



DIRECTORS' CIRCULAR

making no recommendation
in respect of the Offer
by RMV Acquisition Inc. dated May 25, 1988
to purchase Common Shares and
Preferred Shares of
Vulcan Packaging Inc.

June 1, 1988

UNIVERSITY

VULCAN PACKAGING INC.

Suite 550
3300 Bloor Street West
Toronto, Ontario
M8X 2X2
(416) 232-1200

DIRECTORS' CIRCULAR

This Directors' Circular of the Board of Directors of Vulcan Packaging Inc. ("**Vulcan**" or the "**Company**") is issued in connection with the offer made by RMV Acquisition Inc. (the "**Offeror**" or "**RMV**"), as set forth in the offer to purchase and accompanying offering circular of the Offeror dated May 25, 1988 and mailed to Canadian security holders of Vulcan on or about the same date (the "**Offer**"). The Offer expressly provides that it is not an offer to any persons who are nationals, citizens, or residents of or persons normally resident in the United States of America or any territories or possessions thereof. The Offer is to purchase for cash all of the following outstanding securities (collectively, the "**Securities**") of the Company:

Common Shares ("**Common Shares**") at \$3.70 per common share; and
7.5% Cumulative Redeemable Convertible Preferred Shares, Series A ("**Preferred Shares**") at \$10.00 per preferred share.

Unless otherwise expressly stated, all dollar amounts throughout this Directors' Circular are in Canadian Dollars.

In connection with the Offer, the Company has filed with the U.S. Securities and Exchange Commission an amendment to Schedule 14D-9 pursuant to Section 14(d)(4) of the Securities Exchange Act of 1934, as amended. The information usually disseminated to security holders residing in the United States in respect of such amended Schedule 14D-9 is contained in this Directors' Circular.

NO RECOMMENDATION

The Board of Directors of Vulcan unanimously makes no recommendation in respect of the RMV Offer to purchase the Common Shares or the Preferred Shares.

7 of the 9 Directors do not intend to tender their Common Shares under the RMV Offer.

The Board of Directors of Vulcan has carefully considered the Offer and received advice from professional advisers to the Company. At a meeting held on May 30, 1988, the Board unanimously decided not to make a recommendation in respect of the Offer to purchase the Common Shares or the Preferred Shares. This decision was reached principally for the following reasons:

(a) Failure to make Offer to U.S. Shareholders

The Board is concerned that the Offer has not been extended to any persons who are nationals, citizens or residents of or persons normally resident in the United States of America or any territories or possessions thereof ("**United States Shareholders**"). The United States Shareholders hold a significant number of the outstanding Common Shares of the Company. Under the Offer, United States Shareholders do not have the opportunity to directly tender shares of the Company owned by them. In the Board's view, all shareholders of the Company should have been treated equally under the Offer.

(b) Allowing Shareholders a Choice

On May 25, 1988 the Company entered into a written agreement with Cinnamont Industries Limited, an Ontario company ("**Cinnamont**"), under which Cinnamont agreed to make available to the Company a \$10,200,000 equity and debt financing facility (the "**Cinnamont Agreement**"). The principal terms and conditions of the Cinnamont Agreement are described in the section entitled "**Additional Information**" below. One of the principal conditions of closing under the Cinnamont Agreement is the approval of the terms of the Cinnamont Agreement by the holders of Common Shares and any applicable governmental and regulatory bodies.

There are currently two competing take-over bids for the Company's Securities: firstly, the offer by Spearhead Acquisition Corporation ("**Spearhead**") dated April 25, 1988, as varied or changed and now expiring on June 9, 1988, (the "**Spearhead Offer**"); and, secondly, the Offer by RMV. The RMV Offer for Common Shares exceeds the Spearhead Offer in price and has fewer conditions. Consequently, the Board is of the view that for Canadian holders of Common Shares the RMV Offer is better than the Spearhead Offer. In an announcement dated May 31, 1988, Spearhead indicated that it would tender all shares deposited under its offer into the RMV Offer. **All shareholders should therefore review their withdrawal rights under the Spearhead Offer.** By deciding not to make any recommendation respecting the Offer by RMV and by including a provision in the Cinnamont Agreement that completion of the transactions contemplated thereunder cannot take place unless and until holders of Common Shares have approved the Cinnamont Agreement, the Board has allowed shareholders of the Company the freedom to choose among the options open to them.

The RMV Offer and the details of the Cinnamont Agreement should be reviewed carefully by shareholders. The Board recognizes that there may be different investment objectives among Vulcan shareholders. The Board urges all shareholders to consult with their professional advisers. The following two clear viable alternatives are currently available to Vulcan shareholders:

- (a) if shareholders desire, in the short term, to obtain cash in the amounts offered by RMV and to divest themselves of their interest in Vulcan, they may wish to give serious consideration to accepting RMV's Offer; or
- (b) if shareholders desire, in the mid-to-long term, to continue their investment in Vulcan, which should be poised to better exploit its market niches as a result of strengthened management and a stronger financial position, they may wish to give serious consideration to not accepting RMV's Offer and to approving the Cinnamont Agreement, notwithstanding the possible lowering of the market share price in the short term.

On May 30, 1988, the Toronto Stock Exchange (the "TSE") Filing Committee accepted written notice of the Cinnamont Agreement.

The Cinnamont Agreement will be considered at a meeting of shareholders scheduled for June 28, 1988. Only Shareholders of record at the close of business on June 1, 1988 will be entitled to notice of and to vote at the June 28, 1988 meeting and any adjournment thereof, unless after that date, Common Shares are transferred and the transferee establishes to the satisfaction of the Company that the transferee owns those Common Shares and demands, not later than 10 days before the meeting, that the transferee's name be added to the list of shareholders entitled to vote thereat.

ADDITIONAL INFORMATION

In order that all shareholders be able to make an informed and meaningful decision on the Offer by RMV your Board wishes to bring the following additional information to your attention:

On May 16, 1988, Mr. Albert Cavan was first approached by Dr. Richard Lister, President and Chief Executive Officer of Cinnamont, with respect to a proposed equity and debt investment in Vulcan. A meeting was arranged on May 18, 1988 between Dr. Richard Lister and his advisers, and Mr. Albert Cavan and Vulcan's advisers to discuss the possible terms of such an investment. After a general discussion Dr. Lister presented a term sheet and advised that a letter setting out the proposed investment would be forthcoming in order that the proposed investment could be presented to the Board of Directors for discussion purposes. The proposal by Dr. Lister was unsolicited and the Board felt that it was necessary to consider all of the Company's options.

On May 24, 1988 Dr. Lister presented to the Board of Directors a letter from Cinnamont setting out in detail the terms of an equity and debt financing facility.

The Board of Directors reviewed in detail the Cinnamont proposal and negotiations ensued. The Cinnamont Agreement was executed on May 25, 1988. Both parties to the Cinnamont Agreement agreed to make it conditional on shareholder approval and governmental and regulatory approval.

The Cinnamont Agreement includes the following terms:

1. Cinnamont will subscribe for one million treasury common shares of Vulcan at a price of \$4.20 per share. For no additional consideration, Vulcan will issue to Cinnamont warrants (the "**Warrants**") to purchase one million additional treasury common shares of Vulcan. The Warrants will be exercisable for three years at \$4.50 per share, at which time they will expire if not exercised.
2. Cinnamont will purchase from Vulcan a \$6 million principal amount 9% secured convertible debenture having a term of five years and convertible into treasury common shares of Vulcan at \$4.50 per share at any time prior to maturity. The debenture will bear interest at the annual rate of 9%, calculated semi-annually not in advance and payable monthly; principal will be repayable only at the end of five years, except in the event of earlier default.
3. Completion of the transaction contemplated under the Cinnamont Agreement is conditional, among other things, on the following:
 - (a) no shareholder, or group of shareholders acting in concert, will own or have the right to control or direct the voting of more than 20% of the votes attached to the outstanding common shares of Vulcan, other than Albert J. Cavan ("**Cavan**"), the Investors (as hereinafter defined) and Cinnamont, individually or collectively, and there shall be outstanding no offer to purchase more than 20% of the outstanding common shares of Vulcan by Spearhead Acquisition Corporation, RMV Acquisition Inc., or otherwise;
 - (b) Cinnamont shall have been granted by Cavan with respect to all the common shares (presently 985,096 common shares) owned by him, and all common shares owned by certain other investors, including one or more Directors of Vulcan (the "**Investors**") having the right to vote not less than an additional 500,000 common shares of Vulcan, a voting trust to vote such shares solely for the election of directors of Vulcan; Cavan and the Investors shall agree not to sell the common shares of Vulcan owned by them until at least June 30, 1989 and thereafter Cinnamont shall have a first right of refusal to purchase any such shares to be sold by Cavan or the Investors, or any of them, as the case may be, for a period of five years after closing;
 - (c) Cinnamont shall have been granted by Cavan the option to purchase not less than 750,000 common shares of Vulcan owned by Cavan at a purchase price of \$4.50 per share for three years and, in consideration of the granting of the option, Cinnamont shall pay to Cavan 25¢ per share subject to the option, which payment shall be a credit against the purchase price payable if the option is exercised;
 - (d) Cavan will waive his right to accelerate payment of compensation to him pursuant to his employment contract with Vulcan; and
 - (e) five nominees of Cinnamont shall be elected to the board of directors of Vulcan.
4. Under the voting trust agreement between Cinnamont, Cavan and the Investors, it shall be agreed that the Vulcan common shares will be voted for the election of five nominees of Cinnamont to the board of directors of Vulcan as well as Cavan and four other nominees designated by Cavan and the Investors. Cavan shall be Chairman of the Board and a nominee of Cinnamont shall be appointed to each of the two positions of Vice-Chairman of the Board and President and Chief Executive Officer, which persons shall also be members of the board of directors. These voting trust arrangements shall survive for a period of five years after closing.
5. The closing of the transactions shall take place on Tuesday, June 28, 1988; provided, however, that if shareholder approval has not been obtained by such date, the closing shall take place five business days following the day on which shareholder approval is finally obtained but not later than August 15, 1988 or such later date as the parties mutually agree.

Vulcan has filed a copy of the Cinnamont Agreement dated May 25, 1988 with the United States Securities and Exchange Commission. The agreement may be inspected and copies may be obtained by mail from the Commission's office at 450 Fifth Street N.W., Judiciary Plaza, Washington, D.C. 20549. A copy of the agreement will be sent to any registered shareholder of Vulcan upon written request addressed to Vulcan at Suite 550, 3300 Bloor Street West, Toronto, Ontario, M8X 2X2, Attention: Ms Danielle Parent, and upon payment of a charge sufficient to cover photocopying and postage.

DIRECTORS OF VULCAN

The Directors of the Company are: Norman G. Bernecker, Albert J. Cavan, Q.C., Philip C. Garratt, Lyndon G. Jamison, Wayne A. LeBlang, Kenneth K. O'Hara, Arthur G. Simpson, James R. South and Richard R. Wozenilek.

OWNERSHIP OF SECURITIES BY DIRECTORS AND SENIOR OFFICERS

The following table sets forth the number of securities of the Company beneficially owned, directly or indirectly, or over which control or direction is exercised, by each Director and senior officer of the Company and by the associates of such persons. None of the Directors and senior officers of the Company (or their associates, to the knowledge of the Board, after reasonable enquiry) own Preferred Shares. The number of Common Shares (excluding those issuable upon the exercise of stock options previously granted to senior officers and employees of the Company) owned by the foregoing persons totals 1,511,281 Common Shares, representing approximately 16.04% of the 9,419,784 Common Shares issued and outstanding on May 4, 1988 (see also "Stock Option Plan"):

<u>Name</u>	<u>Position Held</u>	<u>Common Shares Owned</u>
Norman G. Bernecker	Director	40,000 1,540 ⁽¹⁾
Albert J. Cavan, Q.C.	Director, Chairman & Chief Executive Officer	985,096 ⁽²⁾ 2,850 ⁽³⁾
George O. D'Cruze	Vice-President, Human Resources	11,430 ⁽⁴⁾
Philip C. Garratt	Director	6,500 300 ⁽⁵⁾
Lyndon G. Jamison	Director	1,000
Howard I. Kaplan	Vice-President, Steel Division	3,430 ⁽⁴⁾
Wayne A. LeBlang	Director	160,475
Ralph G. McNiff	Vice-President, Sales & Marketing	3,030 ⁽⁴⁾
Kenneth K. O'Hara	Director	116,900 40,000 ⁽⁶⁾
K. Ross Quantz	Vice-President, Plastics Division	14,630 ⁽⁴⁾
Arthur G. Simpson	Director	123,000
James R. South	Director	1,000
Richard R. Wozenilek	Director & Secretary	100

(1) Owned by an associate of Mr. Bernecker.

- (2) Holdings of Mr. Albert J. Cavan, Q.C. include 444,540 Common Shares and 86,400 Common Shares held indirectly through 337049 Ontario Limited and 458941 Ontario Limited, respectively, of which Mr. Albert J. Cavan, Q.C. is the sole shareholder.
- (3) Owned by associates of Mr. Albert J. Cavan, Q.C.
- (4) This information is based exclusively on information contained in the Spearhead Offer.
- (5) Owned by an associate of Mr. Garratt.
- (6) Owned by an associate of Mr. O'Hara.

The Board is not aware that any Director or officer of the Company intends to purchase Securities during the term of the Offer, save and except for Mr. Wayne LeBlang who intends to buy shares for investment purposes.

PRINCIPAL HOLDERS OF SECURITIES

To the knowledge of the Board, after reasonable enquiry, there is no person or company acting jointly or in concert with the Company who owns, or exercises control or direction over any securities of any class of the Company, except as otherwise disclosed herein, nor are there any securities of the Company beneficially owned, directly or indirectly, or over which control or direction is exercised, by any person or company holding more than 10% of any class of equity securities of the Company except as set forth below:

<u>Name</u>	<u>Common Shares Owned</u>	<u>Percentage of Class ⁽¹⁾</u>
Albert J. Cavan, Q.C.	985,096 ⁽²⁾ 2,850 ⁽³⁾	10.46 .03

- (1) Based on 9,419,784 Common Shares issued and outstanding as of May 4, 1988.
- (2) Holdings of Mr. Albert J. Cavan, Q.C. include 444,540 Common Shares and 86,400 Common Shares held indirectly through 337049 Ontario Limited and 458941 Ontario Limited, respectively, of which Mr. Albert J. Cavan, Q.C. is the sole shareholder.
- (3) Owned by associates of Mr. Albert J. Cavan, Q.C.

ACCEPTANCE OF OFFER

To the best of the Company's knowledge, after reasonable enquiry, none of its Directors (other than Messrs. Kenneth O'Hara and Arthur Simpson, for their own personal investment objectives) or senior officers (other than those individuals described in the Spearhead Offer as directors, senior officers and shareholders of Spearhead of which the Company has no knowledge), or their respective associates (other than Mr. Kenneth O'Hara's associate), or any of the Company's affiliates or subsidiaries, or any person or company named in the sections entitled "Ownership of Securities by Directors and Senior Officers" and "Principal Holders of Securities" or any person or company acting jointly or in concert with the Company has accepted or intends at this time to accept the RMV Offer.

OWNERSHIP OF SECURITIES OF THE OFFEROR

With the exception of the previously identified principals of Spearhead, as to whom the Directors are not in a position to supply information, none of the Company, the Directors or senior officers of the Company, their respective associates, or, to the knowledge of the Board, after reasonable enquiry, any person or company holding more than 10% of any class of equity securities of the Company, or any person or company acting jointly or in concert with the Company, owns or exercises control or direction over securities of any class of the Offeror.

TRADING OF SECURITIES

During the six months preceding the date hereof, none of the Company, the current Directors or current senior officers of the Company, any associates or affiliates of the Company, any associates of the Directors or senior officers of the Company, or, to the knowledge of the Board, after reasonable enquiry, any person or company holding more than 10% of any class of equity securities of the Company or any person or company acting jointly or in concert with the Company, has traded any securities of the Company except for the trades indicated below. The Company holds no shares in RMV and has never traded in such shares.

<u>Name</u>	<u>Nature of Trade</u>	<u>Date of Trade D/M/Y</u>	<u>Securities of Company Traded</u>	<u>Price Per Security</u>
Quantz, K. Ross	Acquisition	11/04/88	180	\$2.75
McNiff, Ralph G.	Acquisition	11/04/88	180	\$2.75
D'Cruze, George O.	Acquisition	11/04/88	180	\$2.75
Kaplan, Howard I.	Acquisition	11/04/88	180	\$2.75
Kaplan, Howard I.	Acquisition	08/04/88	2,250	\$2.80
D'Cruze, George O.	Acquisition	08/04/88	2,250	\$2.80
McNiff, Ralph G.	Acquisition	08/04/88	2,250	\$2.80
Quantz, K. Ross	Acquisition	08/04/88	4,250	\$2.80
LeBlang, Wayne A.	Acquisition	15/03/88	475	US \$2-3/8
Vulcan Packaging Inc.	Acquisition	26/02/88	5,000	\$2.00
Vulcan Packaging Inc.	Acquisition	19/02/88	1,000	\$1.80
Vulcan Packaging Inc.	Acquisition	08/02/88	2,500	\$1.75
Vulcan Packaging Inc.	Acquisition	08/02/88	5,000	\$1.80
D'Cruze, George O.	Acquisition	05/02/88	1,000	\$1.80
Vulcan Packaging Inc.	Acquisition	02/02/88	4,600	\$1.80
Kaplan, Howard I.	Acquisition	29/01/88	1,000	\$1.90
O'Hara, Kenneth K.	Acquisition	31/12/87	24,000	\$2.00
Quantz, K. Ross	Acquisition	16/12/87	4,000	\$1.95
Vulcan Packaging Inc.	Acquisition	17/12/87	10,000	\$1.90
Vulcan Packaging Inc.	Acquisition	20/11/87	5,000	\$1.78
Vulcan Packaging Inc.	Acquisition	19/11/87	5,000	\$1.78
LeBlang, Wayne A.	Acquisition	05/11/87	4,000	US \$1-15/16
LeBlang, Wayne A.	Acquisition	30/10/87	1,000	US \$1-15/16
Quantz, K. Ross	Acquisition	30/10/87	2,000	\$1.90
Vulcan Packaging Inc.	Acquisition	28/10/87	5,000	\$1.70
Vulcan Packaging Inc.	Acquisition	27/10/87	5,000	\$1.70
Vulcan Packaging Inc.	Acquisition	27/10/87	5,000	\$1.75

During the two year period preceding the date hereof, the Company did not issue any Securities to its Directors or senior officers except as described under "Stock Option Plan".

STOCK OPTION PLAN

Pursuant to the Company's 1986 Employee Incentive Stock Option Plan, the Board of Directors may grant to Directors, officers and key employees of the Company options to purchase Common Shares of the Company. No option may be granted for a term of more than 10 years and options are not exercisable for various periods from the date of granting options. Options were granted on February 25, 1986 to nine Directors and officers of Vulcan who were, at that time, full-time employees, to purchase a total of 242,000 Common Shares. Options to purchase 109,000 Common Shares in favour of designated Directors and officers of the Company remain unexercised and are currently outstanding under the Company's stock option plan.

During the two year period preceding the date hereof, of the options granted, the following remain outstanding to Directors and officers of the Company. None of these outstanding options have been exercised.

<u>Grantee</u>	<u>Number of Common Shares</u>	<u>Exercise Price</u>
Albert J. Cavan, Q.C.	37,000	\$3.40
K. Ross Quantz	24,000	\$3.40
George O. D'Cruze	24,000	\$3.40
Ralph G. McNiff	24,000	\$3.40

ARRANGEMENTS OR AGREEMENTS WITH THE OFFEROR AND INTERESTS IN MATERIAL CONTRACTS

None of the Directors or senior officers of the Company are Directors or senior officers of the Offeror or any subsidiary of the Offeror. There are no arrangements or agreements made or presently proposed to be made between the Offeror and any of the Directors or senior officers of the Company, including arrangements or agreements with respect to compensation for loss of office or as to their remaining in or retiring from office. None of the Directors or senior officers of the Company and their respective associates or, to the knowledge of the Directors or senior officers of the Company, after reasonable enquiry, any person or company who owns more than 10% of any class of equity securities of the Company, has any interest in any material contract to which the Offeror is a party. All of the foregoing information in this section is subject to the limitation that the Board of Directors is not in a position to provide such information in respect of the following senior officers of the Company, who are also identified in the Spearhead Offer as being senior officers of Spearhead: George O. D'Cruze, Howard I. Kaplan, Ralph G. McNiff and K. Ross Quantz.

All outstanding stock options held by Directors and officers of the Company described above under "Stock Option Plan" become exercisable, in whole or in part, upon the making of an offer generally to the holders of the Company's voting securities to purchase directly or indirectly voting securities of the Company where the voting securities which are the subject of the offer to purchase, together with the offeror's then presently-owned securities, will in the aggregate exceed twenty percent (20%) of the outstanding voting securities of the Company.

Pursuant to an employment agreement between Vulcan and Mr. Albert J. Cavan, Q.C. made as of December 21, 1987, in the event that ownership of the voting securities of Vulcan changes so as to affect materially the control of Vulcan, and if thereafter for any reason, the employment agreement is terminated by Vulcan, Mr. Cavan's duties and responsibilities are changed or altered, or Mr. Cavan resigns, then Vulcan is required to (i) pay to Mr. Cavan accelerated salary equal to three times his then current salary and (ii) pay to Mr. Cavan an amount equal to the income tax which would be payable by him in respect of the receipt of the accelerated salary and (iii) continue to provide Mr. Cavan with the usual benefits normally provided by Vulcan to its senior management employees for a three year period. **Pursuant to the Cinnamont Agreement, if approved by Vulcan Shareholders, Mr. Cavan has agreed to waive his right to accelerate compensation under his employment agreement.**

PERSONS RETAINED, EMPLOYED OR TO BE COMPENSATED

The Company has entered into letter agreements with Burns Fry Limited pursuant to which such firm has been retained as the Company's financial adviser. In addition to fees for providing financial advice and previous fairness opinions (no opinion has been requested with respect to the Offer), the Company will pay Burns Fry Limited 5 % of the value in excess of \$3.00 per Common Share of any transaction entered into (or \$50,000 if no transaction is effected), for general financial advice with respect to considering the Company's strategic alternatives, including soliciting and negotiating other offers for the Company. In the event that a transaction is completed which involves a purchase of 50 % or less of the Securities, Burns Fry Limited will be paid a financial advisory fee of 4 % of the first \$10,000,000 of the transaction value and 3 % of the transaction value over \$10,000,000 in lieu of the 5 % fee described above.

The Company has also agreed to reimburse Burns Fry Limited for its reasonable out-of-pocket expenses and to indemnify it against certain liabilities, including liabilities which may arise under Canadian securities laws and federal securities laws of the United States.

Burns Fry Limited is an internationally recognized investment dealer which regularly engages in the valuation of businesses and securities in connection with mergers and acquisitions.

The Company has filed copies with the U.S. Securities and Exchange Commission of the engagement letters under which the Company retained the services of Burns Fry Limited, as an exhibit to the Spearhead Solicitation/Recommendation Statement pursuant to Section 14(d)(4) of the Securities Exchange Act of 1934. The Solicitation/Recommendation Statement including the exhibits thereto may be obtained from the U.S. Securities and Exchange Commission, may be inspected at the SEC's offices at 450 Fifth Street N.W., Judiciary Plaza, Washington, D.C. 20549 and should be available for inspection at the following regional offices of the SEC: Everett McKinley Dirksen Building, Room 1204, 219 South Dearborn Street, Chicago, Illinois 60604 and the Jacob K. Javits Federal Building, Room 1208, 26 Federal Plaza, New York, New York 10278. Copies may be obtained by mail upon payment of the SEC's customary charges, by writing to its principal office at 450 Fifth Street N.W., Washington, D.C. 20549.

Neither the Company nor any person acting on its behalf currently intends to employ, retain or compensate any other person to make solicitations or recommendations to security holders in connection with the Offer.

MATERIAL CHANGES IN THE AFFAIRS OF VULCAN

Except as described or referred to in this Directors' Circular, or in the Directors' Circular dated May 4, 1988, the Directors' Notice dated May 19, 1988 and the Notice of Change — Directors' Notice dated May 24, 1988, no other information is known to the Directors or senior officers of the Company that indicates any material change in the affairs of the Company since December 31, 1987.

STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides the security holders of the Company with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, if there is a misrepresentation in a circular or a notice that is required to be delivered to such security holders. However, such rights must be exercised within prescribed time limits. Security holders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult with a lawyer.

The Securities Act (Ontario), the Securities Act (Alberta) and the Securities Act (British Columbia) provide, in effect, that if this Directors' Circular contains a misrepresentation (as defined in such Acts) an offeree whose last address as shown on the books of the Company is in one of those provinces shall be deemed to have relied upon such misrepresentation and has a right of action for damages, in the case of the Securities Act (Ontario) and the Securities Act (British Columbia), against every Director or officer of the Company who signed this Directors' Circular, or, in the case of the Securities Act (Alberta), against every person who, at the time this Directors' Circular was signed, was a Director of the Company and against every person or company whose consent has been filed but, in such case, only with respect to reports, opinions or statements that have been made by them.

The Securities Act (Manitoba) provides, in effect, that an offeree whose last address as shown on the books of the Company is in the Province of Manitoba shall be deemed to have relied on the statements contained herein and, if this Directors' Circular contains a material false statement, such offeree is entitled to receive, from every person, who at the time this Directors' Circular was signed, was a Director of the Company or is required to sign this Directors' Circular, compensation for any loss or damage that such offeree sustains as a result of such material false statement.

The Securities Act (Quebec) provides civil remedies where this Directors' Circular contains a misrepresentation.

The foregoing rights are in addition to and without derogation from any other rights a holder of securities may have at law.

Reference is made to the Securities Acts of Ontario, Quebec, Manitoba, Alberta and British Columbia for the complete text of the provisions under which the foregoing rights are conferred. This summary is subject to the express provisions of such Acts.

APPROVAL OF THE DIRECTORS

The contents of this Directors' Circular have been approved and the delivery of this Directors' Circular has been authorized by the Directors of the Company.

CONSENTS

To: The Board of Directors of Vulcan Packaging Inc.

We hereby consent to the reference to us as contained under "Persons Retained, Employed Or To Be Compensated" in the Directors' Circular of Vulcan Packaging Inc. dated June 1, 1988.

Toronto, Ontario
June 1, 1988

(signed) Burns Fry Limited

CERTIFICATE

Dated: June 1, 1988

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made. The foregoing does not contain any misrepresentation likely to affect the value or the market price of the securities subject to the offer of May 25, 1988 within the meaning of the Securities Act (Quebec). The foregoing constitutes full, true and plain disclosure of all material facts relating to the offer of May 25, 1988 as required by Sections 95 and 97 of the Securities Act (Manitoba) and the regulations thereunder.

(signed) Albert J. Cavan, Q.C.
Chairman of the Board
and Chief Executive Officer

(signed) Danielle Parent
Chief Financial Officer
(Acting)

On behalf of the Board of Directors

(signed) Norman G. Bernecker
Director

(signed) James South
Director

(signed) Philip C. Garratt
Director

(signed) Albert J. Cavan, Q.C.
Director

VULCAN

PACKAGING • INC.

3300 Bloor Street West, Suite 550, Toronto, Ontario, Canada M8X 2X2
Telephone: (416) 232-1200 Telex: 06-984713 Telefax: (416) 232-1565

Dear Shareholders:

June 2, 1988

We believe most of you are aware of the desire of the board of directors to protect your rights and to maximize shareholder values. You also know that we firmly believe that Vulcan is entering a new and exciting era of growth. We are committed to Vulcan's future and we have the utmost faith in that future.

On June 28, 1988, at our rescheduled Annual and Special Meeting you will be asked to consider Vulcan's agreement with Cinnamont Industries Limited. This agreement with Cinnamont reaffirms the board's faith in Vulcan's future.

Proposed in this offer is the injection of \$10,200,000 to the Vulcan treasury. These new funds will be used to reduce Vulcan's bank indebtedness and the expenses associated with the recent takeover attempts and to improve its working capital. The application of these funds to reduce bank indebtedness therefore will significantly enhance Vulcan's balance sheet.

The initial investment by Cinnamont at \$4.20 per share and subsequent investments at \$4.50 per share clearly indicate Cinnamont's faith in Vulcan's future. If the Cinnamont transaction is approved by you, five new directors will be added to your Board and a new, forward-looking, innovative and strengthened management team will be brought together with the primary purpose of maximizing shareholder value.

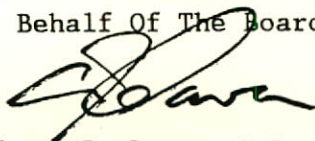
We propose to capitalize upon Vulcan's dominant sales position in several market niches and the significant upside potential of new products which appear to be at hand. With the strengthening of real estate values in the markets where Vulcan's real estate is located Vulcan will be able to seek opportunities to relocate facilities and realize some of this increase in asset value.

The Chairman of the Board as evidence of his enthusiasm and support for the Cinnamont transaction has agreed to waive the "golden parachute" aspects of his employment contract with Vulcan.

We are all at the strategic crossroads in the history of Vulcan. An opportunity to positively alter Vulcan's future is at hand. Faith in Vulcan's future dictates that you must vote in favour of the Cinnamont transaction. You, the shareholder of Vulcan, must now make your decision--it will be the ultimate decision on Vulcan's future.

IF YOU CANNOT ATTEND THE MEETING ON JUNE 28, PLEASE EXECUTE YOUR PROXY AND RETURN IT AS SOON AS POSSIBLE. YOUR VOTE IS VITAL.

On Behalf Of The Board,



Albert J. Cavan, Q.C.
Chairman and Chief Executive Officer

VULCAN PACKAGING INC.

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS, JUNE 28, 1988

PROXY

The undersigned shareholder of Vulcan Packaging Inc. hereby appoints Albert J. Cavan of Toronto, Ontario, or failing him, Richard R. Wozenilek of Toronto, Ontario, or instead of them _____ of _____ as proxy of the undersigned to attend, act and vote in respect of all common shares registered in the name of the undersigned at the **Annual and Special Meeting of Shareholders of Vulcan Packaging Inc. to be held on Tuesday, June 28, 1988**, and at any adjournment or adjournments thereof (the "Meeting") in the same manner, to the same extent and with the same power as if the undersigned were present with full power of substitution. Without limiting the generality of the foregoing, such proxy is directed to vote as follows on the following proposals:

1. Vote FOR ☐ WITHHOLD FROM VOTING ☐

in respect of the election as directors of the nominees named below:

Norman G. Bernecker; Thomas S. Caldwell; Albert J. Cavan; Philip C. Garratt; Lyndon G. Jamison; Wayne A. LeBlang; Donald C. Morrison; Kenneth K. O'Hara; James R. South; and Richard R. Wozenilek.

2. Vote FOR ☐ Vote AGAINST ☐

(or if no specification made, **FOR**,) passing as a resolution of the Corporation a resolution in the form attached as Schedule "A" to the accompanying management proxy circular, ratifying the Agreement with Cinnamont Industries Limited dated May 25, 1988, (the "Cinnamont Agreement"); approving the issuance of the "Cinnamont Shares", the "Warrants" and the "Cinnamont Debenture" (as such terms are defined in the accompanying management proxy circular); and authorizing any two directors or officers of the Corporation to take such steps as may be necessary to implement the transactions provided for therein.

The shares represented by this proxy will be voted in accordance with the foregoing directions on any ballot that may be called for. If a choice is not specified by a shareholder with respect to the election of the ten (10) nominee directors or with respect to the ratification of the Cinnamont Agreement, such shares will be voted in favour of the matters in respect of which no choice is specified.

If any amendments or variations to matters identified in the Notice of the Annual and Special Meeting are proposed at the Meeting or if any other matters properly come before the Meeting, discretionary authority to vote on such amendments, variations or other matters is hereby conferred with respect thereto.

DATED this day of , 1988.

Signature of Shareholder

1. This proxy is solicited on behalf of the management of Vulcan Packaging Inc.
2. A shareholder has the right to appoint a person (who need not be a shareholder) other than the persons designated above, to attend and act on such shareholder's behalf at the Meeting. To exercise this right, the shareholder may insert the name of the appointee in the blank space provided above or may submit another appropriate proxy.
3. If this proxy is not dated in the space provided above, it will be deemed to bear the date on which it is mailed by management.

VULCAN

P A C K A G I N G • I N C.

3300 Bloor Street West, Suite 550, Toronto, Ontario, Canada M8X 2X2
Telephone: (416) 232-1200 Telex: 06-984713 Telefax: (416) 232-1565

Dear Shareholder:

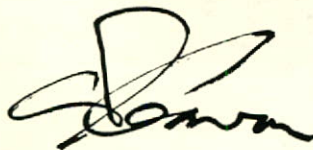
The attached Directors' Circular is being sent to you by your Board of Directors in response to the recent bid received by Canadian shareholders from RMV Acquisition Inc. dated May 25, 1988.

We are sure that many of you would like to know more about the recent agreement that Vulcan entered into with Cinnamont Industries Limited. Details of that agreement are described in the section entitled "Additional Information" in the enclosed Directors' Circular. Fuller particulars of the Cinnamont Agreement are contained in the Management Proxy Circular which you should be receiving at the same time as you receive this package. As you will see, Cinnamont has agreed to make available to Vulcan a \$10,200,000 equity and debt financing facility. The Cinnamont Agreement is conditional on approval by the Vulcan shareholders.

Your Board unanimously agreed that no recommendation be made to the shareholders with respect to the RMV Offer. The choice between the RMV Offer and the Cinnamont transaction is one for the Vulcan shareholders to make. We have always believed that shareholders' rights must be protected. The Board felt this could be best accomplished by leaving the choice up to you, the shareholders.

We look forward to seeing you all at the June 28, 1988 meeting.

Yours truly,



Albert J. Cavan, Q.C.
Chairman and Chief Executive Office

June 2, 1988

C

VULCAN PACKAGING INC.
3300 Bloor Street West, Suite 550, Toronto, Ontario M8X 2X2

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
To be held on June 28, 1988

Vulcan Packaging Inc. ("Vulcan" or the "Company") originally gave notice that a new Annual Meeting would be held on June 22, 1988. Since the date of mailing, a new offer for the Company has come forward and the Company has entered into an agreement for the issuance of shares, warrants and a debenture to Cinnamont Industries Limited ("Cinnamont"). In view of these developments, a motion to terminate the Annual Meeting will be entertained on June 22, 1988. As a result, a new Annual and Special Meeting is being called to deal with the annual meeting business and special business relating to Cinnamont.

NOTICE IS HEREBY GIVEN that an Annual and Special Meeting (the "Meeting") of Shareholders of Vulcan will be held at The Old Mill, 21 Old Mill Road, Toronto, Ontario, at 5:00 o'clock in the afternoon (local time) on Tuesday, June 28, 1988, for the following purposes:

- (a) to elect directors for the ensuing year;
- (b) to pass a resolution ratifying the agreement between Vulcan and Cinnamont Industries Limited dated May 25, 1988 (the "Cinnamont Agreement") described in the accompanying management proxy circular dated June 1, 1988 (the "Circular"), approving the issuance of the "Cinnamont Shares", the "Warrants" and the "Cinnamont Debenture", (as such terms are defined in the Circular), and authorizing any two directors or officers of Vulcan to implement the transactions provided for in the Cinnamont Agreement, and as set out in the form of resolution attached as Schedule "A" to the Circular; and
- (c) to transact such further and other business as may properly come before the Meeting or any adjournment or adjournments thereof.

Details of the above items are contained in the accompanying Circular.

Only shareholders of record at the close of business on June 1, 1988 will be entitled to notice of and to vote at the Meeting and any adjournment thereof, unless after that date common shares are transferred and the transferee establishes to the satisfaction of Vulcan that the transferee owns those common shares and demands, not later than ten (10) days before the Meeting, that the transferee's name be added to the list of shareholders entitled to vote thereat.

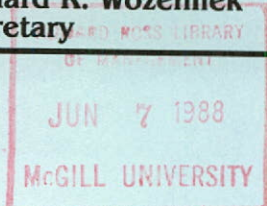
If you are unable to be present at the Meeting, please sign the enclosed form of proxy and return it in the addressed envelope provided for that purpose. All forms of proxy must be deposited with The Canada Trust Company, 7th Floor, 110 Yonge Street, Toronto, Ontario, Canada M5C 1T4, prior to 5:00 p.m. (local time) on Friday, June 24, 1988. United States resident shareholders may deposit forms of proxy with The Carter Organization, Inc., 237 Park Avenue, New York, New York 10017, prior to 5:00 p.m. (local time) on June 22, 1988.

The person appointed to act as proxy need not be a shareholder of Vulcan. If the appointer is a corporation, the instrument appointing the proxy should be signed by a duly authorized officer or officers of such corporation but need not be under corporate seal.

DATED this 1st day of June, 1988.

By Order of the Board of Directors

Richard R. Wozenilek
Secretary



VULCAN PACKAGING INC.
MANAGEMENT PROXY CIRCULAR
FOR THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD JUNE 28, 1988

MANAGEMENT SOLICITATION

This Management Proxy Circular is furnished in connection with the solicitation of proxies on behalf of the management of Vulcan Packaging Inc. ("Vulcan" or the "Company") for use at the Annual and Special Meeting (the "Meeting") of Shareholders of Vulcan to be held on Tuesday, June 28, 1988, and any adjournment thereof, for the purposes set out in the accompanying Notice of Annual and Special Meeting. Solicitation will be primarily by mail but proxies may also be solicited personally by regular employees of Vulcan at nominal cost and will be solicited by The Carter Organization, Inc., as described below under the heading "Solicitation of Proxies". The cost of solicitation will be borne by Vulcan.

If you have any questions or requests for assistance please feel free to contact management's solicitation agent, The Carter Organization, Inc. at (800) 365-5500 or (800) 221-3343. If you are calling The Carter Organization, Inc. from Canada or from New York State please call collect at (212) 619-1100. You may also contact your broker, dealer, commercial bank or trust company for assistance concerning the Cinnamont Agreement.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The only class of voting securities of Vulcan is its common shares without par value ("Common Shares") of which an unlimited number are authorized and 9,419,784 have been issued and are outstanding as fully paid and non-assessable. Only shareholders of record at the close of business on June 1, 1988 will be entitled to receive notice of and to vote at the Meeting and at any adjournment thereof, unless after that date Common Shares are transferred and the transferee establishes to the satisfaction of Vulcan that the transferee owns those Common Shares and demands, not later than ten (10) days before the Meeting, that the transferee's name be added to the list of shareholders entitled to vote thereat. Subject to the foregoing, the holder of each Common Share shall be entitled to one (1) vote in respect of each Common Share so held.

To the knowledge of the directors and officers of Vulcan, the following is the only person who beneficially owns or exercises control or direction over shares carrying more than 10% of the votes attached to all Common Shares:

<u>Name of Shareholder</u>	<u>Approximate Number of Outstanding Common Shares</u>	<u>Percentage of Outstanding Common Shares</u>
Albert J. Cavan, Q.C.	985,096	10.46%

ELECTION OF DIRECTORS

At present, the board is authorized to consist of ten (10) directors. The articles of Vulcan provide for a minimum of seven (7) and maximum of fifteen (15) directors.

The following table lists ten (10) persons, all of whom, except Messrs. Caldwell and Morrison, are directors of Vulcan proposed to be nominated for election as directors; all other positions and offices with Vulcan now held by them, if any; their principal occupations or employment; the period or periods of their service as directors of Vulcan; and the approximate number of Common Shares beneficially owned, directly or indirectly, by each of them as of May 30, 1988. The information as to ownership of Common Shares by each nominee director is based upon information supplied by that nominee. Each director will be elected to hold office until the next annual meeting of shareholders.

Name	Principal Occupations	Director Since	Common Shares owned directly or indirectly
+Norman G. Bernecker	Retired, past President, Vulcan Packaging Inc. and its predecessor, 1953 to 1973	1984	40,000
Thomas S. Caldwell	President, Caldwell Securities Ltd. since prior to 1983	(not yet a director)	26,000*
+Albert J. Cavan, Q.C.	Chairman of the Board of Directors, Vulcan Packaging Inc.	1962	985,096**
Philip C. Garratt	President, Zovaron Ltd.	1980	6,500
Lyndon G. Jamison	Retired, past-President, Packaging Association of Canada, 1972 to 1984	1985	1,000
+Wayne A. LeBlang	Senior Vice-President, Integrated Resources Inc.	1984	160,475
Donald C. Morrison	President, Morrison Ventures Limited since February, 1980. From February 1979 to early 1980, Senior Vice-President of the Bank of Nova Scotia	(not yet a director)	NIL
Kenneth K. O'Hara	President, Hara Enterprises Limited	1985	116,900
James R. South	President, Bey Investments Limited	1986	1,000
Richard R. Wozenilek	Secretary, Vulcan Packaging Inc. Partner, Weir & Foulds, Barristers & Solicitors since prior to 1983	1987	100

+ Member of Audit Committee.

* Holdings of Mr. Caldwell held indirectly through Urbana Corporation of which Mr. Caldwell owns 41%.

** Holdings of Mr. Albert J. Cavan, Q.C. include 444,540 Common Shares and 86,400 Common Shares held indirectly through 337049 Ontario Limited and 458941 Ontario Limited respectively of which Mr. Albert J. Cavan, Q.C. is the sole shareholder. The address of Mr. Albert J. Cavan, Q.C. is 2045 Lakeshore Boulevard, West, Toronto, Ontario.

If any of the above nominees is for any reason unavailable to serve as a Director, proxies in favour of management will be voted for another nominee in their discretion unless the Shareholder has specified in the proxy that his/her shares are to be withheld from voting in the election of Directors.

STATEMENT OF EXECUTIVE REMUNERATION

1. Cash Compensation

Vulcan has six (6) executive officers. In the financial year ended December 31, 1987, Vulcan paid an aggregate of \$795,286 in cash compensation to such executive officers and two other officers who are at present no longer officers, which amount includes payments of directors' fees to the executive officers who were also directors of Vulcan. (All currency amounts in this management proxy circular are, unless otherwise indicated, expressed in Canadian dollars.)

2. Other Compensation

Other than contributions totalling \$23,170 in the financial year ended December 31, 1987, to Vulcan's pension plan on behalf of its executive officers, Vulcan paid no other compensation to its officers in such period and it has no other plans or arrangements for the payment of compensation to its executive officers. Vulcan's pension plan is available to all full-time salaried employees after three months service with Vulcan.

3. Remuneration on Termination of Employment or Change in Control of Vulcan

Pursuant to an employment agreement between Vulcan and Mr. Albert J. Cavan, Q.C. made as of December 21, 1987, in the event that ownership of the voting securities of Vulcan changes so as to affect materially the control of Vulcan, and if thereafter for any reason, the employment agreement is terminated by Vulcan, Mr. Cavan's duties and responsibilities are changed or altered, or Mr. Cavan resigns, then Vulcan is required to (i) pay to Mr. Cavan accelerated salary equal to three times his then current salary and (ii) pay to Mr. Cavan an amount equal to the income tax which would be payable by him in respect of the receipt of the accelerated salary and (iii) continue to provide Mr. Cavan with the usual benefits normally provided by Vulcan to its senior management employees for a three year period. Pursuant to the "Cinnamont Agreement" (as such term is defined below) Mr. Cavan has agreed to waive his right to accelerate compensation under his employment agreement.

4. Remuneration of Directors

The directors of Vulcan received fees totalling \$56,450 as compensation from Vulcan in the financial year ended December 31, 1987, pursuant to an arrangement whereby the directors received \$350 for each board meeting attended, in addition to the yearly amount of \$4,000 for their services as directors of Vulcan.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During 1987 Vulcan maintained a directors' and officers' liability insurance policy, coverage under which is subject to a limit of \$5,000,000 with respect to all directors and officers of Vulcan as a group and with respect to Vulcan regarding its liability to indemnify directors and officers. Coverage is subject to a maximum deductible amount of \$5,000 with respect to insurance claims by individual directors or officers under the policy, to an aggregate of \$50,000 with respect to claims by Vulcan under the policy regarding its liability to indemnify directors and officers. The aggregate annual premium paid by Vulcan in respect of this policy is \$28,000 of which \$2,800 is estimated by Vulcan to be attributable to coverage for insurance claims by individual directors or officers.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

Mr. Albert J. Cavan, Q.C. of the Municipality of Metropolitan Toronto was indebted to Vulcan during the last completed financial year. The aggregate amount of such indebtedness outstanding during such year, pursuant to Mr. Cavan's request for a loan for personal purposes which was approved by the directors at a meeting on November 26, 1987, was \$200,000. The indebtedness is evidenced by a promissory note, bears interest at 9% per annum and principal and interest is repayable on or before December 31, 1988.

EMPLOYEE INCENTIVE STOCK OPTION PLAN

On April 17, 1986, the shareholders approved the establishment of an Employee Incentive Stock Option Plan to be administered by the board of directors of Vulcan. Options were granted in 1986 to nine (9) directors and officers of Vulcan who were full-time employees of Vulcan, to purchase an aggregate of 242,000 Common Shares. The exercise price for all options was \$3.40 per Common Share and all options expire on February 24, 1996. Options to purchase 109,000 Common Shares in favour of designated directors and officers of the Company remain unexercised and are currently outstanding under the Company's stock option plan.

AGREEMENT WITH CINNAMONT INDUSTRIES LIMITED ("Cinnamont")

On May 16, 1988 Mr. Albert J. Cavan, Q.C. was first approached by Dr. Richard Lister, President and Chief Executive officer of Cinnamont, with respect to a proposed equity and debt investment in Vulcan. A meeting was arranged on May 18, 1988 between Dr. Richard Lister and his advisors and Mr. Albert Cavan

and Vulcan's advisors to discuss the possible terms of such an investment. After a general discussion Dr. Lister presented a term sheet and advised that a letter setting out the proposed investment would be forthcoming in order that the proposed investment could be presented to the board of directors of Vulcan for discussion purposes. The proposal by Dr. Lister was unsolicited and the board felt that it was necessary to consider all of Vulcan's options.

On May 24, 1988 Dr. Lister presented to the board of directors a letter from Cinnamont setting out in detail the terms of an equity and debt financing facility.

The board of directors reviewed in detail the Cinnamont proposal and negotiations ensued. The agreement between Vulcan and Cinnamont (the "Cinnamont Agreement") was executed on May 25, 1988. Both parties to the Cinnamont Agreement agreed to make it conditional on shareholder approval and governmental and regulatory approval.

On May 30, 1988 the Toronto Stock Exchange indicated that it had accepted notice of the Cinnamont Agreement subject to shareholder approval and receipt of documentation.

The Cinnamont Agreement sets out the basic terms and conditions upon which Cinnamont will make available to Vulcan a \$10.2 million equity and debt financing facility and provides that immediately after its execution the parties are to negotiate and execute definitive documentation to give effect to it. The Cinnamont Agreement contains a subscription by Cinnamont for 1 million treasury Common Shares of Vulcan (the "Cinnamont Shares") at \$4.20 per share and further provides for the issuance by Vulcan to Cinnamont, for no additional cost, of warrants to purchase another 1 million treasury Common Shares (the "Warrants"). The Warrants are to be exercisable by Cinnamont for three years at a price of \$4.50 per share and will expire at the end of such period if not exercised. The Warrants are to be subject to anti-dilution provisions in the event of stock splits, consolidations, the issuance of additional treasury Common Shares, or the issuance of securities convertible or exercisable for additional treasury Common Shares, at prices below the maximum discount permissible from market. These anti-dilution provisions will not apply in the case of a conversion of any of the 478,000 outstanding Series A preferred shares of Vulcan or the exercise of the currently outstanding options to purchase 109,000 Common Shares of Vulcan. The issuance of the Cinnamont Shares will result in 10,419,784 Vulcan Common Shares being issued and outstanding.

The Cinnamont Agreement also provides that, in addition to issuance of the Cinnamont Shares and of the Warrants, Cinnamont will purchase from Vulcan a \$6 million principal amount 9% secured convertible debenture (the "Cinnamont Debenture") having a term of five years and convertible into treasury Common Shares of Vulcan at \$4.50 per share at any time prior to maturity. The Cinnamont Debenture is to be secured by a floating charge on all of the assets of Vulcan, subject to the prior security on such assets in favour of Vulcan's bankers, together with specific first security satisfactory to Cinnamont and having a security value of at least 125% of the principal amount of the Cinnamont Debenture (being \$7.5 million). The Cinnamont Debenture is to bear interest at an annual rate of 9%, calculated semi-annually and payable monthly. The principal amount will be repayable only at the end of its five year term, except in the case of an earlier default. The Cinnamont Debenture will provide that Vulcan, on 30 days' notice to Cinnamont, may require Cinnamont to convert the debenture into Vulcan treasury Common Shares, in the event that Vulcan Common Shares have traded on the Toronto Stock Exchange at a closing price of at least 125% of the conversion price of \$4.50 (being \$5.625) for a period of at least 20 consecutive trading days. The Cinnamont Debenture will be subject to the same anti-dilution provisions as the Warrants.

Under the Cinnamont Agreement, the issuance of the Cinnamont Shares, the Warrants and the Cinnamont Debenture are expressly made subject to the approval of the common shareholders of Vulcan.

A number of conditions to Cinnamont's obligations to provide the financing facility are set out in the Cinnamont Agreement. These conditions, which may be waived individually or collectively by Cinnamont, must be true on the closing of the transactions provided for in the Cinnamont Agreement and are as follows:

- (a) no shareholder or group of shareholders acting in concert will own or have the right to control or direct the voting of more than 20% of the votes attached to the outstanding Common Shares of Vulcan other than Mr. Albert J. Cavan, the "Investors" (as such term is defined below), and

Cinnamont, and on closing there shall be outstanding no offer to purchase more than 20% of the outstanding Common Shares of Vulcan;

- (b) Mr. Albert J. Cavan shall have granted to Cinnamont with respect to all of the Common Shares owned by him and all Common Shares owned by certain other investors (the "Investors") having the right to vote not less than an additional 500,000 Common Shares of Vulcan, a voting trust to vote such shares solely for the election of directors of Vulcan. This voting trust agreement (the "Voting Trust Agreement") shall further provide that Mr. Cavan and the Investors shall not sell the Common Shares of Vulcan which they own until at least June 30, 1989 and that after such date Cinnamont shall have a right of first refusal to purchase any Vulcan Common Shares to be sold by Mr. Cavan or the Investors for a period of five years after the closing under the Cinnamont Agreement;
- (c) Cinnamont shall have been granted by Mr. Cavan an option to purchase at least 750,000 Common Shares of Vulcan owned by Mr. Cavan at a purchase price of \$4.50 per share for a period of three years. The number of shares which are to be subject to this option agreement (the "Option Agreement") is to be determined on closing under the Cinnamont Agreement and, if not determined otherwise, is to be 750,000. In consideration of Mr. Cavan granting this option to Cinnamont, Cinnamont will pay Mr. Cavan 25 cents per share for each share which is subject to the Option Agreement, such payment to be a credit against the purchase price payable if the option is exercised by Cinnamont;
- (d) Mr. Cavan will have waived his right to accelerate payment of compensation to him pursuant to his employment contract with Vulcan; and
- (e) five nominees of Cinnamont shall be elected to the board of directors of Vulcan.

The Cinnamont Agreement also provides that it is a condition of Vulcan's agreement, which may be waived by Vulcan's board of directors, that on closing under the agreement, no shareholder or group of shareholders acting in concert will own or have the right to control or direct the voting of more than 20% of the votes attached to the outstanding Common Shares of Vulcan, other than Mr. Cavan, the Investors and Cinnamont, individually or collectively.

The Voting Trust Agreement referred to above is to contain a provision whereby the Common Shares of Vulcan held by Cinnamont, Mr. Cavan and the Investors will be voted for the election of five nominees of Cinnamont to the board of directors of Vulcan as well as Mr. Cavan himself and four other nominees designated by Mr. Cavan and the Investors. (See "Proposal Regarding Board of Directors" below.) If the number of members of the board of directors, which is currently 10 persons, is increased by appropriate corporate action, each of Cinnamont, on the one hand, and Cavan and the Investors, on the other hand, is to have the right to have the shares subject to the Voting Trust Agreement voted for the election of equal additional representation on the board of directors of Vulcan. The Cinnamont Agreement goes on to provide that following closing Mr. Cavan is to be Chairman of the board of directors of Vulcan and that a nominee of Cinnamont is to be appointed to each of the two positions of Vice-Chairman of the board and President and Chief Executive Officer, which persons are also to be members of the board of directors. The arrangements under the Voting Trust Agreement are to survive for a period of five years after closing.

The closing of the transactions provided for in the Cinnamont Agreement is to take place on Tuesday, June 28, 1988, subject to fulfillment of the closing conditions stipulated in the Cinnamont Agreement. In the event that shareholder approval has not been obtained by June 28, 1988, the closing is to take place five business days following the date on which shareholder approval is obtained but is not to be extended later than August 15, 1988 or such later date as the parties mutually agree.

In order to comply with the requirements of the Toronto Stock Exchange and the terms of the Cinnamont Agreement itself, approval of the agreement by a majority of the votes cast by the common shareholders of Vulcan present at the Meeting in person or by proxy is required. The form of Resolution proposed to be presented at the Meeting is attached as Schedule "A" to this Management Proxy Circular.

PROPOSAL REGARDING BOARD OF DIRECTORS

Following closing of the transactions called for under the Cinnamont Agreement and in compliance with its provisions regarding 50% representation by Cinnamont nominees on Vulcan's board of directors, it is proposed that Messrs. Bernecker, Garratt, Jamison, Morrison and O'Hara will resign from the Board seriatim and be replaced in accordance with the Vulcan by-laws by the following gentlemen:

<u>Name</u>	<u>Principal Occupations</u>
Dr. Richard L. Lister Toronto, Ontario	President and Chief Executive Officer, Cinnamont Industries Limited and Chairman of the Board, Campbell Resources Inc., a natural resources corporation; for the period May 1981 to February 1988, President and Chief Executive Officer, Campbell Resources Inc.; prior to May 1981, General Manager, Special Chemical Division, Sun Chemical Corporation of Cincinnati, Ohio, a chemical company; prior thereto, General Manager, Titanium Pigment Operations, NL Industries Inc., a chemical corporation.
K. Barry Sparks Etobicoke, Ontario	President, CIC - Canadian Investment Capital Limited, a private investment corporation, since January 1987; for the period August 1984 to January 1987, President, Sparks Financial Associates Inc., an investment and management corporation; prior thereto Vice-President, Corporate and Government, The Royal Bank of Canada.
Paul A. Carroll Toronto, Ontario	Partner, Smith, Lyons, Torrance, Stevenson & Mayer, Barristers & Solicitors, since prior to 1983.
Arthur Finn Cincinnati, Ohio	Vice-President, Sales and Marketing, Pigment Division, Sun Chemical Corporation of Cincinnati, Ohio, a chemical company, since prior to 1983
Derek Buntain Mississauga, Ontario	President, Canadian Express Limited, since February 1987; prior thereto Senior Vice-President and Director, Merrill Lynch Canada Inc.

The nominees, pursuant to the Cinnamont Agreement, of Mr. Cavan and the Investors shall be, if elected, the remaining members of the Vulcan board of directors, namely, Messrs. Caldwell, Cavan, LeBlang, South and Wozenilek.

APPOINTMENT OF PROXIES

The persons named in the enclosed form of proxy are officers and directors of Vulcan. A shareholder desiring to appoint some other person to represent him or her at the Meeting may do so either by inserting such person's name in the blank space provided in the enclosed form of proxy or by completing another proper form of proxy. Proxies given in favour of other than the management nominees should be given to such person and should not be forwarded to Vulcan.

REVOCATION OF PROXIES

Under the provisions of subsection 142(4) of the Canada Business Corporations Act, a shareholder may revoke a proxy (a) by depositing an instrument in writing executed by him or by his attorney authorized in writing (i) at the registered office of Vulcan at any time up to and including the last business day preceding the day of the meeting, or an adjournment thereof, at which the proxy is to be used, or (ii) with the Chairman of the Meeting on the day of the Meeting or an adjournment thereof; or (b) in any other manner permitted by law.

VOTING OF PROXIES

The Common Shares represented by the enclosed form of proxy (if the same is executed in favour of the management nominees and deposited as provided in the Notice of Annual and Special Meeting) will be voted in accordance with instructions of the shareholders on the proxy on any ballot that may be called for

and, if the shareholder specifies a choice on a matter to be acted upon, the Common Shares will be voted accordingly.

If a choice is not specified by a shareholder with respect to the approval of the Cinnamont Agreement or the election of directors, such shares will be voted in favour of the matters in respect of which no choice is specified.

The enclosed form of proxy confers discretionary authority upon the person named therein with respect to amendments or variations to matters identified in the Notice of Annual and Special Meeting, or other matters which may properly come before the Meeting or any adjournment thereof. At the time of the printing of this circular, Vulcan management knows of no such amendments, variations or other matters to come before the Meeting. If any such matter or if any amendments to or variations of the matters identified in the Notice of Annual and Special Meeting should properly come before the Meeting or any adjournment thereof, proxies received pursuant to this solicitation will be voted on such amendments, variations and other matters in accordance with the best judgment of the person voting the proxy.

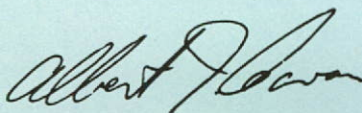
SOLICITATION OF PROXIES

On May 31, 1988, Vulcan retained The Carter Organization, Inc. ("Carter") to solicit proxies from Vulcan shareholders in Canada and the United States. Such solicitation may consist of both mail and telephone contact. Under the terms of a letter of agreement between Vulcan and Carter, Vulcan is to pay Carter a proxy advisory and solicitation fee of \$32,500 (U.S.). Vulcan also agreed to reimburse Carter for Carter's out-of-pocket expenses in connection with its proxy advisory and solicitation services.

APPROVAL BY THE BOARD OF DIRECTORS

The contents and the sending of this circular have been approved by the board of directors of Vulcan.

DATED this 1st day of June, 1988.



Albert J. Cavan, Q.C.
Chairman of the Board of Directors

SCHEDULE A

RESOLVED that:

- (a) the entering into by the Corporation of a Letter Agreement (the "Cinnamont Agreement") dated May 25, 1988 with Cinnamont Industries Limited ("Cinnamont") providing for the obtaining by the Corporation from Cinnamont of a \$10,200,000 (Canadian) equity and debt financing facility, the subscription of Cinnamont for 1,000,000 treasury common shares (the "Cinnamont Shares") in the capital of the Corporation at a price of \$4.20 (Canadian) per share, the issuance to Cinnamont of Warrants (the "Warrants") to purchase 1,000,000 additional treasury common shares in the capital of the Corporation at \$4.50 (Canadian) per share and the issuance to Vulcan of a \$6,000,000 (Canadian) principal amount 9% secured convertible debenture (the "Cinnamont Debenture") having a term of five years and convertible into treasury common shares in the capital of the Corporation at \$4.50 (Canadian) per share be and the same is hereby ratified, approved, confirmed and adopted;
- (b) the issuance to Cinnamont of the Cinnamont Shares, the Warrants and the Cinnamont Debenture be and the same is hereby approved; and
- (c) any two directors or officers of the Corporation be and they are hereby authorized and directed, in the name and on behalf of the Corporation, to do all acts and to execute all documents and instruments as may in their discretion be necessary or advisable to implement the transactions provided for in the said Cinnamont Agreement.

