

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offense to claim otherwise. The securities offered under this short form prospectus have not been and will not be registered under the U.S. Securities Act of 1933 and may not be offered or sold within the United States or to U.S. persons. Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Vice President, Corporate Secretary of ATCO Ltd. at 1600 ATCO Centre, 909 - 11th Avenue S.W., Calgary, Alberta T2R 1N6 (telephone: (403) 292-7500). For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Vice President, Corporate Secretary of ATCO Ltd. at the above-mentioned address and telephone number.

New Issue

ATCO

GROUP

ATCO Ltd.

\$150,000,000

(6,000,000 shares)

5.75% Cumulative Redeemable Preferred Shares, Series 3

The 5.75% Cumulative Redeemable Preferred Shares, Series 3 (the "Series 3 Preferred Shares") of ATCO Ltd. (the "Corporation") will be entitled to fixed cumulative preferential cash dividends, if, as and when declared by the Board of Directors of the Corporation (the "Board of Directors"), at a rate of \$1.4375 per share per annum, to accrue from the date of original issue, payable quarterly on the first day of March, June, September and December of each year. Assuming an issue date of July 10, 2001, the first dividend, if declared, will be payable as of September 1, 2001 in the amount of \$0.2087 per Series 3 Preferred Share.

On and after December 1, 2008, the Corporation may, at its option: (i) on not less than 30 days' prior notice, redeem for cash the Series 3 Preferred Shares, in whole at any time or in part from time to time, at \$26.00 per share if redeemed during the 12 months commencing December 1, 2008, \$25.50 per share if redeemed during the 12 months commencing December 1, 2009 and \$25.00 per share if redeemed on and after December 1, 2010, in each case together with all accrued and unpaid dividends to but excluding the date of redemption; or (ii) on at least 40 days' prior notice, subject, if required, to stock exchange approvals, convert all or any of the Series 3 Preferred Shares into Class I Non-Voting Shares of the Corporation. The number of Class I Non-Voting Shares into which each Series 3 Preferred Share may be so converted will be determined by dividing the then applicable redemption price per Series 3 Preferred Share together with all accrued and unpaid dividends to but excluding the date of conversion by the greater of \$2.00 and 95% of the then Current Market Price (as hereinafter defined) of the Class I Non-Voting Shares. See "Details of the Offering".

On and after December 1, 2011, each Series 3 Preferred Share will be convertible at the option of the holder on the first day of March, June, September and December of each year, on at least 65 days' prior notice, into that number of Class I Non-Voting Shares determined by dividing \$25.00 together with all accrued and unpaid dividends to but excluding the date of conversion by the greater of \$2.00 and 95% of the then Current Market Price of the Class I Non-Voting Shares. If a holder of Series 3 Preferred Shares elects to convert any of such shares into Class I Non-Voting Shares, the Corporation may, on at least 40 days' notice prior to the date of conversion, elect to redeem such Series 3 Preferred Shares for cash or arrange for the sale of such shares to substitute purchasers. At any time, the Corporation may offer the holders of the Series 3 Preferred Shares the right to convert into a further series of Preferred Shares. See "Details of the Offering".

The Toronto Stock Exchange (the "TSE") has conditionally approved the listing of the Series 3 Preferred Shares. Listing is subject to the Corporation fulfilling all of the requirements of the TSE on or before September 21, 2001. The Class I Non-Voting Shares are listed on the TSE and the Canadian Venture Exchange. On June 28, 2001 the closing price of the Class I Non-Voting Shares on the TSE was \$47.00. In the opinion of counsel, the Series 3 Preferred Shares will, on the date of issue, qualify for investment under certain statutes as set forth under "Eligibility for Investment".

Price: \$25.00 per share to yield 5.75% per annum

| | Price to Public | Underwriters' Fee ⁽¹⁾ | Net Proceeds to Corporation ⁽²⁾ |
|--|-----------------|----------------------------------|--|
| Per Series 3 Preferred Share | \$25.00 | \$0.75 | \$24.25 |
| Total | \$150,000,000 | \$4,500,000 | \$145,500,000 |

Notes:

- (1) The Underwriters' Fee for the Series 3 Preferred Shares is \$0.25 for each such share sold to certain institutions by closing of the offering and \$0.75 per share for all other Series 3 Preferred Shares purchased by the Underwriters. The Underwriters' Fee indicated in the table assumes that no Series 3 Preferred Shares are sold to such institutions.
- (2) Before deducting expenses of the offering estimated at \$300,000 which, together with the Underwriters' Fee, will be paid by the Corporation.

RBC Dominion Securities Inc., BMO Nesbitt Burns Inc. and TD Securities Inc. (the "Underwriters"), as principals, conditionally offer the Series 3 Preferred Shares, subject to prior sale, if, as and when issued by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under the heading "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Corporation by Bennett Jones LLP and on behalf of the Underwriters by Blake, Cassels and Graydon LLP.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of this offering will take place on or about July 10, 2001. A book-entry only certificate representing the Series 3 Preferred Shares distributed hereunder will be issued in registered form only to The Canadian Depository for Securities Limited ("CDS") or its nominee and will be deposited with CDS on the closing of this offering. The Corporation understands that a purchaser of Series 3 Preferred Shares will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Series 3 Preferred Shares are purchased.

The Underwriters are subsidiaries of Canadian chartered banks which have extended credit facilities to the Corporation and certain of its affiliates. Accordingly, under certain circumstances, the Corporation may be considered a "connected issuer" of those Underwriters under applicable securities legislation. See "Plan of Distribution".

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents, filed with the various securities commissions or similar authorities in Canada, are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (a) the Annual Information Form dated March 7, 2001;
- (b) Management's Discussion and Analysis of Financial Condition and Results of Operations dated March 7, 2001 found on pages 30 to 35 of the Corporation's annual report for the 2000 fiscal year;
- (c) the audited consolidated financial statements for the fiscal years ended December 31, 2000 and December 31, 1999 and the related notes thereto, together with the report of the auditors thereon;
- (d) the management proxy circular dated March 16, 2001 prepared in connection with the annual meeting of the shareholders of the Corporation held on May 16, 2001, except for the sections entitled "Executive Compensation — Composition of the Corporate Governance — Nomination, Succession and Compensation Committee", "Executive Compensation — Report on Executive Compensation", "Performance Graph" and "Statement of Corporate Governance Practices";
- (e) the unaudited interim comparative financial statements for the three month period ended March 31, 2001, contained in the Corporation's first quarter interim report for 2001; and
- (f) Management's Discussion and Analysis of Financial Condition and Results of Operations dated April 24, 2001, contained in the Corporation's first quarter interim report for 2001.

Any documents of the type referred to above, and any material change reports (excluding confidential reports), all as filed by the Corporation with the various securities commissions or any similar authorities in the provinces of Canada after the date of this short form prospectus and prior to the termination of the offering made hereby shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

SUMMARY OF THE OFFERING

The following is a summary only and is qualified in its entirety by and should be read in conjunction with the more detailed information appearing elsewhere in this short form prospectus. Unless otherwise specified or the context otherwise requires, all dollar amounts in this short form prospectus are expressed in Canadian dollars.

| | |
|---------------------------------------|--|
| Issuer: | ATCO Ltd. |
| Issue: | 6,000,000 5.75% Cumulative Redeemable Preferred Shares, Series 3. |
| Amount: | \$150,000,000. |
| Price and Yield: | \$25.00 per Series 3 Preferred Share, to yield 5.75% per annum. |
| Dividends: | Holder of Series 3 Preferred Shares will be entitled to receive fixed cumulative preferential cash dividends of \$1.4375 per share per annum, to accrue from the date of original issue, payable quarterly on the first day of March, June, September and December of each year, if, as and when declared by the Board of Directors. Assuming an issue date of July 10, 2001, the first such dividend, if declared, will be payable as of September 1, 2001 in the amount of \$0.2087 per Series 3 Preferred Share. |
| Redemption: | On and after December 1, 2008, the Corporation may, at its option, on not less than 30 days' prior notice, redeem for cash the Series 3 Preferred Shares, in whole at any time or in part from time to time, at \$26.00 per share if redeemed during the 12 months commencing December 1, 2008, \$25.50 per share if redeemed during the 12 months commencing December 1, 2009 and \$25.00 per share if redeemed on and after December 1, 2010, in each case together with all accrued and unpaid dividends to but excluding the date of redemption. See "Details of the Offering". |
| Conversion by the Corporation: | On and after December 1, 2008, the Corporation may, at its option, on at least 40 days' prior notice, subject, if required, to stock exchange approvals, convert all or any of the Series 3 Preferred Shares into Class I Non-Voting Shares. The number of Class I Non-Voting Shares into which each Series 3 Preferred Share may be so converted will be determined by dividing the then applicable redemption price together with all accrued and unpaid dividends to but excluding the date of conversion by the greater of \$2.00 and 95% of the weighted average trading price of such Class I Non-Voting Shares on the TSE for a period of 20 consecutive trading days ending on the fourth day prior to the date specified for conversion or, if that day is not a trading day, on the immediately preceding trading day (the "Current Market Price"). See "Details of the Offering". |
| Conversion by the Holder: | On and after December 1, 2011, each Series 3 Preferred Share will be convertible at the option of the holder on the first day of March, June, September and December of each year, on at least 65 days' prior notice, into that number of Class I Non-Voting Shares determined by dividing \$25.00 together with all accrued and unpaid dividends to but excluding the date of conversion by the greater of \$2.00 and 95% of the then Current Market Price of the Class I Non-Voting Shares. If a holder of Series 3 Preferred Shares elects to convert any of such shares into Class I Non-Voting Shares, the Corporation may, on at least 40 days' notice prior to the date of conversion, elect to redeem such Series 3 Preferred Shares for cash or arrange for the sale of such shares to |

substitute purchasers. At any time, the Corporation may offer the holders of the Series 3 Preferred Shares the right to convert into a further series of Preferred Shares. See “Details of the Offering”.

Purchase for Cancellation:

The Corporation may at any time or from time to time purchase for cancellation all or any number of Series 3 Preferred Shares at any price by tender to all holders of Series 3 Preferred Shares or through the facilities of any stock exchange on which the Series 3 Preferred Shares are listed, or in any other manner, provided that in the case of a purchase in any other manner the price for such Series 3 Preferred Shares so purchased for cancellation shall not exceed \$25.00 per share together with all accrued and unpaid dividends to but excluding the date of purchase and costs of purchase. See “Details of the Offering”.

Priority:

The Series 3 Preferred Shares will rank in priority to the Junior Preferred Shares, the Class I Non-Voting Shares and the Class II Voting Shares and on a parity with any further series of Preferred Shares with respect to the payment of any dividends and the distribution of assets upon the liquidation, dissolution or winding-up of the Corporation. See “Details of the Offering”.

Earnings Coverages:

After giving effect to the issue of the Series 3 Preferred Shares to be distributed pursuant to this short form prospectus and the redemption of the outstanding Cumulative Redeemable Preferred Shares, Series A, B and C of CanUtilities Holdings Ltd. (“CanUtilities Holdings”), and adjusting dividend requirements to a pre-tax equivalent, the Corporation’s earnings before interest and income taxes (i) for the 12 months ended December 31, 2000 was 2.49 times, and (ii) for the 12 months ended March 31, 2001 was 2.55 times, the Corporation’s aggregate dividend and interest requirements for such periods. See “Earnings Coverages”.

Asset Coverages:

The net tangible assets of the Corporation available to cover the Series 3 Preferred Shares as at March 31, 2001 and December 31, 2000 amounted to approximately 5.93 times and 5.86 times, respectively, the aggregate issue price of the Series 3 Preferred Shares. See “Asset Coverages”.

Ratings:

Standard & Poor’s: P-1 (low)
Dominion Bond Rating Service: Pfd-2 (low)
See “Ratings”.

Tax on Preferred Share Dividends:

The Corporation will elect, in the manner and within the time provided under Part VI.1 of the *Income Tax Act* (Canada) (the “Tax Act”), to pay or cause payment of tax under Part VI.1 of the Tax Act at a rate such that corporate holders of Series 3 Preferred Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on the Series 3 Preferred Shares. See “Canadian Federal Income Tax Considerations” for a summary of the principal Canadian federal income tax considerations generally applicable to certain holders of Series 3 Preferred Shares.

Use of Proceeds:

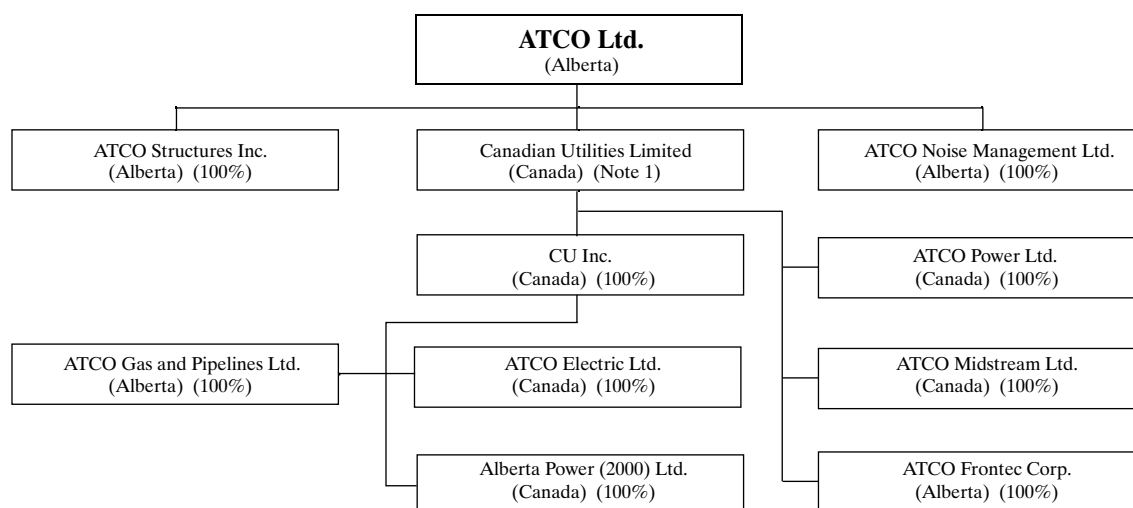
The estimated net proceeds to be received by the Corporation from the sale of the Series 3 Preferred Shares are \$145,500,000, before deducting the estimated expenses of the offering and assuming that no Series 3 Preferred Shares are sold to institutions. The net proceeds will be applied to finance in part the approximately \$300 million redemption price on July 3, 2001 of the outstanding Cumulative Redeemable Preferred Shares, Series A, B and C of CanUtilities Holdings, an indirect wholly-owned subsidiary of the Corporation. See “Use of Proceeds”.

THE CORPORATION

The Corporation is the successor to the business commenced in 1947 by the late S.D. Southern and R.D. Southern. The Corporation was incorporated under *The Companies Act* (Alberta) on August 31, 1962 and later continued under the *Business Corporations Act* (Alberta) on March 13, 1984. The Corporation's registered and principal office is located at 1600 ATCO Centre, 909 - 11th Avenue S.W., Calgary, Alberta T2R 1N6.

INTERCORPORATE RELATIONSHIPS

The following chart identifies the principal subsidiaries of the Corporation, the jurisdictions under the laws of which they are organized and the percentages of their voting securities beneficially owned or over which control or direction is exercised by the Corporation.



Note:

- (1) As at June 28, 2001, the Corporation held, directly and indirectly through CanUtilities Holdings, 69.5% of the outstanding voting securities of Canadian Utilities Limited and 41.5% of the outstanding Class A non-voting shares of Canadian Utilities Limited, for an aggregate ownership interest of 51.9%.

BUSINESS OF THE CORPORATION

The Corporation is a management holding company with operating subsidiaries engaged in five business groups: Utilities; Power Generation; Logistics & Energy Services; Industrials; and Technologies.

The Utilities Business Group includes the production, gathering, purchase, storage, sale and distribution of natural gas by the ATCO Gas division of ATCO Gas and Pipelines Ltd. ("ATCO Gas"); the generation, transmission and distribution of electric energy by ATCO Electric Ltd., The Yukon Electrical Company Limited, Northland Utilities (Yellowknife) Limited and Northland Utilities (NWT) Limited; and the transmission and distribution of water by CU Water Limited.

The Power Generation Business Group includes the non-regulated generation and supply of electricity and cogeneration steam by Alberta Power (2000) Ltd., ATCO Power Ltd. and ATCO Resources Ltd.

The Logistics & Energy Services Business Group includes the regulated transportation of natural gas by the ATCO Pipelines division of ATCO Gas and Pipelines Ltd.; the non-regulated gathering, processing, storage, purchase and sale of natural gas by ATCO Midstream Ltd.; and project management and technical services for customers in the industrial, defence and transportation sectors by ATCO Frontec Corp.

The Industrials Business Group includes the manufacture, sale and lease of transportable workforce shelter and space rental products by ATCO Structures Inc.; the design and construction of buildings to reduce noise emissions from industrial facilities by ATCO Noise Management Ltd.; the sale of fly ash and other combustion byproducts produced in coal-fired electrical generating plants by Ashcor Technologies Ltd.; and the manufacturing of wood preservation products by Genics Inc.

The Technologies Business Group includes billing services, payment processing, credit and collection and call centre services by ATCO Singlepoint Ltd., and the development, operation and support of information systems and technologies by the ATCO I-Tek division of Canadian Utilities Limited (“Canadian Utilities”).

RECENT AND PENDING DEVELOPMENTS

On April 30, 2001, the Corporation announced that it is seeking a purchaser to acquire the retail operations of ATCO Gas and the retail operations of ATCO Electric Ltd. Retail operations encompass all activities involved in arranging for the supply and sale of natural gas and electricity to consumers, but do not include the delivery systems to transport natural gas and electricity. Any sale will be subject to regulatory approval.

On May 17, 2001, the Corporation filed with the TSE a notice of intention to make a normal course issuer bid for the purchase of up to 3% of its outstanding Class I Non-Voting Shares during the period from May 25, 2001 to May 24, 2002. As of June 28, 2001, no Class I Non-Voting Shares have been purchased pursuant to this normal course issuer bid.

During 2000, ATCO Gas determined that it would concentrate fully on the distribution of natural gas to its customers and announced that it would sell all of its oil and gas producing properties. In late 2000 and early 2001, ATCO Gas entered into a number of conditional agreements to sell its producing properties for an aggregate purchase price of \$546.2 million, before closing adjustments. Both the sales and the sharing of proceeds between customers and ATCO Gas were subject to regulatory approval. On May 29, 2001, the Alberta Energy and Utilities Board (the “EUB”) issued a decision denying ATCO Gas’ applications to sell the Viking-Kinsella and Beaverhill Lake/Fort Saskatchewan natural gas producing properties, and approving ATCO Gas’ applications to sell the Westlock and Lloydminster natural gas producing properties. Of the \$546.2 million in gross proceeds that were to have been realized from these sales, \$527.0 million relates to sales which have been denied by the EUB. While the reasons for the EUB’s decision were not released, the EUB announced that a detailed report setting out its reasons will be issued as soon as possible. The Corporation will assess its options after it has reviewed the EUB’s reasons for its decision.

On June 11, 2001, ATCO Gas North and ATCO Gas South advised the EUB that they anticipated that the recovery of winter gas costs for Option A customers (residential, commercial and industrial customers using less than 8,000 gigajoules annually), on the basis previously approved by the EUB, would be completed by the end of June 2001. Accordingly, ATCO Gas North and ATCO Gas South filed applications with the EUB for approval of gas cost recovery rates that will be in effect from July 1, 2001 to January 31, 2002. While these recoveries will have an impact on revenues and expenses, it is anticipated that they will not have any effect on the Corporation’s earnings.

On June 11, 2001, the Corporation entered into a \$200 million revolving term credit agreement with a syndicate of three Canadian chartered banks. On June 28, 2001, the Corporation borrowed \$171.0 million on this credit facility, which funds will, pending closing of this offering, be used to finance in part the redemption of the outstanding Cumulative Redeemable Preferred Shares, Series A, B and C of CanUtilities Holdings.

On July 3, 2001, CanUtilities Holdings is required to redeem its outstanding Cumulative Redeemable Preferred Shares, Series A, B and C pursuant to the mandatory redemption provisions of such shares. The

aggregate redemption price of approximately \$300 million will be financed in part from the proceeds of this offering. Forthwith after the redemption, CanUtilities Holdings will be dissolved and wound-up into the Corporation. The Corporation currently holds its interest in Canadian Utilities through two wholly-owned subsidiaries, one of which is directly owned by the Corporation and the other indirectly owned through the first subsidiary. The Corporation intends to wind-up both of these subsidiaries forthwith following the redemption of the outstanding Cumulative Redeemable Preferred Shares, Series A, B and C of CanUtilities Holdings so that the Corporation will directly hold its interest in Canadian Utilities. In the event the wind-up of the subsidiaries has not been completed by closing, the Corporation and the subsidiaries will at closing enter into unanimous shareholder agreements that will require the subsidiaries to be wound-up. Pending such wind-up, these unanimous shareholder agreements will require that the subsidiaries pay all amounts received from Canadian Utilities to the Corporation, and that the subsidiaries not conduct business, acquire assets or incur liabilities.

USE OF PROCEEDS

The estimated net proceeds to be received by the Corporation from the sale of the Series 3 Preferred Shares are \$145,500,000, before deducting the estimated expenses of the offering and assuming that no Series 3 Preferred Shares are sold to institutions. The net proceeds will be applied to finance in part the approximately \$300 million redemption price on July 3, 2001 of the outstanding Cumulative Redeemable Preferred Shares, Series A, B and C of CanUtilities Holdings.

SHARE CAPITAL OF THE CORPORATION

The authorized share capital of the Corporation currently consists of 8,000,000 Preferred Shares issuable in series, 8,000,000 Junior Preferred Shares issuable in series, 100,000,000 Class I Non-Voting Shares and 50,000,000 Class II Voting Shares. As of June 28, 2001, there were 26,088,225 Class I Non-Voting Shares outstanding, 3,644,057 Class II Voting Shares outstanding, no Preferred Shares outstanding and no Junior Preferred Shares outstanding.

Preferred Shares

The Preferred Shares have preferential rights as to dividends as determined by the Board of Directors and are issuable from time to time in one or more series with such other rights, restrictions, conditions and limitations as may be determined by the Board of Directors.

Two series of Preferred Shares aggregating 600,000 shares have been designated and issued to date, all of which have been redeemed and cancelled.

Junior Preferred Shares

The Junior Preferred Shares are issuable from time to time in one or more series. The Junior Preferred Shares of each series rank on a parity with the Junior Preferred Shares of every other series and in priority to the Class I Non-Voting Shares and Class II Voting Shares with respect to the payment of dividends and the distribution of assets upon the liquidation, dissolution or winding-up of the Corporation. Except in limited circumstances, holders of the Junior Preferred Shares are not entitled to receive notice of or to attend any meeting of the shareholders of the Corporation and are not entitled to vote at any such meeting. Other than the foregoing provisions attaching to the Junior Preferred Shares as a class, the Board of Directors may determine the rights, restrictions, conditions and limitations attaching to each series of Junior Preferred Shares.

Three series of Junior Preferred Shares aggregating 6,000,000 shares have been issued to date, all of which have been redeemed and cancelled.

Class II Voting Shares

Holders of Class II Voting Shares are entitled to receive notice of and to attend all meetings of the shareholders of the Corporation and are entitled to one vote in respect of each Class II Voting Share held. The Class II Voting Shares rank equally with the Class I Non-Voting Shares with respect to the payment of dividends and the distribution of assets upon the liquidation, dissolution or winding-up of the Corporation. Each Class II Voting Share may at any time and from time to time, at the option of the holder, be converted into one Class I Non-Voting Share.

Class I Non-Voting Shares

The Class I Non-Voting Shares rank equally in all respects with the Class II Voting Shares, except as to voting and subject to the rights of conversion of the Class II Voting Shares into Class I Non-Voting Shares. In the event of an offer to purchase Class II Voting Shares that, by reason of applicable securities legislation or stock exchange rules, must be made to all holders of Class II Voting Shares whose last address on the records of the Corporation is in any province which requires the making of such offer to such holders, and if holders representing more than 50% of the Class II Voting Shares accept such offer, then holders of Class I Non-Voting Shares shall be entitled to the same voting rights as the holders of Class II Voting Shares.

In addition to the rights and privileges derived from share capital provisions set forth in the Corporation's articles, the Corporation has given an undertaking dated July 26, 1982 to the TSE, the Ontario Securities Commission and the present and future holders of its Class I Non-Voting Shares and Class II Voting Shares to the effect that, among other things:

- (a) all informational documents that are required either by the governing corporate law or securities law to be sent to holders of the Class II Voting Shares (including information circulars, notices of meetings, annual reports and financial statements) shall be sent concurrently to the holders of the Class I Non-Voting Shares; and
- (b) the holders of the Class I Non-Voting Shares will be given notice of and invited to attend meetings of the holders of Class II Voting Shares. The holders of the Class I Non-Voting Shares will be entitled to speak at such meetings, subject to normal agenda limitations, but shall have no vote thereat except in the circumstances set forth under "Share Capital of the Corporation — Class I Non-Voting Shares" above.

DETAILS OF THE OFFERING

On June 20, 2001, the Board of Directors authorized the creation of the Series 3 Preferred Shares. The Series 3 Preferred Shares will have attached thereto the series provisions summarized below.

Dividends

Holders of Series 3 Preferred Shares will be entitled to receive fixed cumulative preferential cash dividends of \$1.4375 per share per annum, to accrue from the date of original issue, payable quarterly on the first day of March, June, September and December of each year, if, as and when declared by the Board of Directors. Assuming an issue date of July 10, 2001, the first such dividend, if declared, will be payable as of September 1, 2001 in the amount of \$0.2087 per Series 3 Preferred Share.

Redemption

The Series 3 Preferred Shares will not be redeemable before December 1, 2008, but will be redeemable for cash on and after that date at the option of the Corporation, in whole at any time or in part from time to time, on not less than 30 days' prior notice, at \$26.00 per share if redeemed during the 12 months commencing December 1, 2008, \$25.50 per share if redeemed during the 12 months

commencing December 1, 2009 and \$25.00 per share if redeemed on and after December 1, 2010, in each case together with all accrued and unpaid dividends to but excluding the date of redemption.

If less than all of the then outstanding Series 3 Preferred Shares are at any time to be redeemed, then the particular shares to be redeemed shall be selected on a pro rata basis.

Purchase for Cancellation

Subject to applicable law and except as noted below under “Details of the Offering — Restrictions on Dividends and Retirement of Shares”, the Corporation may at any time or from time to time purchase for cancellation all or any number of Series 3 Preferred Shares at any price by invitation for tenders addressed to all holders of Series 3 Preferred Shares or through the facilities of any stock exchange on which the Series 3 Preferred Shares are listed, or in any other manner, provided that in the case of a purchase in any other manner the price paid by the Corporation for such Series 3 Preferred Shares so purchased for cancellation shall not exceed \$25.00 per share together with all accrued and unpaid dividends to but excluding the date of purchase and costs of purchase.

Conversion into Class I Non-Voting Shares at the Option of the Corporation

The Series 3 Preferred Shares will not be convertible at the option of the Corporation prior to December 1, 2008. On and after December 1, 2008, the Corporation may, subject, if required, to the approval of the TSE and such other stock exchange(s) on which the Series 3 Preferred Shares are then listed, at any time and from time to time convert all or any of the then outstanding Series 3 Preferred Shares into Class I Non-Voting Shares. The number of Class I Non-Voting Shares into which each Series 3 Preferred Share may be so converted will be determined by dividing the then applicable redemption price together with all accrued and unpaid dividends to but excluding the date of conversion by the greater of \$2.00 and 95% of the then Current Market Price. Fractional Class I Non-Voting Shares will not be issued on any conversion of Series 3 Preferred Shares, but in lieu thereof the Corporation will make cash payments.

Notice of any conversion shall be given by the Corporation at least 40 days prior to the date fixed for conversion. If less than all the outstanding Series 3 Preferred Shares are at any time to be converted, then the particular shares to be converted shall be selected on a pro rata basis.

Conversion into Class I Non-Voting Shares at the Option of the Holder

On and after December 1, 2011, each Series 3 Preferred Share will be convertible at the option of the holder on the first day of March, June, September and December of each year (each such date a “Conversion Date”), on prior notice (the “Conversion Notice”) given at least 65 days prior to the Conversion Date, into that number of Class I Non-Voting Shares determined by dividing \$25.00 together with all accrued and unpaid dividends to but excluding the Conversion Date by the greater of \$2.00 and 95% of the then Current Market Price of the Class I Non-Voting Shares. Fractional Class I Non-Voting Shares will not be issued on any conversion of Series 3 Preferred Shares, but in lieu thereof the Corporation will make cash payments.

If a holder of Series 3 Preferred Shares gives a Conversion Notice to the Corporation, the Corporation may elect to redeem or arrange for the sale to another purchaser of all or any part of the Series 3 Preferred Shares which are the subject of the Conversion Notice. Any such redemption or purchase shall be paid by the payment of an amount in cash of \$25.00 per share together with all accrued and unpaid dividends to but excluding the Conversion Date.

If the Corporation elects to redeem or arrange for the purchase of any Series 3 Preferred Shares that are the subject of a Conversion Notice (“Subject Shares”), the Corporation shall, at least 40 days prior to

the Conversion Date, give notice to all holders who have given a Conversion Notice to the Corporation, stating:

- (a) the number of Subject Shares to be redeemed by the Corporation;
- (b) the number of Subject Shares to be sold to another purchaser; and
- (c) the number of Subject Shares to be converted into Class I Non-Voting Shares;

such that all of the Subject Shares are redeemed, purchased or converted on that Conversion Date and the proportion of the Subject Shares which are either redeemed, purchased or converted on that Conversion Date shall, to the extent practicable, be the same for each holder delivering a Conversion Notice.

Creation or Issue of Additional Shares

So long as any Series 3 Preferred Shares are outstanding the Corporation shall not, without the prior approval of the holders of the Series 3 Preferred Shares given in the specified manner, create or issue any shares ranking prior to or on a parity with the Series 3 Preferred Shares with respect to the payment of dividends or the distribution of assets upon the liquidation, dissolution or winding up of the Corporation, provided that the Corporation may issue additional series of Preferred Shares without such approval if all dividends then payable on the Series 3 Preferred Shares shall have been paid.

Restrictions on Dividends and Retirement of Shares

So long as any of the Series 3 Preferred Shares are outstanding, the Corporation shall not, without the prior approval of the holders of the Series 3 Preferred Shares given in the specified manner:

- (a) declare, pay or set apart for payment any dividends on the Class I Non-Voting Shares or Class II Voting Shares or any other shares of the Corporation ranking junior to the Series 3 Preferred Shares with respect to the payment of dividends (other than a stock dividend payable in shares of the Corporation ranking junior to the Series 3 Preferred Shares with respect to the payment of dividends);
- (b) redeem, purchase or otherwise retire or make any capital distribution on or in respect of any shares of the Corporation ranking junior to the Series 3 Preferred Shares with respect to the distribution of assets upon the liquidation, dissolution or winding-up of the Corporation (except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking junior to the Series 3 Preferred Shares with respect to the distribution of assets upon the liquidation, dissolution or winding-up of the Corporation);
- (c) redeem, purchase or otherwise retire less than all of the Series 3 Preferred Shares then outstanding; or
- (d) redeem, purchase or otherwise retire any other shares of the Corporation ranking on a parity with the Series 3 Preferred Shares with respect to the payment of dividends or the distribution of assets upon the liquidation, dissolution or winding-up of the Corporation, except in connection with any purchase obligation, sinking fund, retraction privilege or mandatory redemption provision attaching to any such shares;

unless, in each case, all dividends then payable on the Series 3 Preferred Shares and on all other shares then outstanding that rank prior to or on a parity with the Series 3 Preferred Shares with respect to the payment of dividends shall have been declared and paid or set apart for payment.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Corporation, or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of

the Series 3 Preferred Shares shall be entitled to receive the amount paid up on such shares together with all accrued and unpaid dividends thereon to but excluding the date of liquidation, dissolution, winding-up or other distribution and, if such liquidation, dissolution, winding-up or other distribution is voluntary, a premium of \$1.00 per share if such event commences prior to September 1, 2011, before any amount shall be paid or any property or assets of the Corporation shall be distributed to the holders of any Class I Non-Voting Shares or Class II Voting Shares or any other shares ranking junior to the Series 3 Preferred Shares. After payment to the holders of the Series 3 Preferred Shares of the amounts so payable to them, such holders shall not be entitled to share in any further distribution of the property or assets of the Corporation.

Voting Rights

The holders of the Series 3 Preferred Shares will not be entitled as such to receive notice of, or to attend, or to vote at, any meeting of the shareholders of the Corporation unless the Corporation shall have failed to pay eight quarterly dividends on the Series 3 Preferred Shares, whether or not consecutive. In that event and only for so long as any such dividends on such shares remain in arrears, the holders of the Series 3 Preferred Shares will be entitled to receive notice of, and to attend, all meetings of shareholders of the Corporation and to cast one vote for each Series 3 Preferred Share held.

In connection with any action to be taken by the Corporation which requires the approval of the holders of Series 3 Preferred Shares voting as a series or as part of a class, each Series 3 Preferred Share shall entitle the holder thereof to one vote.

Conversion into Another Series of Preferred Shares

The Corporation may, at any time while any of the Series 3 Preferred Shares are outstanding, designate a further series of Preferred Shares of the Corporation, (the “New Shares”) and, by prior notice, notify the holders of the Series 3 Preferred Shares that they have the right pursuant to the terms of the Series 3 Preferred Shares, at their option, to convert their Series 3 Preferred Shares on the date specified by the Corporation in such notice into New Shares on a share-for-share basis. Any holder of Series 3 Preferred Shares who has delivered a notice of conversion with respect to the conversion of Series 3 Preferred Shares into Class I Non-Voting Shares will be entitled to accept any such offer to convert Series 3 Preferred Shares into New Shares.

Tax Election

The Corporation will elect in the manner and within the time provided under Part VI.1 of the Tax Act, to pay or cause payment of tax under Part VI.1 of the Tax Act at a rate such that corporate holders of Series 3 Preferred Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on the Series 3 Preferred Shares. See “Canadian Federal Income Tax Considerations”.

Modification

The series provisions attaching to the Series 3 Preferred Shares may be amended (i) with the written approval of all of the holders of the then outstanding Series 3 Preferred Shares, or (ii) by at least two-thirds of the votes cast at a meeting or adjourned meeting of the holders of such shares duly called for the purpose and at which a quorum is present.

Depository Services

Except as otherwise provided below, the Series 3 Preferred Shares will be issued in “book-entry only” form and must be purchased, transferred, converted or redeemed through participants (“Participants”) in the depository service of CDS or its nominee. Each of the Underwriters is a Participant. On the closing of this offering, the Corporation will cause a global certificate or certificates representing the Series 3

Preferred Shares to be delivered to, and registered in the name of, CDS or its nominee. Except as described below, no purchaser of Series 3 Preferred Shares will be entitled to a certificate or other instrument from the Corporation or CDS evidencing that purchaser's ownership thereof, and no purchaser will be shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such purchaser. The Corporation understands that each purchaser of Series 3 Preferred Shares will receive a customer confirmation of purchase from the registered dealer from which the Series 3 Preferred Shares are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Series 3 Preferred Shares. Reference in this short form prospectus to a holder of Series 3 Preferred Shares means, unless the context otherwise requires, the owner of the beneficial interest in the Series 3 Preferred Shares.

If the Corporation determines, or CDS notifies the Corporation in writing, that CDS is no longer willing or able to discharge properly its responsibilities as depository with respect to the Series 3 Preferred Shares and the Corporation is unable to locate a qualified successor, or if the Corporation at its option elects, or is required by law, to terminate the book-entry system, then Series 3 Preferred Shares will be issued in fully registered form to the owners of the beneficial interests in such Series 3 Preferred Shares or their nominees.

EARNINGS COVERAGES

The Corporation's dividend requirements on all of its Preferred Shares, after giving effect to the issue of Series 3 Preferred Shares to be distributed pursuant to this short form prospectus and the redemption of the outstanding Cumulative Redeemable Preferred Shares, Series A, B and C of CanUtilities Holdings, and adjusted to a pre-tax equivalent using an effective income tax rate of 44.70%, amounted to \$46.1 million for the 12 months ended December 31, 2000. The Corporation's interest requirements for the 12 months then ended amounted to \$215.3 million. The Corporation's earnings before interest, income taxes, non-controlling interests and preferred share dividends for the 12 months ended December 31, 2000 was \$649.7 million, which is 2.49 times the Corporation's aggregate dividend and interest requirements for this period.

The Corporation's dividend requirements on all of its Preferred Shares, after giving effect to the issue of Series 3 Preferred Shares to be distributed pursuant to this short form prospectus and the redemption of the outstanding Cumulative Redeemable Preferred Shares, Series A, B and C of CanUtilities Holdings, and adjusted to a pre-tax equivalent using an effective income tax rate of 42.61%, amounted to \$44.4 million for the 12 months ended March 31, 2001. The Corporation's interest requirements for the 12 months then ended amounted to \$213.0 million. The Corporation's earnings before interest, income taxes, non-controlling interests and preferred share dividends for the 12 months ended March 31, 2001 was \$655.8 million, which is 2.55 times the Corporation's aggregate dividend and interest requirements for this period.

ASSET COVERAGES

After giving effect to the issue of Series 3 Preferred Shares to be distributed pursuant to this short form prospectus and the redemption of outstanding Cumulative Redeemable Preferred Shares, Series A, B and C of CanUtilities Holdings, the net tangible assets of the Corporation as at March 31, 2001 and December 31, 2000 available to cover the Series 3 Preferred Shares were as follows:

| | March 31, 2001 | December 31, 2000 |
|---|-----------------------------------|----------------------|
| | (millions of Canadian dollars) | |
| Total assets | \$ 5,633.6 | \$ 5,815.6 |
| Less: Goodwill | (74.1) | (75.1) |
| Other intangible assets | (38.1) | (44.3) |
| Current liabilities | (770.0) | (905.8) |
| Future income taxes | (187.3) | (173.9) |
| Deferred credits | (44.6) | (40.1) |
| Long term debt | (1,893.8) | (1,897.2) |
| Non-recourse long term debt | (358.9) | (374.5) |
| Notes payable | (126.0) | (197.1) |
| Non-controlling interests | (1,097.2) | (1,074.0) |
| Add: Proceeds of this offering ⁽¹⁾ | 145.2 | 145.2 |
| Less: Redemption of outstanding Cumulative Redeemable Preferred Shares, Series A, B and C of CanUtilities Holdings | (300.0) | (300.0) |
| Net tangible assets available for Series 3 Preferred Shares | \$ 888.8 | \$ 878.8 |

Note:

(1) After deducting the estimated expenses of the offering and assuming that no Series 3 Preferred Shares are sold to institutions.

The net tangible assets of the Corporation available to cover the Series 3 Preferred Shares as at March 31, 2001 and December 31, 2000 amounted to approximately 5.93 times and 5.86 times, respectively, the aggregate gross issue price of the Series 3 Preferred Shares.

RATINGS

The Series 3 Preferred Shares are rated P-1 (low) by Standard & Poor's ("S&P"), a division of the McGraw-Hill Companies and Pfd-2 (low) by Dominion Bond Rating Service ("DBRS"). A P-1 (low) rating by S&P is the lowest of the three sub-categories within the highest rating of the eight standard categories of ratings utilized by S&P for preferred shares. The DBRS rating of Pfd-2 (low) is the lowest sub-category within the second highest rating of the five standard categories of ratings utilized by DBRS for preferred shares.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. Neither of the foregoing ratings should be construed as a recommendation to buy, sell or hold securities. Either of the foregoing ratings may be revised or withdrawn at any time by the respective rating organization.

RISK FACTORS

A prospective purchaser of Series 3 Preferred Shares should carefully consider the information described under the heading "Business Risks" in Management's Discussion and Analysis of Financial Condition and Results of Operations of the Corporation found on pages 34 and 35 of the Corporation's annual report for the 2000 fiscal year incorporated by reference in this short form prospectus, as well as the other information contained in this short form prospectus.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Bennett Jones LLP, counsel to the Corporation, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations generally applicable, at the date hereof, to a prospective purchaser of Series 3 Preferred Shares who, for the purposes of the Tax Act, is resident in Canada, will hold the Series 3 Preferred Shares as capital property and deals at arm's length with the Corporation and is not affiliated with the Corporation. Series 3 Preferred Shares acquired by "financial institutions", as defined in the Tax Act for purposes of the "mark-to-market" rules, will generally not be held as capital property by such purchasers. Purchasers who do not hold their Series 3 Preferred Shares as capital property should consult their own tax advisors with respect to their own particular circumstances.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. Prospective purchasers should consult their own tax advisors with respect to their particular circumstances.

This summary is based upon the current provisions of the Tax Act, the regulations thereunder, all specific proposals to amend the Tax Act and such regulations publicly announced by the Minister of Finance prior to the date hereof (the "Proposals") and counsels' understanding of the current administrative and assessing practices of the Canada Customs and Revenue Agency ("CCRA"). This summary does not otherwise take into account or anticipate any changes in law or in the administrative practices of the CCRA, whether by legislative, governmental or judicial decision or action, nor does it take into account any provincial, territorial or foreign income tax legislation or considerations. No assurance can be given that the Proposals will be enacted in their current form or at all.

Dividends

Dividends (including deemed dividends) received on the Series 3 Preferred Shares by an individual will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations.

Dividends (including deemed dividends) received on the Series 3 Preferred Shares by a corporation other than a "specified financial institution", as defined in the Tax Act, will be included in computing the corporation's income and will generally be deductible in computing the corporation's taxable income.

Dividends (including deemed dividends) received on the Series 3 Preferred Shares by a corporation that is a "specified financial institution", as defined in the Tax Act, will be included in computing the corporation's income and will generally be deductible in computing such corporation's taxable income, provided either: (i) the institution did not acquire such shares in the ordinary course of the business carried on by it or (ii) at the time the dividend is received the Series 3 Preferred Shares are not "term preferred shares" within the meaning of the Tax Act. A Series 3 Preferred Share will not be a term preferred share with respect to a specified financial institution that received a dividend on the Series 3 Preferred Share if at the time the dividend is received the share is listed on a prescribed stock exchange in Canada and the specified financial institution, either alone or together with persons with whom it does not deal at arm's length within the meaning of the Tax Act, does not receive (and is not deemed to receive) in the aggregate dividends in respect of more than 10% of the Series 3 Preferred Shares outstanding at that time. Specified financial institutions other than those described above should consult their own tax advisors with respect to their ability to deduct dividends (including deemed dividends) received on Series 3 Preferred Shares in computing their taxable income for purposes of the Tax Act.

The Series 3 Preferred Shares are "taxable preferred shares" as defined in the Tax Act. The terms of the Series 3 Preferred Shares require the Corporation to make an election under Part VI.1 of the Tax Act so that corporate holders, including "specified financial institutions", will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series 3 Preferred Shares.

A “private corporation”, as defined in the Tax Act, or any other corporation controlled by or for the benefit of an individual or a related group of individuals, will generally be liable to pay a 33⅓% refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Series 3 Preferred Shares to the extent such dividends are deductible in computing its taxable income.

Dispositions

A holder who disposes of or is deemed to dispose of Series 3 Preferred Shares (on the redemption of such shares or otherwise) will generally realize a capital gain (or sustain a capital loss) to the extent that the holder’s proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the holder. The amount of any deemed dividend arising on the redemption, acquisition or cancellation by the Corporation of Series 3 Preferred Shares will generally not be included in computing the holder’s proceeds of disposition for purposes of computing the capital gain or loss arising on the disposition of such Series 3 Preferred Shares. If the holder is a corporation, any capital loss arising on a disposition of a Series 3 Preferred Share may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on the Series 3 Preferred Share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary.

Pursuant to the Proposals and subject to the transitional rules contained therein, one-half of any such capital gain will be included in computing the holder’s income as a taxable capital gain and one-half of any such capital loss may be deducted from the holder’s taxable capital gains in accordance with the rules contained in the Tax Act and the Proposals. Capital gains realized by an individual may give rise to a liability for alternative minimum tax. Taxable capital gains of a “Canadian-controlled private corporation”, as defined in the Tax Act, may be subject to an additional refundable tax at a rate of 6⅔%.

Redemption

If the Corporation redeems Series 3 Preferred Shares, or otherwise acquires or cancels Series 3 Preferred Shares (other than by a purchase in the open market in the manner in which shares are normally purchased by any member of the public in the open market or by reason of a conversion of Series 3 Preferred Shares), the holder will be deemed to have received a dividend equal to the amount, if any, paid by the Corporation in excess of the paid-up capital of such shares at such time as computed for purposes of the Tax Act. Generally, the difference between the amount paid and the amount of the deemed dividend will be treated as proceeds of disposition for purposes of computing the capital gain or capital loss arising on the disposition of such shares. In the case of a corporate holder, it is possible that in certain circumstances all or part of any such deemed dividend may be treated as proceeds of disposition and not as a dividend.

Conversion of Series 3 Preferred Shares into Class I Non-Voting Shares

The conversion of Series 3 Preferred Shares into Class I Non-Voting Shares will not constitute a disposition thereof by the holder and the cost to the holder of the Class I Non-Voting Shares acquired on the conversion will be equal to the adjusted cost base to the holder of the converted Series 3 Preferred Shares immediately before the conversion.

Counsel understand that the CCRA takes the administrative position that a holder who receives cash not exceeding \$200 in lieu of a fractional share on the conversion of Series 3 Preferred Shares into Class I Non-Voting Shares will have the option of recognizing the capital gain or capital loss arising on the disposition of the fractional share in computing the holder’s income for the taxation year in which the conversion occurs or, alternatively, of reducing the adjusted cost base of the Class I Non-Voting Shares received at the time of conversion by the amount of cash received by the holder.

The fair market value of the Class I Non-Voting Shares received on conversion determined at the time of receipt in respect of declared and unpaid dividends will be included in a holder's income as a dividend and, subject to the averaging rules contained in the Tax Act, will be the cost to the holder for such Class I Non-Voting Shares.

PLAN OF DISTRIBUTION

Under an agreement dated June 21, 2001 (the "Underwriting Agreement") between the Corporation and the Underwriters, the Corporation has agreed to sell and the Underwriters have agreed to purchase on July 10, 2001, or on such later date as may be agreed upon, but in any event not later than August 2, 2001, all but not less than all of the Series 3 Preferred Shares at a price of \$25.00 per share, payable in cash to the Corporation against delivery of the Series 3 Preferred Shares, and the Corporation has agreed to pay the Underwriters a fee equal to \$0.25 per Series 3 Preferred Share for shares sold to certain institutions by closing of the offering and \$0.75 per share with respect to all other Series 3 Preferred Shares purchased by the Underwriters. All fees payable to the Underwriters will be paid on account of services rendered in connection with the offering and will be paid out of the general funds of the Corporation.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint, and may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all the Series 3 Preferred Shares if any Series 3 Preferred Shares are purchased under the Underwriting Agreement. The Underwriters have agreed not to offer, sell or deliver any Series 3 Preferred Shares in the United States or to U.S. persons.

The Underwriters may not, during the period of distribution under this short form prospectus, bid for or purchase the Series 3 Preferred Shares. The foregoing restriction is subject to certain exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent trading activity in, or raising the price of, the Series 3 Preferred Shares. These 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. In connection with this offering, and subject to the foregoing and to applicable law, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Series 3 Preferred Shares at levels other than those that might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

Pursuant to the terms of the Underwriting Agreement, the Corporation and each of its subsidiaries shall not sell, or announce their intention to sell, nor authorize or issue, any preferred shares other than the Series 3 Preferred Shares during the period commencing on the date of this short form prospectus and ending 90 days after the closing date of this offering, without the prior written consent of RBC Dominion Securities Inc. and BMO Nesbitt Burns Inc., on behalf of the Underwriters, such consent not to be unreasonably withheld.

The Underwriters are subsidiaries of Canadian chartered banks which have extended, directly or indirectly, credit facilities to the Corporation and certain of its affiliates. Accordingly, under certain circumstances, the Corporation may be considered to be a "connected issuer" of the Underwriters under applicable Canadian securities legislation. The aggregate amount available under such credit facilities is \$1,595.1 million, of which \$105.0 million is secured. As of March 31, 2001, \$163.7 million was drawn on such credit facilities. The Corporation and its affiliates, as the case may be, are in compliance with the terms of such credit facilities. The decision of each Underwriter to underwrite this offering was made independently of its bank parent. None of the Underwriters will receive any benefit from this offering other than its respective portion of the Underwriters' Fee payable by the Corporation.

ELIGIBILITY FOR INVESTMENT

In the opinion of Bennett Jones LLP, counsel to the Corporation, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, subject to compliance with the prudent investment standards and the general investment provisions of the following statutes (and, where applicable, the regulations thereunder) and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies, procedures or goals, and, in certain circumstances, the filing of such policies, procedures and goals, the Series 3 Preferred Shares offered hereunder are not, if issued as of the date hereof, precluded as investments under or by the following statutes:

| | |
|---|---|
| <i>Insurance Companies Act</i> (Canada) | <i>Loan and Trust Corporations Act</i> (Alberta) |
| <i>Pension Benefits Standards Act, 1985</i> (Canada) | <i>The Pension Benefits Act</i> (Manitoba) |
| <i>Trust and Loan Companies Act</i> (Canada) | <i>Loan and Trust Corporations Act</i> (Ontario) |
| <i>Financial Institutions Act</i> (British Columbia) | <i>Pension Benefits Act</i> (Ontario) |
| <i>Pension Benefits Standards Act</i> (British Columbia) | <i>An Act respecting insurance</i> (Québec) |
| <i>Employment Pension Plans Act</i> (Alberta) | <i>An Act respecting trust companies and savings companies</i> (Québec) |
| <i>Insurance Act</i> (Alberta) | <i>Supplemental Pension Plans Act</i> (Québec). |

In addition, in the opinion of such counsel, the Series 3 Preferred Shares offered hereby will, on the date of issue, be qualified investments under the Tax Act and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans or deferred profit sharing plans, and will not constitute foreign property, as that term is defined in the Tax Act, for such plans.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Series 3 Preferred Shares is CIBC Mellon Trust Company at its principal offices in Montréal, Toronto, Calgary and Vancouver.

LEGAL MATTERS

Certain legal matters relating to the offering will be passed upon by Bennett Jones LLP for the Corporation and by Blake, Cassels & Graydon LLP for the Underwriters. As at June 28, 2001, partners and associates of Bennett Jones LLP and of Blake, Cassels & Graydon LLP, as a group, beneficially owned, directly or indirectly, less than 1% of any class of securities of the Corporation. Mr. W.L. Britton is a partner of Bennett Jones LLP and a director of the Corporation.

PURCHASER'S STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

CERTIFICATE OF THE CORPORATION

Dated: June 29, 2001

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland. For the purposes of the Province of Québec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

(Signed) R.D. SOUTHERN
Co-Chairman of the Board
and Chief Executive Officer

(Signed) J.A. CAMPBELL
Senior Vice President, Finance
and Chief Financial Officer

On behalf of the Board of Directors

(Signed) W.L. BRITTON
Director

(Signed) B.K. FRENCH
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: June 29, 2001

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland. For the purposes of the Province of Québec, to our knowledge, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

RBC DOMINION SECURITIES INC.

BMO NESBITT BURNS INC.

By: (Signed) TIMOTHY W. WATSON

By: (Signed) AARON M. ENGEN

TD SECURITIES INC.

By: (Signed) ROBERT J. MASON

ATCO

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