration charge and assuming interest is nil and provision for income taxes is at 40%.

(4) Assuming the issue of 51,007,864 CCTC Common Shares based on the number of Russel Common Shares outstanding as of September 30, 1997.

(5) Assuming the issuance of all CCTC common shares issuable pursuant to the Over-Allotment Option, the earnings per share for the nine months ended September 30, 1997 would be \$0.17 and the EBITDA per share for the same period would be \$0.33.

GLOSSARY

All references in this prospectus to “\$” and “dollars” are to Canadian dollars, unless otherwise stated.

In this prospectus, unless the context otherwise requires:

“**Additional Acquisition Privilege**” means the privilege given to any holder of Rights who exercises all such holder’s Rights to acquire additional CCTC Common Shares which have not been acquired by other holders of Rights.

“**ATMs**” means automated teller machines.

“**Basic Acquisition Right**” means the right to acquire the maximum number of CCTC Common Shares that can be acquired with the Rights evidenced by the Rights Certificates.

“**BCYR**” means British Columbia-Yukon Railway Company.

“**Canadian Registered Shareholder**” means a Registered Shareholder whose address is in Canada.

“**CCTC**” means Century Continental Transportation Corporation, together with its subsidiaries.

“**CCTC Board**” means the board of directors of CCTC.

“**CCTC Business**” means the trucking and tourist railway and related businesses carried on by Tri-Line and White Pass transferred to CCTC pursuant to the Reorganization.

“**CCTC Common Shares**” means common shares of CCTC issued to Russel under the Reorganization.

“**Dry Van Division**” means the division of Tri-Line responsible for transporting general merchandise in closed vans, as more specifically described under “Business of Century Continental Transportation Corporation — Business of Tri-Line by Division”.

“**EBITDA**” means earnings before interest, taxes, depreciation and amortization.

“**EDI**” means electronic data interchange.

“**Empty Mile Factor**” means the miles that power units run empty between delivery of a load and pick-up of the next load as a proportion of total miles driven.

“**Exercise Price**” means the price per CCTC Common Share payable on the exercise of one Right for one CCTC Common Share.

“**Expiration Date**” means ● , the last date on which the Rights can be exercised.

“**Flat Deck Division**” means the division of Tri-Line responsible for all goods hauled on an open trailer, as more specifically described under “Business of Century Continental Transportation Corporation — Business of Tri-Line by Division”.

“**Foreign Beneficial Holder**” means a holder whose address is outside of Canada and who is not a Registered Shareholder.

“**Foreign Registered Shareholder**” means a Registered Shareholder of Russel whose address, as shown on the records of Russel, is not in Canada.

“**FTL**” means full truckload, where the customer has exclusive use of a trailer that is generally filled to capacity.

“**Full Service Carrier**” means a carrier providing a full range of services for the trucking of general freight.

“**High-Tech Van Division**” means the division of Tri-Line responsible for transporting shock sensitive products in less than truckload lots, as more specifically described under “Business of Century Continental Transportation Corporation — Business of Tri-Line by Division”.

“**Load-and-Go Carrier**” means a carrier typically operating from a single facility and keeping power unit and trailer together as it services its customers.

“**Logistics Division**” means the division of Tri-Line responsible for brokering freight requirements which Tri-Line is unable to accommodate, as more specifically described under “Business of Century Continental Transportation Corporation — Business of Tri-Line by Division”.

“**LTL**” means less than a truckload of freight which a trailer may carry from various customers or a load that is under capacity with freight from a single customer.

“LTL Flat Deck Division” means the division of Tri-Line responsible for “less than truckload shipments” as more specifically described under “Business of Century Continental Transportation Corporation — Business of Tri-Line by Division”.

“Management and Purchase Agreement” means the Management and Purchase Agreement dated ● , 1997 between Russel, CCTC and the Underwriters.

“NAFTA” means the North American Free Trade Agreement.

“New BYR” means British Yukon Railway Company Limited.

“Nominee” means a Canadian Registered Shareholder who has received Rights on behalf of and for the benefit of a Foreign Beneficial Shareholder.

“Old BYR” means The British Yukon Railway Company.

“Operating Ratio” means total expenses before interest and taxes as a percentage of total revenue.

“Over-Allotment Option” means the option granted by CCTC to the Underwriters, exercisable to and including 60 days after the Expiration Date at a price equal to the Exercise Price plus \$0.01 per CCTC common share, to purchase up to an aggregate of approximately 7.7 million CCTC common shares.

“PARN” means Pacific and Arctic Railway and Navigation Company.

“Record Date” means ● .

“Refrigerated Van Division” means the division of Tri-Line responsible for transporting temperature-sensitive products in truckload quantities, as more specifically described under “Business of Century Continental Transportation Corporation — Business of Tri-Line by Division”.

“Registered Shareholders” means registered holders of Russel Common Shares at the Record Date.

“Reorganization” means the series of transactions pursuant to which CCTC will acquire the CCTC Business as more specifically described in this prospectus under “The Reorganization and Rights Offering — Reorganization”.

“Reorganization Agreement” means the agreement dated ● , 1997 between Russel and CCTC pursuant to which Russel and CCTC have agreed on the terms of the Reorganization.

“Rights” means transferable rights issued by Russel to holders of Russel Common Shares entitling the holders thereof to purchase CCTC Common Shares.

“Rights Certificate” means a certificate evidencing one Right for each Russel Common Share held by that Registered Shareholder.

“Rights Offering” means the offering of Rights by Russel.

“Russel” means Russel Metals Inc., together with its subsidiaries.

“Russel Board” means the board of directors of Russel.

“Russel Common Shares” means the issued and outstanding Class A common shares and Class B common shares of Russel as at the Record Date.

“STC” means Skagway Terminal Company.

“Tax Act” means the *Income Tax Act* (Canada).

“TIN” means Taxation Identification Number, which for an individual would be his or her Social Security Number.

“TLS” means Transportes Laredo, Sur S.A. de C.V., the Mexican carrier which Tri-Line uses on a non-exclusive basis to carry loads into Mexico.

“Tri-Line” means Tri-Line Expressways Ltd.

“Trustee” means CIBC Mellon Trust Company.

“TSE” means The Toronto Stock Exchange.

“Underwriters” means Gordon Capital Corporation, First Marathon Securities Limited, Lévesque Beaubien Geoffrion Inc. and Canaccord Capital Corporation.

“U.S. Holder” means a Foreign Beneficial Holder whose address is in the United States or a territory or possession thereof.

“U.S. Person” means, subject to certain exceptions set forth in Rule 902(o) of Regulation S under the U.S. Securities Act, any natural person resident in the United States, any partnership or corporation organized or incorporated under the laws of the United States, any estate of which any executor or administrator is a U.S. Person, any trust of which any trustee is a U.S. Person, any agency or branch of a foreign entity located in the United States, any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person, any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated or (if an individual) resident in the United States, and any partnership or corporation if organized or incorporated under the laws of any foreign jurisdiction, and formed by a U.S. Person principally for the purpose of investing in securities not registered under the U.S. Securities Act, unless it is organized or incorporated, and owned, by accredited investors who are not natural persons, estates or trusts.

“U.S. Registered Shareholder” means a Foreign Registered Shareholder whose address is in the United States (or any territory or possession thereof).

“U.S. Securities Act” means the *United States Securities Act of 1933*, as amended.

“U.S. Taxpayer” means a citizen or resident of the United States, a company or partnership organized in the United States or a state or political subdivision thereof, or an estate or trust, the income of which is subject to U.S. tax regardless of its source.

“White Pass” means, collectively, PARN, STC, BCYR and New BYR.

RUSSEL METALS INC.

Russel Metals Inc. (“Russel”) is a major processor and distributor of metals and metal products with a network of 45 Canadian and 13 U.S. locations. It also operates an international trading business which exports North American steel products to international customers and imports foreign steel products into Canada and the United States. Russel operates under various names, including Russel Metals, Drummond McCall, Baldwin International, Russel Metals — Bahcall Group, Total Distributors, Pioneer Steel & Tube, Comco Pipe and Supply, Wirth and Fedmet Corp.

Russel has investments in the transportation sector, represented principally by its investments in Tri-Line Expressways Ltd. (“Tri-Line”), the entities operating a business under the name “White Pass & Yukon Route” (“White Pass”) and Thunder Bay Terminals Ltd. Prior to the issuance of the Rights Russel will transfer substantially all of its investments in Tri-Line and White Pass to CCTC pursuant to the Reorganization and will then offer to sell its interest in CCTC to holders of Russel Common Shares pursuant to the Rights Offering.

The disposition of the CCTC Business pursuant to the Rights Offering will allow Russel’s management to focus to a greater extent on the operation of Russel’s metals business.

Russel is the successor corporation to Federal Grain Limited, which was incorporated under the laws of Canada in 1929 and subsequently amalgamated with Searle Grain Company Limited on August 1, 1967 to continue under the name Federal Grain Limited. The name was changed to Federal Industries Ltd. on April 16, 1973 and Russel was continued under the *Canada Business Corporations Act* on May 5, 1980. The name was changed to Russel Metals Inc. on June 1, 1995. The address of the registered office of Russel is 1359 St. James Street, Winnipeg, Manitoba R3H 0K9 and the address of the principal executive office is Suite 210, 1900 Minnesota Court, Mississauga, Ontario L5N 3C9.

BUSINESS OF CENTURY CONTINENTAL TRANSPORTATION CORPORATION

CCTC was incorporated on October 22, 1997 under the *Canada Business Corporations Act* as a wholly-owned subsidiary of Russel. Its principal and head office is located at 2600 Three Bental Centre, 595 Burrard Street, P.O. Box 49314, Vancouver, British Columbia V7X 1L3. Russel will transfer the CCTC Business to CCTC and CCTC will issue the CCTC Common Shares to Russel as part of the Reorganization. Accordingly, Russel may be considered to be a promoter of CCTC under applicable Canadian securities law. See “The Reorganization and Rights Offering”.

This prospectus describes the CCTC Business as at the conclusion of the Reorganization, after CCTC has acquired the CCTC Business.

Strategy of CCTC

CCTC will have a management group and board of directors that will focus on the operations and capital resources of the Tri-Line and White Pass businesses. CCTC’s strategy will be to utilize a part of the strong, established cash flow from White Pass in order to fund growth in Tri-Line’s business through acquisitions and capital expenditures. In addition, management believes that capital markets will look favourably at financing Tri-Line’s growth as it uses some of the cash flow available through CCTC to become a consolidator in the trucking industry. A portion of CCTC’s cash flow will also be used to finance capital expenditures principally on White Pass rail bridges and train sets and to finance costs for historic environmental matters. See “Environmental Matters”.

Upon the completion of the Rights Offering, Tri-Line will pursue a growth strategy based on acquisitions. Tri-Line is positioned in the market as one of the few remaining Full Service Carriers. Tri-Line will seek to achieve growth through the acquisition of carriers with strong existing client bases. Greater access to capital through CCTC and corporate management dedicated to this growth strategy will help Tri-Line achieve its acquisition objectives. Upon completion of an acquisition, Tri-Line intends to apply its business model to the operations of the acquired business. Since Tri-Line has an Operating Ratio that is better than the industry norm, Tri-Line’s management anticipates that by acquiring carriers with less attractive Operating Ratios and using its business model to make the acquired carrier more efficient and profitable, Tri-Line will be able to create value as an industry consolidator.

Following the completion of the Reorganization and Rights Offering, Tri-Line also anticipates being able to reduce costs through capital equipment purchases. Tri-Line’s current approach of leasing a significant number of power units and trailers results in comparatively higher operating costs than would be the case if Tri-Line owned

that equipment. Through capital purchases of equipment and in-house maintenance, Tri-Line believes it can generate additional cost savings, further improving its Operating Ratio. Such purchases will be made possible by Tri-Line's access to capital through CCTC.

Upon completion of the Rights Offering, White Pass will benefit from a management focus on maintaining and growing its strong cash flow from its core rail business with its own accountability and strategic direction. A portion of CCTC's cash flow will be used to finance capital expenditures aimed at converting certain White Pass rail bridges from a wooden base to a structural steel base and growing passenger capacity by the addition of new train sets. Such capital improvements should enhance the safety and capacity of the railway's operations. White Pass management will also continue its marketing efforts.

Tri-Line Expressways Ltd.

Tri-Line is a licensed and bonded common carrier transporting general merchandise throughout Canada, between Canada and the United States and, primarily through its association with TLS, between Canada and Mexico. Tri-Line was incorporated in 1964 and is governed by the *Canada Business Corporations Act*. Upon the completion of the Reorganization, Tri-Line became a wholly-owned subsidiary of CCTC. Its registered and head office is in Calgary, Alberta.

History

Tri-Line was established through the combination of the operations of three smaller interprovincial carriers in 1964 and has been in continuous operation since that time. Tri-Line was acquired by Federal Industries Ltd. ("Federal", now Russel) in 1989 and has diversified its business since that time. In 1992, Federal transferred to Tri-Line the Full Service Carrier business then being carried on by the Cougar Freight Systems division of another Federal subsidiary, thereby providing Tri-Line with additional capacity. In 1994, Federal transferred to Tri-Line operational control of High-Tech Express & Distribution Inc., another Federal subsidiary. This expanded Tri-Line's business into the LTL area, specializing in the movement of high-tech equipment such as computers and ATMs. Also in 1994, the freight brokerage business carried on by another Federal subsidiary was transferred to Tri-Line, completing its development as a Full Service Carrier.

Overview

Tri-Line offers a wide range of truckload goods transportation with irregular, point-to-point movements of full truckloads directly from shipper to receiver throughout Canada, between Canada and the United States and, through its association with TLS, between Canada and Mexico. Tri-Line had revenue of \$116.8 million in 1996 (compared to \$109.2 million in 1995) and \$88.9 million for the nine months ended September 30, 1997 (compared to \$87.4 million for the nine months ended September 30, 1996).

Tri-Line's trucks travel approximately 55 to 60 million miles per year, only about 7% of that distance with empty trailers. Tri-Line services approximately 3,575 customers, with the largest customers being in the pulp and paper and manufacturing sectors. During the first nine months of 1997, it handled an average of approximately 233 truck loads per business day. Tri-Line operates out of 12 strategically located terminals.

Tri-Line's management has developed and implemented an operating strategy that permits it to offer general freight service to clients in virtually all circumstances. It maintains a ratio of approximately 2:1 trailers to power units, allowing Tri-Line to drop trailers in customers' yards. The customers are able to load the trailer while a power unit is being brought to that location. Tri-Line has a variety of equipment and provides a range of services designed to meet almost any trucking need. Tri-Line has established a sophisticated logistics network through which it brokers out loads it is unable to accommodate. It also uses specialized satellite tracking and computer routing equipment which allows it to monitor the location of its trucks, advise customers of the location of their loads and respond to customer requests for routing changes.

Business of Tri-Line by Division

Tri-Line hauls all types of general freight and many types of freight that require special equipment or knowledge to be transported safely and efficiently (including temperature controlled, shock sensitive and over-dimensional products). These services are offered through its Flat Deck Division, Dry Van Division, High-Tech Van Division, Refrigerated Van Division and LTL Flat Deck Division. Tri-Line also offers other transport-related

services through its Logistics Division which brokers loads out to other carriers when it cannot handle them internally.

Tri-Line's extensive and versatile trailer fleet, combined with its point-to-point authority anywhere in Canada and the United States (other than Hawaii) and its relationship with a Mexican carrier, allows it to transport virtually any type of cargo anywhere in North America and ensures that Tri-Line's services are in demand from a wide range of customers in a wide range of industries and prevents reliance on any particular customer or industry.

Cross-border traffic is the strongest growing segment of Tri-Line's business, primarily as a result of NAFTA and favourable economic conditions in Canada and the United States. Management believes that this growth will continue, resulting in a continued increase in average miles per trip. This trend impacts favourably on margins and EBITDA, as longer mile trips result in a decrease in the ratio of empty miles as a proportion of revenue miles and loading and delivery costs as a proportion of revenue.

Flat Deck Division

The Flat Deck Division is responsible for all goods hauled on an open trailer, including pipe, lumber, heavy equipment, farm machinery, over-dimensional material and many other similar goods. This division had \$37.6 million in revenue in 1996, accounting for 32.3% of Tri-Line's total revenue. Owner operators in the Flat Deck Division are paid primarily on a flat rate per mile basis, the amount per mile depending on whether or not they provide their own trailers in addition to their own power units. The Flat Deck Division has been, and will continue to be, the primary focus of Tri-Line's marketing efforts because Tri-Line earns higher margins for hauling this type of freight than it does for some other types.

Competition for flat deck freight is the lowest of all freight types hauled by Tri-Line. A higher level of skill, experience and physical effort is required of equipment operators in loading, securing, protecting and moving this type of freight. When large shipment volumes and very long distances are involved rail has historically enjoyed a competitive advantage in piggybacking or containerizing van freight in high volume traffic lanes. However, flat deck freight can only be moved by rail after a considerable amount of labour intensive effort is expended in loading and securing the freight directly onto rail equipment specifically designed for these purposes. Therefore, for shorter hauls trucking is more cost effective for many customers.

Demand in this segment is primarily dependent on factors such as housing starts, large scale construction projects, heavy equipment sales, farm machinery sales and oil exploration activity, all of which tend to fluctuate dramatically with the rise and fall of the economy. However, this increased volatility is partially offset by the fact that power units equipped for flat deck freight can be shifted to other types of trailer equipment relatively easily and then returned to flat deck freight when demand improves. Power units used in other divisions do not offer this flexibility. Currently, 47.5% of Tri-Line's power units are equipped to haul flat deck loads and Tri-Line is aggressively seeking this type of equipment. Tri-Line believes that the demand for flat deck freight will continue to grow over time and that Tri-Line will be able to command a larger share of the market as a result of its marketing efforts and its level of available equipment.

Dry Van Division

The Dry Van Division transports general merchandise such as canned goods and paper products in closed vans. This division had revenue of \$38.1 million in 1996, representing 32.6% of Tri-Line's total revenue. Owner operators in the Dry Van Division haul Tri-Line owned trailer equipment and are paid primarily on a flat rate per mile basis.

The market in which the Dry Van Division operates tends to be less cyclical than that in which the Flat Deck Division operates. Because flat deck equipment can transport vans when there is not sufficient flat deck freight available, the business of the Dry Van Division allows Tri-Line to continue to utilize that equipment to transport vans when demand in the Flat Deck Division drops and to redeploy that equipment in the more lucrative flat deck market as demand increases. This division competes with both inter-modal and piggyback transportation by rail and, accordingly, Tri-Line concentrates on cross-border traffic and Canadian traffic of 600 to 1,200 miles in distance. For distances under 1,200 miles, the fixed costs of pick-up and delivery associated with movements by rail compared to movements by truck and the additional time required to make up and dispatch trains in comparison to dispatching trucks outweigh the cost advantage of transporting by rail. This strategy has proven to be effective, since the rail system in Canada and in the U.S. is primarily geared towards east-west travel and there are very few connecting points between the rail systems of the two countries. This makes it inconvenient for a shipper to move freight by rail

that is moving between Canada and the U.S. except in very specific traffic lanes. By concentrating outside these lanes and distances, Tri-Line can offer service and rates competitive with any form of transport service. Management believes that the volume of Tri-Line's dry van business has now reached a level where future growth is expected to increase its margins and net contribution levels.

Logistics Division

The Logistics Division acts as a liaison between Tri-Line's customers and outside truckers for freight that is in excess of Tri-Line's available equipment. When loads are offered that Tri-Line is unable to handle, this division will find another carrier who is able to haul the load and will take a small commission from the revenue that the other carrier will earn for transporting the load. While this results in much smaller margins in this division compared to the others, it increases Tri-Line's flexibility in minimizing empty miles and repositioning equipment where it can be most effective, while also increasing customer satisfaction with Tri-Line service. This division also organizes moving containers and piggybacking trailers by rail in traffic lanes where rail transport is more economical for the customer than road transport. This division had revenues of \$18.6 million in 1996, accounting for 15.9% of Tri-Line's total revenue.

The Logistics Division has its own customers and freight sources to service. In this way, a much larger pool of available freight is created which is well in excess of Tri-Line's capacity. Tri-Line dispatchers can then select freight to haul with company equipment from this large pool of available freight on the basis of minimizing empty miles, repositioning equipment where it is most needed, and maximizing freight margins. The remaining freight is then brokered to other carriers with a small amount of the load revenue accruing to Tri-Line. Tri-Line's gross revenues and EBITDA have benefited from the interaction between the Logistics Division and the other divisions of Tri-Line since 1994.

Certain of Tri-Line's customers have shut down their own internal logistics departments and subcontracted this function to Tri-Line. Tri-Line has taken over the responsibility for the entire freight movement operation of these customers, eliminating the need for the customers to maintain a highly skilled and knowledgeable group of personnel in their shipping department.

The Logistics Division concentrates primarily on cross-border freight movements in the northbound direction. Southern Ontario is the most significant destination point. It offers its customers the options of both piggyback or container movements by rail or highway movements by truck. As demand for freight transportation nears or exceeds industry supply, the Logistics Division can play an important role in matching trucks with freight. Management anticipates that significant growth in this division could occur as a result.

High-Tech Van Division

This division transports shock sensitive products such as computers, ATMs and photocopiers in less than truckload lots in trailer units with special suspensions designed to minimize road shock. Because of the specialized equipment and care required, transport of such goods attracts a rate premium. This division also operates as a local cartage company for the short distance movement of these products in cities where it has terminals. The High-Tech Van Division had revenues of \$17.9 million in 1996, accounting for 15.3% of Tri-Line's total revenue. Owner operators in the High-Tech Van Division haul Tri-Line owned trailer equipment and are paid primarily on a flat rate per mile basis. The local cartage segment of the division operates with hourly paid drivers and helpers.

The volumes and margins of the division, after a period of stability, have grown as the market for high technology equipment increased rapidly and previously untapped sources of shock-sensitive freight were developed. This division is currently operating almost exclusively within Canada with scheduled daily service from southern Ontario to Quebec and to Western destinations. Return freight schedules are less structured and volume levels are more sporadic, but electronic products originating in the Orient and landing at Vancouver destined for Eastern centres has alleviated this imbalance somewhat. Revenue and contribution levels from this division have increased recently as a result of a new focus on transportation and installation of ATM sites for banks.

Refrigerated Van Division

The Refrigerated Van Division transports temperature-sensitive products such as meat and frozen foods in truckload quantities. Transport of such goods attracts a rate premium due to the specialized equipment and extra care required. This division had revenues of \$3.3 million in 1996, accounting for 2.8% of Tri-Line's total revenue.

Owner operators in this division provide their own power units and trailers and are paid on a percentage of revenue basis.

LTL Flat Deck Division

Tri-Line established the LTL Flat Deck Division in 1995, to combine LTL shipments of flat deck freight from different shippers located in the same area which are destined for consignees in another area. This division had revenues of \$1.3 million in 1996, accounting for 1.1% of Tri-Line's total revenue. This market is under-served due primarily to the high organizational skill level and the need for a large number of contacts amongst shippers of this kind of freight by dispatch personnel. The LTL Flat Deck Division is positioned for growth because of its expertise and the ability to utilize the extensive customer network of Tri-Line as a base for developing its customer list. Owner operators in this division provide their own power units and trailers and are paid on a percentage of revenue basis.

Routes and Dispatching

Tri-Line has authority to operate in all Canadian provinces and territories and all the United States except Hawaii. It serves the domestic market in Canada as well as points between Canada and the U.S. and, primarily through its association with TLS, between Canada and Mexico.

In 1996, approximately 50% of miles logged by Tri-Line drivers related to cross-border shipments. Tri-Line intends to continue to focus its marketing efforts on north-south routes, which do not face the intense shipping competition with railways that characterize the east-west transcontinental corridor. Although intra-Canadian shipments remain an important part of Tri-Line's business, the length of the hauls along these routes tends to be shorter in order to minimize competition with the railways.

Tri-Line's dispatching capability has been enhanced by the Logistics Division, allowing it to reduce the number of empty miles. The Logistics Division has greatly increased Tri-Line's flexibility in selecting which freight Tri-Line will transport itself to minimize empty miles and how to reposition equipment so that it can be most efficiently used. Tri-Line has been able to reduce its empty mile factor from 8.3% in 1992 to 7.1% in 1996. Tri-Line uses the latest technology in satellite vehicle tracking and EDI and has earned service awards from its customers for on-time and claim free delivery. See "Technology".

Equipment

Tri-Line's fleet is versatile, encompassing a wide array of trailer types, permitting the transport of almost any shipment of goods. Tri-Line owns or leases 53 power units and 1,155 pieces of trailer equipment and has access to approximately an additional 500 power units under contracts with owner operators. Tri-Line maintains an average fleet age of approximately five years on the equipment that it owns or leases.

Tri-Line is committed to the use of owner operators because they allow Tri-Line to offer its customers excellent equipment availability without requiring it to commit capital to acquiring equipment and hiring employee drivers. The use of owner operators also provides Tri-Line with the ability to increase or decrease its complement of equipment quickly in response to changes in economic conditions. Tri-Line is responsible for licensing arrangements and insurance, and charges the owner operators a flat rate monthly fee for those services. The owner operators purchase and maintain their own power units and drive exclusively for Tri-Line under short term contracts. This permits the owner operators to use the Tri-Line name and compensates the owner operators primarily on the basis of the miles they drive. Tri-Line is one of the largest contractors of owner operators in Canada.

Tri-Line recognizes the importance of owner operators to its operation, works hard to maintain good relations with them and has been successful in entering into contracts with owner operators due to its good reputation among owner operators. There is currently a shortage of qualified, experienced owner operators with their own power units willing to drive long hauls, but Tri-Line's recruitment efforts have been successful and, since the number of owner operators of this type does not fluctuate materially, owner operators attracted to Tri-Line generally means losses in the owner operator bases of its competitors. This gives it a competitive advantage in providing capacity to customers.

Customers

Customer service and satisfaction, marketing efforts and competitive rates are all key determinants of whether Tri-Line, or one of its competitors, gets a load. However, the ability to have the right power unit with the right trailer

in the right place at the right time far outweighs any of the foregoing considerations when the customer is assigning loads. By building its operator base and increasing its volumes and by refining its dispatching procedures, Tri-Line seeks to ensure that it has the right truck available whenever possible.

Tri-Line has a diverse customer base and accordingly is relatively unaffected by a downturn in the activities of individual customers and the industries in which they operate. Although its customers include a number of large corporations in certain industries such as pulp and paper and steel, its largest customer by revenue accounts for only 3% of total revenue, and its ten largest customers for only 15% of total revenue. Its largest exposure to any industry is 6% of total sales. Tri-Line has approximately 3,575 customers with approximately 1,000 of those active at a level of at least one shipment per month. This customer base (which includes a high volume of repeat business) accounts for the relative stability of Tri-Line's revenues and EBITDA over the last three years.

The table below outlines Tri-Line's ten largest customers in terms of revenue for the first nine months of 1997. The table identifies each customer by the industry in which it operates and illustrates the diversity of Tri-Line's customer base.

**Ten Largest Tri-Line Customers
(January 1, 1997 to September 30, 1997)**

<u>Customer Identified by Industry</u>	<u>Revenue</u> (000's)	<u>% of Total Tri-Line Revenue</u>	<u>No. of Trips</u>
1. Pulp and Paper (Retail)	\$2,401	2.7	1,935
2. Manufacturing (Industries)	1,801	2.0	1,012
3. Pulp and Paper	1,798	2.0	893
4. Manufacturing (Machinery)	1,102	1.2	340
5. Rubber Products	1,072	1.2	584
6. Manufacturing (Machinery)	1,017	1.1	700
7. Paper and Plastics (Retail)	902	1.0	335
8. Steel	893	1.0	692
9. Building Products	823	0.9	522
10. Pulp and Paper	792	0.9	321

Tri-Line does not generally enter into long-term contracts with its customers. This allows Tri-Line to focus on its irregular route carrier niche and reduces the need to respond to price competition. Instead, Tri-Line seeks to obtain a premium for its value added, quality and safe services.

Technology

Increased customer loyalty and increased barriers to entry, together with recent technological advances, have occurred in the industry. EDI provides to some of Tri-Line's customers computer invoicing, inquiry, freight tracking and communication which has strengthened the relationship between the customer and Tri-Line. Because of the initial cost, effort and time required by carriers to establish the link, the customer is usually not able to find a competing carrier able to offer this service without experiencing delays. Therefore, the customer is not usually willing to change carriers on the basis of an occasional service breakdown or a slightly lower rate. Tri-Line is now linked to seven of its major customers (approximately 10% of gross revenue) in this way.

Direct satellite communication with Tri-Line power units is another technological advance that Tri-Line has undertaken. Over 75% of Tri-Line's fleet is directly linked to its terminals and dispatchers via satellite communications technology. This link gives Tri-Line the capability of identifying a power unit's location in North America within the pinpoint space of a football field and of communicating directly with the operator at any time. By linking this technology with the EDI technology, Tri-Line is capable of advising its customers where their load is and when it can be expected to arrive. This capability is particularly important in servicing customers involved in inventory-free manufacturing requiring just-in-time delivery of resources and parts.

Tri-Line's Competitive Position

The Canadian for-hire trucking industry generated approximately \$12 billion in sales in 1996. The industry is fragmented and consists of relatively few large firms and many small firms serving targeted segments and niches.

Such target markets are defined by geographical location, point to point service location, target customer industries, and the type of service provided, such as vans, flat decks and refrigerated vans. Smaller carriers typically operate in a highly specialized yet competitive environment whereby the customer may have several substitutes available. Many of the large carriers are independent subsidiaries of larger transport companies and offer a wide variety of freight services.

Additional small carriers and renewed rate cutting have not generally resurfaced after the recent recession to the extent that they existed during the period after deregulation in the late 1980s and early 1990s for three reasons. First, lending institutions have been reluctant to do business with some small trucking operators due to past losses. Second, in many cases, new equipment has seen upward price pressure, as most equipment manufacturers that survived the recession now have order backlogs in excess of 12 months. Third, many major shippers no longer do business with small operators. Instead, they are willing to pay a price premium to deal with a reputable, well insured and safety-oriented firm. Some shippers who formerly were dealing with several hundred carriers have cut their list of approved carriers with whom they will ship to a range of four to six companies. As a larger carrier, Tri-Line has not faced some of the pressures that a number of the smaller carriers have faced.

Tri-Line is an irregular route carrier. North-south routes are Tri-Line's strategic focus, with some specialized east-west LTL and FTL traffic forming triangular routes. Tri-Line attempts to be on-the-spot with its 550 power units and irregular routes, allowing it to accept loads immediately or broker them out if necessary.

Tri-Line has been able to operate successfully in a variety of economic environments for a number of reasons. The versatility of Tri-Line's operating structure in using primarily independent contractors paid on a per mile basis rather than hourly paid employees has been a key factor because it gives Tri-Line a much smaller proportion of fixed to variable costs in comparison to many of its competitors. Another key to avoiding the pressures of an economic downturn is the generation of customer loyalty, which has been a priority for Tri-Line. Although business volumes have nearly doubled since the end of the recession, Tri-Line has, through increasing use of computer and communications technology, been able to hold the level of fixed costs at close to pre-recovery levels.

Employees and Owner Operators

Tri-Line employs 275 people and has contracts with 500 owner operators. Of this total work force of 775 people, 650 are unionized through a local of the Teamster's union. There is very little employee turnover, with many of Tri-Line's employees having been with Tri-Line for periods of ten years or more, and Tri-Line has good relations with its union. Collective agreements expire in 1998 and 1999.

A considerable number of Tri-Line's employees are former owner operators. The representation of this group in Tri-Line's management structure enables Tri-Line to establish a unique relationship with this group of independent contractors. Owner operators are trained in on-site facilities.

Prior to the Reorganization, Tri-Line employees participated in a profit sharing structure whereby all employees participate in Tri-Line's success, including bonuses for administrative staff where warranted. Management of CCTC intends to continue to provide a substantially similar profit sharing structure.

Safety

Tri-Line has established a safety policy that is managed and implemented by a safety manager based in Calgary. In addition, each terminal has its own safety committee consisting of owner operators, company drivers and terminal employees. These committees meet regularly on their own, and often with the safety manager, to discuss safety issues. Through these measures, along with provincial and state regulations, Tri-Line strives to have one of the safest fleets on the road.

Management believes that Tri-Line's safety record can be a strategic asset. Tri-Line encourages its major clients to do safety audits. Tri-Line also monitors itself through a Partners in Compliance program in Alberta. Tri-Line's power units and trailers are required to meet stringent safety and mechanical requirements. The terminals in Edmonton, Vancouver, Winnipeg and Hamilton have maintenance shops equipped to work on trailers and to do minor work on the power units. The maintenance shop in Calgary is more extensive and has an area specifically designed for maintenance and upkeep on the power units. As well, major maintenance and overhauls on trailers are completed at this location. The owner operators are responsible for the maintenance and upkeep of their power units and, if applicable, trailers and any repairs are paid for by the owner operators and do not represent a cost to Tri-Line. Their maintenance records are monitored by Tri-Line to ensure compliance with applicable standards.

Tri-Line's maintenance requirements are fulfilled by over 35 skilled professionals. The majority of the staff (23) is located in Calgary with the remaining staff situated across Canada.

Terminals and Property

Tri-Line operates through 11 terminals in Canada and one in the United States and has agency relationships with local carriers in numerous others. Each terminal is well situated for easy highway access. On September 30, 1997, Tri-Line's trailer fleet consisted of approximately 1,155 pieces of trailering equipment. Of this total, approximately 667 trailers are owned by Tri-Line and the remainder are either leased by Tri-Line or are provided by owner operators under short term contracts. The average age of the trailer fleet owned or leased by Tri-Line is approximately five years. In Tri-Line's Calgary maintenance facility, the trailers which Tri-Line owns, leases or contracts for are continually being maintained, upgraded and sometimes modified to meet the shipping needs of Tri-Line's customers.

The following table provides selected information regarding these terminals.

Tri-Line Terminal Data

<u>Location</u>	<u>Owned/Leased</u>	<u>Approximate Terminal Size</u> (square feet)
Port Coquitlam (1)	Leased	14,000
Vancouver	Leased	5,000
Calgary (1)	Owned	56,000
Edmonton (1)	Owned	12,000
Saskatoon	Owned	1,000
Regina	Owned	6,000
Winnipeg (1)	Leased	8,000
Toronto	Leased	36,000
Hamilton (1)	Leased	12,000
Ottawa	Leased	7,000
Montreal	Leased	19,000
Houston	Owned	1,000

(1) Terminals that also have maintenance shops.

Tri-Line also leases approximately 5,000 square feet of office space in Toronto from which its Logistics Division operates. In March 1998, Tri-Line will lease terminal facilities in Mississauga which will replace the current terminal leases in Toronto and Hamilton. These leases, as well as the Toronto office lease, will be allowed to expire. The new facilities in Toronto will be approximately 93,000 square feet.

Tri-Line also has a relationship with TLS, a Mexican carrier which provides it with the use of the TLS terminal in the town of Laredo, on the Texas/Mexico border. Tri-Line and TLS have an informal, non-exclusive agreement that Tri-Line will use TLS for Canadian shipments bound for Mexico, leaving its trailers at the Texas/Mexico border to be transported by TLS within Mexico. Under the agreement, TLS uses Tri-Line on a non-exclusive basis for Mexican shipments bound for Canada, loading these shipments on Tri-Line's trailers and leaving them at the Texas/Mexico border to be transported by Tri-Line to Canada.

Tri-Line's relationship with TLS has been beneficial to Tri-Line. TLS's knowledge of the Mexican infrastructure and its experience in operating within Mexico allows it to efficiently complete Tri-Line's Mexican bound orders. Through TLS, Tri-Line has also gained access to an established Mexican customer base to transport goods north to Canadian destinations.

Regulation

The highway transportation industry in Canada is regulated in each provincial jurisdiction. Carriers formerly had to demonstrate public convenience and necessity when applying for a licence for point to point carrier service. The introduction of the *Motor Vehicle Transportation Act* (Canada) in 1988 shifted the onus from the applicant having to demonstrate public interest to any third party wishing to oppose the licence having to demonstrate that it would be detrimental to public interest to approve the application. Onus remains on the carrier to show that it meets

a national safety standard, complies with the applicable statutes and carries sufficient insurance coverage when applying for and renewing a licence.

Upon further deregulation since 1993, the provinces have all but eliminated the public interest test for the industry and issue operating authorities on the basis of a safety fitness test alone. These changes effectively shifted the emphasis of regulations from controlling entry into the industry to maintaining safety standards within the industry.

In the United States, motor carriers can be subject concurrently to federal jurisdiction and the jurisdiction of individual states in which they do business. Interstate carriers formerly were regulated by the federal Interstate Commerce Commission (the “ICC”). As a result of deregulation, the ICC was replaced by the U.S. Surface Transportation Board (the “STB”) in January 1996 and motor carriers of freight now may register with the STB upon demonstrating their willingness and ability to comply with applicable regulations generally, safety regulations of the United States Department of Transportation (the “USDOT”), and minimum financial responsibility requirements imposed by the USDOT. Notwithstanding a motor carrier’s registration with the STB, registration in a single state of the carrier’s choosing also can be required if the state satisfies certain statutory preconditions; one Tri-Line entity is registered in North Dakota and another is registered in Michigan. Motor carriers operating in the United States are subject to the safety fitness rating program of the USDOT and to the safety and minimum financial responsibility laws of individual states in which the carriers operate.

Insurance

Tri-Line maintains collision and liability insurance, to a maximum claim of \$105 million per occurrence. Tri-Line maintains property damage insurance on a replacement cost basis, to a maximum claim of \$75 million per loss at each location. Management believes that its insurance coverage is at least equal to industry standards.

Litigation

Tri-Line is not subject to any legal proceedings that would be material to investors in the Rights or CCTC Common Shares. The only proceedings in which it has been named as a defendant are those arising in the ordinary course of its business. Tri-Line is insured for most of the claims against it.

The White Pass & Yukon Route

White Pass operates a narrow gauge passenger tourist railway from Skagway, Alaska and provides related services in Skagway.

History

The railway was started by White Pass for the Klondike Gold Rush in 1898 and completed in 1900. The route has one of the steepest grades and some of the sharpest curves of any railway in North America: from sea level at Skagway, the railway climbs to 2,885 feet at the White Pass Summit in only 20 miles. It was used from 1900 until 1982 for general freight, ore concentrates, petroleum products and passengers. Railway operations were suspended in 1982 when White Pass’ major ore concentrate customer shut down its mine. The railway reopened in 1988 and since then has been operating as a passenger tourist railway.

The railway was historically the main transportation method for passengers and freight travelling between southeast Alaska and the Yukon. The year-round opening of the Klondike Highway between Skagway and Whitehorse in 1985 allowed motor vehicle transportation between the two cities, including ore trucks. The highway has the highest permitted gross vehicle weight in North America and became a more economic method than rail of transporting ore concentrates from the Yukon mines to Skagway. As a result of the opening of the highway, it became uneconomic to run the railway as a freight railway.

Dock facilities were constructed by White Pass in Skagway beginning in 1898. A petroleum products pipeline and related facilities were operated on the rail right of way and adjacent property between Skagway and Whitehorse from 1942 until 1994, first by the U.S. Government and then by two companies that became subsidiaries of Russel in 1976 and remain subsidiaries of Russel following the Reorganization. White Pass owned and operated an ore terminal in Skagway on land leased from the City of Skagway. From 1985 until 1990 it was operated by a third party. In 1990, the ore terminal was sold and the underlying land was sublet by White Pass to the new owner.

Companies that were related to White Pass prior to the Reorganization operated a petroleum product distribution business in southeast Alaska and the Yukon which was sold in June 1995.

White Pass was acquired by Russel in 1976. It carries on business through a number of companies, all of which were subsidiaries of Russel prior to the Reorganization. As part of the Reorganization, CCTC acquired, directly or indirectly, PARN, STC, BCYR and New BYR. New BYR purchased that portion of the railway right of way and other rail assets located in the Yukon formerly belonging to Old BYR. White Pass' head office is in Skagway, a city with a population of approximately 800 located at the north end of the Lynn Canal in southeast Alaska.

Overview

The railway stretches from Skagway, Alaska through part of British Columbia to Whitehorse, Yukon, a distance of approximately 110 miles. Construction of this historic 36-inch narrow gauge railway, which was commenced in 1898, is recognized as an "international historic civil engineering landmark". During the 1997 tourist season (mid-May through September), the railway transported more than 213,000 passengers, primarily from cruise ships that docked in Skagway. In 1997, cruise ships accounted for 82% of passengers, bus or airline package tours accounted for 5% and independent travellers made up the other 13%.

White Pass' principal revenue sources are passenger revenue from rail operations, revenue from dock operations and revenue from gift shop and souvenir sales. White Pass had revenue of \$20.6 million in 1996 (compared to \$18.7 million in 1995) and \$26.8 million for the nine months ended September 30, 1997 (compared to \$20.5 million for the nine months ended September 30, 1996).

White Pass had passenger revenue from rail operations of \$20.1 million for the nine months ended September 30, 1997, accounting for 75.0% of White Pass' total revenue for the period (compared to \$15.8 million and 77.3% of White Pass' total revenue for the nine months ended September 30, 1996). The 1997 numbers are final since the passenger rail season is complete. Fares have not been increased by White Pass since 1994. In 1998, the City of Skagway will impose a 4% sales tax on all tickets, the cost of which will be borne by the passengers.

White Pass also owns and operates dock facilities on the Skagway waterfront for cruise ships, ore vessels and petroleum barges. The port of Skagway provides the easiest year-round ocean access for Whitehorse and the greater part of the Yukon. The port is protected, is deep enough for the world's largest ships, and is ice free year-round. Revenue from cruise ship dock operations can be broken down into passenger fees, docking charges and miscellaneous charges. Revenue from other dock operations includes ore ship and petroleum barge throughput, dockage and wharfage charges. White Pass had dock revenue of \$5.0 million for the nine months ended September 30, 1997, accounting for 18.6% of White Pass' total revenue (compared to \$3.7 million and 18.0% of White Pass' total revenue for the nine months ended September 30, 1996).

White Pass derives concession revenue from the sale of railroad souvenirs, gifts and snacks at the depot, on the Railway Dock and aboard the train. Railroad souvenirs and gifts are also available by mail or phone order. White Pass had concession revenue of \$1.5 million for the nine months ended September 30, 1997, accounting for 5.7% of White Pass' total revenue (compared to \$0.8 million and 4.1% of White Pass' total revenue for the nine months ended September 30, 1996). White Pass also had revenue from other sources of \$0.2 million for the nine months ended September 30, 1997, accounting for 0.7% of White Pass' total revenue (compared to \$0.1 million and 0.6% of White Pass' total revenue for the nine months ended September 30, 1996).

White Pass has been in operation for close to 100 years. It has historical issues that have been and continue to be dealt with by management. These include environmental issues and required capital expenditures. See "Environmental Matters", "White Pass — Properties and Equipment" and "The Reorganization and Rights Offering".

Rail Operations

White Pass' primary business is the operation of a 36-inch narrow gauge passenger tourist railway under the name "White Pass & Yukon Route". White Pass presently operates a passenger service between Skagway, Alaska and Bennett, British Columbia and in the summer of 1998 will extend occasional passenger service to Carcross, Yukon. Work trains presently run from Skagway to the Whitehorse city limit for right of way maintenance and pipeline removal. The right of way needs to be upgraded before passengers can be carried beyond Carcross to Whitehorse.

Currently, the rail offers round trip and one-way excursions between Skagway and the White Pass Summit, Fraser, British Columbia and Bennett, British Columbia. In the 1997 tourist season, White Pass transported more than 213,000 passengers (up from approximately 175,000 in 1996). The increase in passengers can be attributed to increases in cruise ship activity, an improved capture rate for cruise ship passengers (the percentage of cruise ship passengers who take a White Pass excursion) and improved scheduling and frequency of train trips.

The railway operates on a right of way that is generally 200 feet wide in Alaska and British Columbia and 100 feet wide in the Yukon, with some points in the cities of Skagway and Whitehorse being as narrow as 30 feet.

White Pass had passenger revenue from rail operations of \$15.8 million in 1996, accounting for 76.4% of White Pass' total revenue (compared to \$13.5 million and 72.0% of White Pass' total revenue in 1995).

Dock Operations

White Pass operates dock facilities on the Skagway waterfront, which primarily serve cruise ships but also serve the mining and petroleum industries. White Pass can accommodate five large ships at one time. White Pass owns the three major docks in Skagway: the Railway Dock, the Broadway Dock and the Ore Dock. The Railway Dock is a modern dock reconstructed in 1995 using steel and concrete and located at the same site as the original dock built for the Klondike Gold Rush. It can accommodate two very large ships at one time, up to an aggregate of 1,900 feet in length. The Broadway Dock was constructed in 1990 of concrete and steel pilings and can accommodate one cruise ship up to 800 feet in length. The Ore Dock is a wooden structure constructed in the late 1960's and modified in 1984 and can accommodate one ship up to 700 feet in length and one ship up to 400 feet in length at one time. The modification was done pursuant to an agreement with the City of Skagway and the State of Alaska, using public funds. White Pass agreed to operate the Ore Dock with priority berthing for cruise ships until at least 1999. If the agreement is not extended by mutual agreement, White Pass has the right to purchase the modifications for a percentage of their then current replacement cost or, if it elects not to do so, the City of Skagway or the State of Alaska may (and the State shall at White Pass' request) remove the modifications, which would reduce the capacity of the Ore Dock to one ship up to 500 feet in length. The Ore Dock is the primary dock used for ore ships and petroleum barges.

Revenue from dock operations for 1996 accounted for \$3.8 million or 18.4% of White Pass' total revenue (compared to \$3.3 million or 17.5% of White Pass' total revenue for 1995).

The following table sets out statistics for the approximate numbers of passenger ships and passengers docking at docks operated by White Pass in Skagway:

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997*</u>	<u>1995 Change as % of 1994</u>	<u>1996 Change as % of 1995</u>	<u>1997 Change as % of 1996</u>
Passenger Ships	197	236	247	288	19.8%	4.7%	16.6%
Passengers	203,000	253,000	300,000	432,000	24.6%	18.6%	44.0%

* 1997 numbers are final since passenger ship docking season ends in September.

White Pass charges a dockage fee of U.S. \$250 per day for cruise ships of 300 feet or less, U.S. \$500 per day for ships up to 400 feet and U.S. \$2.10 per foot per day for larger ships. In addition, White Pass charges a fee of U.S. \$6.15 per cruise ship passenger. White Pass also charges dockage, wharfage and throughput fees for ore ships and petroleum ships.

Concessions

White Pass retails souvenirs, gifts and snacks in three high traffic areas: the train depot, the Railway Dock and on board the train. It also has mail order sales. This revenue source is increasing in importance to the growth in cash flow of the White Pass operations. Revenue from concessions accounted for \$0.8 million in 1996 or 4.1% of White Pass' total revenue (compared to \$0.5 million and 2.4% of White Pass' total revenue in 1995). Approximately 600,000 tourists pass through the City of Skagway in a season. There is increasing competition from other retailers but White Pass has unique rail related products and has easy access to customers riding the train. Late in the 1997 season (mid-August), a second concession and gift shop was opened on the Railway Dock.

Marketing

White Pass' relationships with the cruise ship companies are important, as these provide the primary source of passengers for the railway. White Pass has maintained a strong positive relationship with the cruise ship companies. Cruise lines benefit from this relationship through satisfied customers and through revenues from selling railway excursion tickets in advance of ship arrivals in Skagway. Senior management at White Pass maintains direct contact with the cruise ship companies throughout the year, especially during the off season when much of the planning is done. White Pass wholesales tickets to the cruise ships and the cruise ships retail those tickets to their passengers. This leaves White Pass vulnerable to fare increases by the cruise ships which could adversely affect passenger volumes.

White Pass produces an "On Board" magazine provided to rail passengers that includes a varied gift selection. Customers often take this magazine with them and later order by phone or mail. As well, mid-winter advertising flyers are sent to previous gift shop customers. White Pass maintains a web site on the worldwide web which currently lists some gift items. White Pass intends to expand the catalogue of items advertised through its web site.

An advertising campaign, both independent and as a prominent part of the Alaska and Yukon government and cruise ship advertising campaigns, complemented by newsprint and magazine editorial coverage, target Alaska and Yukon bound travellers. Trade publication presence reinforces the travel agency interest in booking passage on the White Pass & Yukon Route. The railway also hosts several television networks and private film companies each season which results in promotional advantages.

Market Factors

The Alaska Division of Tourism and the Alaska Tourism Marketing Council has forecast that the tourist industry and demand for cruise ship holidays will continue to grow over the next decade. The aging world population and the strong financial position of "baby boomers", coupled with the unique "Last Frontier" experience that Alaska, Northern British Columbia and the Yukon offer, are factors contributing to the growth of tourism in the region. The White Pass & Yukon Route's historical and geographic uniqueness provide barriers to entry by others.

Cruise ship companies look very favourably on Skagway as a port of call, as the City of Skagway has preserved its unique past and maintains an historic ambiance. White Pass has good docking facilities in Skagway and the cruise ships receive revenue from the sale of rail excursion tickets to their passengers. The majority of cruise ship passengers arrive in Skagway on Tuesday, Wednesday and Thursday. White Pass does not have control over this uneven demand.

Although White Pass offers a unique entertainment product, it nevertheless competes with other activities offered on arrival at Skagway. Some of these activities include: motorcoach and van tours of historic Skagway, the west White Pass Summit and the Yukon; vintage automobile city tours; helicopter and fixed wing aircraft tours; river rafting; fishing excursions; and glacier, hiking and bicycling tours.

White Pass intends to use several approaches to exploit its niche market and unique geography and history to continue to increase its passenger volumes. It will continue to pursue joint venture arrangements with motorcoach companies and other tour operators. It will also continue its strong marketing program to attract recreational vehicles driving through the Yukon. Other initiatives include expanding public relations efforts in connection with upcoming events in 1998, 1999 and 2000 to celebrate the centennial of White Pass and others. White Pass also plans to continue to expand retail trade business by providing a greater variety and supply of retail goods.

Because of the increased number of passengers and the uneven demand as a result of cruise ship arrival dates, White Pass has recently been at capacity on certain days. White Pass expects to address this capacity issue by adding additional train sets. See "Properties and Equipment — Rail".

Properties and Equipment — Rail

White Pass' primary rail assets include the railway right of way which consists of approximately 20 miles in Alaska, 33 miles in British Columbia and 57 miles in the Yukon. The right of way in Alaska is held by PARN pursuant to easements from the U.S. Government and is on lands in the City of Skagway, the Tongass National Forest and the Klondike Gold Rush National Historic Park. The right of way in British Columbia is owned by

BCYR. Substantially all of the right of way in the Yukon was owned by Old BYR (and has been transferred to New BYR as part of the Reorganization). There is one possible legal defect relating to White Pass' rail right of way. This issue has been outstanding for many years and has not been raised by any third party. Management believes that this issue, if raised by a third party, could be resolved without a material adverse effect on White Pass. Most of the right of way has a single track, with sidings where necessary. The weight of the rail varies from 66 lbs to 115 lbs per foot. The route comprises 20 bridges and two tunnels.

White Pass also owns a 10,000 square foot train depot in Skagway which houses a waiting area, ticket outlet, gift shop, concession stand and administration offices; a 48,000 square foot shop and maintenance facility in Skagway; and other property in Skagway, British Columbia and the Yukon used in rail operations. White Pass leases some land and holds easements, primarily for road crossings. Some property was transferred by White Pass as part of the Reorganization, with a lease back of any parts needed for rail operations and with a right of first offer to repurchase the Skagway Upper Tank Farm. See "The Reorganization and Rights Offering".

White Pass owns and operates 14 diesel locomotives, ten manufactured by General Electric Locomotive Works and four by Bombardier. The average age of the locomotives is 40 years. In addition, the railway owns and operates a restored steam engine manufactured in 1947 and a restored steam snow plow manufactured in 1899. White Pass owns 45 parlour cars. Many of the parlour cars are vintage cars carefully restored by White Pass. Newer parlour cars are constructed to look like vintage cars to maintain the historic aura of the railway. White Pass also owns its maintenance of way equipment. White Pass is attempting to source used narrow gauge locomotives and parts.

White Pass performs its own mechanical and body maintenance on its train sets. The vintage parlour cars have been structurally updated and four locomotives have recently been rebuilt. Equipment and rail bed maintenance is performed by experienced railroad industry staff. Maintenance shops are maintained with adequate tooling and inventory to ensure self-sufficiency.

Normal maintenance of the right of way and rolling stock is expensed as incurred. White Pass management is preparing to present to the CCTC Board a proposal for capital expenditures on the railway operation of approximately \$4.6 million in 1998 and \$2.0 million in 1999. These would include expenditures of \$2.7 million for modernization of infrastructure and train sets and \$3.9 million for increases to capacity. Management believes that capital expenditures in 2000 and 2001 will be substantially lower than those in 1998 and 1999 because planned modernization and increases to capacity will be substantially completed.

The capital expenditures in 1996 were \$2.2 million and completed and planned capital expenditures for 1997 are expected to be approximately \$3.5 million. Of these amounts, \$1.2 million was for modernization and \$1.0 million was for capacity increases in 1996, and \$1.9 million is for modernization and \$1.6 million is for capacity increases in 1997. Since late 1995, White Pass has undertaken an extensive right of way upgrade, including ties, ballast, rail, bridges and culverts. White Pass focuses on the safety of its rail operation and has had independent engineering studies commissioned to assist in determining the necessary repairs and upgrades. Recommendations pertaining to bridge repairs, upgrades or replacements have been implemented to the extent necessary to ensure there are no present safety concerns and the remaining recommendations continue to be implemented. By the end of 1998, it is planned that all wooden bridges in Alaska will have been replaced by clear span steel bridges except for three wooden bridges which management believes are structurally sound. The economically useful life of clear span steel bridges is approximately 60 years, significantly longer than wooden bridges. Management may review the depreciation policy for bridges as more steel bridges are constructed. The constraint in completing this work is due primarily to the limited period during any year when the work can be done because of weather, the need to operate the railway during the tourist season and the limited availability of contractors to do the work.

Properties and Equipment — Dock Assets

White Pass' other major assets are the dock facilities on the Skagway waterfront. White Pass owns three major docks. The Railway Dock is primarily on land owned by White Pass. White Pass has a tidelands lease with the City of Skagway which was entered into in 1968 for a term expiring in 2023. Parts of the leased land have been sublet for the term of the lease for an ore terminal and two petroleum tank farms and related facilities and the balance has been retained by White Pass. The Broadway Dock and the Ore Dock (except for the modifications done in 1984) are owned by White Pass and located on the land leased from the City of Skagway.

Normal maintenance of the docks is expensed as incurred. Capital expenditures for the docks are expected to be approximately \$0.7 million in 1998 and \$0.4 million in 1999. These are for modernization of infrastructure. The capital expenditures in 1996 were \$3.9 million, which was an abnormal capital expenditure to complete the rebuilding of the Railway Dock necessitated by the underwater avalanche in 1994. Completed and planned capital expenditures for 1997 are expected to be approximately \$0.2 million.

Employees

White Pass has 13 full time employees performing administrative functions. During May through September in 1997, White Pass employed 105 people. Rail and wharf operations accounted for 78 employees, gift shop personnel consisted of 14 employees and the other 13 employees performed administrative functions. The work force is largely comprised of U.S. citizens. Approximately 50% of the seasonal employees come from Skagway and 50% come from other areas.

The jobs relating to the maintenance of equipment and right of way and operation of the trains are highly specialized and many of the employees return every year. Other positions are comparatively simple and employees are trained on the job. Care is taken to hire employees who demonstrate an ability to work with the public, to be flexible and to work unusual and often long hours.

Eighteen of the railroad engineers, conductors and brakemen belong to United Transportation Union Local 1787. Forty-three maintenance shop and track employees in the United States belong to Teamsters Local 959. Fifteen maintenance of way employees in Canada belong to Teamsters Local 213. The industrial relations climate is currently good and grievances are settled in a routine manner.

Insurance

White Pass maintains liability insurance, to a maximum claim of \$105 million per occurrence. White Pass maintains property damage insurance on a replacement cost basis, to a maximum claim of \$75 million per loss at each location. White Pass' insurance does not cover environmental matters. See "Environmental Matters".

Regulation

In the United States, the railway is subject to the regulatory jurisdiction of the Surface Transportation Board ("STB"), which in January 1996 assumed many of the functions of the former Interstate Commerce Commission. The railway is also subject to safety regulations issued and administered by the Federal Railroad Administration. Both the STB and the Federal Railroad Administration are part of the U.S. Department of Transportation. Railroad ownership, control, construction and transportation are regulated more pervasively in the United States than are comparable aspects of motor carrier activity. As a result of relocations, parts of the rail right of way in Alaska are also subject to certain regulations of the Forest Service.

White Pass' Skagway dock facilities are regulated by the U. S. Federal Maritime Commission with respect to the filing of tariffs, agreements with common carriers fixing rates and other terminal services practices. Marine terminal operators are prohibited, for example, from discriminating unreasonably among common carriers, including passenger common carriers, with respect to the provision of terminal services.

In Canada, the railway is subject to the regulatory jurisdiction of Transport Canada and the Canadian Transportation Agency. They monitor all aspects of rail operations, including safety, dispatch, radio communications, equipment and right of way conditions. PARN, BCYR and Old BYR have Certificates of Fitness from the Canadian Transportation Agency. New BYR has applied for and expects to receive a Certificate of Fitness prior to completion of this offering. The transfer by Old BYR to New BYR of its rail lines was set out in its three-year plan as required by the *Canada Transportation Act*.

The removal of the pipeline from Skagway to Whitehorse will be regulated in Canada by the National Energy Board (which has already approved the removal) and in the United States by the U.S. Department of Transportation — Pipeline Safety (which has ordered the removal) and other agencies. White Pass is dealing with those other agencies for the necessary approvals. See "Environmental Matters — White Pass — Remediation Activities" and "The Reorganization and Rights Offering".

Litigation

There are several proceedings against White Pass in the ordinary course of business, none of which are expected to have a material adverse effect on its business or financial condition. See “The Reorganization and Rights Offering” with respect to the indemnity from Russel with respect to certain other litigation matters.

Environmental Matters

General

CCTC, its operations and properties are and will be subject to extensive federal, provincial, territorial, state, municipal and local environmental laws and requirements in both Canada and the U.S. relating to, among other things, air emissions, the management of contaminants including hazardous materials and waste (including the generation, handling, storage, transportation, treatment and disposal of such contaminants), discharges to waters and the remediation of environmental impacts (such as the contamination of soil and water, including groundwater). A risk of environmental liabilities is inherent in transportation operations (both rail and truck), historic activities associated with such operations and the ownership, management or control of real estate. Costs associated with environmental matters, including compliance with laws, include costs associated with ongoing regulatory compliance, as well as potential liabilities related to the matters described below.

CCTC has used and will continue to use fuel and solvents in its operations. Tri-Line hauls some hazardous goods but not hazardous wastes. CCTC may attract liability by operation of law, pursuant to an administrative proceeding or other regulatory control or from a third party claim in the event that such contaminants are released into the environment, whether on CCTC’s own property or on other property where CCTC has caused or permitted such release. CCTC could, for example, become the subject of an order requiring the remediation of contaminated property, a civil or common law action or a penal proceeding relating to the release of contaminants into the environment. A remediation order could require CCTC to investigate, manage, remediate and monitor contamination on property owned by CCTC, on property used or operated by CCTC, or on other property where CCTC has contributed to or caused or permitted contamination to occur.

CCTC may also incur liability, as a former owner, operator or person in control or management (such as a tenant) of a property or business operation after the sale or abandonment of the property or operation, for contaminants disposed of, deposited or released at, on or from a property or operation during the time that CCTC owned, operated or was in management or control of the property or operation. Under certain laws, CCTC could attract liability even though it no longer owns, controls or manages the property or business operation and even though such contaminants may have been disposed of, deposited or released by someone other than CCTC, including a former or current owner, operator or tenant of such property or business operation or by a third party. CCTC is responsible for certain remediation obligations with respect to the ore terminal in Skagway sold by CCTC.

Environmental laws and requirements have become increasingly stringent over time. Federal, provincial, territorial, state, municipal and local governments have become increasingly active in the area of environmental regulation. The enforcement of environmental laws changes from time to time and there is no guarantee that the current level of enforcement of environmental laws will not change in the future. Regulation and enforcement by the various levels of government, with respect to past, current and future operations and activities, can reasonably be expected to continue to affect CCTC. CCTC will continue to identify and address potential environmental concerns which may result in the identification of additional environmental costs and liabilities. CCTC believes it has identified and provided for the expenditures relating to known environmental matters, including compliance issues and the assessment and remediation of the environmental condition of its properties, whether currently or previously owned, and other properties where it may have environmental liabilities.

Management currently estimates that expenditures for environmental compliance for ongoing operations, including maintaining the environmental risk management and compliance program, will be approximately \$75,000 per year in each of the next four years. These are exclusive of the costs discussed below under “White Pass — Remediation Activities”. Unforeseen expenditures for environmental matters or environmental liabilities could have an adverse effect on CCTC’s finances. There can be no assurance that changes in environmental laws and requirements, or the necessity to conduct additional investigations or remediation work, will not require further significant expenditures by CCTC. See “White Pass — Remediation”.

Tri-Line

Tri-Line is subject to and is in material compliance with applicable federal, state, provincial and local laws and regulations relating to environmental matters. Tri-Line has voluntarily removed all underground fuel tanks at Tri-Line-owned terminals. In each instance no fuel leakage from the tanks was detected and where soil remediation was required it was carried out. Tri-Line is not aware of any other underground tanks on any other property owned or leased by Tri-Line.

White Pass

Historical

White Pass carries on its rail operations on sites that have been used as a railway for almost 100 years. In addition, a petroleum product pipeline and related facilities were operated on the rail right of way and adjacent property between Skagway and Whitehorse from 1942 until 1994, first by the U.S. Government and then by two companies that became subsidiaries of Russel in 1976 and remain subsidiaries of Russel following the Reorganization. White Pass has historical environmental issues that have been and continue to be dealt with by management. These issues are being dealt with as expeditiously as possible in cooperation with all applicable regulatory authorities.

White Pass also operated and subsequently leased an ore terminal (primarily for lead zinc concentrates) on the Skagway waterfront. The ore terminal was sold in 1990. White Pass remains the tenant of the property on which the ore terminal and two tank farms and related facilities are operated by subtenants.

In 1996, White Pass pleaded guilty to a number of environmental related offences in District Court in Alaska principally arising from an accidental pipeline break which occurred in October 1994 at Mile 6 of the railway. White Pass pleaded guilty to negligent discharge of petroleum products into the Skagway river, failing to report such discharge on a timely basis, making false statements and unlawfully converting government property. At the same time, White Pass pleaded guilty to illegal transportation of hazardous products in the United States in connection with the Graves incident described below. As agreed with the prosecutor, a total of U.S. \$1,500,000 for fines, remediation and restitution was imposed by the Court. U.S. \$650,000 was paid immediately and the remainder is being satisfied through environmental remediation work. White Pass also agreed to establish and maintain a court approved environmental risk management and compliance program. During the five year probation period, the chief executive officer of White Pass must make quarterly reports to the probation officer and White Pass may be subject to unannounced inspections by any U.S. governmental agencies. Two White Pass employees, including the former President of the railway, were convicted of offences arising from the October 1994 pipeline break but are currently appealing the convictions.

In October 1995, Russel learned that White Pass had moved wastes from Alaska to British Columbia and burned them at Graves, B.C. Russel immediately advised all applicable U.S. and Canadian governmental agencies and White Pass initiated containment and remediation action in cooperation with Canadian environmental authorities. In connection with such containment and remediation, White Pass brought an excavator along its railway into Canada without properly declaring it and, as a result, White Pass paid penalties of \$60,000, recovering \$30,000 from the owner of the excavator. In 1996, White Pass pleaded guilty in Provincial Court in British Columbia to several counts related to the unauthorized importation and disposal of hazardous waste in connection with the Graves incident. Penalties of \$108,000 were imposed and have been paid and White Pass was under probation for six months.

Remediation Activities

White Pass is committed to carrying out the appropriate remediation of the environmental impacts caused by historic activities. To accomplish this, White Pass retained Golder Associates ("Golder"), an internationally recognized environmental consulting firm, in November 1995, to assist in characterizing, developing and implementing remedial strategies and plans for sites identified by White Pass as requiring investigation and potentially remediation.

Based on information from White Pass and the investigations conducted by Golder, various environmental matters resulting from historic activities are being addressed. In Skagway, these include: the remediation of lead

zinc concentrates in the Skagway harbour as a result of releases prior to the sale of White Pass' ore terminal in 1990; remediation of the rail shops property, including construction of concrete pads, dyking, lighting and fencing for fuel tanks, installation of a waste oil burner and remediation of solvent contamination and petroleum product contamination relating to the rebuilding of the former Railway Dock; and work on the rail shops building relating to improvement of locomotive wash areas and enhancement of oil/water separation capabilities. Along the right of way in the U.S., remediation activities include: the removal and disposal of used ties, material from a land fill and debris taken from a site along the railway and temporarily stored at the Skagway Upper Tank Farm; remediation of oil spills from pipeline breaks; any necessary remediation in connection with the removal of the pipeline from Skagway to the Canadian border; the remediation of metal contamination resulting from rail operations, including lead and zinc concentrates and silver, at several sites; and the remediation of contamination that may exist in the Summit Lake area, which may have been used as a waste dump by the railway and others in early years. Only preliminary investigations have been done in the Summit Lake area.

In Canada, environmental matters that are being addressed include: remediation at sites along the right of way, similar to the U.S.; environmental remediation relating to the removal of the pipeline along the right of way from the Canada-U.S. border to the separation of the pipeline and the rail right of way near Whitehorse; the remediation of the Bennett, Carcross and Utah rail yards; and remediation at Carcross, including the tank farm and tie plant.

Based on cost estimates agreed upon by Golder and White Pass personnel, White Pass has estimated a cost of approximately \$15.3 million for such remediation. In 1996, White Pass provided for a site restoration charge, of which \$15.3 million remains as a provision on the CCTC pro forma balance sheet as at September 30, 1997. See "Pro Forma Financial Statements of CCTC". This amount is expected to be spent over the next several years, with the bulk of expenditures being made in 1998 and 1999, and the provision will be reduced by the amount spent. This figure is an estimate only and may be subject to material change based on additional technical information, ongoing work done by Golder and changes in laws and requirements. White Pass is working in cooperation with the appropriate authorities in both Canada and the U.S. to develop and implement these remedial action plans.

As part of the Reorganization, White Pass has assumed responsibility to remove the pipeline, do all necessary remediation and indemnify Russel in respect of the pipeline from Skagway until the separation of the pipeline and rail right of way outside Whitehorse, and is entitled to all proceeds of disposition of the pipe. The removal and remediation in Canada is in progress pursuant to an order of the National Energy Board and White Pass is in the process of obtaining the necessary U.S. approvals. White Pass has assumed responsibility for all environmental issues in connection with properties in White Pass following the Reorganization. Russel will be responsible for the cleanup of the Skagway Upper Tank Farm required pursuant to the probation order referred to above except for the cleanup of certain debris temporarily stored on that property by White Pass. White Pass will lease the Skagway Upper Tank Farm back from Russel and, in addition to other operational uses, will be permitted to use it to assist in remediation or clean up of other sites. See "The Reorganization and Rights Offering".

Summary

All the above environmental matters are historical. New management is addressing these legacy matters and, with the assistance of Golder, monitors environmental matters generally. White Pass' ongoing operations do not have special environmental sensitivities. Management has established and is committed to maintaining an environmental risk management and compliance program and carrying on its operations to minimize environmental impact. Operating policies and practices to do so are in place and White Pass has a program in place to educate employees on environmental responsibilities.

THE REORGANIZATION AND RIGHTS OFFERING

Reorganization

Prior to the Rights Offering, Russel and CCTC will enter into a series of transactions pursuant to which CCTC will acquire all of Russel's interest in the CCTC Business as set out in the Reorganization Agreement. The following description sets out the major steps of the Reorganization:

- Russel will sell all the shares of Tri-Line and BCYR to CCTC in exchange for CCTC Common Shares.

- The Skagway Upper Tank Farm will be transferred from White Pass to Russel and will be leased back to White Pass. White Pass will have a right of first offer to repurchase it.
- Russel will receive all amounts paid by the insurers subsequent to September 30, 1997 relating to the destruction of the former Railway Dock by an underwater avalanche in 1994 and all claims against the all risk insurers, designers, engineers, contractors or others in respect of such destruction, including the claims in the action brought by PARN against the insurers claiming the costs of rebuilding the dock and punitive damages resulting from the insurers' bad faith conduct. The total loss associated with the dock rebuild and claims other than legal costs and the bad faith claim is currently \$39.4 million, of which the insurers have paid \$11.1 million.
- Russel will sell all the shares of the Canadian holding company that will indirectly own all the shares of PARN and STC to CCTC in exchange for CCTC Common Shares.
- Old BYR will sell its rail-related assets to New BYR in exchange for common shares of New BYR, and will subsequently sell all the shares of New BYR to CCTC for cash.

Certain related company amounts will be settled and the bank indebtedness will be capitalized so that there are no remaining intercompany amounts between Russel and either Tri-Line or White Pass. White Pass will assume certain obligations with respect to the petroleum products pipeline as set out in "Environmental Matters — White Pass — Remediation Activities".

White Pass will remain subject to certain liabilities in respect of which Russel will provide an unsecured indemnity to CCTC and White Pass. These liabilities pertain primarily to outstanding or potential litigation and environmental matters which are not included in the \$15.3 million provision for site restoration discussed under "Environmental Matters — White Pass — Remediation Activities". The aggregate amount of the potential liability being indemnified against by Russel is estimated by Russel's management to not exceed \$12 million. CCTC will indemnify Russel with respect to certain environmental matters and other obligations that CCTC is assuming.

Following the completion of the Reorganization, Russel will continue to provide certain management services to CCTC, in return for which CCTC will pay a management fee to Russel of \$500,000 per year for four years. A portion of this management fee is for advice on remediation of historic environmental issues relating to White Pass and is included in the site restoration charge described under "Environmental Matters — White Pass — Remediation Activities". CCTC will also provide certain services of the President of White Pass to Russel for the same four year period for which Russell will pay a management fee to CCTC for \$100,000 per year. In addition, Tri-Line will lease from Russel at market rates the Tri-Line terminals located in Hamilton and Montreal.

All material consents required in order for Russel to implement the Reorganization are expected to be obtained by the time of the filing of the final prospectus.

Overview of Rights Offering

Under the Rights Offering, each existing holder of Russel Common Shares will receive, by way of dividend, one Right for every Russel Common Share held as of the Record Date. Each Right will entitle the holder to acquire one CCTC Common Share. See "Details of the Offering". Upon the completion of the Rights Offering, holders of Russel Common Shares will continue to hold their Russel Common Shares and Russel's assets will include the net cash proceeds obtained by Russel upon the exercise of the Rights.

Background to the Rights Offering

Since May 1991, Russel has been restructuring its business to focus on its metals operations and to divest, close or restructure substantial portions of its other operations. The assets comprising the CCTC Business have been among the assets which management identified for sale as part of this restructuring. The Russel Board decided to sell these assets by way of the Rights Offering in order to give existing Russel shareholders the first opportunity to participate in the potential of the CCTC Business.

Consideration of Rights Offering by Boards of Directors of Russel and CCTC

On August 12, 1997, the Russel Board approved the Reorganization and Rights Offering in principle. It retained Gordon Capital Corporation to provide financial advice with respect to the transactions and received advice from Russel's legal counsel.

The Reorganization and Rights Offering were formally submitted to the Russel Board for its approval on October 23, 1997. Based on its review of the transaction and the advice it received from management and from Russel's financial and legal advisors, the Russel Board concluded that the Reorganization and Rights Offering are in Russel's best interests and are fair to its shareholders and creditors. In reaching this determination, the Russel Board considered a number of factors, and concluded that the Reorganization and the Rights Offering will have certain financial and operational benefits to Russel such as enabling Russel to dispose of two of its non-core businesses for fair value, allowing management to focus to a greater extent on the operation of Russel's metals business. In addition, the Russel Board considered the fact that the Rights Offering would provide holders of Russel Common Shares (other than U.S. Persons) the opportunity to acquire CCTC Common Share on a basis at least pro rata to their existing interest in Russel.

The CCTC Board is composed of six individuals, all of whom are also directors of Russel. The CCTC Board considered the terms of the Reorganization at a meeting on October 23, 1997. It received advice from Blake, Cassels and Graydon in connection with the Reorganization and Rights Offering. Based on its review of those transactions and the advice it received from CCTC management and its legal advisors, the CCTC Board concluded that the Reorganization is in the best interests of CCTC. In reaching this determination, it considered the businesses CCTC is acquiring, the liabilities it is assuming, the indemnity it is receiving from Russel and the indemnity it is giving to Russel.

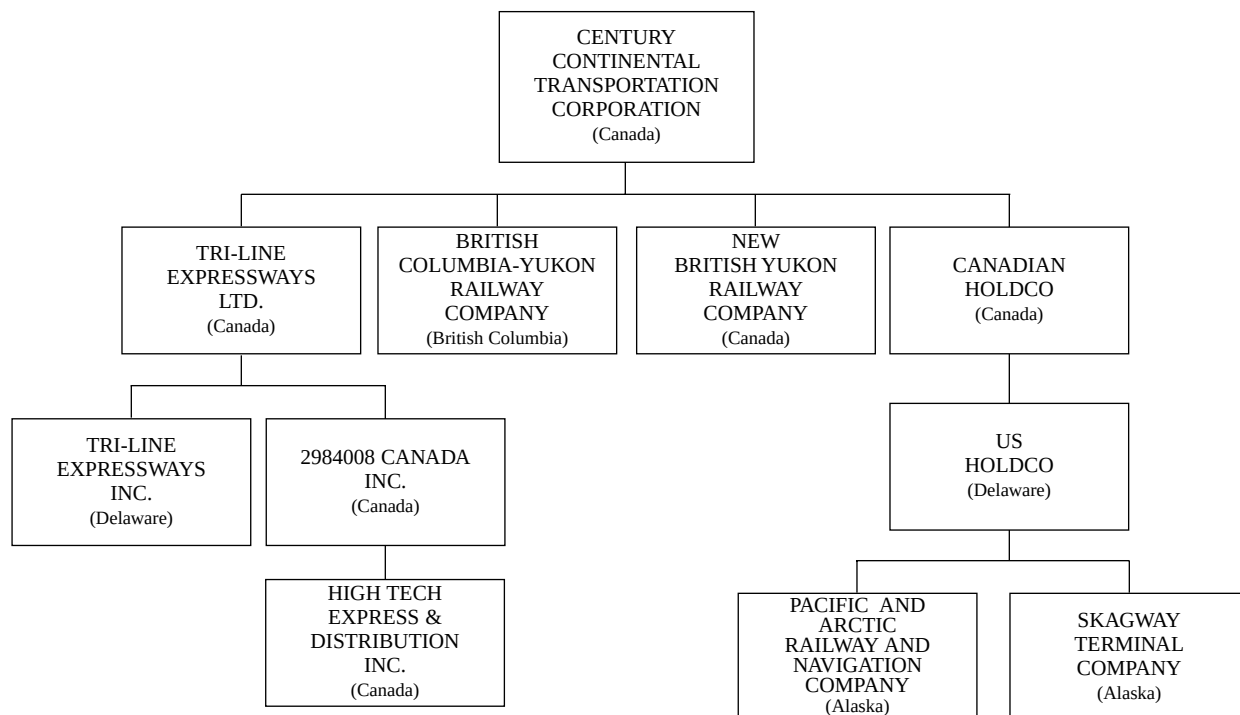
U.S. Securities Restrictions

Neither the Rights, the CCTC Common Shares nor the CCTC common shares, if any, issued pursuant to the Over-Allotment Option are registered under the U.S. Securities Act or the securities laws of any state. Except as set forth below, this offering of Rights, CCTC Common Shares and CCTC common shares, if any, issued pursuant to the Over-Allotment Option is not being made in the United States of America or in any territory or possession thereof and is not, and under no circumstances is to be construed as, an offering of Rights, CCTC Common Shares or CCTC common shares, if any, issued pursuant to the Over-Allotment Option for sale in the United States of America or any territory or possession thereof, or an offering to or for the account or benefit of a U.S. Person, or a solicitation therein or thereto of any offer to buy any securities of Russel or CCTC. Accordingly, no Rights will be delivered to, no offer for CCTC Common Shares or CCTC common shares, if any, issued pursuant to the Over-Allotment Option will be accepted from, and no CCTC Common Shares or CCTC common shares, if any, issued pursuant to the Over-Allotment Option will be sold to, any person or his agent who appears to be, or who Russel or CCTC has reason to believe is, a U.S. Person, except certain institutional accredited investors. For a description of the manner in which Rights to which any U.S. Person may be entitled will be dealt with, see "Details of the Offering — Foreign Registered Shareholders".

Corporate Structure

The following chart illustrates the business units of CCTC and the intercorporate relationships of CCTC and its subsidiaries following the Reorganization. CCTC will directly or indirectly own all of the voting securities of the subsidiaries listed below (other than certain directors' qualifying shares required by certain statutes). The jurisdiction in brackets following the corporate name is the jurisdiction of incorporation.

CENTURY CONTINENTAL TRANSPORTATION CORPORATION



PRO FORMA FINANCIAL STATEMENTS OF CCTC

The following statements set forth financial information for CCTC as at and for the nine month period ended September 30, 1997, both before and after certain pro forma adjustments contemplated by the Reorganization. The balance sheet is adjusted as if the Reorganization was consummated on September 30, 1997 and the statement of earnings is adjusted as if the Reorganization was consummated on January 1, 1997. Reference is also made to the combined financial statements of CCTC set out in this prospectus.

Compilation Report

To the Directors of Russel Metals Inc. and Century Continental Transportation Corporation ("CCTC")

We have reviewed, as to compilation only, the accompanying pro forma balance sheet of CCTC as at September 30, 1997 and the pro forma statement of earnings for the nine months then ended, which have been prepared for inclusion in the prospectus relating to the issue to the shareholders of Russel of Rights entitling the holder to acquire CCTC Common Shares. In our opinion, the pro forma balance sheet and the pro forma statement of earnings of CCTC have been properly compiled to give effect to the proposed transaction and the assumptions described in the notes thereto.

Toronto, Ontario
October 22, 1997

Deloitte & Touche
Chartered Accountants

CENTURY CONTINENTAL TRANSPORTATION CORPORATION

PRO FORMA BALANCE SHEET

(unaudited)

September 30, 1997

(\$000's)	<u>Combined</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma</u>
ASSETS			
Current			
Accounts receivable	\$20,798	\$ —	\$20,798
Inventories	416	—	416
Prepaid expenses and other assets	2,067	—	2,067
	23,281	—	23,281
Fixed assets	71,835	190 (1)	72,025
Deferred income taxes	1,904	—	1,904
	<u>\$97,020</u>	<u>\$ 190</u>	<u>\$97,210</u>
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current			
Bank indebtedness	\$ 5,553	\$(5,553) (2)	\$ —
Accounts payable and accrued liabilities	14,383	—	14,383
Current portion of provision for site restoration	4,263	—	4,263
Income taxes payable	1,886	—	1,886
	26,085	(5,553)	20,532
Provision for site restoration	11,000	—	11,000
Due to related parties	16,913	(16,913) (3)	—
	53,998	(22,466)	31,532
Shareholder's equity	43,022	22,656 (4)	65,678
	<u>\$97,020</u>	<u>\$ 190</u>	<u>\$97,210</u>

CENTURY CONTINENTAL TRANSPORTATION CORPORATION

PRO FORMA STATEMENT OF EARNINGS (unaudited) For the nine months ended September 30, 1997

(\$000's except per share amounts)	<u>Combined</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma</u>
Revenues	\$115,750	\$ —	\$115,750
Cost of sales and operating expenses	99,158	—	99,158
	16,592	—	16,592
Interest expense	4,248	(4,248) (5)	—
Earnings before income taxes	12,344	4,248	16,592
Provision for income taxes	4,934	1,699 (6)	6,633
Net earnings for the period	<u>\$ 7,410</u>	<u>\$ 2,549</u>	<u>\$ 9,959</u>
Net earnings per share (7)(8)	<u>\$ 0.15</u>	<u>\$ 0.05</u>	<u>\$ 0.20</u>

NOTES TO PRO FORMA FINANCIAL STATEMENTS

The accompanying pro forma financial statements of CCTC are based on the combined financial statements as adjusted to reflect the Reorganization as described in this prospectus. The balance sheet is adjusted as if the Reorganization was consummated on September 30, 1997 and the statement of earnings is adjusted as if the Reorganization was consummated on January 1, 1997.

The pro forma financial statements should be read in conjunction with the combined financial statements of CCTC and the notes thereto. The pro forma statement of earnings may not be indicative of what the operating results of CCTC would actually have been had the Reorganization actually occurred on January 1, 1997.

These pro forma financial statements have been prepared using generally accepted accounting principles and reflect the accounting policies described in note 2 of the notes to the combined financial statements of CCTC included in this prospectus.

Rail and cruise ship docking revenues are generated only in the months May through September. Annual budgets anticipate losses in the first and fourth quarters as the majority of rail revenue ceases to be generated during those periods, but certain expenses continue to be incurred (in particular maintenance of right of way, most of which is carried out during the off season). Any extrapolation from the nine months results would be misleading.

These pro forma financial statements include the following noted transactions:

- (1) Adjustment to reflect the net amount of fixed assets to be sold to CCTC by Russel in excess of those sold by CCTC to Russel as part of the Reorganization.
- (2) All bank indebtedness is repaid as part of the Reorganization.
- (3) All related party amounts are settled as part of the Reorganization.
- (4) Includes a \$22.7 million capital contribution used to settle bank indebtedness and related party amounts referred to in notes 2 and 3.
- (5) Adjustment to reflect the net impact on interest expense as if CCTC had repaid all interest bearing debt including bank indebtedness on January 1, 1997.
- (6) Adjustment to reflect income tax on interest expenses in note 5 at 40%.
- (7) Assuming the issue of 51,007,864 CCTC common shares based on the number of Russel Common Shares outstanding as at September 30, 1997.
- (8) Assuming the issuance of all CCTC common shares issuable pursuant to the Over-Allotment Option, the pro forma earnings per share for the nine months ended September 30, 1997 would be \$0.17.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS OF CCTC

The following management's discussion and analysis of CCTC's financial condition and results from operations should be read in conjunction with the combined financial statements presented in this prospectus. This discussion and analysis has been prepared on the assumption that CCTC operations started on January 1, 1994 and continued through the period as though CCTC was a subsidiary of Russel on January 1, 1994 and the Reorganization was completed on September 30, 1997.

Results of Operations

The continuing operating results of CCTC have been segmented between Tri-Line (trucking) and White Pass (railway and dock) operations.

(\$000's)	Years Ended December 31,			1995	1996	Nine Months Ended		1997
	1994	1995	1996	Change as % of 1994	Change as % of 1995	September 30, 1996	1997	Change as % of 1996
Revenues								
Tri-Line	\$101,931	\$109,220	\$116,832	7.2%	7.0%	\$ 87,423	\$ 88,934	1.7%
White Pass	14,824	18,681	20,616	26.0%	10.4%	20,449	26,816	31.1%
	<u>\$116,755</u>	<u>\$127,901</u>	<u>\$137,448</u>	9.5%	7.5%	<u>\$107,872</u>	<u>\$115,750</u>	7.3%
Operating Profits (1)								
Tri-Line	\$ 5,329	\$ 4,871	\$ 3,819	(8.6%)	(21.6%)	\$ 3,229	\$ 5,150	59.5%
White Pass	4,569	6,384	5,705	39.7%	(10.6%)	7,701	11,442	48.6%
	<u>\$ 9,898</u>	<u>\$ 11,255</u>	<u>\$ 9,524</u>	13.7%	(15.4%)	<u>\$ 10,930</u>	<u>\$ 16,592</u>	51.8%

(1) Prior to site restoration charge.

Nine Months Ended September 30, 1997 Compared to Nine Months Ended September 30, 1996

Tri-Line — Revenues for the nine months ended September 30, 1997 were \$88.9 million compared to \$87.4 million for the same period in 1996. This slight increase primarily relates to an approximate increase of 3% in revenue per mile in 1997. Revenue per mile for the nine months ended September 30, 1997 was \$1.45 compared with \$1.41 for the same period in 1996. The increase in revenue due to the higher revenue per mile was partially offset by unusually severe winter storms which reduced the miles travelled.

Operating profits for the nine months ended September 30, 1997 were \$5.2 million, a \$2.0 million improvement over the operating profits of \$3.2 million for the same period in 1996. This increase is related to the recovery in revenue per mile as previously discussed as well as an overall improvement in the Operating Ratio. The Operating Ratio was 94.2% for the nine months ended September 30, 1997 compared to 96.3% for the same period in 1996. This improvement in the Operating Ratio is the result of increased equipment utilization and the addition of power units to the fleet. The majority of Tri-Line's trailers are leased which adversely impacts the Operating Ratio. If Tri-Line had purchased these trailers, operating profits would have increased by approximately \$0.7 million for the nine months ended September 30, 1997 and \$0.4 million for the same period in 1996 and the Operating Ratio would have improved to 93.4% for the nine months ended September 30, 1997 and 95.8% for the same period in 1996.

White Pass — Revenues have been segmented between railway operations and dock operations. Railway operations include sales of passenger tickets, promotional material from the gift shop and concession sales.

(\$000's)	Years Ended December 31,			1995	1996	Nine Months Ended		1997
	1994	1995	1996	Change as % of 1994	Change as % of 1995	September 30, 1996	1997	Change as % of 1996
Revenues								
Railway	\$11,706	\$15,412	\$16,820	31.7%	9.1%	\$16,783	\$21,813	30.0%
Dock	3,118	3,269	3,796	4.8%	16.1%	3,666	5,003	36.5%
	<u>\$14,824</u>	<u>\$18,681</u>	<u>\$20,616</u>	26.0%	10.4%	<u>\$20,449</u>	<u>\$26,816</u>	31.1%

The 1997 tourist season was the strongest since the railway reopened in 1988 as a tourist operation. Revenue from railway operations for the nine months ended September 30, 1997 increased by 30.0% over the same period in 1996. The number of railway passengers increased by 21.7% to over 213,000 for the 1997 season. The increase in passengers can be attributed to increases in cruise ship activity, an improved capture rate for cruise ship passengers (the percentage of cruise ship passengers who take a White Pass excursion) and improved scheduling and frequency of train trips. The passenger capture rate in 1997 was approximately 39% compared with approximately 38% in 1996.

Dock revenues increased by 36.5% for the nine months ended September 30, 1997 compared to the same period in 1996. The number of cruise ships docking at Skagway during the 1997 season was approximately 288 compared with approximately 247 in 1996.

Operating profits for the nine months ended September 30, 1997 were \$11.4 million compared with \$7.7 million for the same period in 1996. This 48.6% increase is attributed to the increase in revenue as discussed previously. Revenue increases enabled operating profits to increase at the same time as White Pass increased its investment in the maintenance of the right of way and had higher operating costs due to greater numbers of excursions. Rail and cruise ship docking revenues are generated in the months of May through September. Annual budgets anticipate losses in the first and fourth quarters as the majority of revenue ceases to be generated during those periods but certain expenses continue to be incurred (in particular maintenance of right of way, most of which is carried out during the off season). Any extrapolation from the nine months results would be misleading.

Combined Results — For the reasons discussed above, combined revenues from operations for the nine months ended September 30, 1997 were \$115.8 million compared to \$107.9 million for 1996, representing an increase of 7.3%.

CCTC recorded combined operating profits from operations for the nine months ended September 30, 1997 of \$16.6 million compared with \$10.9 million for the same period in 1996, representing an increase of 51.8%. This improvement reflects the improved results experienced in both trucking and railway operations. See White Pass operating profits paragraph for discussion on seasonality of profits.

1996 Compared to 1995

Tri-Line — Revenues grew by 7.0% in 1996 to \$116.8 million compared to \$109.2 million in 1995. This increase related primarily to increased volumes of available freight. The number of miles travelled in 1996 was approximately 82 million compared with approximately 77 million in 1995. Revenue per mile during this period was relatively constant.

Operating profits for 1996 were \$3.8 million compared to \$4.9 million in 1995. The decline in operating profits was the result of competitive pressures whereby increased expenses could not be passed on to the customers. The Operating Ratio was 96.7% in 1996 compared with 95.5% in 1995. Tri-Line expanded its trailer fleet in 1995, financed through operating leases. If Tri-Line had purchased these trailers, operating profits would have increased by approximately \$0.8 million in 1996 and approximately \$0.3 million in 1995, and the Operating Ratio would have improved to 96.0% in 1996 and to 95.3% in 1995.

White Pass — Revenue from the railway operations for 1996 was \$16.8 million compared to \$15.4 million in 1995. The number of railway passengers in 1996 was approximately 175,000 compared to approximately 148,000 in 1995. The capture rate off the cruise ships increased in 1996 to approximately 38% compared with approximately 36% in 1995. The continued increase in capture rate reflects the efforts of White Pass management to build strong relations with the cruise ship industry and pre-sell railway tickets to cruise ship passengers before arrival in Skagway.

Dock revenues in 1996 increased by 16.1% over the 1995 season. The increase in dock revenues is the result of more cruise ships visiting the Skagway Port. The number of cruise ships stopping at Skagway during the 1996 season was approximately 247 compared to approximately 236 in 1995.

Operating profits for the year ended December 31, 1996 were \$5.7 million compared to \$6.4 million in 1995. In 1996, operating expenses increased due primarily to extensive repairs to the right of way and bridges along the White Pass route in the fourth quarter of 1996.

Combined Results — Revenues from operations for the year ended December 31, 1996 were \$137.4 million compared to \$127.9 million in 1995. This 7.5% increase is due to stronger revenues in both operating segments. Operating profits from operations for the fiscal year 1996 were \$9.5 million compared to \$11.3 million in 1995.

1995 Compared to 1994

Tri-Line — Revenues in 1995 were \$109.2 million compared to \$101.9 million in 1994. This increase primarily relates to an increase in revenue per mile in 1995 compared to 1994. Revenue per mile in 1995 was \$1.42 compared to \$1.39 in 1994.

Operating profits for 1995 were \$4.9 million compared to \$5.3 million in 1994. The decline in operating profits was the result of competitive pressures whereby increased expenses could not be passed on to the customers. Also, starting in 1995, *Tri-Line* started to lease equipment, which increased expenses. The Operating Ratio was 95.5% in 1995 compared to 94.8% in 1994.

White Pass — Revenue from the railway operations for 1995 was \$15.4 million compared to \$11.7 million in 1994. The number of railway passengers in 1995 was approximately 148,000 compared to approximately 140,000 in 1994. This represents an increase of 5.7% over the 1994 season.

Dock revenues in 1995 were \$3.3 million compared to \$3.1 million in 1994. The increase in dock revenues is the result of more cruise ships visiting the Skagway Port. The number of cruise ships stopping at Skagway during the 1995 season was approximately 236 compared to approximately 197 in 1994.

Operating profits for the year ended December 31, 1995 was \$6.4 million compared to \$4.6 million in 1994. This 39.7% increase is primarily related to the increase in both railway and docking revenues discussed above.

Combined Results — Revenues from operations for the year ended December 31, 1995 were \$127.9 million compared to \$116.8 million in 1994. This 9.5% increase is due to stronger revenues in both operating segments as discussed previously.

Operating profits for the fiscal year 1995 were \$11.3 million compared to \$9.9 million in 1994.

Liquidity and Capital Resources

CCTC generated \$19.5 million EBITDA in the nine months ended September 30, 1997. This cash flow from operations was partially used to fund \$1.4 million of environmental remediation and \$4.5 million of capital expenditures.

As a result of the Reorganization, CCTC will be established with no bank indebtedness. Russel is currently negotiating a separate \$10 million operating line of credit for CCTC with Canadian chartered banks, to be secured by *Tri-Line* accounts receivable. This line of credit will provide cash for operations to fund timing differences in working capital and seasonality of operations.

Outlook

The strong results experienced in 1997 in both *Tri-Line* and *White Pass* are expected to continue into 1998 based on already scheduled dockings in Skagway for *White Pass* and continued economic strength in the west which benefits *Tri-Line*.

USE OF PROCEEDS

The net proceeds to Russel from the Rights offering are approximately \$ ● (after deducting expenses of the offering and assuming the exercise of Rights distributed to this prospectus based on 51,007,864 Russel Common Shares outstanding at September 30, 1997). The net proceeds will be used initially to repay short-term debt which was incurred for working capital purposes. Russel regularly reviews acquisition opportunities in the ordinary course of its business. If suitable acquisition opportunities are identified, some or all of the proceeds of the Rights Offering may be used for such acquisitions. In addition to the uses described above, Russel intends to restructure its long-term debt. If the Over-Allotment Option is exercised by the Underwriters in whole or in part, CCTC will use the net proceeds from the issuance of CCTC common shares pursuant to the Over-Allotment Option to fund timing differences in working capital and seasonality of operations, rather than funding these differences with bank debt.

BOARD OF DIRECTORS AND MANAGEMENT OF CCTC

Directors and Officers of CCTC

The name, municipality of residence, positions with CCTC and principal occupation of each of the directors and officers of CCTC are as follows:

DIRECTORS AND OFFICERS TABLE

<u>Name and Municipality of Residence</u>	<u>Position with CCTC</u>	<u>Principal Occupation</u>
<i>Directors</i>		
MARTIN H. FREEDMAN, Q.C. Winnipeg, Manitoba	Director	Partner at Aikins, MacAulay & Thorvaldson (law firm)
DAVID A. KING Toronto, Ontario	Director	President of David King Corporation (holding company involved in real estate development and venture capital)
JERE I. KLIVANSKY ⁽¹⁾ University Park, Florida	Director	Corporate Director
K. RAI SAHI ⁽¹⁾ Toronto, Ontario	Director	Chairman and Chief Executive Officer, Acktion Corporation (investment company)
ARNI C. THORSTEINSON Winnipeg, Manitoba	Director	President of Shelter Canadian Products (real estate development and management company)
BRUCE V. WALTER ⁽¹⁾ Toronto, Ontario	Director	President and Chief Executive Officer of Plaintree Systems Inc. (computer hardware manufacturing)
<i>Officers</i>		
K. RAI SAHI Toronto, Ontario	Chairman and Chief Executive Officer	Chairman and Chief Executive Officer, Acktion Corporation (investment company)
THOMAS W. CUTHBERTSON Calgary, Alberta	Chief Financial Officer	Vice-President, Finance and Administration, Tri-Line
THOMAS G. PAYNE Calgary, Alberta	Vice President	President and Chief Operating Officer, Tri-Line
THOMAS H. KING Vancouver, British Columbia	Vice President	President and Chief Operating Officer, White Pass
ANNE M. STEWART, Q.C. Vancouver, British Columbia	Secretary	Partner at Blake, Cassels & Graydon (law firm)

(1) Member of the audit committee.

During the last five years, all of the directors and senior officers of CCTC have had the principal occupations indicated opposite their respective names or, in the case of officers of CCTC, other senior executive positions with CCTC or its affiliates, with the exception of: Jere I. Klivansky, who, prior to retiring in 1994, held various senior executive positions with Edgcomb Metals Inc., including Executive Vice President, Purchasing and Vendor Relations; K. Rai Sahi, who, prior to July 1997, was President and Chief Executive Officer of Acklands Limited (industrial products and automotive products distribution company); Bruce V. Walter, who, from April 1993 to December 1996, was Vice Chairman of Viridian Inc. (formerly Sherritt Inc.), and prior to April 1993 was President of Sherritt Inc.; Thomas W. Cuthbertson, who, prior to February 1993, was controller of White and Sons Ltd. of Hamilton (Bermuda); and Thomas H. King, who has also been President of Thomas H. King & Associates Inc.

since October 1994, was retired prior to such date and, prior to January 1993, was President and Chief Executive Officer of the Federal Industries Transport Group.

STOCK OPTION PLAN

It is anticipated that CCTC will have a stock option plan which will be submitted to the TSE and the Winnipeg Stock Exchange for approval (the “Stock Option Plan”). Eligibility under the Stock Option Plan will be confined to directors, officers and other employees of CCTC eligible to participate under applicable securities legislation. The options issued under the Stock Option Plan will be allocated in accordance with the applicable TSE policies and guidelines. The number of CCTC Common Shares that may be optioned at any time is limited to ● in total (which is less than 10% of the total number of the CCTC Common Shares outstanding), and 5% with respect to any one participant in the Stock Option Plan, of the aggregate number of issued and outstanding CCTC Common Shares at such time. The exercise price in respect of any option issued under the Stock Option Plan will be fixed by the CCTC Board and may not be less than the then prevailing market price of the CCTC Common Shares. Options issued under the Stock Option Plan may be exercised during a period determined by the CCTC Board which may not exceed ten years and are non-assignable.

CORPORATE GOVERNANCE

The CCTC Board considers the corporate governance practices in the guidelines (the “Guidelines”) set out in the report of The Toronto Stock Exchange Committee on Corporate Governance in Canada (the “TSE Report”) to be appropriate for CCTC. The CCTC Board will establish corporate governance practices that allow it to operate effectively and independently of management.

Composition and Independence of the CCTC Board

The articles of CCTC provide that the CCTC Board consists of a minimum of one and maximum of 16 directors. The CCTC Board believes that a board with a number of directors within this range will allow it to operate effectively. There are currently six directors in office. This number could be altered at an annual or special meeting of shareholders.

The directors bring to CCTC a balance of industry and operational expertise as well as backgrounds in other areas which the CCTC Board believes are of benefit to CCTC. It is the intention of the CCTC Board to identify additional possible candidates for election to the CCTC Board so that there are directors on the CCTC Board who are not also on the Russel Board.

Mandate of the CCTC Board and Management

The CCTC Board’s mandate to manage and supervise the management of the business and affairs of CCTC is prescribed by corporate law. It will discharge this responsibility by delegating to management responsibility for the day-to-day operation of CCTC’s business, by monitoring CCTC’s performance and by considering and approving CCTC’s strategic direction. It will look to management to provide it with regular reports on CCTC’s activities and performance and to bring to its attention any significant issues facing CCTC. The CCTC Board will take steps to see that the functions and respective responsibilities of the CCTC Board and management are clearly understood and supported by all participants in CCTC’s governance.

Committees of the CCTC Board

The CCTC Board intends to delegate certain of its functions to committees of the CCTC Board to facilitate more detailed consideration of certain issues facing CCTC by smaller groups of directors. Each committee will bring its recommendations to the CCTC Board for approval. Each committee will be entitled to engage outside advisors at CCTC’s expense in connection with its mandate. The CCTC Board has established an audit committee with a mandate that includes responsibility for reviewing CCTC’s financial statements and for monitoring CCTC’s internal control procedures.

Communication with Stakeholders

In connection with financial information about CCTC which is disseminated to the public, the Audit Committee will be responsible for reviewing all material public disclosure documents, including the Annual Report to Shareholders, interim reports, annual information forms, prospectuses and registration statements, before release to the public. CCTC will make its senior officers available to shareholders to discuss their concerns. Management will report to the CCTC Board any significant or common concerns raised with it by any of CCTC's shareholders.

EXECUTIVE COMPENSATION

The following information is provided pursuant to the executive compensation disclosure requirements contained in the Regulations to the *Securities Act* (Ontario).

Summary Compensation of Named Executive Officers

The table that follows sets out the compensation paid to the Named Executive Officers for the years ended 1996, 1995 and 1994.

<u>Name and Principal Position</u>	<u>Annual Compensation</u>		
	<u>Year</u>	<u>Salary</u>	<u>Bonus</u>
Thomas G. Payne President and Chief Operating Officer, Tri-Line	1996	\$153,000	\$ 55,000
	1995	150,000	50,000
	1994	120,000	129,800
Thomas H. King President, White Pass	1996	\$627,200	—
	1995 ⁽¹⁾	96,530	—

(1) The amount in respect of 1995 relates to the period November 10 to December 31, 1995. Mr. King did not provide services to CCTC in 1994.

Pension Plan

Mr. Payne participates in a group RRSP. Contributions made by employees are matched by Tri-Line up to a maximum of 5% of the participant's annual salary.

Employment and Consulting Agreements

Mr. Payne has an employment agreement with Russel which sets out his salary and bonus entitlement. In the event of termination without just cause or of constructive dismissal prior to June 1, 1999, Mr. Payne is entitled to be paid an amount equal to twice his annual salary, including bonuses, commissions, profit sharing and incentive payments and is entitled to continued benefits under all benefit plans until the earlier of the date which is one year following the date of the termination of his employment (or constructive dismissal) and the date on which he accepts an offer of employment from any other person.

Mr. King provides his management services to White Pass through an agreement between Russel and his consulting company, Thomas H. King & Associates Inc. This agreement can be terminated by either party on 30 days' notice. The agreement sets out Mr. King's responsibilities and the amounts payable to Thomas H. King & Associates Inc. in respect of the services he provides.

Compensation of Directors

Certain of the individuals who will be directors of CCTC at the time of the Rights Offering were also directors of Russel during the financial year ended December 31, 1996. For this period, they were paid an annual retainer by Russel of \$15,000 per director and an \$800 attendance fee per meeting of the Russel Board or any committee thereof. The chairman of each committee of the Russel Board was entitled to an additional \$3,000 per annum for acting as such. In 1996, members of the Russel Board who are also on the CCTC Board received an aggregate of 9,000 options for Class A Shares at an exercise price of \$4.35. Under the CCTC Stock Option Plan, non-executive directors of CCTC may also be granted options for CCTC Common Shares.

SHARE CAPITAL OF CCTC

The authorized share capital of CCTC consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. Russel is currently the only shareholder of CCTC.

Each holder of CCTC Common Shares is entitled to receive notice of and to attend any meeting of the shareholders of CCTC and is entitled to one vote in respect of each CCTC Common Share held at such meetings. Each holder of CCTC Common Shares is entitled to receive dividends if, as and when declared by the CCTC Board and will participate equally in any distribution of the assets of CCTC upon its liquidation, dissolution or winding-up.

The CCTC preferred shares may be issued from time to time in one or more series, the number of shares, designation, rights, privileges, restrictions and conditions of which are to be determined by the CCTC Board. The CCTC preferred shares are entitled to priority over the CCTC Common Shares with respect to the payment of dividends and distributions in the event of the dissolution, liquidation or winding-up of CCTC. Except as required by law or the provisions of any series, the holders of CCTC preferred shares as a class are not entitled to receive notice of, attend or vote at any meeting of shareholders of CCTC.

DIVIDEND POLICY

CCTC has no current intention of paying dividends on CCTC Common Shares. Any decision to pay dividends on the CCTC Common Shares in the future will be made by the CCTC Board on the basis of earnings, financial positions, financing requirements and other relevant factors.

PRO FORMA CAPITALIZATION OF CCTC

The following table sets forth the pro forma capitalization of CCTC as at October 31, 1997, adjusted to give effect to the Reorganization. The table should read in conjunction with the combined financial statements of CCTC and the notes thereto contained in this prospectus.

(\$000's)	<u>October 31, 1997</u> <u>Actual(1)</u>	<u>Pro Forma</u> <u>Adjustment</u>	<u>October 31, 1997</u> <u>As adjusted</u>
Bank indebtedness	<u>\$ 5,553</u>	<u>\$(5,553) (2)</u>	<u>\$ —</u>
Shareholder's equity			
Share capital			
Common shares: unlimited shares authorized and 51,007,864 issued and outstanding as adjusted	\$ 9,882	\$55,796	\$65,678
Preference shares: unlimited shares authorized and nil issued			
Contributed surplus	11,143	(11,143)	—
Retained earnings	18,558	(18,558)	—
Cumulative translation adjustment	<u>3,439</u>	<u>(3,439)</u>	<u>—</u>
Total equity	<u>\$43,022</u>	<u>\$22,656 (3)</u>	<u>\$65,678</u>

(1) Same as combined financial statements as at September 30, 1997.

(2) Bank indebtedness repaid as part of the Reorganization.

(3) This amount was contributed as cash.

PRINCIPAL HOLDERS OF VOTING SECURITIES

To the knowledge of the directors and officers of Russel, no person beneficially owns or exercises control or direction over shares carrying more than 10% of the votes attached to shares of Russel other than the following investment advisory firms, which, based upon documents filed with the United States Securities and Exchange Commission or confirmed by the investment advisory firm, beneficially own or exercise control or direction over the respective numbers of Class A Shares set out below.

<u>Name</u>	<u>Number of Shares</u>	<u>% of Outstanding Voting Shares</u>
Hamblin Watsa Investment Counsel Ltd.	8,762,600	17.2
Mackenzie Financial Corporation	5,737,000	11.2
Trimark Financial Corporation	5,093,024	10.1

MATERIAL CONTRACTS OF CCTC

The only material contracts, other than in the ordinary course of business, which have been entered into by CCTC within the last two years or which are proposed to be entered into are the Management and Purchase Agreement and the Reorganization Agreement. Copies of these agreements may be examined at the head and principal office of Russel during normal business hours during the course of distribution to the public of the CCTC Common Shares and for 30 days thereafter.

RISK FACTORS

In evaluating CCTC and its business, prospective investors should consider carefully the following risk factors in addition to the other information contained herein.

No Assurance About Tri-Line's Growth Strategy

Tri-Line may not be able to carry out its strategy of acquisition of other trucking companies, a strategy which depends in part on the availability of suitable candidates. In addition, Tri-Line may face competition for the acquisition of attractive carriers from other consolidators in the trucking industry who may be larger or better financed than Tri-Line.

Market Conditions Affecting White Pass

Several factors over which White Pass has no control could affect its revenue. The volume of passengers will be adversely affected if cruise ships are unable to enter Skagway because of inclement weather or delays in sailings. White Pass cannot control the retail prices for passenger rail tickets sold aboard the cruise ships and price increases could affect volume of passengers.

Management Succession at White Pass

Because the base of operations for White Pass is in a small northern community, it has been difficult historically to attract experienced management for the White Pass operations. White Pass secured the services of Mr. King in 1995 on a consulting basis. The continued success of the White Pass operations depends in large part on CCTC's ability to locate a permanent chief operating officer for White Pass who can continue to build a strong management team.

General Economic Conditions

Tri-Line's revenues are affected by overall economic conditions, including the volume of trade between the United States and Canada and between Mexico and Canada. The business of White Pass may be vulnerable to downturns in the economy affecting tourism generally, as well as to changing patterns of tourist travel and availability of ships for the Alaska cruise route.

Competition

The industry in which Tri-Line operates is highly competitive. Tri-Line competes with many other Canadian and U.S. based trucking companies, some of which may have greater financial resources and may have more equipment than Tri-Line. There can be no assurance in the future that Tri-Line will not face greater competition.

Government Regulation

Both Tri-Line and White Pass operate in regulated industries and changes to regulations may restrict the ability of CCTC to carry on or expand its businesses.

White Pass Real Property

Although management believes White Pass has taken reasonable steps to ensure it holds valid title or rights to the real properties it uses in its business, there can be no guarantee that certain of its properties or rights will not be challenged.

Currency Risk

White Pass operates primarily in the United States. Accordingly, its net contribution to CCTC will be in U.S. dollars and fluctuations in the exchange rate between U.S. and Canadian dollars could adversely affect that contribution.

Environment

Both Tri-Line and White Pass are exposed to potential environmental liability as a result of their operations or property holdings. See “Environmental Matters”.

Indemnity

Russel has provided an indemnity for certain matters as described in “The Reorganization and Rights Offering”. No security is provided for this indemnity and while Russel today has a strong equity and asset base, there is no assurance that it will be in such a position at such future date as CCTC may look for satisfaction of its indemnity.

Insurance

CCTC’s operations are subject to the risks normally inherent in businesses in the trucking or rail industries. CCTC has implemented a safety and environmental program designed to comply with government regulations and provide safe, reliable and efficient operations in all phases of its operations. CCTC maintains insurance, where reasonably available, at such amounts as it considers prudent. It does not have insurance for environmental matters. See “Environmental Matters”. CCTC may become subject to liability for hazards which it cannot or may elect not to insure because of high premium costs or other reasons or for occurrences which exceed maximum coverage under its policies.

Market and Volatility

Prior to this offering, there has been no public market for the CCTC common shares, and there can be no assurance that an active trading market will develop or be sustained after this offering or that purchasers of CCTC Common Shares on the exercise of Rights or purchases of CCTC common shares pursuant to the Over-Allotment Option will be able to sell those shares at prices equal to or greater than the Exercise Price. The Exercise Price has been determined through negotiations between Russel and the Underwriters based upon several factors, including the history of and prospects for the CCTC Business and the industries in which it operates and an assessment of CCTC’s management, operations and earnings. A number of factors, including CCTC’s financial results and the condition of the industries in which it operates, the overall economy and financial markets, could cause the price of the CCTC common shares to fluctuate.

Common Shares Eligible for Future Sale

Sales of substantial amounts of CCTC common shares in the public market after the closing of this offering, or the perception that such sales might occur, could adversely affect prevailing market prices for the CCTC Common Shares. Immediately following the closing of this offering, all of the CCTC Common Shares acquired on the

exercise of the Rights or the CCTC common shares, if any, issued pursuant to the Over-Allotment Option will be freely tradeable in the public market, subject to the provisions of applicable securities legislation relating to sales of shares from a “control block”.

DETAILS OF THE OFFERING

Russel is issuing the Rights by way of dividend to existing holders of the Russel Common Shares of record at 5:00 p.m. (Toronto time) on ●, 1997 (the “Record Date”) (such holders of Russel Common Shares being referred to as the “Registered Shareholders”). Each Right is transferable and entitles the holder to acquire one CCTC Common Share at a price of \$ ● per Right (the “Exercise Price”) at or before 4:30 p.m. (Toronto time) on ●, 1997 (the “Expiration Date”). The Exercise Price was arrived at through negotiations between the Underwriters and Russel.

Russel has entered into a Management and Purchase Agreement with the Underwriters pursuant to which the Underwriters will acquire up to 33⅓% of the CCTC Common Shares not taken up as a result of the exercise of the Rights. See “Plan of Distribution”. Russel will continue to hold any CCTC Common Shares not taken up either through the exercise of Rights or by the Underwriters.

This offering is conditional on the holders of Russel Common Shares providing binding commitments to acquire at least 40% of CCTC Common Shares through the exercise of Rights no later than 5 p.m. on the second business day after the date of this prospectus and not having withdrawn those commitments in accordance with applicable securities laws. If commitments to acquire at least 40% of CCTC Common Shares through the exercise of Rights have been provided as described above, the Underwriters and Russel may terminate this offering by mutual agreement. If the condition described above is met or waived and if the Underwriters and Russel have not agreed to terminate this offering as provided above, the Rights will be issued on the Record Date and Russel will send this prospectus to the holders of Russel Common Shares. If this condition is not met or waived or if the Underwriters and Russel have agreed to terminate this offering as provided above, Russel and CCTC will issue a press release advising holders of Russel Common Shares that this offering will not proceed.

Rights Certificates

Russel will mail to Registered Shareholders (other than U.S. Registered Shareholders) a certificate (a “Rights Certificate”) evidencing one Right for each Russel Common Share held by that Registered Shareholder (net of any Rights sold to satisfy Russel’s withholding tax obligations as described below). Rights will not be forwarded to any Registered Shareholder whose address as shown on the records of Russel is in the United States (or any territory or possession thereof), except for certain accredited institutional investors. See “The Reorganization and Rights Offering — U.S. Securities Restrictions”.

Foreign Registered Shareholders

A letter will be sent to each Foreign Registered Shareholder as soon as possible after the Record Date. If the shareholder is a U.S. Registered Shareholder, the letter will advise such person that the U.S. Registered Shareholder will not receive its Rights Certificates, but that the Trustee will use its best efforts to sell the Rights represented by those certificates and will deliver to the U.S. Registered Shareholder any proceeds of such sale (net of brokerage commission and unpaid withholding tax), all as described in greater detail below. The letter sent to each Foreign Registered Shareholder who is not a U.S. Registered Shareholder will advise the Foreign Registered Shareholder that the Trustee will use its best efforts to sell that number of Rights necessary to satisfy Russel’s obligation to remit withholding tax with respect to the Rights to which such Foreign Registered Shareholder is entitled, unless the Foreign Registered Shareholder has delivered to the Trustee the full amount of such withholding tax.

Canadian Registered Shareholders Who Are Nominees for Foreign Beneficial Holders

A letter will also accompany the Rights Certificates sent to Canadian Registered Shareholders advising them that, if they have received Rights for the benefit of a person whose address is outside of Canada (a “Foreign Beneficial Holder”), such Canadian Registered Shareholder (a “Nominee”) is obliged to pay withholding tax on behalf of the Foreign Beneficial Holder on the Rights which that Nominee holds for the benefit of a Foreign Beneficial Holder and that, unless such person provides the Nominee with funds equal to the amount of the

withholding tax, the Nominee is entitled to sell sufficient Rights which they hold for the benefit of any Foreign Beneficial Holder, in order to satisfy the withholding tax obligation with respect to that person.

The letter to be sent to Canadian Registered Shareholders will also advise that if the Canadian Registered Shareholder is a Nominee and, if the address of the Foreign Beneficial Holder for whose benefit the Nominee has received the Rights (as shown in the records of such Nominee) is not in the United States (or any territory or possession thereof), the Nominee may send to the Foreign Beneficial Holder all of the Rights other than those sold to satisfy its withholding tax obligation, as described above. However, if the address of the Foreign Beneficial Holder as shown in the records of the Nominee is in the United States (or any territory or possession thereof), the letter will advise the Nominee to send to the Trustee all Rights which it has not sold in order to satisfy its withholding tax obligations. The Trustee will use its best efforts to sell those Rights as described in greater detail below.

Obligations of the Trustee

The Trustee will use its best efforts to sell, prior to the Expiration Date, all Rights of U.S. Holders delivered to it at such times and at such prices as the Trustee may decide, in its sole discretion. The Trustee's ability to sell such Rights and the price obtained therefor are dependent on market conditions. The Trustee will not be subject to any liability for failure to sell any Rights of U.S. Holders or for the price at which it sold such Rights. The Trustee will mail to such U.S. Holders (or to the Canadian Registered Shareholder who is the Nominee of such U.S. Holder) the U.S. Holder's pro rata portion of all of the proceeds (net of brokerage commissions and unpaid withholding tax) received by the Trustee with respect to all of the Rights of U.S. Holders sold by the Trustee.

The Rights expire at 4:30 p.m. (Toronto time) on ● , 1997. To acquire CCTC Common Shares, a completed Rights Certificate and the Exercise Price of \$ ● per CCTC Common Share (payable by way of certified cheque, bank draft or money order) must be received by the Trustee at one of the offices listed below by 4:30 p.m. (Toronto time) on ● , 1997. RIGHTS NOT EXERCISED BY SUCH DATE AND TIME WILL BE VOID AND WITHOUT VALUE.

Trustee's Offices

The offices of the Trustee to which Rights Certificates and certified cheques, bank drafts or money orders in the amount of the Exercise Price may be delivered are set forth below:

CIBC Mellon Trust Company 393 University Avenue Lower Level Toronto, Ontario M5G 2M7	CIBC Mellon Trust Company 600 The Dome Tower 333 – 7th Avenue S.W. Calgary, Alberta T2P 2Z1	CIBC Mellon Trust Company 2001 University Street 16th Floor Montreal, Quebec H3A 2A6	CIBC Mellon Trust Company 1177 West Hastings Street Mall Level Vancouver, British Columbia V6E 2K3
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Dividing or Combining Rights Certificates

Rights Certificates may be combined, divided or exchanged by delivering the certificate accompanied by appropriate instructions to an office of the Trustee described above. This should be done in ample time for the new Rights Certificates to be issued and exercised before the expiration of the Rights.

How to Exercise

A holder of a Rights Certificate may acquire CCTC Common Shares in the following manner:

- (a) **Complete and sign the certification of fact contained on the face of the Rights Certificate that the holder of the Rights Certificate is not a U.S. Person.**
- (b) **Complete and sign Form 1 on the face of the Rights Certificate. The maximum number of Rights which may be exercised is shown immediately above the Form 1 box on the Rights Certificates.**
- (c) **Enclose payment (in Canadian funds only) for the total Exercise Price by certified cheque, bank draft or money order. The amount of payment will be \$ ● for each Right exercised. Payments should be made payable to the Trustee.**

- (d) Deliver or mail the completed Rights Certificate and payment in the envelope provided so that it is received by the Trustee at one of the offices listed above before 4:30 p.m. (Toronto time) on ● , 1997. If mailing, allow for sufficient time to avoid late delivery. The use of registered mail is suggested.

The signature of the Rights Certificate holder must correspond in every particular way with the name that appears on the face of the Rights Certificate. Signatures by a trustee, executor, administrator, guardian, attorney or officer of a corporation or any person acting in a fiduciary or representative capacity must be accompanied by evidence of authority satisfactory to the Trustee.

Additional Acquisition Privilege

Any holder of a Rights Certificate who exercised the right (the “Basic Acquisition Right”) to acquire the maximum number of CCTC Common Shares that can be acquired with the Rights evidenced by such certificate has the privilege (the “Additional Acquisition Privilege”) of acquiring additional CCTC Common Shares at a price of \$ ● per CCTC Common Share. The CCTC Common Shares available for such purpose (the “Additional CCTC Common Shares”) will be those that have not been acquired and paid for at the Expiration Date of the Rights pursuant to the Basic Acquisition Right of all holders of Rights Certificates.

To exercise the Additional Acquisition Privilege, any holder of a Rights Certificate who completes Form 1 on the face of the Rights Certificate for the maximum number of whole CCTC Common Shares that can be acquired given the number of Rights evidenced by such certificate, must also complete Form 2 on the face of the Rights Certificate (and the related U.S. Person certification) and specify the number of Additional CCTC Common Shares desired to be acquired. When delivering the completed Rights Certificate and payment for the CCTC Common Shares initially requested under Form 1 to the Trustee, **payment in the manner described under “How to Exercise Rights” must also be enclosed for the Additional CCTC Common Shares requested for under Form 2**, failing which such additional acquisition will be invalid. Funds received as payment of the price for acquisitions made under the Additional Acquisition Privilege will be placed in a segregated account with the Trustee pending allocation of any Additional CCTC Common Shares pursuant to the Additional Acquisition Privilege. Any interest earned in connection with the Additional Acquisition Privilege will be for the benefit of Russel.

If there are sufficient Additional CCTC Common Shares to satisfy all additional acquisitions by participants in the Additional Acquisition Privilege, each participant will be allocated the number of Additional Common Shares requested.

If the aggregate number of CCTC Common Shares requested under the Additional Acquisition Privilege exceeds the number of Additional CCTC Common Shares, the Additional CCTC Common Shares will be allocated to each participant in the Additional Acquisition Privilege on a proportionate basis in accordance with the following formula:

the number of Additional CCTC Common Shares allocated to each participant in the Additional Acquisition Privilege will be the lesser of:

- (a) the number of Additional CCTC Common Shares which that participant has requested under the Additional Acquisition Privilege, and
- (b) the number (disregarding fractions) that is obtained by multiplying the number of Additional CCTC Common Shares by a fraction of which:
 - (i) the numerator is the number of CCTC Common Shares requested by that participant under the Basic Acquisition Right, and
 - (ii) the denominator is the aggregate number of CCTC Common Shares requested under the Basic Acquisition Right by all participants in the Additional Acquisition Privilege.

If any participant has requested fewer CCTC Common Shares than the number resulting from the application of the formula in paragraph (b) above, the excess CCTC Common Shares will be allocated in the manner described in paragraph (b) among the participants who were allocated fewer Additional CCTC Common Shares than they requested.

If, as a result of the application of the foregoing formula, a participant in the Additional Acquisition Privilege is allocated a number of CCTC Common Shares which falls short of the number specified in Form 2 on the face of the participant’s Rights Certificate, the Trustee will, when mailing the certificate for the CCTC Common Shares

allocated to the participant, refund, without interest, the excess portion of the total payment made by the participant.

The Additional Acquisition Privilege will terminate at 4:30 p.m. (Toronto time) on ● , 1997.

Purchase, Sale or Transfer of Rights

Shareholders not wishing to exercise their Rights may sell or transfer them through their stockbroker or investment dealer. To transfer the Rights, complete and sign Form 3 on the face of the Rights Certificate (and the related U.S. Person certification) and have the signature guaranteed by a chartered bank, trust company, registered stockbroker or other party acceptable to the Trustee. It is not necessary for a transferee to obtain a new Rights Certificate to exercise the Rights, but the signature of the transferee on Forms 1 and 2 and the U.S. Person certification, if applicable, must correspond in every particular way with the name of the transferee (or the bearer if no transferee is specified) as the absolute owner of the Rights Certificate for all purposes. **All Rights will bear an appropriate legend relating to the U.S. Securities Act and applicable rules thereunder, and transfers of the Rights will be restricted accordingly.**

Validity and Rejection of Exercise of Rights

All questions as to the validity, form eligibility (including time of receipt) and acceptance of any exercise of Rights will be determined by Russel in its sole discretion, whose determination shall be final and binding. Every request for CCTC Common Shares pursuant to an initial exercise of Rights or an Additional Acquisition Privilege shall be irrevocable by the holder of the Right. Russel reserves the absolute right to reject any request if such is not in proper form or if the acceptance thereof or the issuance of Common Shares pursuant thereto could be deemed unlawful. Russel also reserves the right to waive any defect with regard to any particular request. Neither Russel nor CIBC Mellon Trust Company will be under any duty to give any notification of any defect or irregularity in such request nor shall any of them incur any liability for failure to give such notifications.

PLAN OF DISTRIBUTION

Russel and CCTC have entered into the Management and Purchase Agreement, under which the Underwriters have agreed to form and manage a soliciting dealer group for the purpose of soliciting requests for CCTC Common Shares from residents of Canada and elsewhere other than the United States. All members of the Investment Dealers Association of Canada, the TSE, the Montreal Exchange and the Vancouver Stock Exchange will be invited to join the soliciting dealer group for the purpose of soliciting requests for the CCTC Common Shares.

Subject to compliance with necessary legal requirements and the terms and conditions stated in the Management and Purchase Agreement, the Underwriters have agreed to purchase from Russel that number of CCTC Common Shares equal to the aggregate of the number of CCTC Common Shares outstanding on the Record Date established for the distribution of the Rights less the number of CCTC Common Shares acquired through the exercise of Rights including CCTC Common Shares acquired under the Additional Acquisition Privilege. In no event will the Underwriters be obligated to purchase more than 33⅓% of the CCTC Common Shares.

In order to cover over-allotments, CCTC has granted to the Underwriters an option (the "Over-Allotment Option"), exercisable to and including 60 days after the Expiration Date at a price equal to the Exercise Price plus \$0.01 per CCTC common share, to purchase up to a maximum of approximately 7.7 million CCTC common shares. CCTC has agreed to pay the Underwriters a fee of 4% of the issue price in respect of any CCTC common shares distributed under the Over-Allotment Option. The net proceeds of the sale of CCTC common shares pursuant to the Over-Allotment Option will be for CCTC's account. This prospectus qualifies the distribution of the CCTC common shares issued pursuant to the Over-Allotment Option.

The Underwriters are entitled to a fee of 4% of the Exercise Price of each CCTC Common Share purchased by the Underwriters and for any CCTC Common Shares purchased pursuant to the exercise of Rights (including pursuant to the Additional Acquisition Privilege) provided that such fee will be reduced by the amount of the fee payable by CCTC, if any, upon the exercise of the Over-Allotment Option.

The obligations of the Underwriters under the Management and Purchase Agreement may be terminated at the discretion of the Underwriters on the basis of their assessment of the state of the financial markets. The Management and Purchase Agreement provides that the Underwriters may terminate their obligations thereunder upon the occurrence of certain stated events including circumstances where any person brings, or threatens to

commence, an action to prohibit the offering of the Rights or the CCTC Common Shares, where such action would have a material adverse effect on the marketability of the CCTC Common Shares.

The Underwriters have agreed that they will not solicit, offer or sell the Rights or CCTC Common Shares in the United States or any territory or possession thereof.

Pursuant to policy statements of the Ontario Securities Commission and the Commission des valeurs mobilières du Québec, the Underwriters may not, throughout the period of distribution, bid for or purchase Rights or CCTC 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, Rights or CCTC Common Shares. Such exceptions include a bid or purchase permitted under the by-laws and rules of the TSE relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first-mentioned exception, in connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Rights or the CCTC 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 Rights and CCTC Common Shares have not been and will not be registered under the U.S. Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. In addition, until one year after the date of the commencement of this offering an offer or sale of the Rights and CCTC Common Shares within the United States by any dealer (whether or not participating in this offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption under the U.S. Securities Act. Each Underwriter has agreed in the Management and Purchase Agreement that it will (i) not offer, sell or deliver any of the Rights and CCTC Common Shares within the United States except for sales to certain institutional accredited investors, and (ii) send to each dealer to which it sells the Rights and CCTC Common Shares a confirmation or other notice setting forth the restrictions on offers and sales of the Rights and CCTC Common Shares within the United States or to, or for the account or benefit of, U.S. Persons.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Davies, Ward & Beck, counsel to Russel, and Tory Tory DesLauriers & Binnington, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations generally applicable to holders of Russel Common Shares who receive Rights from Russel, to persons who purchase Rights, and to persons who acquire CCTC common shares on exercise of the Rights or from the Underwriters who, at all relevant times, for purposes of the *Income Tax Act* (Canada) (the “Tax Act”), hold the Rights and any CCTC common shares so acquired as capital property and deal with Russel, CCTC and the Underwriters at arm’s length. Rights and CCTC common shares will generally constitute capital property to a holder thereof unless the holder holds such securities in the course of carrying on a business, or the holder has acquired such securities in a transaction or transactions considered to be an adventure in the nature of trade. This summary is based on the current provisions of the Tax Act, the regulations thereunder, counsel’s understanding of the current administrative practices of Revenue Canada and all specific proposals to amend the Tax Act publicly announced or released by or on behalf of the Minister of Finance (Canada) prior to the date hereof (collectively, the “Tax Proposals”). While there is no certainty that any such proposals will be enacted in the form proposed, if at all, the Canadian federal income tax consequences applicable to the receipt, exercise or disposition of Rights or the acquisition, holding or disposition of CCTC common shares will not be materially different if the Tax Proposals do not become law.

The Tax Act contains certain provisions relating to securities held by certain financial institutions (the “Mark-to-Market Rules”). This summary does not take into account these Mark-to-Market Rules or any amendments thereto contained in the Tax Proposals and taxpayers that are “financial institutions” for purposes of those rules should consult their own tax advisors.

This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, nor does it take into account tax legislation of any province, territory or foreign jurisdiction. Provisions of provincial income tax legislation vary from province to province in Canada and in some cases differ from federal income tax legislation.

This summary is of a general nature only and is not intended to be, nor should it be construed as, legal or tax advice to any particular holder of Russel Common Shares, Rights or CCTC common shares. No representation with respect to the Canadian federal income tax consequences to any particular holder of Russel Common Shares, Rights or CCTC common shares is made herein. Accordingly, each such holder should consult his or her own tax advisor with respect to the holder's particular circumstances.

Residents

The following summary is relevant to a holder of Russel Common Shares, Rights or CCTC common shares who, for purposes of the Tax Act and any applicable tax treaty or convention, is resident in Canada at all relevant times. Certain of such persons to whom the CCTC common shares might not otherwise constitute capital property may be entitled in certain circumstances to have such shares treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

Rights

A holder of Russel Common Shares who receives Rights from Russel will be considered to have received a dividend equal to the fair market value of such Rights at the time they are received. Such dividend received by an individual will be subject to the gross-up and dividend tax credit rules normally applicable to dividends received from taxable Canadian corporations. Subject to the potential application of subsection 55(2) discussed below, such dividend received by a corporation will be included in computing income but generally will be deductible in computing taxable income. Private corporations and certain other corporations controlled by or for the benefit of an individual or a related group of individuals generally will be liable for a 33½% refundable tax on dividends under Part IV of the Tax Act. In certain circumstances, subsection 55(2) treats a dividend received by a corporation as proceeds of disposition or a capital gain. Although counsel is of the view that subsection 55(2) should not apply to the dividend of Rights, corporate shareholders should consult their own tax advisors with respect to the potential application of subsection 55(2) to them.

The Rights received by a holder of Russel Common Shares will have a cost to the holder for tax purposes equal to their fair market value at the time they are received. Where a holder of Rights acquires additional Rights, the cost of such additional Rights will be averaged with the cost of all Rights held by the holder as capital property immediately before such acquisition to determine the adjusted cost base of each such Right to the holder.

On a disposition or deemed disposition of a Right (but not on the exercise thereof), a holder will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition for the Right exceed (or are less than) the aggregate of any reasonable costs of disposition and the adjusted cost base of the Right to the holder immediately before the disposition. Upon the expiry of an unexercised Right, the holder will realize a capital loss equal to the adjusted cost base of the Right immediately before it expires.

Exercise of Rights

If a Right is exercised by a holder thereof, the CCTC Common Shares acquired from Russel pursuant to such exercise of Rights (but not including CCTC Common Shares acquired pursuant to the Additional Acquisition Privilege) will have a cost to the acquirer equal to the sum of the adjusted cost base of the exercised Right and the amount paid to Russel to acquire the CCTC Common Shares.

Other Acquisitions

CCTC common shares being qualified by this prospectus acquired otherwise than as described above under "Exercise of Rights" will have a cost to the holder equal to the amount paid to acquire them. Where a holder of CCTC common shares acquires additional such shares, the cost of such CCTC common shares will be averaged with the cost of all CCTC common shares held by the holder as capital property immediately before such acquisition to determine the adjusted cost base of each CCTC common share to the holder.

CCTC Common Shares

On a disposition or deemed disposition of a CCTC common share, the holder will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition exceed (or are less than) the aggregate of any reasonable costs of disposition and the adjusted cost base to the holder of the CCTC common share immediately before the disposition.

In the case of a holder that is a corporation, the amount of any capital loss otherwise determined resulting from the disposition of a CCTC common share may be reduced by the amount of dividends previously received or deemed to have been received thereon. Any such reduction will not occur where the corporate holder owned the CCTC common share for 365 days or longer and such holder (together with any persons with whom it did not deal at arm's length) did not own more than 5% of the shares of any class or series of CCTC at the time the relevant dividends were received or deemed to have been received. Analogous rules apply where a corporation is a member of a partnership or a beneficiary of a trust which owns CCTC common shares. Under the Tax Proposals, these rules will be extended to apply to a corporation that is a beneficiary of a trust or a member of a partnership that is a member of a partnership or a beneficiary of a trust that owns CCTC common shares.

Dividends

Dividends received by an individual on the CCTC common shares will be subject to the gross-up and dividend tax credit rules normally applicable to dividends received from taxable Canadian corporations. Dividends received by a corporation on the CCTC common shares will be included in computing income but generally will be deductible in computing taxable income. Private corporations and certain other corporations controlled by or for the benefit of an individual or related group of individuals generally will be liable for the 33⅓% refundable tax on dividends under Part IV of the Tax Act.

Tax Treatment of Capital Gains and Capital Losses

In the year of disposition, a holder of Rights or CCTC common shares will be required to include in income three-quarters of the amount of any capital gain (a "taxable capital gain") and will be required to deduct three-quarters of the amount of any capital loss (an "allowable capital loss") from taxable capital gains realized by the holder in the year of the disposition. Allowable capital losses in excess of taxable capital gains realized in the year may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following year against taxable capital gains realized in such years to the extent and under the circumstances described in the Tax Act. A holder that is a Canadian-controlled private corporation (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6⅔% on certain investment income, including amounts in respect of taxable capital gains.

Non-residents

The following summary is relevant to a holder of Russel Common Shares, Rights and CCTC common shares who, at all relevant times, for purposes of the Tax Act and any applicable tax treaty or convention, is a non-resident or is deemed to be a non-resident of Canada and does not use or hold and is not deemed to use or hold such Russel Common Shares, Rights or CCTC common shares in the course of carrying on a business in Canada. Special rules, which are not discussed below, may apply to a non-resident that is an insurer which carries on business in Canada and elsewhere.

Rights

A non-resident holder of Russel Common Shares who receives Rights from Russel will be considered to have received a dividend equal to the fair market value of such Rights at the time they are received. A U.S. Person who does not receive Rights will be considered to have received a dividend equal to the fair market value of the Rights received by the Trustee or a Canadian nominee or fiduciary on behalf of such U.S. Person. Such dividends will be subject to withholding tax at the rates described below under "Taxation of Dividends". The Rights received by a holder of Russel Common Shares (including any Rights sold on the holder's behalf to pay any withholding tax for which the holder is liable and any Rights received by the Trustee or any other Canadian nominee or fiduciary on behalf of a U.S. Person who does not receive Rights) will have a cost to the holder for tax purposes equal to the fair market value of such Rights at the time they are received. Where a holder of Rights acquires additional Rights, the cost of such additional Rights will be averaged with the cost of all Rights held by the holder as capital property immediately before such acquisition to determine the adjusted cost base of each such Right to the holder. A portion of the Rights deliverable to a non-resident holder of Russel may be sold on the non-resident's behalf in order to pay any withholding tax for which such holder is liable. See "Details of the Offering — Foreign Registered Shareholders" and "Canadian Registered Shareholders Who Are Nominees for Foreign Beneficial Holders". Such a holder of Russel Common Shares will be treated as if it had acquired the Rights and had disposed of them for the

amount received on the sale on such holder's behalf. Consequently, such a holder may realize a capital gain or capital loss, as discussed below.

On a disposition or deemed disposition of a Right (including any disposition by the Trustee or other Canadian nominee or fiduciary on behalf of U.S. Persons not exercising Rights but not including a disposition on the exercise of a Right), a non-resident holder will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition for the Right exceed (or are less than) the aggregate of any reasonable costs of disposition and the adjusted cost base to the non-resident holder of the Right immediately before the disposition. Upon the expiry of an unexercised Right, the non-resident holder will realize a capital loss equal to the adjusted cost base of the Right immediately before it expires. See "Taxation of Capital Gains" below.

Exercise of Rights

If a Right is exercised by a non-resident holder thereof, the CCTC Common Share acquired from Russel pursuant to such exercise of Rights (but not including CCTC Common Shares acquired pursuant to the Additional Acquisition Privilege) will have a cost to the exercising non-resident holder equal to the sum of the adjusted cost base of the exercised Right and the amount paid to Russel to acquire the CCTC Common Share.

Other Acquisitions

CCTC common shares acquired otherwise than as described above under "Exercise of Rights" will have a cost to the non-resident holder equal to the amount paid to acquire them. Where a holder of CCTC common shares acquires additional such shares, the cost of such CCTC common shares will be averaged with the cost of all CCTC common shares held by the holder as capital property immediately before such acquisition to determine the adjusted cost base of each CCTC common share to the holder.

Taxation of Capital Gains

A non-resident of Canada will be taxable on a capital gain realized on the disposition of property only where that property constitutes taxable Canadian property.

Under the current provisions of the Tax Act, shares of a public corporation, regardless of whether the particular shares are listed, will not constitute taxable Canadian property unless at any time in the five years immediately preceding the disposition, the non-resident holder, either alone or together with persons with whom the non-resident does not deal at arm's length, owned (or had under option) more than 25% of the shares of any class (or series) of the public corporation. In addition, a right to acquire a share of a public corporation does not constitute taxable Canadian property unless the non-resident holder, either alone or together with persons with whom the non-resident does not deal at arm's length, owned (or had under option) more than 25% of the shares of any class (or series) of the public corporation. For these purposes, a holder of Rights will be considered by Revenue Canada to own any CCTC common shares which would be acquired by the holder of the Rights if the holder exercised all Rights.

Under the Tax Proposals, the definition of taxable Canadian property will be amended so that a share of a corporation resident in Canada, other than a share of a class that is listed on a prescribed stock exchange, will be taxable Canadian property. Moreover, under such amendments, a right to acquire a share, other than a share of a class that is listed on a prescribed stock exchange, also will be taxable Canadian property. Provided that the CCTC common shares are listed from and after the date the Rights are issued, subject to the non-resident not exceeding the 25% ownership restriction described above, the CCTC common shares and Rights will generally not be taxable Canadian property to the non-resident.

Even in circumstances where the Rights or CCTC common shares are taxable Canadian property of a non-resident holder, the non-resident holder may be entitled to relief from Canadian tax on any capital gain realized on the disposition thereof pursuant to the terms of an applicable tax treaty between Canada and the country of residence of the non-resident.

If a non-resident of Canada disposes of taxable Canadian property (other than excluded property), pursuant to section 116 of the Tax Act, the non-resident must provide a clearance certificate to the purchaser of the taxable Canadian property with a certificate limit at least equal to the amount for which the taxable Canadian property is sold. Provided that the CCTC common shares are listed on a prescribed stock exchange from and after the date the Rights are issued, the Rights and the CCTC common shares will be excluded property and, consequently, no clearance certificate will be needed in connection with the disposition thereof.

Taxation of Dividends

Under the Tax Act, dividends paid or credited to a non-resident are subject to withholding tax at the rate of 25% of the gross amount of the dividends. This withholding tax may be reduced or eliminated pursuant to the terms of an applicable tax treaty between Canada and the country of residence of the non-resident. For example, the rate of withholding tax on dividends beneficially received by persons who are resident in the U.S. for purposes of the *Canada-United States Income Tax Convention* is reduced to 15% generally and to 5% when the U.S. resident is a corporation that beneficially owns at least 10% of the voting stock of the corporation paying the dividends. Moreover, under such Convention, dividends paid to certain religious, scientific, charitable and other similar tax-exempt organizations and certain pension organizations that are resident in, and exempt from tax in, the United States may be exempt from Canadian non-resident withholding tax. Provided that certain administrative procedures are observed, Russel or CCTC would not be required to withhold such tax from dividend payments made to such qualifying organizations. A portion of the Rights deliverable to a non-resident holder of Russel may be sold on the non-resident's behalf in order to pay any withholding tax for which such holder is liable. See "Details of the Offering — Foreign Registered Shareholders" and "Canadian Registered Shareholders who are Nominees for Foreign Beneficial Holders".

SPECIAL CONSIDERATIONS FOR U.S. HOLDERS

U.S. Federal Income Tax Considerations

The following has been reviewed by, and prepared based on the advice of, Thompson Hine & Flory, U.S. counsel to Russel, and summarizes certain material U.S. tax consequences to a U.S. Taxpayer of the acquisition and disposition of (a) Rights received as a distribution on Russel Common Shares, and (b) CCTC Common Shares received upon exercise of those Rights.

This summary is limited to U.S. Taxpayers who hold the Russel Common Shares as capital assets (as defined for U.S. tax purposes) and will hold the Rights and/or CCTC Common Shares as capital assets.

The summary is based on the *Internal Revenue Code of 1986*, as amended, Treasury Regulations promulgated thereunder and judicial and administrative interpretations of the foregoing, all of which are subject to change, possibly with retroactive effect.

The summary does not address all the tax consequences that may apply to a particular U.S. Taxpayer, including U.S. Taxpayers who are subject to special tax treatment by reason of their characterization for U.S. tax purposes (e.g., insurance companies, tax-exempt investors and securities dealers). Accordingly, holders of Russel Common Shares should consult their own tax advisors as to the particular U.S. tax consequences to them of the receipt or disposition of Rights or CCTC Common Shares, as well as any foreign, state or local tax consequences.

Receipt of Rights

A U.S. Taxpayer who receives Rights as a distribution on Russel Common Shares (including a U.S. Taxpayer whose Rights are held by the Trustee) will be subject to U.S. tax as if such taxpayer had received a dividend in an amount equal to the fair market value, when received, of the Rights (including any Rights sold on behalf of the U.S. Taxpayer to pay Canadian withholding taxes). That dividend will be treated as foreign source dividend income, and will not be eligible for the dividends-received deduction ordinarily allowed to U.S. corporate shareholders.

Subject to certain limitations, the Canadian tax withheld from a U.S. Taxpayer's Rights will be treated as a foreign tax paid. Such a tax may be claimed, subject to limitations, as a credit against the U.S. Taxpayer's U.S. tax liability, or as a deduction from the U.S. Taxpayer's taxable income for U.S. tax purposes. For U.S. tax purposes, the dividend generally will be treated as "passive income" for purposes of computing allowable credits for foreign taxes.

Exercise of Rights

A U.S. Taxpayer who exercises Rights and acquires CCTC Common Shares will not recognize gain or loss as a result of that transaction. The U.S. Taxpayer's basis in the CCTC Common Shares so received will be the sum of the U.S. Taxpayer's tax basis in the Right exercised (i.e., the amount included in income upon receipt of that Right) plus the amount of cash paid to exercise the Right.

Other Dispositions of Rights or CCTC Common Shares

A U.S. holder of Rights (including Rights sold on its behalf by the Trustee, any other Canadian nominee or fiduciary or Russel) of CCTC Common Shares who sells or otherwise disposes of Rights (other than by exercise thereof) or CCTC Common Shares will recognize capital gain or capital loss equal to the difference between the amount received in exchange for the Rights or CCTC Common Shares, as the case may be, and the holder's tax basis in the Rights or CCTC Common Shares disposed of. The capital gain or capital loss on the sale of a Right will be short-term capital gain or loss. The capital gain or loss on the sale of a CCTC Share which is held for more than one year from the date of exercise of the Right qualifies for long-term capital gain or loss. The holding period of a CCTC Common Share will be long-term capital gain or loss if the holding period of the CCTC Share will begin on the date the CCTC Share is acquired (whether pursuant to an exercise of the Right or otherwise). In general, long-term capital gain may be subject to a reduced rate of U.S. Tax, while use of long-term capital losses may be limited.

If a U.S. Taxpayer permits a Right to lapse without exercise, the U.S. Taxpayer will recognize a short-term capital loss equal to the U.S. Taxpayer's tax basis in the Right.

Backup Withholding

Under certain circumstances, a U.S. Taxpayer holding Russel Common Shares or CCTC Common Shares may be subject to U.S. backup withholding at a rate of 31% on payments made with respect to, or cash proceeds of a sale or exchange of, Russel Common Shares or CCTC Common Shares. Backup withholding will apply only if the payee (i) fails to furnish its Taxpayer Identification Number ("TIN") which, for an individual, would be his or her Social Security Number, (ii) the Internal Revenue Service notifies the payor that the TIN furnished by the payee is incorrect, (iii) the payor is notified by the Internal Revenue Service that the payee has failed to properly report payments of interest and dividends or (iv) under certain circumstances, the payee fails to certify, under penalty of perjury, that it has furnished a correct TIN and has not been notified by the Internal Revenue Service that it is subject to backup withholding for failure to report interest and dividend payments. Backup withholding will not apply with respect to payments made to exempt recipients, such as companies and tax-exempt organizations. Holders should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedure for obtaining such an exemption. The amount of any backup withholding from a payment to a holder will generally be allowed as credit against such holder's United States federal income tax liability and may entitle such holder to a refund, provided that the required information is furnished to the Internal Revenue Service.

Resales of Rights and CCTC Common Shares by U.S. Holders

The Rights and the CCTC Common Shares are not registered under the U.S. Securities Act. The Rights and CCTC Common Shares may not be transferred, except (i) in an offshore transaction complying with Rule 904 of Regulation S under the U.S. Securities Act, (ii) to institutional accredited investors meeting certain requirements, including as to investor sophistication and experience, pursuant to an exemption from registration under the U.S. Securities Act as determined in the sole discretion of Russel after receipt of satisfactory legal opinions or other certification, (iii) to a person who the seller reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the U.S. Securities Act purchasing for its own account or for the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A (if available) or (iv) pursuant to an effective registration statement under the U.S. Securities Act and in each case in accordance with all applicable securities laws of the states of the United States.

ELIGIBILITY FOR INVESTMENT IN CANADA

In the opinion of Davies, Ward & Beck, counsel to Russel and Tory Tory DesLauriers & Binnington, counsel to the Underwriters, subject to compliance with the prudent investment standards and general investment provisions of the statutes referred to below (and, where applicable, regulations thereunder) and in certain cases subject to additional requirements relating to investment or lending policies or goals, the Rights, if they had been issued at the date hereof, and CCTC common shares qualified hereunder, if they had been acquired at the date hereof, would not be precluded as investments under:

Trust and Loan Companies Act (Canada)

Insurance Companies Act (Canada)

Pension Benefits Standards Act, 1985 (Canada)

Pension Benefits Act (Ontario)

Financial Institutions Act (British Columbia)

An Act Respecting Insurance (Québec) (in respect of insurers other than guarantee fund corporations, mutual associations, insurance funds and professional corporations)

An Act Respecting Trust Companies and Savings Companies (Québec) (in respect of savings companies investing their own funds and trust companies investing their own funds and deposits received by them)

Supplemental Pension Plans Act (Québec)

In the opinion of counsel, provided that either the CCTC common shares are listed on a prescribed stock exchange from and after the date the Rights are issued or CCTC elects in its first tax return to be a public corporation from the date it is incorporated, the Rights and CCTC common shares will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans. In addition, in the opinion of counsel, the Rights and CCTC common shares would not, if issued on the date hereof, be foreign property for purposes of Part XI of the Tax Act.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for CCTC is CIBC Mellon Trust Company at its principal offices in Toronto. The auditors of CCTC are Deloitte & Touche, Chartered Accountants.

LEGAL MATTERS

The matters referred to under “Eligibility for Investment in Canada” and certain other legal matters relating to this offering will be passed upon on behalf of Russel by Davies, Ward & Beck, and on behalf of the Underwriters by Tory Tory DesLauriers & Binnington. Blake, Cassels & Graydon has provided advice to CCTC in connection with the Reorganization. The partners, counsel and associates of Davies, Ward & Beck, Tory Tory DesLauriers & Binnington and Blake, Cassels & Graydon, as a group, beneficially own, directly or indirectly, less than one percent of the Russel Common Shares.

PURCHASER’S STATUTORY RIGHTS

Securities legislation in several of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of this prospectus and any amendment. In several of the provinces and territories, applicable securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of his or her province or territory. A purchaser should refer to any applicable provisions of the securities legislation of his or her province or territory for the particulars of these rights or consult with a legal advisor.

CENTURY CONTINENTAL TRANSPORTATION CORPORATION

COMBINED FINANCIAL STATEMENTS

The undersigned, being the Chief Financial Officer of CCTC, states that the combined balance sheets of CCTC as at December 31, 1996 and 1995 and the related combined statements of earnings, retained earnings and changes in the financial position for each of the years in the three year period ended December 31, 1996 and the balance sheet as at September 30, 1997 and the related combined statements of earnings, retained earnings and changes in financial position for the nine month period then ended which accompany this report, have been prepared by management in accordance with generally accepted accounting principles.

Tom Cuthbertson
Chief Financial Officer
October 24, 1997

Auditors' Report

To the Directors of Russel Metals Inc. and Century Continental Transportation Corporation ("CCTC")

We have audited the combined balance sheets of CCTC as at December 31, 1996 and 1995 and the related combined statements of earnings, retained earnings and changes in the financial position for each of the years in the three year period ended December 31, 1996. These financial statements are the responsibility of management of Russel Metals Inc. and CCTC. 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 combined financial statements present fairly, in all material respects, the financial position of CCTC as at December 31, 1996 and 1995 and the results of its operations and the changes in its financial position for each of the years in the three year period ended December 31, 1996 in accordance with generally accepted accounting principles.

Deloitte & Touche
Chartered Accountants

Toronto, Ontario
October 22, 1997 (except as to note 12 which is as of ● , 1997)

CENTURY CONTINENTAL TRANSPORTATION CORPORATION

COMBINED BALANCE SHEETS

(\$000's)	As at December 31,		As at September 30,
	1995	1996	1997 (Unaudited)
ASSETS			
Current			
Accounts receivable	\$16,946	\$16,831	\$20,798
Inventories	175	463	416
Prepaid expenses and other assets	1,337	965	2,067
	18,458	18,259	23,281
Fixed assets (note 3)	65,370	69,529	71,835
Deferred income taxes (note 6)	—	4,821	1,904
	<u>\$83,828</u>	<u>\$92,609</u>	<u>\$97,020</u>
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current			
Bank indebtedness (note 4)	\$25,751	\$17,775	\$ 5,553
Accounts payable and accrued liabilities	16,339	13,233	14,383
Current portion of provision for site restoration (note 8)	—	3,700	4,263
Income taxes payable (note 6)	1,382	—	1,886
	43,472	34,708	26,085
Provision for site restoration (note 8)	—	13,000	11,000
Due to related parties (note 5)	19	9,623	16,913
Deferred income taxes (note 6)	474	—	—
	43,965	57,331	53,998
Shareholder's equity (note 7)	39,863	35,278	43,022
	<u>\$83,828</u>	<u>\$92,609</u>	<u>\$97,020</u>

ON BEHALF OF THE BOARD

(Signed) BRUCE V. WALTER
Director

(Signed) K. RAI SAHI
Director

CENTURY CONTINENTAL TRANSPORTATION CORPORATION

COMBINED STATEMENTS OF EARNINGS

(\$000's)	Years Ended December 31,			Nine Months Ended September 30,	
	1994	1995	1996	1996	1997
				(Unaudited)	
Revenues	\$116,755	\$127,901	\$137,448	\$107,872	\$115,750
Cost of sales and operating expenses	<u>106,857</u>	<u>116,646</u>	<u>127,924</u>	<u>96,942</u>	<u>99,158</u>
	9,898	11,255	9,524	10,930	16,592
Interest expense (notes 4 & 5)	<u>1,317</u>	<u>2,516</u>	<u>2,578</u>	<u>1,965</u>	<u>4,248</u>
Earnings from operations before the following	8,581	8,739	6,946	8,965	12,344
Site restoration charge (note 8)	<u>—</u>	<u>—</u>	<u>16,700</u>	<u>—</u>	<u>—</u>
Earnings (loss) before income taxes	8,581	8,739	(9,754)	8,965	12,344
Provision for (recovery of)					
income taxes (note 6)	<u>3,155</u>	<u>3,433</u>	<u>(3,690)</u>	<u>3,613</u>	<u>4,934</u>
Net earnings (loss) for the period	<u>\$ 5,426</u>	<u>\$ 5,306</u>	<u>\$ (6,064)</u>	<u>\$ 5,352</u>	<u>\$ 7,410</u>

COMBINED STATEMENTS OF RETAINED EARNINGS

(\$000's)	Years Ended December 31,			Nine Months Ended September 30,	
	1994	1995	1996	1996	1997
				(Unaudited)	
Balance, beginning of the period	\$ 7,055	\$ 12,481	\$ 16,867	\$ 16,867	\$ 11,148
Net earnings (loss) for the period	5,426	5,306	(6,064)	5,352	7,410
Amalgamation adjustments (note 5)	<u>—</u>	<u>(920)</u>	<u>345</u>	<u>345</u>	<u>—</u>
Balance, end of the period	<u>\$ 12,481</u>	<u>\$ 16,867</u>	<u>\$ 11,148</u>	<u>\$ 22,564</u>	<u>\$ 18,558</u>

CENTURY CONTINENTAL TRANSPORTATION CORPORATION

COMBINED STATEMENTS OF CHANGES IN FINANCIAL POSITION

(\$000's)	Years Ended December 31,			Nine Months Ended September 30,	
	1994	1995	1996	1996	1997
	(Unaudited)				
Operating activities					
Net earnings (loss) for the period	\$ 5,426	\$ 5,306	\$ (6,064)	\$ 5,352	\$ 7,410
Depreciation	2,332	2,715	2,768	2,133	2,873
Deferred income taxes	1,273	2,672	(5,295)	1,658	2,917
Loss (gain) on sale of fixed assets	<u>15</u>	<u>(352)</u>	<u>(340)</u>	<u>(195)</u>	<u>(334)</u>
Cash from (used in) operations	9,046	10,341	(8,931)	8,948	12,866
Changes in working capital items					
Accounts receivable	(7,071)	2,857	115	(2,377)	(3,967)
Inventories	—	(175)	(288)	(24)	47
Accounts payable and accrued liabilities and provision for site restoration	(3,364)	4,723	13,594	302	(287)
Income taxes payable	(269)	263	(1,382)	196	1,886
Other	<u>1,716</u>	<u>(2,400)</u>	<u>1,104</u>	<u>(397)</u>	<u>(1,567)</u>
Cash from operations	<u>58</u>	<u>15,609</u>	<u>4,212</u>	<u>6,648</u>	<u>8,978</u>
Investing activities					
Purchase of fixed assets	(5,227)	(38,605)	(7,364)	(6,267)	(4,462)
Proceeds on sale of fixed assets	<u>578</u>	<u>2,153</u>	<u>508</u>	<u>310</u>	<u>416</u>
Cash used in investing activities	<u>(4,649)</u>	<u>(36,452)</u>	<u>(6,856)</u>	<u>(5,957)</u>	<u>(4,046)</u>
Financing activities					
Increase (decrease) in amounts due to related parties	10,041	934	9,604	(2,741)	7,290
Issue of common shares	<u>—</u>	<u>—</u>	<u>1,016</u>	<u>1,016</u>	<u>—</u>
Cash from (used in) financing activities	<u>10,041</u>	<u>934</u>	<u>10,620</u>	<u>(1,725)</u>	<u>7,290</u>
Increase (decrease) in cash	5,450	(19,909)	7,976	(1,034)	12,222
Cash position, beginning of period	<u>(11,292)</u>	<u>(5,842)</u>	<u>(25,751)</u>	<u>(25,751)</u>	<u>(17,775)</u>
Cash position, end of period	<u>\$ (5,842)</u>	<u>\$ (25,751)</u>	<u>\$ (17,775)</u>	<u>\$ (26,785)</u>	<u>\$ (5,553)</u>
Cash position represents bank indebtedness					

CENTURY CONTINENTAL TRANSPORTATION CORPORATION

NOTES TO COMBINED FINANCIAL STATEMENTS (Information related to September 30, 1997 and 1996 is unaudited)

1. Basis of Presentation

These combined financial statements reflect the financial position, results of operations and changes in financial position as if the following operations of Russel Metals Inc. ("Russel") were operating on a combined basis under the name of Century Continental Transportation Corporation ("CCTC") effective January 1, 1994.

These combined financial statements include the trucking operations of Tri-Line Expressways Ltd and its subsidiaries and the White Pass & Yukon Route ("White Pass") tourist railway operating through several companies including Pacific and Arctic Railway and Navigation Company, Skagway Terminal Company, British Columbia — Yukon Railway Company and certain operating assets of The British Yukon Railway Company.

2. Summary of Significant Accounting Policies

These combined financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies.

(a) Fixed assets and depreciation

Land, buildings, docks and equipment are recorded at cost. Depreciation is provided at rates that charge the original cost of such assets to operations over their estimated useful lives that average 20 years for buildings and bridges, 40 years for docks and 10 years for equipment. Land and tunnels are not depreciated.

(b) Income taxes

CCTC follows the tax allocation method of accounting for income taxes whereby earnings are charged with income taxes relating to reported earnings.

Differences between such taxes and taxes currently payable are reflected in the accounts and arise because certain items of revenue and expense are reported in the accounts at different times than they are reported for income tax purposes.

(c) Foreign currency translation

The accounts of foreign subsidiaries are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. Revenues and expenses are translated at the average rate of exchange for the year. The resulting gains or losses are accumulated as a separate component of shareholder's equity.

(d) Use of estimates

The preparation of combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. The site restoration charge includes amounts related to environmental clean up costs which represents management's best estimate. Actual results could differ from these estimates.

3. Fixed Assets

	<u>December 31,</u>		<u>September 30,</u>
(\$000's)	<u>1995</u>	<u>1996</u>	<u>1997</u>
			(unaudited)
Cost			
Land and buildings	\$ 9,873	\$10,395	\$12,596
Docks	36,848	42,262	42,626
Equipment	41,607	40,477	41,894
	<u>88,328</u>	<u>93,134</u>	<u>97,116</u>
Accumulated Depreciation			
Land and buildings	2,749	\$ 2,994	3,357
Docks	2,079	2,324	3,226
Equipment	18,130	18,287	18,698
	<u>22,958</u>	<u>23,605</u>	<u>25,281</u>
Net	<u>\$65,370</u>	<u>\$69,529</u>	<u>\$71,835</u>

4. Bank Indebtedness

Bank indebtedness represents funds borrowed under the Russel revolving credit facility. CCTC pays interest to Russel based on the average daily balances outstanding. The interest paid to Russel is equivalent to the amount paid by Russel under their revolving credit facility. Interest rates are based on the applicable prime rates plus a percentage which fluctuates depending on Russel's ability to meet certain financial criteria. CCTC has pledged its accounts receivable and inventory as security under Russel's revolving credit facility.

5. Due to Related Parties

(a) Outstanding balances

CCTC has a number of outstanding loans to and from Russel and its subsidiaries. These loans are all unsecured, due on demand and have no specific terms of repayment.

Two subsidiaries of CCTC obtained loans from Russel to invest in preferred shares of a Russel subsidiary. These loans will be demanded by Russel if the preferred shares are redeemed. Accordingly, the preferred shares have been offset against the loans.

Loans to (from) related parties

(\$000's)	December 31,		September 30,
	1995	1996	1997
			(unaudited)
Non-interest bearing	\$ 3,067	\$ (7,329)	\$ 3,961
Fixed interest	—	—	126,000
Floating interest	(3,048)	16,952	16,952
	19	9,623	146,913
Preferred share offset	—	—	130,000
	<u>\$ 19</u>	<u>\$ 9,623</u>	<u>\$ 16,913</u>

Interest rates on fixed rate loans are 5¼%. Floating rate loans are based on prime rate plus ¼% or ½%.

(b) Interest expenses

(\$000's)	December 31,			September 30,	
	1994	1995	1996	1996	1997
				(unaudited)	
Interest on bank indebtedness	\$1,015	\$2,077	\$2,195	\$1,700	\$1,335
Interest on related party loans	302	439	383	265	2,913
	<u>\$1,317</u>	<u>\$2,516</u>	<u>\$2,578</u>	<u>\$1,965</u>	<u>\$4,248</u>

(c) Management fees

Operating expenses include a fee paid to Russel for management and other services provided by Russel which is typically charged at year end. Management fees are recorded at their exchange amounts.

(\$000's)	December 31,			September 30,	
	1994	1995	1996	1996	1997
				(unaudited)	
Management fees	<u>\$ 650</u>	<u>\$ 900</u>	<u>\$ 900</u>	<u>300</u>	<u>\$ —</u>

(d) Amalgamation adjustments to retained earnings

On December 31, 1995, a subsidiary of CCTC purchased a related subsidiary from Russel, resulting in an adjustment of \$920,000.

On July 1, 1996, a subsidiary of CCTC amalgamated with a related subsidiary of Russel. The amalgamation resulted in an adjustment of \$345,000.

6. Income Taxes

(a) CCTC's effective income tax rate is derived as follows:

(\$000's)	December 31,			September 30,	
	1994	1995	1996	1996	1997
				(unaudited)	
Average combined statutory tax rate	41.5%	41.5%	41.5%	41.5%	41.5%
Lower effective income tax rate on earnings of foreign subsidiaries ..	(3.7%)	(1.4%)	(3.3%)	(1.9%)	(1.4%)
Other	(1.0%)	(0.8%)	(0.4%)	0.7%	(0.1%)
Average effective tax rate	<u>36.8%</u>	<u>39.3%</u>	<u>37.8%</u>	<u>40.3%</u>	<u>40.0%</u>

- (b) CCTC's net operating losses carried forward for tax purposes at December 31, 1996, which are included in deferred income taxes, expire as follows:

(\$000's)	<u>Year of Expiry</u>	<u>Amount</u>
	1999	\$ 733
	2000	452
	2001	1,812
	2002	836

It is anticipated that CCTC's net operating losses for tax purposes will be fully utilized in 1997.

In addition, at December 31, 1996, CCTC has timing differences and tax depreciation in excess of book of approximately \$8.5 million available for utilization in future years.

7. Shareholder's Equity

(\$000's)	<u>December 31,</u>		<u>September 30,</u>
	<u>1995</u>	<u>1996</u>	<u>1997</u>
			(unaudited)
Share Capital			
Pacific and Arctic Railway and Navigation Company			
Authorized			
17,660 common shares of \$100 par value			
Issued and outstanding			
17,600 common shares	\$ 1,883	\$ 1,883	\$ 1,883
Skagway Terminal Company			
Authorized			
120,000 common shares of no par value			
Issued and outstanding			
116,900 common shares	1,398	1,398	1,398
British Columbia — Yukon Railway Company			
Authorized			
10,000 common shares of \$100 par value			
Issued and outstanding			
9,840 common shares	984	984	984
Tri-Line Expressways Ltd			
Authorized			
Unlimited number of common shares			
(1995 — unlimited number of preferred shares and			
unlimited number of special preferred shares)			
Issued and outstanding			
10,000 (1995 — 1,000) common shares	1	5,617	5,617
Nil (1995 — 1,000) preferred shares	4,600	—	—
	8,866	9,882	9,882
Contributed surplus	11,143	11,143	11,143
Retained earnings	16,867	11,148	18,558
Cumulative translation adjustment	2,987	3,105	3,439
	<u>\$39,863</u>	<u>\$35,278</u>	<u>\$43,022</u>

8. Provision for Site Restoration

CCTC's earnings for December 31, 1996 include a charge of \$16.7 million which provides for anticipated environmental clean up costs which are White Pass' responsibility. As at September 30, 1997, the balance of the provision for site restoration is \$15.3 million which is anticipated to be spent over several years.

9. Segmented Information

- (a) CCTC has segmented its operations on the basis of the major industries in which it operates as described below:
- (i) The trucking operations consisting of Tri-Line Expressways Ltd and its subsidiaries is a common carrier transporting general and specialized freight.
 - (ii) The railway operations consisting of the White Pass & Yukon Route tourist railway operates primarily in the United States.

(b) Results by business segment and geographic segment:

(\$000's)	December 31,			September 30,	
	1994	1995	1996	1996	1997
				(unaudited)	
Revenues					
Railway — United States	\$ 11,995	\$ 17,549	\$ 19,670	\$ 19,527	\$ 25,633
Railway — Canada	2,829	1,132	946	922	1,183
	14,824	18,681	20,616	20,449	26,816
Trucking — Canada	101,931	109,220	116,832	87,423	88,934
	<u>\$ 116,755</u>	<u>\$ 127,901</u>	<u>\$ 137,448</u>	<u>\$ 107,872</u>	<u>\$ 115,750</u>
Segmented Operating Profits					
Railway — United States	\$ 3,993	\$ 6,203	\$ 5,564	\$ 7,411	\$ 11,043
Railway — Canada	576	181	141	290	399
	4,569	6,384	5,705	7,701	11,442
Trucking — Canada	5,329	4,871	3,819	3,229	5,150
	<u>\$ 9,898</u>	<u>\$ 11,255</u>	<u>\$ 9,524</u>	<u>\$ 10,930</u>	<u>\$ 16,592</u>
Capital Expenditures					
Railway — United States	\$ 2,870	\$ 34,394	\$ 5,943	\$ 5,175	\$ 3,463
Railway — Canada	—	—	141	—	—
	2,870	34,394	6,084	5,175	3,463
Trucking — Canada	2,357	4,211	1,280	1,092	999
	<u>\$ 5,227</u>	<u>\$ 38,605</u>	<u>\$ 7,364</u>	<u>\$ 6,267</u>	<u>\$ 4,462</u>
Depreciation					
Railway — United States	\$ 624	\$ 742	\$ 742	602	\$ 1,370
Railway — Canada	6	6	10	9	27
	630	748	752	611	1,397
Trucking — Canada	1,702	1,967	2,016	1,522	1,476
	<u>\$ 2,332</u>	<u>\$ 2,715</u>	<u>\$ 2,768</u>	<u>\$ 2,133</u>	<u>\$ 2,873</u>
Identifiable Assets					
Railway — United States	\$ 34,876	\$ 49,444	\$ 53,675	\$ 63,806	\$ 58,157
Railway — Canada	(2,375)	890	6,479	(7,444)	6,319
	32,501	50,334	60,154	56,362	64,476
Trucking — Canada	22,550	33,494	32,455	37,259	32,544
	<u>\$ 55,051</u>	<u>\$ 83,828</u>	<u>\$ 92,609</u>	<u>\$ 93,621</u>	<u>\$ 97,020</u>

10. Contingencies and Commitments

- (a) CCTC and certain of its subsidiaries have been named defendants in a number of legal actions. Although the outcome of these claims cannot be determined, in the opinion of management the resolution of these matters is not expected to have a materially adverse effect on CCTC's financial position. As part of the reorganization outlined in note 12, Russel will indemnify CCTC for losses relating to certain legal actions in which White Pass is the defendant.
- (b) As at December 31, 1996, CCTC and its subsidiaries had operating lease commitments, with varying terms, requiring annual payments approximately as follows: 1997 — \$3,145,000; 1998 — \$2,846,000; 1999 — \$2,674,000; 2000 — \$2,353,000; 2001 — \$2,246,000; 2002 and beyond — \$1,659,000. In 1997, Tri-Line signed a ten year lease for a new facility which will represent an additional lease commitment of \$576,000 per year commencing in April 1998.
- (c) CCTC's operations and properties are and will be subject to extensive federal, provincial, territorial, state, municipal and local environmental laws and requirements in both Canada and the U.S. relating to, among other things, air emissions, the management of contaminants including hazardous materials and waste, discharges to waters and the remediation of environmental impacts. CCTC believes it has identified and provided for the expenditures relating to known environmental matters, including compliance issues and the assessment and remediation of the environmental condition of its properties, whether currently or previously owned, or other properties where it may have environmental liabilities.

CCTC's total cost and liabilities for environmental matters cannot be predicted with certainty due to, among other things, the various issues described above, changing environmental laws and requirements and the necessity to conduct additional investigations. In 1996, CCTC recorded a provision for site restoration to cover the potential cost of environmental cleanup. This represents management's best estimate of future costs.

11. Fair Value of Financial Instruments

The carrying value of financial assets and liabilities approximate their fair value.

12. Subsequent Events

Russel is currently working on a Reorganization and Rights Offering which will result in the disposition of its interest in CCTC through the Rights Offering. As part of the Reorganization, Russel and CCTC propose to settle all related party balances and capitalize the bank indebtedness.

**CERTIFICATES OF
CENTURY CONTINENTAL TRANSPORTATION CORPORATION
AND RUSSEL METALS INC.**

Dated: October 27, 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 7 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of *The Securities Act*, 1988 (Saskatchewan), by Part VII of the *Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 63 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Part XIV of the *Securities Act* (Newfoundland) and the respective regulations thereunder and by Schedule C of the Regulations made pursuant to the *Securities Act* (Yukon Territory) and does not contain any misrepresentation within the meaning of the *Securities Act* (Québec) and the regulations thereunder likely to affect the value or the market price of the securities to be distributed.

**CENTURY CONTINENTAL TRANSPORTATION
CORPORATION**

(Signed) K. RAI SAHI
Chief Executive Officer

(Signed) THOMAS W. CUTHBERTSON
Chief Financial Officer

(Signed) BRUCE V. WALTER
DIRECTOR

(Signed) ARNI C. THORSTEINSON
DIRECTOR

RUSSEL METALS INC.

(Signed) EDWARD M. SIEGEL
Chief Executive Officer

(Signed) BRIAN R. HEDGES
Chief Financial Officer

(Signed) BRUCE V. WALTER
Director

(Signed) K. RAI SAHI
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: October 27, 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 8 of the *Securities Act* (Alberta), Part 9 of the *Securities Act* (British Columbia), Part VII of the *Securities Act* (Manitoba), Section 13 of the *Security Frauds Prevention Act* (New Brunswick), Part XIV of the *Securities Act* (Newfoundland), Section 64 of the *Securities Act* (Nova Scotia), Part XV of the *Securities Act* and the regulations thereunder (Ontario), Part II of the *Securities Act* (Prince Edward Island), Part II of the *Securities Act* (Saskatchewan) and Schedule C of the Regulations made pursuant to the *Securities Act* (Yukon Territory). To our knowledge, this prospectus does not contain any misrepresentations likely to affect the value or market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

Gordon Capital Corporation

By: (Signed) TONY HINE

First Marathon Securities Limited

Lévesque Beaubien Geoffrion Inc.

By: (Signed) PETER JONES

By: (Signed) JOHN D. MCKINNON

Canaccord Capital Corporation

By: (Signed) CHRISTOPHER M. HENLEY

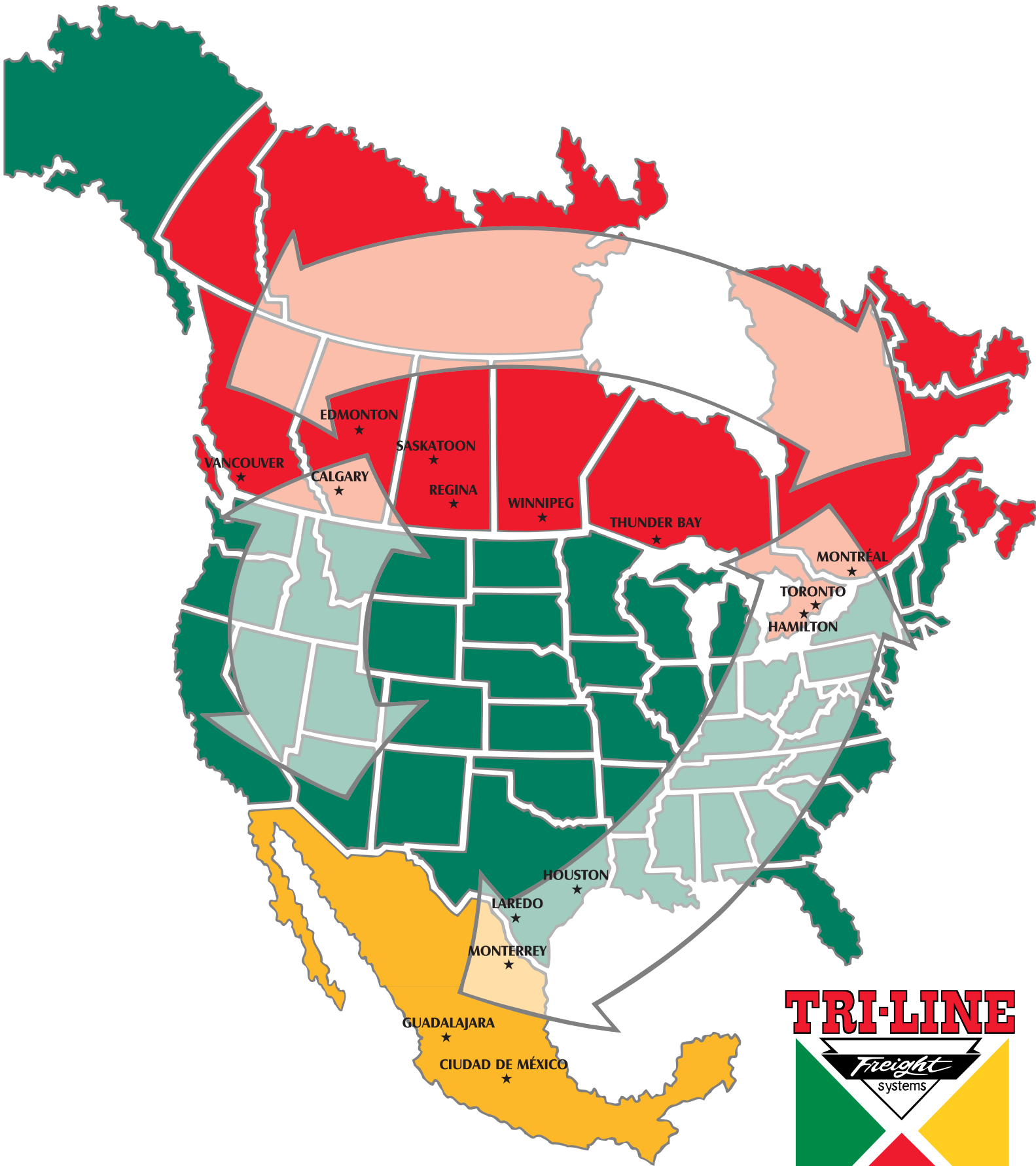
The following includes the names of every person or company having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of:

GORDON CAPITAL CORPORATION: J.R. Connacher, J.N. Green, Pacific Century GC Holdings Inc. and John Warwick;

FIRST MARATHON SECURITIES LIMITED: a wholly-owned subsidiary of First Marathon Inc.;

LÉVESQUE BEAUBIEN GEOFFRION INC.: wholly-owned by Lévesque, Beaubien and Company Inc., a majority-owned subsidiary of a Canadian chartered bank; and

CANACCORD CAPITAL CORPORATION: Peter M. Brown (through the MacLachlan Investments Corporation), Michael G. Greenwood (directly and through 728541 Alberta Ltd.), Dennis N. Burdett, Michael W. Murphy (directly and through 517387 B.C. Ltd.) and Mark J. Polubiec. Their interests are held indirectly through Canaccord Investment Ltd. and Canaccord Holdings Ltd.





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