
Adjusted Cost Base Calculation

The Plan of Arrangement, which was approved by the shareholders of Hammond Manufacturing Company Limited (HMCL) at a Special Meeting on December 8, 2000, was implemented effective January 1, 2001. Under the Plan of Arrangement the dry-type electrical transformer business has been spun-off into Hammond Power Solutions Inc. (HPSI), a new public company. HMCL will continue to be traded under the symbol HMM.A and HPSI will be listed under HPS.A.

The allocation of the adjusted cost base for the HMCL and HPSI shares was based on their respective fair market values the weighted average value of the shares traded for the 1st ten days of trading as HMCL and HPSI, following the TSE listing approval on January 10, 2001.

Therefore the adjusted cost base of HMCL and HPSI shares (purchased as HMCL shares prior to the listing of HPSI shares and sold subsequent to the listing of both HMCL and HPSI shares) should be allocated as follows:

HMCL 43.3%

HPSI 56.7%

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Guelph, Ontario

Tel: (519) 822.2960

Fax: (519) 822.8987

Contact Investor Relations