

**GREAT NORTHERN CAPITAL CORPORATION LIMITED**

— and —

**WESTERN REALTY PROJECTS LTD.**

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**Meetings of Shareholders April 29, 1974**



**GREAT NORTHERN CAPITAL CORPORATION LIMITED  
WESTERN REALTY PROJECTS LTD.**

March 29, 1974

DEAR SHAREHOLDER:

As president of both companies, I have had the opportunity for the past five months to study carefully and become thoroughly familiar with the operations, management and potential of both organizations and I can recommend to you without qualification the proposed basis of amalgamation of our two companies.

I am confident that the combined resources of the two companies will create an exceptionally strong base for asset and earnings growth.

Capital & Counties Property Company Limited, as the majority shareholder of both companies, was aware of the importance of ensuring that the basis of amalgamation was fair and reasonable to all of the shareholders of both companies. Accordingly, Capital & Counties decided to retain Dominion Securities Corporation Harris & Partners Limited to give independent advice to the boards of both amalgamating companies. I fully concurred with the decision to engage an independent firm, particularly in view of the fact that I am personally a substantial shareholder of Great Northern.

After a thorough investigation, the directors of each of the companies unanimously concurred with the recommendation of Dominion Securities Harris that the following share conversion ratio is fair and reasonable to all shareholders:

1 share of Abbey Glen Property Corporation for each 1 share of Western Realty

1½ shares of Abbey Glen Property Corporation for each 1 share of Great Northern

The proposed amalgamation is an important matter and I accordingly urge you to consider carefully the enclosed material and, if possible, to attend the meeting of shareholders of your company which will be held in Toronto on April 29, 1974 to deal with this matter. If you are unable to attend in person, I would request you to complete and return the enclosed proxy.

Yours truly,



R. H. McISAAC  
President





March 14, 1974

To the directors of:

GREAT NORTHERN CAPITAL CORPORATION LIMITED and  
WESTERN REALTY PROJECTS LTD.

Capital & Counties Property Company Limited has advised that it owns approximately 63% of the presently outstanding common shares of Great Northern Capital Corporation Limited ("Great Northern") and approximately 62% of the presently outstanding common shares of Western Realty Projects Ltd. ("Western Realty") and that it is proposed to merge these two companies into a single company to be known as Abbey Glen Property Corporation ("Abbey Glen") by statutory amalgamation under the laws of the Province of Ontario.

Capital & Counties Property Company Limited, in its capacity as majority shareholder of both Great Northern and Western Realty, has retained us to advise the directors of Great Northern and Western Realty on the appropriate basis of converting each presently outstanding common share of Great Northern and of Western Realty into common shares of Abbey Glen in order that the amalgamation terms be fair and reasonable to shareholders of both companies.

In order to assist us in determining an appropriate basis for amalgamation, you have provided us with all information which we have requested on each of the amalgamating companies, all of which has been accepted by us as complete and accurate. This information has been used by us in a study of the contribution made by each of the amalgamating companies to the combined equity (adjusted to reflect the impact of appraisal surplus on real estate assets) and to cash flow and pro forma consolidated statement of income of Abbey Glen over an appropriate period of time.

We have also studied and evaluated the market performance of the common shares of both Great Northern and Western Realty over a relevant period and have studied the contribution which each of the amalgamating companies would have made to combined aggregate common share market values over this period, based upon the assumption that the common shares of Abbey Glen would have been valued in the market at the sum of the common share values attaching to each of Great Northern and Western Realty over the same period.

It is our opinion, based upon our examination of the above information, that it is fair and reasonable to present shareholders of both Great Northern and Western Realty if each presently outstanding common share of Great Northern is converted into 1.5 common shares of Abbey Glen and each presently outstanding common share of Western Realty is converted into 1 common share of Abbey Glen and that this basis of amalgamation properly reflects the contribution made by each individual company to Abbey Glen and provides each shareholder of Great Northern and Western Realty with a fair and reasonable participation in the common share equity of Abbey Glen.

DOMINION SECURITIES CORPORATION HARRIS & PARTNERS LIMITED



**GREAT NORTHERN CAPITAL CORPORATION LIMITED**

— and —

**WESTERN REALTY PROJECTS LTD.**

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*Information Circular*

for

**Meetings of Shareholders April 29, 1974**

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**GREAT NORTHERN CAPITAL CORPORATION LIMITED**  
**and**  
**WESTERN REALTY PROJECTS LTD.**

March 15, 1974.

*Information Circular*

This information circular is furnished by the management of Great Northern Capital Corporation Limited ("GNC") and by the management of Western Realty Projects Ltd. ("Western Realty") in connection with the respective meetings of shareholders of GNC and Western Realty to be held on April 29, 1974.

Unless otherwise indicated, information contained herein is given as of the date of this information circular.

**THE COMPANIES**

GNC is a public Ontario corporation controlled by Capcount Overseas Limited which owns approximately 63% of its outstanding common shares. Western Realty is a public Alberta company also controlled by Capcount Overseas Limited which holds approximately 62% of its outstanding shares. Capcount Overseas Limited is a wholly-owned subsidiary of Capital & Counties Property Company Limited, London, England, a public company whose shares are traded on the London Stock Exchange and which has worldwide real estate assets in excess of \$900,000,000.

**PROCEDURE AT SHAREHOLDERS' MEETINGS**

**The Western Realty Meeting**

As stated in the formal notice, the annual and an extraordinary general meeting of the shareholders of Western Realty is being held, among other things, to carry out the business normally transacted at an annual meeting of shareholders. Once that business has been completed the shareholders will be asked to consider and, if thought fit, to pass the special resolution referred to in the formal notice authorizing Western Realty to apply for a certificate continuing Western Realty as an Ontario corporation. If that resolution is passed by three-quarters of the votes cast thereon, the meeting will be adjourned for a short interval to permit the application for a certificate of continuation to be filed.

Immediately upon the issue of that certificate, the directors of Western Realty will meet to consider and, if thought fit, pass a resolution approving an agreement (the "Amalgamation Agreement") in the form attached to this circular to be entered into on April 29, 1974 between GNC and Western Realty providing for their amalgamation on the terms and conditions set forth therein. The meeting of shareholders will then be reconvened.

At the reconvened meeting the shareholders will be asked to consider and, if thought fit, confirm, with or without variation, the foregoing resolution expected to be passed by the directors of Western Realty approving the Amalgamation Agreement. To confirm this resolution of the directors, the affirmative vote of at least two-thirds of the votes cast thereon is required. Capcount Overseas Limited and the directors of Western Realty, who collectively own approximately 62% of the outstanding shares of Western Realty, intend to vote their shares in favour of this confirmation.

**The GNC Meeting**

As stated in the formal notice, the annual and a general meeting of the shareholders of GNC is being held to transact the business ordinarily dealt with at an annual meeting of shareholders and, as well, to consider and, if thought fit, confirm, with or without variation, a resolution expected to be passed by the directors of GNC on April 29, 1974 approving the Amalgamation Agreement. To confirm this resolution the affirmative vote of at least two-thirds of the votes cast thereon is required. Capcount Overseas Limited and the directors of GNC, who collectively own approximately 69% of the outstanding shares of GNC, intend to vote their shares in favour of this confirmation.

If the Amalgamation Agreement is approved at each of the shareholders' meetings (either in the form attached to this circular or with such amendments, if any, as may be approved at each of the shareholders'



meetings and by the respective boards of directors of GNC and Western Realty) the corporations will immediately file with the Minister of Consumer and Commercial Relations of Ontario the Amalgamation Agreement and the material necessary to obtain a certificate of amalgamation forthwith.

### SOLICITATION OF PROXIES

The proxy accompanying the notice of the annual and general meeting of shareholders of GNC is solicited by and on behalf of the management of GNC. The proxy accompanying the notice of the annual and extraordinary general meeting of shareholders of Western Realty is solicited by and on behalf of the management of Western Realty. The entire cost of each solicitation will be borne by the soliciting company. In addition to the use of the mails, proxies may be solicited in person by directors, officers and employees of the soliciting company. Arrangements may also be made with brokerage firms and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of shares held of record by such persons, and the soliciting company may reimburse them for reasonable out-of-pocket expenses incurred in connection therewith.

#### Appointment and Revocation of Proxies

**A shareholder has the right to appoint a person other than the persons designated in the enclosed form of proxy to attend and act for him and on his behalf at the meeting referred to therein.** To exercise this right the shareholder should either (i) insert the name of the desired person in the blank space provided in the enclosed form of proxy and strike out the other names, or (ii) submit another appropriate proxy and, in either case, send the proxy prior to the meeting at which it is to be used, in the case of the GNC meeting, to Crown Trust Company, 302 Bay Street, Toronto, Ontario, and, in the case of the Western Realty meeting, to The Royal Trust Company, Royal Trust Tower, Toronto Dominion Centre, Toronto, Ontario or deliver it at the meeting to the chairman of the meeting. A person so appointed need not be a shareholder of the soliciting company. To be valid, a proxy must be executed by the shareholder or his attorney duly authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

A proxy may be revoked before it is exercised by instrument in writing executed in the same manner as a proxy and deposited either at the head office of the soliciting company at any time up to and including the last business day preceding the day of the meeting or any adjournment thereof at which the proxy is to be used or with the chairman of the meeting on the day of the meeting or any adjournment thereof and upon either of such deposits the proxy is revoked. The head office of GNC is at 123 Edward Street, Toronto, Ontario and the head office of Western Realty is at 2300-10025 Jasper Avenue, Edmonton, Alberta.

#### Voting of Proxies

The shares represented by the proxies hereby solicited will be voted and, where a choice with respect to any matter to be acted upon has been specified in the proxy, the shares will be voted in accordance with the specifications so made. **Where no choice is so specified, the shares represented by the proxies hereby solicited will be voted in favour of such matter.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the accompanying notice of meeting and with respect to other matters which may properly come before the meeting. As of the date of this information circular the management of neither soliciting company knows of any such amendments, variations or other matters to come before the meeting. **However, if any such amendments, variations or other matters which are not now known to the management of either soliciting company should properly come before the meeting, the shares represented by the proxies hereby solicited will be voted thereon in accordance with the best judgment of the person voting such proxies.**

#### GNC

#### VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

Only holders of shares without par value of GNC of record at the time of the GNC meeting will be entitled to vote at such meeting or at any adjournment thereof. Holders of shares are entitled to one vote in respect of each share held at such time. At March 15, 1974, 3,518,545 shares without par value of GNC were outstanding. Capcount Overseas Limited beneficially owns 2,219,103 shares of GNC which represent approximately 63% of the outstanding shares of GNC.



## Western Realty

Only holders of common shares without nominal or par value of Western Realty of record at the time of the Western Realty meeting will be entitled to vote at such meeting or at any adjournment thereof. Each shareholder is entitled to one vote for each share held at such time. At March 15, 1974, 6,454,139 shares without nominal or par value of Western Realty were outstanding. Capcount Overseas Limited beneficially owns 3,997,452 shares of Western Realty which represent approximately 62% of the outstanding shares of Western Realty.

## ELECTION OF DIRECTORS OF GNC

Proxies in favour of management nominees will be voted for the following proposed nominees (or for substitute nominees in the event of contingencies not known at present) whose term of office will continue until the next annual meeting of shareholders or, subject to the by-laws of GNC, until their successors are elected in accordance with such by-laws.

<u>Name</u>	<u>Present principal occupation</u>	<u>Year first became a director</u>	<u>Number of shares of GNC beneficially owned directly or indirectly</u>
JAMES W. V. ANDREWS.....	Joint Managing Director, Capital & Counties Property Company Limited	1973	nil
JOHN B. HAMILTON, Q.C.....	Senior Partner, Hamilton, Torrance, Stinson, Campbell, Nobbs & Woods	1974	1,000
WILLIAM R. HODGSON.....	President, Skyline Hotels Limited	1973	7,700
DONALD J. HUGHES.....	Group Treasurer and Financial Controller, Capital & Counties Property Company Limited	1973	nil
SOL KANEE.....	President, Soo Line Mills (1969) Ltd. Flour Mills	1971	6,000
DENNIS R. G. MARLER.....	Joint Managing Director, Capital & Counties Property Company Limited	1973	nil
RODERICK H. McISAAC.....	President, Great Northern Capital Corporation Limited; since October, 1973 President, Western Realty Projects Ltd.	1969	180,070
A. P. MURPHY.....	Financial Consultant	1965	201
GEORGE F. H. NELSON.....	Director, Surveyor Fund Inc.	1965	501

Mr. Hamilton has been a senior partner of Hamilton, Torrance, Stinson, Campbell, Nobbs & Woods, barristers and solicitors, continuously for the last five years.

NOTE: The information as to shares beneficially owned by each nominee, not being within the knowledge of the Corporation, has been furnished by such nominee.

## REMUNERATION OF MANAGEMENT OF GNC

During the fiscal year ended December 31, 1973 the aggregate direct remuneration paid or payable by GNC and its subsidiaries to directors and senior officers of GNC was \$451,000.

The estimated aggregate cost to GNC and its subsidiaries in the year ended December 31, 1973 of all pension benefits proposed to be paid under the pension plans of GNC and its subsidiaries in the event of retirement at normal retirement age, directly or indirectly, by GNC or any of its subsidiaries to the directors and senior officers of GNC was \$39,000.

Since January 1, 1973 GNC has granted options to purchase shares of GNC to senior officers as a group as follows:

<u>Date share options granted</u>	<u>Number of shares included</u>	<u>Purchase price per share</u>	<u>Date option expires</u>	<u>Price range of shares on Toronto Stock Exchange in 30 day period preceding grant</u>
June 6, 1973	10,000	\$8.66	June 6, 1978	\$7 - \$8 $\frac{5}{8}$
September 18, 1973	10,000	\$8.66	September 18, 1978	\$6 $\frac{1}{2}$ - \$7 $\frac{3}{8}$

Particulars of stock options exercised by senior officers of GNC as a group since January 1, 1973 are as follows:

<u>Date of Exercise</u>	<u>Number of shares purchased</u>	<u>Purchase price per share</u>	<u>Price range of shares on Toronto Stock Exchange in 30 day period preceding exercise</u>
April 2, 1973	20,000	\$5.68	\$8 $\frac{7}{8}$ - \$10

Particulars of indebtedness outstanding since January 1, 1973 of senior officers of GNC and its subsidiaries in respect of mortgage loans from GNC and its subsidiaries are as follows:

<u>Name</u>	<u>Interest Rate</u>	<u>Largest aggregate amount of indebtedness outstanding during the period</u>	<u>Balance presently outstanding</u>
R. H. McIsaac	4%	\$160,000	\$157,100
J. C. Davies	4%	\$ 90,300	\$ 89,900
C. D. Smith	4%	\$ 23,600	\$ 22,500
J. E. Searle	4%	\$ 80,700	\$ 80,700

#### INTEREST OF MANAGEMENT OF GNC AND OTHERS IN MATERIAL TRANSACTIONS

Prior to March 30, 1973 GNC had been seeking opportunities to dispose of its holdings in TransAir Limited ("TransAir") as part of its plan to limit its activities to those of a fully integrated real estate company. In order to enhance its opportunities to dispose of its holdings in TransAir it was considered advisable to exercise the option which had been previously granted to it to purchase 393,000 additional shares in the capital of TransAir from Mr. J. S. McBride for a consideration of \$1,400,000 and immediately dispose of such shares to a purchaser that would enter into an agreement with GNC providing for the shares of TransAir owned by both of them to be sold only as a block. Accordingly, as reported in the information circular for last year's annual meeting, on March 30, 1973 GNC exercised such option and on the same day sold such shares for the same price to Stephen Roger Limited ("SRL"). GNC and SRL have entered into an agreement providing that their combined holdings in TransAir will only be sold as a block. Mr. Sol Kanee, a director of GNC, and Rodger Investments Limited each own one third of the issued shares of SRL. Mr. R. H. McIsaac, the President and a director of GNC, owns 100% of the issued shares of Rodger Investments Limited.

In furtherance of the plan to dispose of non-realty assets, effective as of January 1, 1973 GNC Realty Products Ltd., a wholly-owned subsidiary of GNC, sold to Midwest Detroit Diesel Limited (80% of the issued shares of which are owned by SRL) the goodwill and assets of its Midwest Diesel & Equipment Division. The consideration for the sale was the assumption of certain liabilities of the Division plus the sum of \$1,626,991 of which \$1,000,000 was paid in cash at closing, \$6,991 was carried on open account (and subsequently paid in full) and the balance of \$620,000 was paid by delivery of an 8% debenture for that amount which is secured by a second charge against the assets sold. The debenture provides for repayment in equal annual principal instalments of \$75,000 plus interest on December 31 in each of the years 1973 to 1979 inclusive and \$95,000 on December 31, 1980. As further security for repayment of the debenture the indebtedness has been guaranteed personally by the officers and directors of the purchasing company and in particular as to 26.6% thereof by each of Messrs. McIsaac and Kanee. The purchase price of \$1,626,991 is \$140,000 in excess of the



net book value of the assets sold. Messrs. Deloitte, Haskins & Sells and Messrs. Clarkson, Gordon & Co. have given GNC an opinion to the effect that based on earlier valuation reports and subsequent events to the effective date of sale they believed that the value determined for the assets sold was fair and reasonable and the consideration received was satisfactory.

### APPOINTMENT OF AUDITORS OF GNC

It is intended to vote proxies hereby solicited for the annual and general meeting of the shareholders of GNC to re-appoint the firm of Clarkson, Gordon & Co. as auditors of GNC.

### ELECTION OF DIRECTORS OF WESTERN REALTY

Proxies in favour of management nominees will be voted for the following proposed nominees (or for substitute nominees in the event of contingencies not known at present) whose term of office will continue until the next annual meeting of shareholders or, subject to the articles of association of Western Realty, until their successors are elected in accordance with such articles of association.

<u>Name</u>	<u>Present principal occupation</u>	<u>Year first became a director</u>	<u>Number of shares of Western Realty beneficially owned directly or indirectly</u>
JAMES W. V. ANDREWS.....	Joint Managing Director, Capital & Counties Property Company Limited	1973	nil
SAMUEL BELZBERG.....	President, First City Financial Corporation Ltd.	1969	370
JOHN B. HAMILTON, Q.C.....	Senior Partner, Hamilton, Torrance, Stinson, Campbell, Nobbs & Woods, barristers and solicitors		nil
WILLIAM R. HODGSON.....	President, Skyline Hotels Limited	1973	nil
DENNIS R. G. MARLER.....	Joint Managing Director, Capital & Counties Property Company Limited	1973	nil
RODERICK H. McISAAC.....	President, Great Northern Capital Corporation Limited; since October, 1973, also President, Western Realty Projects Ltd.	1973	nil
GEORGE F. H. NELSON.....	Director, Surveyor Fund Inc.	1973	nil

Messrs. Andrews, Hamilton, Hodgson and Marler have been engaged in their present occupations for at least the past five years. Mr. McIsaac has been President of GNC since 1969. During 1972 Mr. Nelson was a partner in Gray & Co., New York. Prior to 1972 he was an Executive of the United States Steel and Carnegie Pension Fund Inc.

NOTE: The information as to shares beneficially owned by each nominee, not being within the knowledge of Western Realty, has been furnished by such nominee.

### REMUNERATION OF MANAGEMENT OF WESTERN REALTY

The aggregate direct remuneration paid or payable by Western Realty and its subsidiaries in the fiscal year ended December 31, 1973 to the directors and senior officers of Western Realty was \$360,000.

### APPOINTMENT OF AUDITORS OF WESTERN REALTY

It is intended to vote proxies hereby solicited for the annual and extraordinary general meeting of the shareholders of Western Realty to re-appoint the firm of Messrs. Collins, Love, Eddis, Valiquette & Barrow as auditors of Western Realty.



## THE AMALGAMATION

### Abbey Glen Property Corporation

The amalgamation of GNC and Western Realty as one corporation under the name Abbey Glen Property Corporation ("Abbey Glen") will result in a major real estate enterprise with assets, including real estate assets at appraised values, in excess of \$400,000,000.

At December 31, 1973 these assets included a significant land bank of over 21,300 acres (of which approximately 4,300 acres were held under option) and a diversified portfolio of income properties generating gross annual income in excess of \$11,700,000. The broad geographic distribution of the properties and their location in or close to the urban centres of Toronto, Vancouver, Calgary, Edmonton, Saskatoon, Montreal, New York, Philadelphia and Miami, where full advantage can be taken of major economic and demographic expansion, is expected to contribute to the stability and growth of future earnings and cash flow.

Income projects under development at December 31, 1973 and scheduled for completion by the end of 1975 aggregate approximately \$92,500,000 at estimated cost. These projects, which upon completion are expected to add \$15,000,000 to gross annual rental income, involve the construction of 1,022,000 square feet of office, commercial and industrial space, 1,751 apartment suites, 563 hotel rooms and 469,000 square feet of shopping centre space.

Over the same two year period it is expected that approximately 3,000 acres of unsubdivided land, representing about 14% of the present land bank, will be developed either for sale or to create prime sites for the construction of income properties to be retained by Abbey Glen.

The combined resources of the present entities should provide Abbey Glen with an investment and acquisition capability substantially greater than that enjoyed by the amalgamating companies individually. For additional information concerning the assets and business of Abbey Glen, reference is made to the Pro Forma Consolidated Balance Sheet on page 22 and to the description of the amalgamating companies commencing on page 14.

By reason of its position as majority shareholder of both companies, Capital & Counties Property Company Limited retained Dominion Securities Corporation Harris & Partners Limited ("DSH") to advise the boards of GNC and Western Realty with respect to a basis of amalgamation which DSH considered to be fair and reasonable to the shareholders of each company. DSH has given its opinion that the basis of amalgamation determined by it and referred to on page 12 is fair and reasonable to the shareholders of each company. For its advice in connection with the proposed amalgamation, DSH will receive customary compensation from Capital & Counties Property Company Limited. Reference is made to the opinion of DSH which accompanies this circular.

After thorough consideration by the directors of both amalgamating companies, the basis of amalgamation recommended by DSH was endorsed by the board of each company as being in the best interests of that company and its shareholders. In their own investigation, the directors considered such matters as the market value of each company's shares, book value and market value of the properties and assets, earnings and cash flow.

### Objectives

The principal objectives of Abbey Glen will be:

- to continue to assemble and acquire significant land banks in major growth centres in Canada and the United States;
- to develop its land banks to create satellite or suburban communities which will produce prime commercial sites for the development of income properties; and
- to emphasize the development and retention of large city centre complexes in major Canadian and American cities.

A thorough review will be made of present income properties for the purpose of achieving an orderly redeployment of assets. Smaller projects will be disposed of and greater emphasis will be placed on the development of commercial income properties such as shopping centres and office buildings where income from net leases and participation in gross revenues respond more quickly to inflationary pressures.



## Dividend Policy

In 1973 GNC paid a quarterly dividend of five cents per share which in that year was equal to 17.3% of its net earnings. No dividends have been paid by Western Realty to date. While the dividend policy of Abbey Glen is a matter to be determined by its directors based on conditions prevailing from time to time, it is anticipated that the objective will be, subject to applicable dividend restrictions, to declare dividends up to 50% of the annual net earnings of Abbey Glen. Reference is made to note 7(b) on page 28.

## Real Estate Values

To assist in the determination of the basis of the amalgamation, real estate assets representing at least 92% of the book value of such assets of GNC and at least 90% of the book value of such assets of Western Realty were appraised by independent professional appraisers. Substantially all of the appraisals of properties situated in Ontario and a majority of the appraisals of properties situated in Quebec were carried out by Stewart, Young and Mason Limited. The balance of the independent appraisals were conducted by a number of other professional appraisers. Each appraisal was conducted to determine market value defined as the amount that the property might be expected to realize if sold in the open market by a willing seller to a willing buyer. All of these determinations were made as at various dates during the period December 31, 1973 through March 1, 1974.

The estimated market value of the balance of such assets was determined by representatives of the companies applying the same principles. A summary of the results are shown in the following table. Reference is made to pages 16 and 19 for comparable information concerning the individual amalgamating companies.

### SCHEDULE OF REAL ESTATE VALUES

(000's)

	Appraised Value(1)	Book Value at December 31, 1973(2)	Gross Appraisal Surplus(3)
Land—Residential Land Bank.....	\$150,067	\$ 77,651	\$ 72,416
Commercial Sites.....	12,369	7,570	4,799
Industrial Sites.....	5,576	2,863	2,713
Total Land.....	<u>168,012</u>	<u>88,084</u>	<u>79,928</u>
Income Properties—Commercial/Industrial.....	42,192	31,144	11,048
Shopping Centres.....	53,480	37,339	16,141
Hotels.....	15,561	11,197	4,364
Residential.....	56,896	51,887	5,009
Total Income Properties.....	<u>168,129</u>	<u>131,567</u>	<u>36,562</u>
Investments in Affiliates.....	<u>16,443</u>	<u>4,303</u>	<u>12,140</u>
Total.....	<u>\$352,584</u>	<u>\$223,954</u>	<u>\$128,630</u>

#### NOTES:

- (1) Included in Appraised Value are assets which have been valued by company representatives at \$26,062,000, resulting in a Gross Appraisal Surplus of \$6,329,000.
- (2) Book Value represents the aggregate of the real estate asset values reported by each of the amalgamating companies in its 1973 audited financial statements and excludes \$11,697,000 in respect of houses (and related land) under development by GNC. On the pro forma consolidated balance sheet on page 22 net adjustments of \$653,000 have been made to the book value of the real estate assets of the amalgamating companies resulting from the application of the common accounting policies described in note 1 on page 25.
- (3) Gross Appraisal Surplus represents appraised values before any allowance for income taxes and costs of disposition.

## Relative Earnings, Cash Flow and Equity

The relative earnings and cash flow of the two amalgamating companies (as restated to reflect the accounting methods proposed for adoption by Abbey Glen) are set out on page 24.

The equity of each of the amalgamating companies and of Abbey Glen, as adjusted to reflect (a) the accounting methods proposed for adoption by Abbey Glen and (b) the gross appraisal surpluses as set out on pages 16 and 19 (before any allowance for income taxes and costs of disposition), is as follows:



(000's except for equity per share)

	GNC	Western Realty	Combined (Abbey Glen)
Capital stock.....	\$14,185	\$ 3,754	\$ 17,939
Retained earnings as restated.....	24,353	20,069	44,422
Gross appraisal surplus(1).....	61,390	67,240	128,630
Equity values(2).....	<u>\$99,928</u>	<u>\$91,063</u>	<u>\$190,991</u>
Equity per share(2):			
Basic.....	\$ 28.40	\$ 14.11	\$ 16.28
Fully diluted.....	\$ 27.95	\$ 13.25	\$ 15.53

NOTES: (1) Gross appraisal surplus represents appraised values before any allowance for income taxes and costs of disposition.

(2) Before any allowance for income taxes and costs of disposition.

### Price Ranges of Shares

The shares of GNC are listed on The Toronto Stock Exchange and the common shares of Western Realty are listed on the Toronto, Vancouver and Montreal stock exchanges. The high and low sale prices and the volume of trading during the past five years of the shares of GNC on The Toronto Stock Exchange and of the shares of Western Realty on the three exchanges from the respective dates of listing are set out below.

	GNC			Western Realty		
	High	Low	Volume	High	Low	Volume
1969.....	\$16 <sup>7</sup> / <sub>8</sub>	\$6	715,200	\$7	\$4	159,449
1970.....	7 <sup>1</sup> / <sub>8</sub>	3 <sup>1</sup> / <sub>2</sub>	202,800	4.40	3 <sup>1</sup> / <sub>4</sub>	96,110
1971.....	9 <sup>7</sup> / <sub>8</sub>	6 <sup>1</sup> / <sub>2</sub>	333,400	7 <sup>5</sup> / <sub>8</sub>	3.60	251,445
1972.....	11 <sup>3</sup> / <sub>4</sub>	7 <sup>1</sup> / <sub>8</sub>	582,900	10	6 <sup>1</sup> / <sub>2</sub>	609,800
1973.....	10 <sup>1</sup> / <sub>2</sub>	5	424,100	9 <sup>1</sup> / <sub>2</sub>	4	676,141
First quarter.....	10 <sup>1</sup> / <sub>2</sub>	8 <sup>1</sup> / <sub>4</sub>	167,700	9 <sup>1</sup> / <sub>2</sub>	7 <sup>1</sup> / <sub>2</sub>	332,810
Second quarter...	9 <sup>3</sup> / <sub>4</sub>	6 <sup>1</sup> / <sub>2</sub>	130,800	8 <sup>1</sup> / <sub>2</sub>	6	109,700
Third quarter....	7 <sup>7</sup> / <sub>8</sub>	6 <sup>1</sup> / <sub>2</sub>	32,200	8 <sup>3</sup> / <sub>8</sub>	6 <sup>5</sup> / <sub>8</sub>	97,000
Fourth quarter...	9	5	93,400	8 <sup>1</sup> / <sub>2</sub>	4	136,631
1974.....						
January.....	6 <sup>1</sup> / <sub>4</sub>	5 <sup>1</sup> / <sub>2</sub>	16,700	5 <sup>3</sup> / <sub>4</sub>	4.65	28,475
February.....	7 <sup>3</sup> / <sub>4</sub>	5 <sup>5</sup> / <sub>8</sub>	21,050	6 <sup>1</sup> / <sub>4</sub>	4.40	27,375
March 1 to 15....	8	7	10,730	6	5 <sup>1</sup> / <sub>4</sub>	29,132

The closing prices of the shares of GNC and the common shares of Western Realty, respectively, on The Toronto Stock Exchange on March 15, 1974, were \$8.00 and \$5.50. The terms of the proposed amalgamation were announced in a press release after the close of the stock exchanges on that date.

### Interest of Directors and Senior Officers in Amalgamation

Messrs. Andrews, Hamilton, Hodgson, Marler, McIsaac and Nelson are, or are proposed as, directors of GNC and Western Realty. Mr. McIsaac also serves as president of both companies. All of the other proposed senior officers of Abbey Glen are now senior officers of one or other of the amalgamating companies. Messrs. Andrews, Hodgson and Marler are directors of Capital & Counties Property Company Limited and Mr. Hughes, a director of GNC, is an officer of that company. Accordingly, each of the foregoing may be regarded as being interested in the amalgamation but in any event, as indicated on page 3, the approval of the shareholders by the affirmative vote of at least two-thirds of the votes cast thereon is required. The respective beneficial shareholdings of directors in each of the amalgamating companies are shown on page 11 under "Directors". Details of common shares and options to purchase common shares of the amalgamating companies beneficially owned by the senior officers of the amalgamating companies (according to information provided by the senior officers) in excess of 1,000 shares for any individual senior officer are shown under "Officers" on page 11.

### Authorized Capital

The authorized capital of Abbey Glen will consist of 20,000,000 common shares without par value which may be issued for a maximum aggregate consideration of \$40,000,000 (subject to increase from time to time



by resolution of the board of directors of Abbey Glen). The unissued shares may be issued from time to time by the board of directors of Abbey Glen. The managements of GNC and Western Realty consider it desirable for Abbey Glen to have unissued shares available to provide for future acquisitions of properties or securities of other companies and for other corporate purposes. Details of common shares which will be reserved for future issuance to meet certain obligations of Abbey Glen may be found on page 12 under "Conversion of Shares."

## Directors

The Amalgamation Agreement provides for a board of nine directors. Their names, occupations and beneficial holdings in each of the amalgamating companies are as follows:

<u>Name</u>	<u>Principal Occupation</u>	<u>Shares of GNC beneficially owned, directly or indirectly</u>	<u>Common shares of Western Realty beneficially owned, directly or indirectly</u>
JAMES W. V. ANDREWS.....	Joint Managing Director, Capital & Counties Property Company Limited.	nil	nil
SAMUEL BELZBERG.....	President, First City Financial Corporation Ltd.	nil	370
JOHN B. HAMILTON, Q.C.....	Senior Partner, Hamilton, Torrance, Stinson, Campbell, Nobbs & Woods	1,000	nil
WILLIAM R. HODGSON.....	President, Skyline Hotels Limited	7,700	nil
SOL KANEE.....	President, Soo Line Mills (1969) Ltd.	6,000	nil
DENNIS R. G. MARLER.....	Joint Managing Director, Capital & Counties Property Company Limited.	nil	nil
RODERICK H. McISAAC.....	President, Great Northern Capital Corporation Limited and Western Realty Projects Ltd.	180,070	nil
GEORGE F. H. NELSON.....	Director, Surveyor Fund Inc.	501	nil
SIR RICHARD THOMPSON, Bt....	Chairman, Capital & Counties Property Company Limited	nil	nil

NOTE: The information as to shares beneficially owned by each director, not being within the knowledge of the amalgamating companies, has been furnished by each of the above mentioned persons.

## Officers

It is intended that the officers of Abbey Glen will be:

R. H. McISAAC.....	President
C. D. SMITH.....	Senior Vice-President, Eastern Operations
W. BADUN.....	Senior Vice-President, Western Operations
J. C. DAVIES.....	Senior Vice-President, Finance and New Business
R. C. CARLE.....	Vice-President, Special Projects
E. R. WILBEE.....	Vice-President, Administration and Secretary
F. D. DEMBINSKY.....	Vice-President, Western Land and Housing
J. E. SEARLE.....	Vice-President, Eastern Development
B. W. BANCROFT.....	Vice-President, Realty Services
E. T. WILLEMS.....	Vice-President, Prairie Development
T. R. RITSON.....	Comptroller and Treasurer

Mr. R. C. Carle is the beneficial owner of 45,350 common shares of Western Realty. Each of Messrs. C. D. Smith and J. C. Davies holds an option to purchase 12,500 shares of GNC and each of Messrs. F. D. Dembinsky, J. E. Searle, E. R. Wilbee and B. W. Bancroft holds an option to purchase 10,000 shares of GNC. Mr. W. Badun holds options to purchase 7,000 shares of Western Realty.

## Executive Offices

The head and executive office of Abbey Glen will be located at 123 Edward St. in the City of Toronto, Ontario. In western Canada, the principal offices will continue to be located in Vancouver and Edmonton.



## Auditors

It is intended that the auditors of Abbey Glen will be the firm of Clarkson, Gordon & Co.

## Listing of Shares

Applications are being made to list the shares of Abbey Glen upon the Toronto, Vancouver and Montreal stock exchanges.

## CONVERSION OF SHARES

Upon the amalgamation becoming effective:

- (a) each outstanding share without par value of GNC will, without any further action on the part of the holder thereof, be converted into one and one half fully paid and non-assessable common shares without par value of Abbey Glen;
- (b) each outstanding common share without nominal or par value of Western Realty will, without any further action on the part of the holder thereof, be converted into one fully paid and non-assessable common share without par value of Abbey Glen.

As a result of the foregoing conversion of shares, a total of 11,731,956 common shares of Abbey Glen will be issued and outstanding as fully paid and non-assessable. In addition, a total of 1,316,470 common shares of Abbey Glen will be reserved for issuance to meet the following obligations:

- (a) the presently outstanding share purchase warrants entitling the holders thereof to purchase 499,950 common shares of Western Realty will entitle the holders thereof to purchase immediately after the amalgamation a total of 499,950 common shares of Abbey Glen at the price of \$7 per share up to August 15, 1976 and thereafter at \$9 per share up to August 15, 1981;
- (b) the presently outstanding 7 $\frac{3}{4}$ % Convertible Subordinated Sinking Fund Debentures, Series A and B, of Western Realty now convertible at the rate of \$10 per share into a total of 709,120 common shares of Western Realty will be convertible after the amalgamation at the same rate into the same number of common shares of Abbey Glen;
- (c) outstanding options granted to directors and senior officers of Western Realty to purchase a total of 9,900 common shares of Western Realty will entitle the holders thereof after the amalgamation to purchase the same number of common shares of Abbey Glen at prices ranging from \$5.85 to \$6 over the equivalent periods of the outstanding options; and
- (d) outstanding options granted to directors and senior officers of GNC to purchase a total of 65,000 shares of GNC will entitle the holders thereof after the amalgamation to purchase 97,500 common shares of Abbey Glen at prices ranging from \$4.57 to \$5.77 per share over the equivalent periods of the outstanding options.

Capital & Counties Property Company Limited, through its wholly-owned subsidiary Capcount Overseas Limited, owns approximately 63% of the outstanding shares of GNC and approximately 62% of the outstanding common shares of Western Realty. Immediately after the amalgamation Capital & Counties Property Company Limited through that subsidiary will hold 7,326,106 common shares of Abbey Glen representing approximately 62% of its outstanding shares.

Certificates for shares of Abbey Glen will be issued to the shareholders of each of GNC and Western Realty, on the basis above set out, against deposit of their share certificates for presently outstanding shares of GNC and Western Realty respectively with an exchange agent or agents to be designated by Abbey Glen. **All shareholders will be notified as soon as practicable after the amalgamation becomes effective of the procedure for the deposit and exchange of share certificates.**

## FRACTIONAL SHARES

No share certificates for fractions of shares of Abbey Glen will be issued, but a person entitled to a fraction of a share will be entitled to receive a bearer fractional certificate in respect of such fraction.

For the convenience of shareholders, The Royal Trust Company, Toronto, Ontario will act as their agent, during the period of 90 days following the date upon which the amalgamation becomes effective, for the sale of fractions of common shares of Abbey Glen. On each business day during such period common shares of Abbey Glen aggregating, as nearly as may be, all fractions of shares represented by certificates for



present shares of either GNC or Western Realty which are surrendered to the agent prior to 2:00 o'clock in the afternoon on that day with instructions to sell such fractions will be sold by the agent on The Toronto Stock Exchange and the proceeds derived from such sale will be allocated pro rata among all shareholders entitled to the fractional interests so sold. A cheque for the amount of such shareholder's entitlement will be forwarded to him concurrently with the certificate or certificates for shares of Abbey Glen to which he is entitled.

The charges of the agent, all applicable transfer taxes, brokerage charges and other expenses relating to such sales will be borne by Abbey Glen.

## **TAX INFORMATION**

### **Canadian Tax Consequences**

GNC and Western Realty have received an opinion of Messrs. Osler, Hoskin & Harcourt, Toronto, that:

1. No tax will be payable under the Income Tax Act (Canada) on income or capital gains by shareholders of GNC or Western Realty as a result of the amalgamation.
2. Where a shareholder has acquired his shares of either company after 1971 (otherwise than in a non-arm's length transaction) the cost to him of his shares of Abbey Glen will be an amount equal to the adjusted cost base to him, immediately before the amalgamation, of the original shares.
3. Where a shareholder owned his present shares of either company on December 31, 1971, and thereafter without interruption until the time of the amalgamation, the so-called "tax free zone" rules will be applicable in computing, at any time after the amalgamation, the shareholder's adjusted cost base of shares of Abbey Glen as if such shares were a continuation of the shares owned by him on December 31, 1971, that is to say, the "actual cost" and the Valuation Day value of the shares of Abbey Glen will be, respectively, the amounts that were the actual cost and the Valuation Day value of the shares held by him on December 31, 1971.

### **United States Tax Consequences**

GNC and Western Realty have received the following opinion of Messrs. White & Case, New York, who have been consulted as to United States tax consequences:

"We have reviewed the Information Circular describing the proposed amalgamation of Great Northern Capital Corporation Limited ("GNC") and Western Realty Projects Ltd. ("Western Realty"). We understand that (i) these corporations are incorporated under the laws of the Province of Ontario and the Province of Alberta respectively, (ii) Western Realty will be continued as an Ontario corporation under the laws of the Province of Ontario, (iii) the resulting corporation, Abbey Glen Property Corporation ("Abbey Glen"), will be incorporated under the laws of the Province of Ontario, and (iv) the amalgamation will take effect pursuant to the laws of the Province of Ontario.

In rendering our opinion below as to the United States tax consequences of the amalgamation described in the Information Circular, we have relied upon the accuracy and completeness of the descriptions of the contemplated transactions and related factual matters contained therein and have made no independent investigation with respect thereto.

Subject to the foregoing, we are of the opinion that since a ruling under Section 367 of the United States Internal Revenue Code has not been obtained, United States shareholders of GNC and Western Realty must recognize gain but not loss for United States federal income tax purposes upon receipt of shares of Abbey Glen. Gain or loss must be computed separately for each share or group of shares of GNC or Western Realty having the same cost basis, and losses on a portion of such shares held by a United States shareholder may not be offset against gains recognized on another portion of such shares held by the same shareholder. With respect to those shares exchanged for shares of Abbey Glen at a gain, the basis of the Abbey Glen shares received in return will be their fair market value on the date of the exchange. With respect to those shares exchanged for shares of Abbey Glen at a loss, the aggregate basis of the shares of Abbey Glen received in return will equal the aggregate basis in the shares exchanged therefor, and, while the law is not entirely clear, the shares of Abbey Glen so received by a given United States shareholder should have a uniform basis equal to the aggregate basis of the shares exchanged by such shareholder divided by the number of shares of Abbey Glen received."



# GREAT NORTHERN CAPITAL CORPORATION LIMITED

## THE COMPANY

The present company was formed under the laws of the Province of Ontario under the name Consolidated Toronto Development Corporation Limited as a result of the amalgamation of Consolidated Toronto Land Corporation Limited and Lambert Development Company of Ontario Limited by Letters Patent of Amalgamation dated May 11, 1954. By Supplementary Letters Patent dated June 30, 1964 its name was changed to Great Northern Capital Corporation Limited. The term "Company" in this portion of the information circular refers to GNC and its subsidiaries. Unless otherwise indicated, all information on pages 14 to 16 is given as of December 31, 1973.

## BUSINESS OF THE COMPANY

The Company is engaged in many aspects of the real estate business, the two principal ones being the development of large tracts of land in and around urban growth centres in Canada and the Eastern United States and the development for long-term ownership of a portfolio of income properties including office and commercial, shopping centres, apartments and townhouses and hotels. In addition to its real estate activities, the Company is engaged in industrial operations directly related to the real estate industry.

The Company's approach to land development has been to acquire tracts of land of sufficient size to support planned community development. Land assembly, planning, servicing and sales are therefore all a part of the Company's business. In most instances, single family lots within a planned community are sold to large volume house builders while higher density lands and commercial sites are retained for development by the Company as income properties.

A land bank acquisition programme initiated in 1969 has resulted in the creation of a bank of approximately 10,300 acres (of which approximately 300 acres are held under option) of land in Canada and the United States. Since the inventory of land now available will satisfy large scale development for several years, the Company is now emphasizing the acquisition of single sites for immediate commercial development.

### Land Holdings

The net interest of the Company in land held for development aggregates approximately 10,300 acres including about 3,050, 350, 2,900 and 4,000 acres in Ontario, Quebec, Western Canada and the United States respectively. This includes land owned by the Company as well as a proportion of the land owned by joint ventures equal to the proportionate interest of the Company in such joint ventures.

Development is currently in progress or is planned on several tracts of land included in the above acreage. In the greater Edmonton area, Phase I of Sherwood Park is nearing completion with only 186 undeveloped acres remaining of the original parcel of 2,600 acres purchased in 1953. A further parcel of 2,560 acres immediately adjacent to the original Sherwood Park town site was assembled by the Company in 1972 and it is anticipated that subject to receipt of appropriate approvals development of these lands, expected to require at least 15 years, will commence in 1975. In Saskatchewan, the Company is developing through a joint venture with a large local house builder 129 acres in a prime residential area of Saskatoon. In Ontario, the Company is continuing with the development of 330 acres of residential land in Burlington and 140 acres in Markham. Completion of these developments is expected to take place in 1975 and 1976 respectively. A major long-term project is the development of the planned community of Glen Abbey on 1,040 acres assembled by the Company over the last four years in Oakville. In Quebec, in the Montreal suburb of Laval-sur-le-Lac, the Company has recently commenced development of a 305 acre community that will include single family lots, medium and high density residential units and a 15 acre shopping centre site.

In the United States, in addition to the development of the remaining 620 acres of an original 4,500 acre parcel in the leisure home community of Hemlock Farms, Pennsylvania, located within 100 miles of New York City, the Company has recently acquired large tracts of land in New Jersey. A parcel of 2,088 acres situated along the New Jersey Turnpike, midway between New York City and Philadelphia, is being held for resale and the development of income properties. Moreover, in Dade County, Florida, just 15 miles southwest of the Miami business district, the Company, through a joint venture, has recently acquired a



50% interest in a parcel of 1,096 acres. It is anticipated that development of this tract, which will include single family lots, medium-density residential units, and commercial and industrial sites, will commence during 1975 and will continue over an eight year period.

### Income Properties

Since 1969 the Company has been actively expanding its interest in income properties and currently owns a broad range of income properties that include office and commercial buildings, shopping centres, apartments and townhouses and hotels. The following table sets forth the Company's net interest in the gross rental revenue derived during 1973 from these properties.

	Total Sq. Ft. or Units	1973 Gross Rental Income
Office and Commercial.....	447,000 sq. ft.	\$ 1,437,000
Shopping Centres .....	471,000 sq. ft.	899,000
Apartments and Townhouses.....	206 units	570,000
Total.....		<u>\$ 2,906,000</u>

The number of square feet above includes two properties which were only completed in the latter part of 1973.

At December 31, 1973 completed income properties were substantially fully occupied.

In addition to the above, the Company currently has other income properties in various stages of development, which, when completed, are anticipated to increase gross annual rental income by approximately \$10,000,000.

### Office and Commercial Buildings

The Company owns 100% of three office buildings situated in Montreal (Pointe Claire—88,000 square feet) Toronto (the Toronto Professional Building—274,000 square feet) and New Jersey (Engelhard Building—45,000 square feet) and 75% of Phase I of MacLeod Place in Calgary—80,000 square feet. The Company also owns 100% of the recently renovated Old Mill restaurant in Toronto.

A 22 storey office and commercial building at 2001 University Avenue (McGill Metro) in Montreal is currently under construction by a joint venture in which the Company has a 66 $\frac{2}{3}$ % interest. The Company also has a 37% interest in a smaller office building being erected at 2075 University Avenue in Montreal. Scheduled completion dates are 1975 and 1974 respectively. Phase II of the Toronto Professional Building, immediately adjacent to the present building on Edward Street, commenced in 1973 and is expected to be completed in 1975. Construction of an eight storey commercial and office tower, being Phase II of MacLeod Place in Calgary, commenced in 1973 and is expected to be completed in 1974. In addition, the Company holds for future development a prime office building site in each of Calgary and Edmonton.

### Shopping Centres

The Company owns 100% of the Eastgate Centre in Edmonton, consisting of 145,000 square feet of rentable space, the new, fully enclosed Southview Mall Shopping Centre in Medicine Hat, consisting of 158,000 square feet of rentable space. In Toronto the Company also holds a 56% interest in the Galleria Mall containing 181,000 square feet of rentable space.

### Apartments and Townhouses

The first of three apartment towers known as Huntingwood Place in the Toronto suburb of Etobicoke was completed early in 1974. Construction of the second and third towers is now underway. When completed, the project will contain 694 rental units. The Towers of Polo Park in Winnipeg, a 203 suite apartment building which also contains 31,000 square feet of commercial space, was constructed in 1970 by a joint venture in which the Company holds a 75% interest. A 133 suite apartment building in Edmonton is also 100% owned and fully leased by the Company.

### Hotels

Construction has recently started on a 245 room hotel in the St. Roch district of Quebec City. Arrangements have been concluded to lease the hotel to Commonwealth Holiday Inns upon completion, which is scheduled for 1975. The Company also has a 50% interest in the 104 room Landmark Inn in Thunder Bay, Ontario.



## Other Activities

In the past GNC has carried out a diversified industrial operation through its wholly-owned subsidiary, GNC Realty Products Ltd. (formerly called GNC Industries Limited). Over the past 18 months, however, it has been a matter of policy to divest those operations which did not have a direct relationship to the real estate industry and as a result the assets of certain divisions were sold in 1973.

GNC Realty Products Ltd. has retained as a subsidiary, Diamond Clay Products Limited, the industrial operations of which are directly related to the real estate industry. Diamond Clay Products Limited manufactures and supplies approximately 30% of the Ontario clay brick market from its plant in Burlington, Ontario. Heavy demand for this company's product is expected to continue through 1974. In 1973 it operated at full capacity of 70 million bricks. GNC Realty Products Ltd. recently completed construction of an extruded concrete panel plant to produce approximately 1,100,000 square feet of product annually. A concrete panel plant to supply pre-cast concrete structural and architectural components to the building industry was also completed in December of 1973 but is not yet operational. Changing trends in building techniques have accelerated the demand for these products.

In addition the Company currently owns and operates a plant at Woodstock, Ontario which produces factory-built modular housing units. In the past the Company has purchased lots from other developers for utilization as part of the factory-built housing programme. At the same time the Company sells modular units to franchised dealers and it is anticipated that this will account for the major part of sales in 1974.

In 1973 the Woodstock plant produced 693 units of which 307 were sold to franchised dealers with the balance erected by the Company on its property. The major activity in this field was carried out in Ottawa, Ontario where three subdivisions were built containing a total of 431 units.

The Company owns 608,482 shares of TransAir Limited representing approximately 20% of the outstanding shares. It is the Company's intention to sell this share investment which will complete the divestiture of all assets not directly related to the real estate business. Reference is made to page 6 for further information concerning this investment.

## REAL ESTATE VALUES OF GNC

In connection with the determination of the appraised value of the real estate assets of the Company, at least 92% of the book value of such assets were appraised by independent professional appraisers. The estimated market value of the remaining real estate assets was determined by representatives of GNC. Reference is made to page 9 for further information concerning this determination.

### SCHEDULE OF REAL ESTATE VALUES (000's)

	Appraised Value(1)	Book Value at December 31, 1973(2)	Gross Appraisal Surplus(3)
Land—Residential Land Bank.....	\$ 93,110	\$ 47,309	\$ 45,801
Commercial Sites.....	1,020	227	793
Industrial Sites.....	—	—	—
Total Land.....	<u>94,130</u>	<u>47,536</u>	<u>46,594</u>
Income Properties—Commercial/Industrial.....	31,810	23,262	8,548
Shopping Centres.....	12,635	10,939	1,696
Hotels.....	4,138	3,806	332
Residential.....	17,647	13,427	4,220
Total Income Properties.....	<u>66,230</u>	<u>51,434</u>	<u>14,796</u>
Total.....	<u>\$160,360</u>	<u>\$ 98,970</u>	<u>\$ 61,390</u>

#### NOTES:

- (1) Included in Appraised Value are assets which have been valued by GNC representatives at book value with no Gross Appraisal Surplus.
- (2) Book Value represents the aggregate of the real estate asset values reported by GNC in its 1973 audited financial statements and excludes \$11,697,000 in respect of houses (and related lands) under development.
- (3) Gross Appraisal Surplus represents appraised values before any allowance for income taxes and costs of disposition.
- (4) Appraised Value differs from that reported by GNC in its 1973 Annual Report to reflect the exclusion referred to in Note 2 and reappraisals determined as at various dates during the period December 31, 1973 through March 1, 1974.



# WESTERN REALTY PROJECTS LTD.

## THE COMPANY

The original Western Realty was formed under the laws of Alberta on January 1, 1969 by the amalgamation of 16 private companies. Since that date two further amalgamations have occurred, one with Terra Developers Ltd. on January 1, 1971 and the second with two wholly-owned subsidiaries on December 29, 1971. The common shares of Western Realty are listed on the Toronto, Montreal and Vancouver Stock Exchanges. The term "Company" in this portion of the circular refers to Western Realty, its subsidiaries and other companies in which Western Realty has an interest. Unless otherwise indicated all information on pages 17 to 19 inclusive is given as of December 31, 1973.

## BUSINESS OF THE COMPANY

The Company's principal business is the development and subdivision of tracts of land and the sale of lots. It also engages in a broad range of other real estate activities including the development of neighbourhood and regional shopping centres and commercial, industrial and multiple family projects.

Single family lots are ordinarily sold to builders as soon as possible after subdivision approval has been obtained from the municipality and servicing provided. Multiple family sites are sometimes sold to builders but usually the Company builds on such sites either for sale or for retention in the Company's portfolio of income properties. Shopping centres and major commercial projects are usually developed for retention by the Company as investments. As a matter of policy, the Company carries out its construction activities through independent general contractors under contracts which specify a fixed maximum price.

Historically the Company and its predecessors operated principally in the Edmonton and Calgary areas and its principal land holdings are still located in and around these cities. The Company's operations in the Vancouver area commenced in 1967 and were extended to the Toronto and southern Ontario areas in 1970 where the Company is now well established. The Company's real estate holdings now constitute a large and varied land bank as well as a diversified portfolio of income properties in Edmonton, Calgary, Vancouver, Toronto and southern Ontario.

### Land Holdings

The net interest of the Company in land held for development at December 31, 1973 aggregated approximately 11,000 acres (of which approximately 4,000 acres are held under option) including about 4,300, 4,200, 1,060, 40 and 1,400 acres in Edmonton, Calgary, Vancouver, Toronto and southern Ontario, respectively. This includes land owned by the Company as well as a proportion of the land owned by joint ventures equal to the proportionate interest of the Company in such joint ventures.

Development is currently in progress, or is planned, on several tracts of land included in the above acreage. In the Edmonton area, development is continuing in the Clareview neighbourhood in which the Company owns 850 acres. The Company controls some 2,188 acres in Fort Saskatchewan (a satellite community of Edmonton) where development and sale of lots commenced in 1973 and will continue for the next several years. In Calgary the Company is developing two subdivisions of 78 and 37 acres respectively and recently acquired control of several properties, comprising some 2,575 acres of land just north of Calgary's city limits intended for development as a complete residential community over a period of years. In the municipality of Surrey, near Vancouver, the Company is developing a 40 acre subdivision and is engaging in discussions with the municipality with a view to the development of a 150 acre tract in South Surrey. In the Toronto area the Company is completing development of a 40 acre parcel and expects to commence development of a 105 acre tract in Oshawa. The Company also has, or expects to initiate, a number of smaller developments in the above mentioned areas.



## Income Properties

Western Realty and its subsidiaries own a broad range of income properties. The following table sets forth the gross rental revenue derived during 1973 from these properties:

Area	Multiple family housing	Neighbourhood shopping centres	Regional shopping centres	Commercial	Industrial	Total
Edmonton.....	\$1,826,000	\$352,000	\$3,468,000	\$ 670,000	\$134,000	\$6,450,000
Calgary.....	383,000	396,000	—	183,000	83,000	1,045,000
Vancouver.....	478,000	—	—	—	151,000	629,000
Regina.....	176,000	—	—	452,000	83,000	711,000
Total.....	<u>\$2,863,000</u>	<u>\$748,000</u>	<u>\$3,468,000</u>	<u>\$1,305,000</u>	<u>\$451,000</u>	<u>\$8,835,000</u>

### Multiple Family Housing

As a consequence of the continuing demand for multiple family housing in new subdivisions, the Company has increased its holdings of such properties including garden and low rise apartments, townhouses and high rise apartments. At December 31, 1973, the Company's net interest in multiple family housing represented 2,424 units (apartments or suites) of which 104 had been completed during 1973. Projects currently in progress will add approximately 924 units, including the 38 storey Western Centre apartment office complex in downtown Calgary containing 301 apartment suites and 44,000 square feet of office and commercial space.

### Neighbourhood and Regional Shopping Centres

The Company owns 17 neighbourhood shopping centres throughout the prairie provinces and one neighbourhood shopping centre is planned for construction during 1974.

In 1963, a 66 $\frac{2}{3}$ % owned subsidiary of the Company developed Meadowlark Park Shopping Centre in west Edmonton. With additions made in 1970, Meadowlark now has approximately 360,000 square feet of rental space with more than 70 tenants, including two major department stores and a 770 seat theatre. A major renovation and remodelling of Meadowlark will be undertaken this spring and, as a result of this program, new leases are being negotiated with the majority of the tenants. In August, 1972 the Company opened Londonderry Mall, a two-level regional shopping centre on a 39 acre site in northeast Edmonton. It provides premises for The Bay, Eaton's and Woolco of approximately 120,000, 120,000 and 150,000 square feet respectively, as well as a supermarket for Canada Safeway Ltd. and a major twin theatre. The remaining 166,000 square feet is fully leased and the majority of the leases are on a net basis with percentage rent provisions.

The Company has agreed to purchase a 61 acre Hamilton Mountain property and it is hoped that development by the Company of what potentially will be Canada's largest regional shopping centre will commence during 1974. Present planning contemplates that upon completion the 1,500,000 square foot enclosed mall, which is to be developed in two stages, will contain four major department stores, a full range of ancillary stores and services, a hotel, an office building, restaurants, a theatre and community sports facilities.

A new two level regional shopping mall to be known as Kingsway Garden Mall and providing in excess of 660,000 square feet of space is scheduled for construction on a 30 acre site near the Edmonton Industrial Airport by a joint venture in which the Company has a 50% interest. Lease arrangements have been concluded with Simpsons-Sears and Zeller's covering areas which represent in the aggregate about 60% of the space. The project is scheduled for completion in 1975. A smaller 50,000 square foot neighbourhood mall, which is almost fully leased, is being developed in Burlington.

### Commercial and Industrial Properties

The Company has two major commercial properties in Regina. In addition, the Company owns a number of properties in the core areas of Edmonton and Calgary, many of which are suitable for redevelopment.

The Company also develops industrial properties and currently owns 21 such properties. Three industrial properties comprising 121,000 square feet of rentable area are currently under development in Edmonton.



### Hotel-Motel Development

The activities of the Company include the planning, development, purchase and management of hotels and motels. The Company has joint venture interests in the Edmonton Inn, the Saxony Motor Hotel and the King Edward Hotel in Edmonton as well as in the Trade Winds Motor Hotel in Calgary.

A 66 $\frac{2}{3}$ % owned subsidiary is presently completing construction of a 400 room hotel as part of the Calgary Convention Centre Complex. The hotel is leased to Four Seasons Hotels Ltd. and is expected to open in August, 1974.

### REAL ESTATE VALUES OF WESTERN REALTY

In connection with the determination of the appraised value of the real estate assets of the Company, at least 90% of the book value of such assets were appraised by independent professional appraisers. The estimated market value of the remaining real estate assets was determined by representatives of Western Realty. Reference is made to page 9 for further information concerning this determination.

#### SCHEDULE OF REAL ESTATE VALUES (000's)

	Appraised Value(1)	Book Value at December 31, 1973(2)	Gross Appraisal Surplus(3)
Land—Residential Land Bank.....	\$ 56,957	\$ 30,342	\$ 26,615
Commercial Sites.....	11,349	7,343	4,006
Industrial Sites.....	5,576	2,863	2,713
Total Land.....	<u>73,882</u>	<u>40,548</u>	<u>33,334</u>
Income Properties—Commercial/Industrial.....	10,382	7,882	2,500
Shopping Centres.....	40,845	26,400	14,445
Hotels.....	11,423	7,391	4,032
Residential.....	39,249	38,460	789
Total Income Properties.....	<u>101,899</u>	<u>80,133</u>	<u>21,766</u>
	<u>175,781</u>	<u>120,681</u>	<u>55,100</u>
Investments in Affiliates.....	16,443	4,303	12,140
Total.....	<u>\$192,224</u>	<u>\$124,984</u>	<u>\$ 67,240</u>

#### NOTES:

- (1) Included in Appraised Value are assets which have been valued by Western Realty representatives at \$17,566,000, resulting in a Gross Appraisal Surplus of \$6,329,000.
- (2) Book Value represents the aggregate of the real estate asset values reported by Western Realty in its 1973 audited financial statements.
- (3) Gross Appraisal Surplus represents appraised values before any allowance for income taxes and costs of disposition.
- (4) Appraised Value differs from that reported by Western Realty in its 1973 Annual Report to reflect reappraisals determined as at various dates during the period December 31, 1973 through March 1, 1974.

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## ACCOUNTANTS' REPORT

To the Directors of  
GREAT NORTHERN CAPITAL CORPORATION LIMITED AND  
WESTERN REALTY PROJECTS LTD.

We have examined the pro forma consolidated balance sheet and statement of income, and schedules of Abbey Glen Property Corporation, the amalgamated corporation, and its subsidiary companies as at December 31, 1973 and for the five years then ended. In this connection we have been presented with the consolidated financial statements of Great Northern Capital Corporation Limited and of Western Realty Projects Ltd. as at December 31, 1973 and for the five years then ended, on which separate independent auditors have expressed their respective opinions. We have reviewed the accounting methods, detailed in Note 1 of the pro forma consolidated financial statements, to be adopted by the company which will emerge from the amalgamation of Great Northern Capital Corporation Limited and Western Realty Projects Ltd. on April 29, 1974. Further, we have reviewed the amalgamation agreement details of which are set out in Note 1 of the pro forma consolidated financial statements.

In our opinion, which insofar as it relates to the historic reported results is based solely on the opinions of other auditors, the pro forma consolidated financial statements of Abbey Glen Property Corporation and its subsidiary companies restated to give retroactive effect to the new accounting methods described in Note 1 present fairly on a pro forma basis the consolidated financial position as at December 31, 1973 and the results of operations of the amalgamated corporation for the five years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Ontario  
March 15, 1974

(Signed) DELOITTE, HASKINS & SELLS  
Chartered Accountants

**ABBAY GLEN PROPERTY CORPORATION**  
and its subsidiary companies

**PRO FORMA CONSOLIDATED BALANCE SHEET (Note 1)**  
**DECEMBER 31, 1973**

ASSETS

Cash.....	\$ 703,000
Receivables (Note 4).....	42,702,000
Manufacturing and other inventories at the lower of cost and estimated net realizable value	1,931,000
Land and houses under development.....	100,717,000
Long-term leases.....	200,000
Other investment.....	2,307,000
Income properties—at cost, less accumulated depreciation (Note 5).....	131,284,000
Investments in affiliates.....	4,303,000
Fixed assets—at cost, less accumulated depreciation of \$3,123,000.....	8,070,000
Other assets, at cost.....	3,963,000
	\$296,180,000

LIABILITIES AND SHAREHOLDERS' EQUITY

Bank indebtedness—secured (Note 6).....	\$ 35,967,000
Accounts payable and accrued liabilities.....	12,938,000
Deferred income taxes.....	14,759,000
Deferred revenue.....	5,084,000
Long-term debt (Note 7).....	165,071,000
Total liabilities.....	233,819,000
Shareholders' equity:	
Capital stock (Note 8)	
Authorized:	
20,000,000 common shares without par value	
Issued and fully paid:	
11,731,956 common shares.....	17,939,000
Retained earnings (Notes 7(b), 9).....	44,422,000
Total shareholders' equity.....	62,361,000
	\$296,180,000

*The accompanying notes are an integral part of the financial statements.*



**ABBAY GLEN PROPERTY CORPORATION**  
and its subsidiary companies

**PRO FORMA CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31**

	1973	1972	1971	1970	1969
REVENUE:					
Real estate sales.....	\$45,998,000	\$31,441,000	\$23,364,000	\$20,539,000	\$15,994,000
Rentals from income properties.....	11,741,000	8,647,000	6,043,000	4,813,000	3,570,000
	<u>57,739,000</u>	<u>40,088,000</u>	<u>29,407,000</u>	<u>25,352,000</u>	<u>19,564,000</u>
EXPENSES:					
Cost of real estate sales.....	26,924,000	18,988,000	12,508,000	12,987,000	8,999,000
Operating cost of income properties.....	4,955,000	3,765,000	3,000,000	2,000,000	1,573,000
Selling and administrative.....	8,478,000	4,891,000	5,030,000	3,897,000	4,008,000
INTEREST:					
Long-term.....	7,162,000	4,730,000	3,274,000	2,461,000	1,811,000
Other.....	810,000	330,000	405,000	298,000	141,000
	<u>48,329,000</u>	<u>32,704,000</u>	<u>24,217,000</u>	<u>21,643,000</u>	<u>16,532,000</u>
INCOME FROM REAL ESTATE OPERATIONS.....	<u>9,410,000</u>	<u>7,384,000</u>	<u>5,190,000</u>	<u>3,709,000</u>	<u>3,032,000</u>
INVESTMENTS, LEASING AND OTHER INCOME:					
Income from Affiliates.....	267,000	839,000	1,065,000	617,000	386,000
Leasing.....	627,000	813,000	1,482,000	1,341,000	—
Interest and other income.....	3,140,000	1,456,000	1,493,000	1,014,000	1,456,000
Industrial operations (Note 3).....	1,013,000	286,000	463,000	124,000	416,000
	<u>5,047,000</u>	<u>3,394,000</u>	<u>4,503,000</u>	<u>3,096,000</u>	<u>2,258,000</u>
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, MINORITY INTEREST, INCOME (LOSS) FROM DISCONTINUED OPERATIONS, AND EXTRAORDINARY ITEMS.....	<u>14,457,000</u>	<u>10,778,000</u>	<u>9,693,000</u>	<u>6,805,000</u>	<u>5,290,000</u>
MINORITY INTEREST.....	38,000	51,000	48,000	61,000	57,000
INCOME TAXES.....	7,088,000	4,888,000	4,402,000	3,486,000	3,059,000
	<u>7,126,000</u>	<u>4,939,000</u>	<u>4,450,000</u>	<u>3,547,000</u>	<u>3,116,000</u>
INCOME FROM CONTINUING OPERATIONS.....	<u>7,331,000</u>	<u>5,839,000</u>	<u>5,243,000</u>	<u>3,258,000</u>	<u>2,174,000</u>
DISCONTINUED OPERATIONS:					
Income (loss) from discontinued operations.....	—	(272,000)	260,000	155,000	273,000
Less applicable income taxes.....	—	—	55,000	52,000	140,000
	<u>—</u>	<u>(272,000)</u>	<u>205,000</u>	<u>103,000</u>	<u>133,000</u>
Gain (loss) on disposal.....	—	26,000	—	(607,000)	—
	<u>—</u>	<u>(246,000)</u>	<u>205,000</u>	<u>(504,000)</u>	<u>133,000</u>
	<u>7,331,000</u>	<u>5,593,000</u>	<u>5,448,000</u>	<u>2,754,000</u>	<u>2,307,000</u>
EXTRAORDINARY ITEMS:					
Income tax credits resulting from the application of loss carry-forwards.....	665,000	1,582,000	1,819,000	2,032,000	1,517,000
Other (Note 11).....	(159,000)	—	375,000	3,090,000	—
	<u>506,000</u>	<u>1,582,000</u>	<u>2,194,000</u>	<u>5,122,000</u>	<u>1,517,000</u>
NET INCOME.....	<u>\$ 7,837,000</u>	<u>\$ 7,175,000</u>	<u>\$ 7,642,000</u>	<u>\$ 7,876,000</u>	<u>\$ 3,824,000</u>
DEPRECIATION, DEPLETION AND AMORTIZATION INCLUDED ABOVE.....	<u>\$ 1,683,000</u>	<u>\$ 1,739,000</u>	<u>\$ 1,310,000</u>	<u>\$ 946,000</u>	<u>\$ 1,027,000</u>

*The accompanying notes are an integral part of the financial statements.*

**ABBEY GLEN PROPERTY CORPORATION**  
and its subsidiary companies

**SCHEDULE OF RESTATED NET INCOME AND CASH FLOW OF AMALGAMATING  
COMPANIES FOR THE YEARS ENDED DECEMBER 31**

To provide a better basis for comparing the operating results and financial position of the two constituent companies to the amalgamation, the accounting methods proposed for adoption by Abbey Glen have been applied retroactively for the five years ended December 31, 1973. The results of the restatement are as follows:

	1973	1972	1971	1970	1969
<b>Great Northern Capital Corporation Limited</b>					
NET INCOME REPORTED.....	\$4,015,000	\$4,230,000	\$5,038,000	\$3,234,000	\$2,230,000
ADJUSTMENTS:					
Net cost of development capitalized.....	840,000	225,000	140,000	75,000	65,000
Net general borrowing cost capitalized.....	(117,000)	284,000	273,000	215,000	111,000
	723,000	509,000	413,000	290,000	176,000
Related deferred income taxes.....	(361,000)	(255,000)	(207,000)	(145,000)	(88,000)
Net adjustments.....	362,000	254,000	206,000	145,000	88,000
RESTATED NET INCOME.....	<u>\$4,377,000</u>	<u>\$4,484,000</u>	<u>\$5,244,000</u>	<u>\$3,379,000</u>	<u>\$2,318,000</u>
Earnings per share—basic.....	\$ 1.16	\$ 1.38	\$ 2.14	\$ 1.39	\$ .97
—fully diluted.....	\$ 1.14	\$ 1.25	\$ 1.57	\$ 1.08	\$ .84
Cash flow per share*—fully diluted.....	\$ 1.91	\$ 1.83	\$ 1.84	\$ 1.20	\$ 1.19
Restated earnings per share—basic.....	\$ 1.26	\$ 1.46	\$ 2.23	\$ 1.45	\$ 1.01
—fully diluted.....	\$ 1.24	\$ 1.32	\$ 1.63	\$ 1.12	\$ .87
Restated cash flow per share*—basic.....	\$ 2.16	\$ 2.30	\$ 2.90	\$ 1.70	\$ 1.54
—fully diluted.....	\$ 2.11	\$ 1.95	\$ 1.90	\$ 1.23	\$ 1.19
<b>Western Realty Projects Ltd.</b>					
NET INCOME REPORTED.....	\$3,756,000	\$3,002,000	\$2,570,000	\$4,519,000	\$1,532,000
ADJUSTMENTS:					
Net decrease in general borrowing cost capitalized.	(592,000)	(622,000)	(344,000)	(44,000)	(52,000)
Related deferred income taxes.....	296,000	311,000	172,000	22,000	26,000
Net adjustments.....	(296,000)	(311,000)	(172,000)	(22,000)	(26,000)
RESTATED NET INCOME.....	<u>\$3,460,000</u>	<u>\$2,691,000</u>	<u>\$2,398,000</u>	<u>\$4,497,000</u>	<u>\$1,506,000</u>
Earnings per share—basic.....	\$ .58	\$ .46	\$ .40	\$ .70	\$ .24
—fully diluted.....	\$ .50	\$ .41	\$ .36	\$ .63	\$ .22
Cash flow per share*—fully diluted.....	\$ 1.07	\$ .65	\$ .70	\$ .88	\$ .48
Restated earnings per share—basic.....	\$ .54	\$ .42	\$ .37	\$ .70	\$ .23
—fully diluted.....	\$ .47	\$ .37	\$ .33	\$ .62	\$ .21
Restated cash flow per share*—basic.....	\$ 1.19	\$ .81	\$ .70	\$ 1.01	\$ .51
—fully diluted.....	\$ 1.03	\$ .61	\$ .66	\$ .88	\$ .48
<b>Abbey Glen Property Corporation</b>					
PRO FORMA RESTATED NET INCOME.....	<u>\$7,837,000</u>	<u>\$7,175,000</u>	<u>\$7,642,000</u>	<u>\$7,876,000</u>	<u>\$3,824,000</u>
PRO FORMA EARNINGS PER SHARE—basic.....	\$ .67	\$ .62	\$ .69	\$ .79	\$ .39
—fully diluted...	\$ .61	\$ .56	\$ .63	\$ .67	\$ .36
PRO FORMA CASH FLOW PER SHARE*—basic.....	\$ 1.30	\$ 1.11	\$ 1.14	\$ 1.05	\$ .69
—fully diluted..	\$ 1.17	\$ .95	\$ .92	\$ .86	\$ .61

\*(Represents net income for the year, depreciation, depletion and amortization, and deferred taxes.)



**ABBEY GLEN PROPERTY CORPORATION**  
and its subsidiary companies

**NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 1973**

**1. Accounting Policies and Pro Forma Statement Presentation**

The pro forma consolidated financial statements include the accounts of the amalgamating companies and all their subsidiaries and their proportionate share of the assets, liabilities, revenue and expenses of their unincorporated joint ventures and give retroactive effect to the accounting policies proposed for adoption by the amalgamated corporation. The accounts have been combined on a pooling-of-interest basis.

The corporation's interest in the equity of affiliates is reflected in the consolidated balance sheet as Investments in Affiliates and its share of their earnings for the year is reflected in the consolidated statement of income as Income from Affiliates.

For the purposes of these pro forma statements the accounts of Great Northern Capital Corporation Limited and Western Realty Projects Ltd. have been restated in accordance with the undernoted accounting policies proposed for adoption by the corporation.

**Accounting for Real Estate Development and Income Property Projects**

The accounting policies which are proposed for adoption by the corporation will result in the capitalization of all appropriate costs for land and properties held for, or in the process of development.

The corporation proposes to capitalize:

- (a) direct carrying costs, such as interest and property taxes, of unproductive land until such land is sold or put to productive use;
- (b) interest, property taxes less net rental gains on construction projects until 70% of rental occupancy is achieved (subject to a maximum period of time) or the project is sold;
- (c) salaries and expenses of development personnel attributable to projects, such as construction projects and subdivisions, until 70% of rental occupancy is achieved (subject to a maximum period of time) or, in the case of subdivisions and housing units, until the project is completed and available for sale; and
- (d) a portion of the interest on general borrowing based upon the corporation's equity in unproductive land and construction projects. Interest on general borrowing is allocated in proportion to the assets of the corporation after deduction of specifically related liabilities. In making the allocation, shareholders' equity is deemed to apply first to the corporation's equity in completed income properties and other capital assets including long-term investments after deduction of specifically related liabilities.

The capitalization policy will be subject to the condition that raw land projects for resale, or income properties are not carried at a value greater than their estimated market value.

**Income from Sales**

Income from the sale of real estate is recognized when all material conditions of the sale have been fulfilled or provided for and upon meeting the following criteria:

- (a) receipt of 15% in cash;
- (b) commencement of interest on a sale agreement at a reasonable rate; and
- (c) satisfaction of the purchaser's financial stability.

**Depreciation**

Depreciation is recorded on buildings included in income properties on a sinking fund basis. By this method, depreciation is charged to income in an amount which increases annually, such amount consisting of a fixed annual sum together with interest compounded at the rate of 5% per annum, so as to fully depreciate buildings over a period up to forty years.

Other fixed assets are depreciated on the declining balance method.

**Costing of Land Sales**

The corporation proposes to match costs of land against land sales or land used by the corporation for income property development purposes by the market value method. Under this method, the cost of a portion of a parcel of land with multiple uses is determined by applying the estimated market value of the portion in question to the estimated market value of the complete parcel. This method was followed by one of the companies during the five-year period whereas the other company apportioned cost against revenue on a square footage basis. In this regard it was not practicable to restate the accounts for five years to place the two companies on a comparable basis. However, the effect of this difference on yearly results and its cumulative effect on land remaining in inventory is not believed to be significant.

## Assumptions

The pro forma consolidated balance sheet and statement of income assume the following:

- (a) the approval by the shareholders of Great Northern Capital Corporation Limited and Western Realty Projects Ltd. of:
  - (i) the amalgamation of the companies to continue under the name Abbey Glen Property Corporation; and
  - (ii) the exchange of shares by the shareholders of these two companies on the basis of one and one half shares of the corporation for each share of Great Northern Capital Corporation Limited and one share of the corporation for each share of Western Realty Projects Ltd. giving rise to the issuance of 11,731,956 shares out of 20,000,000 authorized no par value common shares of the corporation.
- (b) the retirement of \$316,000 5% convertible income debentures due 1979 of Great Northern Capital Corporation Limited, which have been called for redemption on April 10, 1974 and are convertible up to April 5, 1974 at the rate of \$14.28 per share.

No provision has been made for the expenses related to these transactions estimated at \$450,000 which will be borne by the corporation as a charge against retained earnings.

## 2. Restatement of Financial Results

As a result of the change in accounting policies to those described in Note 1 above being retroactively applied, the pro forma consolidated balance sheet and statement of income give effect to the following:

- (a) Net cost of development capitalized:

Salaries and expenses of development personnel of Great Northern Capital Corporation Limited estimated to be attributable to projects (other than those completed and sold during the five-year period which would result only in differences in the amounts of income recognized from year to year) have been capitalized and added to the cost of income properties or land development projects where appropriate. In the five-year period from January 1, 1969 to December 31, 1973 the net cost that would have been capitalized is as follows:

	1973	1972	1971	1970	1969
Cost of Development:					
Land development projects.....	\$520,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 65,000
Income properties.....	320,000	150,000	65,000	—	—
Total.....	<u>\$840,000</u>	<u>\$225,000</u>	<u>\$140,000</u>	<u>\$ 75,000</u>	<u>\$ 65,000</u>

In each of the years income has been adjusted by the above amounts after allowing for income taxes at the appropriate rate in each year. The cumulative effect of these changes on the pro forma consolidated balance sheet is to increase:

Land and houses under development.....	\$ 810,000
Income properties.....	535,000
	<u>1,345,000</u>
Deferred income taxes.....	673,000
Shareholders' equity.....	<u>\$ 672,000</u>

Western Realty Projects Ltd., historically has capitalized salaries and expenses of development personnel where appropriate.

- (b) Net general borrowing cost capitalized:

As a result of the proposed interest capitalization policy interest on general borrowings capitalized has been adjusted by the amounts shown, less those amounts of such costs as are estimated to relate to developed land sold during the period.

In each of the five years the net increase (decrease) in the amounts of interest capitalized is:

	1973	1972	1971	1970	1969	1968 and prior
General borrowing costs allocated to:						
Land and houses under development.....	\$(543,000)	\$ (4,000)	\$ 247,000	\$171,000	\$ 58,000	\$197,000
Income properties.....	(166,000)	(334,000)	(318,000)	—	—	—
Total.....	<u>\$(709,000)</u>	<u>\$(338,000)</u>	<u>\$ (71,000)</u>	<u>\$171,000</u>	<u>\$ 58,000</u>	<u>\$197,000</u>

In each of the years income has been adjusted by the above amounts after allowing for income taxes at the appropriate rate in each year. The cumulative effect of these changes on the pro forma consolidated balance sheet is to increase (decrease):

Land and houses under development.....	\$ 126,000
Income properties.....	(818,000)
	<u>(692,000)</u>
Less deferred income taxes.....	(346,000)
Shareholders' equity.....	<u>\$ (346,000)</u>



### 3. Industrial Operations

The format of the pro forma income statement differs from that of Great Northern Capital Corporation Limited in that pre-tax income of industrial operations is shown separately to emphasize the real estate activities of the corporation. During the five-year period industrial operations, excluding those which have been sold or discontinued, were as follows:

	1973	1972	1971	1970	1969
Sales.....	\$12,523,000	\$ 4,663,000	\$ 3,223,000	\$ 1,510,000	\$ 2,478,000
Cost of sales.....	9,891,000	3,336,000	2,141,000	1,109,000	1,663,000
Selling and administration.....	1,170,000	868,000	581,000	224,000	360,000
Interest.....	449,000	173,000	38,000	53,000	39,000
	<u>11,510,000</u>	<u>4,377,000</u>	<u>2,760,000</u>	<u>1,386,000</u>	<u>2,062,000</u>
Income from operations.....	\$ 1,013,000	\$ 286,000	\$ 463,000	\$ 124,000	\$ 416,000

### 4. Receivables

Amounts due within one year.....	\$ 30,465,000
Amounts due after one year.....	12,237,000
	<u>\$ 42,702,000</u>

Included in the above are debentures totalling \$1,645,000 arising from the divestiture of industrial assets by Great Northern Capital Corporation Limited. These are due in annual instalments until 1981.

### 5. Income Properties

Income properties and construction in progress, at cost less accumulated depreciation, include the corporation's share of assets of joint ventures.

Operating	
Income properties, at cost.....	\$ 89,483,000
Less accumulated depreciation.....	4,678,000
	<u>84,805,000</u>
Under development.....	46,479,000
	<u>\$131,284,000</u>

### 6. Bank Indebtedness

Assets having a book value in excess of the bank indebtedness have been pledged as collateral against this liability. Included in the bank indebtedness are loans totalling \$17,249,000 at December 31, 1973 which represent interim financing loans on income properties under construction. These loans will be replaced by long-term debt upon completion of each project.

### 7. Long-term Debt and Dividend Restrictions

(a) Long-term debt consists of the following:

Great Northern Capital Corporation Limited:	
5½% notes due 1974-1976.....	\$ 1,640,000
Other.....	591,000
Mortgages on land and income properties.....	67,419,000
	<u>69,650,000</u>
Western Realty Projects Ltd.:	
9% Secured Debentures, maturing August 15, 1991, with sinking fund requirements of \$300,000 in each of the years 1976 to 1985 inclusive and \$700,000 in each of the years 1986 to 1990 inclusive..	10,000,000
7¾% Subordinated Convertible Sinking Fund Debentures, Series A, maturing June 15, 1989, with sinking fund requirements of \$200,000 in each of the years 1979 to 1988 inclusive.....	4,000,000
7¾% Subordinated Convertible Sinking Fund Debentures, Series B, maturing October 15, 1989, with sinking fund requirements of 5% of the outstanding principal amount in each of the years 1979 to 1988 inclusive.....	3,091,000
Accrued interest.....	405,000
	<u>17,496,000</u>
Mortgages on land and income properties.....	77,925,000
	<u>95,421,000</u>
Total long-term debt.....	<u>\$165,071,000</u>

The 9% Secured Debentures are secured by a fixed mortgage, pledge and charge of and on property, first mortgages, cash and approved securities having at all times a security value at least equal to the principal amount of debentures outstanding, and are also secured by a floating charge of and on the undertaking, property and assets of the company.



Each \$1,000 principal amount of 9% Secured Debentures carried 50 share purchase warrants. Each share purchase warrant entitles the holder to purchase one common share of the company at any time until August 15, 1976, at a price of \$7.00 and thereafter until August 15, 1981 at a price of \$9.00.

The Series A and B Subordinated Convertible Sinking Fund Debentures are secured by a floating charge on all the undertaking, property and assets of the company and are subordinate to the 9% Secured Debentures. The Series A and B Subordinated Convertible Sinking Fund Debentures are convertible at the option of the holder at any time up to the close of business on June 15, 1979, and October 15, 1979, respectively, unless previously redeemed, into common shares of the company at the rate of 100 shares per \$1,000 principal amount.

Amounts due on repayment of long-term debt in each of the next five years are as follows:

1974—\$12,729,000	1977—\$ 7,053,000
1975—\$10,232,000	1978—\$18,588,000
1976—\$ 7,272,000	

(b) Dividend restrictions

- (i) The Trust Deed and Trust Indentures providing, respectively, for the 9% Secured Debentures and for the Subordinated Convertible Sinking Fund Debentures, contain provisions prohibiting the payment by the company of dividends in excess of certain prescribed limits. The more restrictive of these provisions under the Trust Indentures prohibits payments in excess of approximately \$20,000,000 being the aggregate earnings for the period 1969 to 1973 inclusive, less the aggregate of capitalized interest.
- (ii) Under the terms of the loan agreement respecting a \$10,000,000 9 $\frac{3}{8}$ % mortgage due 1978 of a subsidiary, the corporation is not permitted to pay dividends in excess of 33% of its consolidated net income (as defined) accrued during the period from December 31, 1972 to the proposed dividend declaration date.

### 8. Capital Stock

As a result of the conversion of shares described in note 1 above a total of 11,731,956 common shares of the corporation will be issued and outstanding as fully paid and non-assessable. In addition, a total of 1,318,970 common shares of the corporation will be reserved for issuance to meet the following obligations:

- (a) share purchase warrants, entitling the holders thereof to purchase 499,950 common shares at a price of \$7 per share up to August 15, 1976 and thereafter at \$9 per share up to August 15, 1981;
- (b) the outstanding 7 $\frac{3}{4}$ % Convertible Subordinated Sinking Fund Debentures, Series A and B, convertible at the rate of \$10 per share into a total of 709,120 common shares;
- (c) outstanding options granted to directors and senior officers of Western Realty Projects Ltd. to purchase a total of 12,400 common shares at prices ranging from \$5.85 to \$6 for specific periods up to January 31, 1975; and
- (d) outstanding options granted to directors and senior officers of Great Northern Capital Corporation Limited to purchase a total of 97,500 shares at prices ranging from \$4.57 to \$5.77 per share over the equivalent periods of the outstanding options for varying periods up to September 18, 1978.

### 9. Retained Earnings

Retained earnings have been restated to give effect to the changes in accounting policies as follows:

	Great Northern Capital Corporation Limited	Western Realty Projects Ltd.	Abbey Glen Property Corporation
Retained earnings as reported December 31, 1972.....	\$19,878,000	\$17,154,000	\$37,032,000
Adjustments to restated basis:			
Development costs less related deferred income taxes.....	252,000	—	252,000
Interest capitalized, less related deferred income taxes.....	540,000	(530,000)	10,000
	<u>792,000</u>	<u>(530,000)</u>	<u>262,000</u>
Retained earnings as restated December 31, 1972.....	20,670,000	16,624,000	37,294,000
Net income—restated.....	4,377,000	3,460,000	7,837,000
	<u>25,047,000</u>	<u>20,084,000</u>	<u>45,131,000</u>
Dividends.....	(694,000)	—	(694,000)
Other.....	—	(15,000)	(15,000)
Retained earnings as restated December 31, 1973.....	<u>\$24,353,000</u>	<u>\$20,069,000</u>	<u>\$44,422,000</u>

### 10. Commitments and Contingent Liabilities

The corporation is contingently liable for the proportion of the indebtedness of joint ventures that has not already been reflected in the liabilities. The amount of this contingent liability is \$20,000,000 at December 31, 1973. Against this contingent liability the corporation would have claims on the joint ventures' related assets.

The corporation is contingently liable for discounted sales agreements, conditional sales contracts, outstanding letters of credit and as guarantor of bank loans and mortgages to affiliated companies totalling approximately \$15,600,000.



The corporation is the defendant in certain litigation totalling approximately \$3,000,000, relating to costs of buildings constructed. The corporation has denied liability in these actions and in some instances have served counter claims. In the opinion of legal counsel it is difficult to determine with any certainty the extent, if any, of the corporation's liability.

The corporation is lessee under certain lease agreements for terms of 99 years with minimum annual rental payments of \$146,000, subject to increase after the initial 25 to 35 years to a rate based on a fixed percentage of the fair market value of the land. These leases cover six commercial buildings and result from sales and leaseback with six finance companies.

The corporation has entered into financing arrangements under which 99 year options to purchase a 50% interest in specific projects have been granted at a price equal to one-half of the principal balance of the mortgages and one-half of the equity investment, as defined, in the projects. The effect of this arrangement is that one-half of the projects are carried at the option price. Leases have been granted on the projects which provide for a profit sharing between the corporation and the lessee over the terms of the 99 year leases.

At December 31, 1973 Great Northern Capital Corporation Limited is committed to expend further amounts of approximately \$42,400,000 on income property and land development projects which are presently in progress and for which financing has been arranged.

#### **11. Other Extraordinary Items**

Other extraordinary items consist principally of a gain on the sale of a dog food processing business by Western Realty Projects Ltd. in 1970.

#### **12. Income Taxes**

Utilization of loss carry-forward tax credits has been reflected in the consolidated accounts of Great Northern Capital Corporation Limited and will continue to appear in the accounts of the corporation in future. It is expected that further reductions of future taxes otherwise payable of approximately \$2,650,000 will be available over the next few years.

Western Realty Projects Ltd. have followed the practice of claiming depreciation and other expenses for income tax purposes in amounts which differ from those recorded in the accounts. Accordingly, income taxes otherwise payable of approximately \$11,565,000 have been deferred to future years of which \$10,985,000 have been recorded in the accounts. Prior to 1968 the predecessor companies recorded income taxes on a taxes payable basis. The difference of \$580,000 reflects deferred tax liability applicable to years prior to 1968 for which no provision has been made in the accounts.

#### **13. Other Descriptive Information**

For details of fixed assets, investments in affiliates and deferred revenue refer to footnote 4 of the Great Northern Capital Corporation Limited financial statements—and footnotes 7 and 13 of the Western Realty Projects Ltd. financial statements.

## AUDITORS' REPORT

To the Directors of  
GREAT NORTHERN CAPITAL CORPORATION LIMITED:

We have examined the consolidated balance sheet of Great Northern Capital Corporation Limited and its subsidiary companies as at December 31, 1973 and the consolidated statements of income, retained earnings, and appraisal surplus for the five years then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations for the five years then ended, in accordance with generally accepted accounting principles applied on a consistent basis, except for the change in accounting for depreciation and after giving retroactive effect to the change in accounting for joint ventures as set out in note 1, with which changes we concur.

Toronto, Canada  
January 31, 1974

(Signed) CLARKSON, GORDON & Co.  
Chartered Accountants



# GREAT NORTHERN CAPITAL CORPORATION LIMITED

(Incorporated under the laws of Ontario)

and its subsidiary companies

## CONSOLIDATED BALANCE SHEET

DECEMBER 31

ASSETS	1973	1972
Cash.....	\$ 449,000	\$ 1,609,000
Receivables (note 2).....	18,524,000	10,583,000
Manufacturing and other inventories at the lower of cost and estimated net realizable value.....	1,931,000	4,101,000
Land and houses under development (note 1).....	59,233,000	49,052,000
Long-term leases (note 1).....	200,000	10,623,000
Other investment (note 3).....	2,161,000	2,380,000
Income-producing properties at cost, less accumulated depreciation of \$1,034,000 (\$752,000 in 1972).....	51,434,000	25,678,000
Fixed assets (note 4).....	7,858,000	9,263,000
Other assets, at cost.....	1,162,000	809,000
	\$142,952,000	\$114,098,000

## LIABILITIES AND SHAREHOLDERS' EQUITY

Bank indebtedness—secured (note 5).....	\$ 25,027,000	\$ 13,591,000
Accounts payable and accrued liabilities.....	6,684,000	9,351,000
Income taxes payable.....	444,000	—
Deferred income taxes.....	3,447,000	1,524,000
Long-term debt (note 6).....	69,966,000	56,321,000
Total liabilities.....	105,568,000	80,787,000
Shareholders' equity:		
Capital stock (note 7)		
Authorized:		
7,500,000 shares without par value		
Issued and fully paid:		
3,518,545 shares (3,407,817 in 1972).....	14,185,000	13,433,000
Retained earnings (note 6).....	23,199,000	19,878,000
Total shareholders' equity.....	37,384,000	33,311,000
	\$142,952,000	\$114,098,000

On behalf of the Board:

(Signed) R. H. McISAAC, Director

(Signed) W. R. HODGSON, Director

*The accompanying notes are an integral part of the financial statements.*

**GREAT NORTHERN CAPITAL CORPORATION LIMITED**  
and its subsidiary companies

**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31**

	<u>1973</u>	<u>1972</u>	<u>1971</u>	<u>1970</u>	<u>1969</u>
REVENUE:					
Real estate sales.....	\$28,422,000	\$16,164,000	\$12,788,000	\$ 9,794,000	\$ 9,043,000
Rentals from income-producing properties....	2,906,000	1,977,000	1,108,000	925,000	339,000
Manufacturing and other.....	12,523,000	15,038,000	18,171,000	19,304,000	16,516,000
Leasing, interest and other income.....	2,550,000	2,136,000	2,983,000	2,396,000	734,000
GROSS REVENUE.....	<u>46,401,000</u>	<u>35,315,000</u>	<u>35,050,000</u>	<u>32,419,000</u>	<u>26,632,000</u>
EXPENSES:					
Cost of real estate sales.....	15,713,000	7,743,000	5,231,000	4,736,000	3,753,000
Operating cost of income-producing properties.	1,402,000	1,043,000	575,000	408,000	203,000
Manufacturing and other cost of sales.....	9,891,000	11,141,000	13,519,000	14,680,000	12,239,000
Selling and administrative.....	9,158,000	7,605,000	7,883,000	7,260,000	6,824,000
INTEREST:					
Long-term.....	2,205,000	1,793,000	1,851,000	1,788,000	943,000
Other.....	1,290,000	611,000	585,000	524,000	212,000
	<u>39,659,000</u>	<u>29,936,000</u>	<u>29,644,000</u>	<u>29,396,000</u>	<u>24,174,000</u>
INCOME BEFORE UNDERNOTED ITEMS.....	6,742,000	5,379,000	5,406,000	3,023,000	2,458,000
INCOME TAXES.....	3,233,000	2,757,000	2,762,000	1,990,000	1,765,000
INCOME BEFORE EXTRAORDINARY ITEMS (note 8)..	3,509,000	2,622,000	2,644,000	1,033,000	693,000
ADD EXTRAORDINARY ITEMS:					
Income tax credits resulting from the appli- cation of loss carry-forwards (note 11)....	665,000	1,582,000	2,019,000	2,249,000	1,537,000
Other (note 10).....	(159,000)	26,000	375,000	(48,000)	—
NET INCOME (note 8).....	<u>\$ 4,015,000</u>	<u>\$ 4,230,000</u>	<u>\$ 5,038,000</u>	<u>\$ 3,234,000</u>	<u>\$ 2,230,000</u>
DEPRECIATION, DEPLETION AND AMORTIZATION INCLUDED ABOVE.....	<u>\$ 827,000</u>	<u>\$ 929,000</u>	<u>\$ 751,000</u>	<u>\$ 650,000</u>	<u>\$ 700,000</u>
EARNINGS PER SHARE (note 8):					
Basic—before extraordinary items.....	\$1.01	\$0.86	\$1.12	\$0.44	\$0.30
—after extraordinary items.....	\$1.16	\$1.38	\$2.14	\$1.39	\$0.97
Fully diluted—before extraordinary items....	\$1.00	\$0.79	\$0.89	\$0.47	\$0.34
—after extraordinary items.....	\$1.14	\$1.25	\$1.57	\$1.08	\$0.84
FULLY DILUTED CASH FLOW PER SHARE (note 8)*	\$1.91	\$1.83	\$1.84	\$1.20	\$1.19

\*(Represents net income for the year, depreciation, depletion and amortization, and deferred taxes.)

*The accompanying notes are an integral part of the financial statements.*



**GREAT NORTHERN CAPITAL CORPORATION LIMITED**  
and its subsidiary companies

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS AND APPRAISAL SURPLUS**  
**FOR THE YEARS ENDED DECEMBER 31**

<b>Retained Earnings</b>					
	<u>1973</u>	<u>1972</u>	<u>1971</u>	<u>1970</u>	<u>1969</u>
Balance at beginning of the year.....	\$19,878,000	\$16,330,000	\$11,260,000	\$ 8,022,000	\$ 6,512,000
Add:					
Net income.....	4,015,000	4,230,000	5,038,000	3,234,000	2,230,000
Gain on conversion of subsidiary's debt into common shares.....			218,000	4,000	85,000
Balance transferred from appraisal surplus...			47,000		
	<u>23,893,000</u>	<u>20,560,000</u>	<u>16,563,000</u>	<u>11,260,000</u>	<u>8,827,000</u>
Less:					
Dividends paid.....	694,000	682,000			
Write-off of excess of cost of investment in subsidiary company over the underlying book value of its consolidated net assets at dates of acquisition.....			233,000		805,000
Balance at end of the year.....	<u>\$23,199,000</u>	<u>\$19,878,000</u>	<u>\$16,330,000</u>	<u>\$11,260,000</u>	<u>\$ 8,022,000</u>
 <b>Appraisal Surplus</b>					
Balance at beginning of the year.....			\$ 129,000	\$ 139,000	\$ 140,000
Less:					
Amounts relating to land sold during the year			82,000	10,000	1,000
Balance transferred to retained earnings.....			47,000		
			<u>129,000</u>	<u>10,000</u>	<u>1,000</u>
Balance at end of the year.....			<u>\$ —</u>	<u>\$ 129,000</u>	<u>\$ 139,000</u>

*The accompanying notes are an integral part of the financial statements.*

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 1973**

**1. Accounting Policies and Statement Presentation**

**Basis of Consolidation**

The consolidated financial statements include the accounts of the Company and all its subsidiaries. Minority interest is not material and has not been shown separately on the financial statements.

**Accounting Changes and Statement Presentation**

Prior to 1973 the investment in unincorporated joint ventures was carried on the balance sheet as one amount (on the equity basis); in 1973 the balance sheet presentation has been changed to reflect the Company's pro rata share of the individual assets and liabilities of such joint ventures, and the 1972 comparative figures have been restated accordingly. This basis of presentation is consistent with that followed in the income statement which similarly reflects the Company's pro rata share of the revenues and expenses of joint ventures. This change had the effect of increasing total assets and liabilities in 1972 by \$13,703,000, but had no effect on reported income for the year.

With effect from January 1, 1970, in an effort to match more closely costs and revenues, the Company and its subsidiaries changed from a reducing-balance basis to a straight-line basis of amortizing the costs of fixed assets over their revised estimated useful lives. Had this change been made as of January 1, 1969 the depreciation provision for the year ended December 31, 1969 would have been reduced by \$103,000 and the net income for the year would have been increased by approximately \$84,000.

### Exchange Translation

U.S. dollar assets and liabilities of the Company and its domestic subsidiaries have been translated into Canadian dollars at current rates of exchange except for long-term debt which has been translated at the average rate prevailing on the forward exchange contracts arranged for these obligations. The Company has purchased future U.S. funds to cover these U.S. debt obligations.

The accounts of U.S. subsidiaries and branches have been translated at current rates except for fixed assets and depreciation provisions which were translated at the historic rates prevailing at date of acquisition. Income and expenses (other than depreciation) were translated at the average exchange rate for the year.

The normal exchange adjustments are not significant and have been included in selling and administrative expenses. The gain resulting from the freeing of the Canadian dollar in June 1970 has been treated as an extraordinary item in that year.

### Land and Houses under Development

Land and houses are carried at cost which includes interest and property taxes. Development expenses capitalized include all direct development expenditures and the pro rata share of the cost of community facilities, park dedications and school sites, but exclude general overhead.

Land sales are recognized and net income is recorded upon meeting the following criteria:

- (i) receipt of 15% in cash
- (ii) commencement of interest on a sale agreement at a reasonable rate
- (iii) satisfaction of purchaser's financial stability.

### Income-Producing Properties

Income-producing properties are carried at cost which includes direct development and construction expenditures, interest, property taxes less the net rental gains on construction projects until 70% of rental occupancy is achieved (subject to a maximum period of time). The amounts capitalized do not include general overhead.

Depreciation is recorded on operating income-producing properties on a sinking fund basis. By this method, depreciation is charged to income in an amount which increases annually, such amount consisting of a fixed annual sum together with interest compounded at the rate of 5% per annum, so as to fully depreciate the buildings over their estimated useful lives.

### Income Taxes

The companies follow the tax allocation method of accounting for income taxes, whereby the provision for income taxes is related to income reported in the accounts, and differences between taxes provided and taxes currently payable are deferred in the accounts. Deferred taxes included in the provision for income taxes in the years covered by the consolidated statement of income are as follows:

Year ended December 31,	
1973.....	\$1,923,000
1972.....	1,298,000
1971.....	568,000
1970.....	(212,000)
1969.....	431,000

### Leasing Income

The Company has used the financing method to account for the revenue from long-term leases. Under this method revenue is recognized in decreasing amounts over the years so as to reflect a constant return on the investment.

## 2. Receivables

	1973	1972
Amounts due within one year.....	\$11,211,000	\$ 8,709,000
Amounts due after one year.....	7,313,000	1,874,000
	<u>\$18,524,000</u>	<u>\$10,583,000</u>

Included in the 1973 receivables are debentures totalling \$1,645,000 arising from the divestiture of industrial assets. These are due in annual instalments until 1981.

As at December 31, 1973 amounts due from officers and directors totalled \$351,000. During 1973 funds advanced to officers and directors totalled \$170,000.

## 3. Other Investments

This represents an investment of 608,482 common shares of TransAir Limited, representing a 20% interest. The investment is carried at cost of \$2,380,000, less a write-down of \$219,000 made in 1973 (being an amount equivalent to the net income realized from the 1973 sale of two aircraft that the company was leasing to TransAir). While the quoted market value of these shares at December 31, 1973 was \$1,278,000 (\$1,856,000 at December 31, 1972), it is the Company's view that there has been no permanent impairment in the value of the investment.



#### 4. Fixed Assets

Fixed assets, at cost, consist of the following:

	1973	1972
Land and land improvements.....	\$ 914,000	\$ 871,000
Buildings.....	3,394,000	3,847,000
Machinery and equipment.....	5,026,000	7,490,000
Country Club and golf course facilities.....	1,165,000	1,873,000
Clay deposit.....	312,000	312,000
	<u>10,811,000</u>	<u>14,393,000</u>
Less accumulated depreciation, depletion and amortization.....	2,953,000	5,130,000
	<u>\$ 7,858,000</u>	<u>\$ 9,263,000</u>

#### 5. Bank Indebtedness

Assets having a book value in excess of the bank indebtedness have been pledged as collateral against this liability. Included in the bank indebtedness are loans totalling \$6,625,000 at December 31, 1973 (\$700,000—1972) which represent interim financing loans on income-producing properties under construction. These loans will be replaced by long-term debt upon completion of each project.

#### 6. Long-Term Debt

Long-term debt consists of the following:

	1973	1972
Great Northern Capital Corporation Limited—		
5½% notes due 1974 to 1976.....	\$ 1,640,000	\$ 2,151,000
5% convertible income debentures due 1979.....	316,000	323,000
Other.....	591,000	4,578,000
	<u>2,547,000</u>	<u>7,052,000</u>
Subsidiary companies—		
7½% provincial development loans.....	—	338,000
Mortgages—		
5% due 1974 to 1979.....	82,000	82,000
6% due 1974 to 1983.....	433,000	407,000
6½% due 1974 to 1977.....	14,000	72,000
6¾% due 1974 to 1979.....	295,000	316,000
7% due 1974 to 1990.....	9,055,000	9,207,000
7½% due 1974 to 1984.....	6,133,000	3,057,000
8% due 1974 to 1984.....	4,935,000	2,149,000
8½% due 1974 to 1998.....	1,653,000	34,000
8¾% due 1974 to 1994.....	108,000	1,345,000
8⅞% due 1974 to 2008.....	4,033,000	1,195,000
9% due 1974 to 1998.....	10,272,000	6,663,000
9¼% due 1974 to 1992.....	1,532,000	1,565,000
9⅝% due 1974 to 2006.....	762,000	770,000
9⅞% due 1974 to 2008.....	7,934,000	7,685,000
9¾% due 1974.....	589,000	—
9⅞% due 1974 to 1999.....	12,532,000	—
10% due 1974 to 1998.....	2,906,000	12,102,000
11½% due 1974 to 1977.....	378,000	—
11¾% due 1974 to 1994.....	750,000	—
12% due 1973.....	—	200,000
13% due 1974 to 1975.....	2,614,000	1,300,000
Other due 1974 to 1976.....	409,000	782,000
	<u>67,419,000</u>	<u>49,269,000</u>
Total long-term debt.....	<u>\$69,966,000</u>	<u>\$56,321,000</u>

Included in the 1973 total of long-term debt is the Canadian equivalent of \$23,947,000 of debt repayable in U.S. funds (\$24,367,000—1972).

Under the terms of the loan agreement respecting a \$10,000,000 9⅞% mortgage due 1978, the company is not permitted to pay dividends in excess of 33% of its consolidated net income (as defined) accrued during the period from December 31, 1972 to the proposed dividend declaration date.

Amounts due on repayment of long-term debt in each of the next five years are as follows:

1974.....	\$8,580,000	1977.....	\$ 3,413,000
1975.....	\$6,126,000	1978.....	\$12,943,000
1976.....	\$3,745,000		



## 7. Capital Stock

(a) During the period January 1, 1969 to December 31, 1973, shares were issued for consideration other than cash as follows:

	Number of shares	Total consideration
Shares issued at \$10.00 and \$12.50 each on conversion of \$9,360,900 5% convertible income debentures of the Company.....	935,568	\$9,360,900
Shares issued for a consideration of \$6.16 each in exchange for shares of Home Smith International Limited on the basis of one common share of the Company for each two common shares of Home Smith International Limited.....	202,197	\$1,245,226
Shares issued at \$6.00 each on conversion of \$963,312 debentures of Home Smith International Limited.....	160,552	\$ 963,312
(b) At December 31, 1973 the Company has set aside 98,130 common shares for the following purposes:		
Conversion of 5% convertible income debentures.....		22,130
(these debentures convertible into common shares at \$14.28 per share up to May 30, 1974; \$16.66 per share up to May 30, 1975 and \$20.00 per share up to May 15, 1979)		
Stock option plan.....		76,000
		<u>98,130</u>

(c) During 1973, the Company granted to senior officers options on 20,000 common shares at \$8.66 under the stock option plan. At December 31, 1973 options were outstanding on 5,000 common shares at \$6.86, 60,000 at \$8.66, and 11,000 options were unallocated. The options granted are exercisable at varying dates expiring between July 7, 1976 and September 18, 1978.

## 8. Earnings and Cash Flow per Share

The calculation of basic earnings per issued common shares is based on the weighted average number of shares outstanding during the year.

The calculation of fully diluted earnings and cash flow per share have been calculated on the basis that:

- (i) all the remaining 5% convertible income debentures had been converted into common shares at the applicable conversion price on January 1 in each of the years;
- (ii) all stock options granted had been exercised on either January 1 in each of the years or date of issue if later;
- (iii) all of the share purchase warrants of Home Smith International Limited outstanding at each year end had been exercised on January 1, in each of the years. For these calculations earnings of 1973—\$36,000; 1972—\$88,000; 1971—\$80,000; 1970—\$100,000; 1969—\$36,000 have been imputed at a rate of interest based on the current cost, in that year, of the Company's bank borrowings.

## 9. Commitments and Contingent Liabilities

(a) As at December 31, 1973 subsidiary companies are contingently liable for discounted sale agreements and conditional sale contracts in the approximate amount of \$7,420,000.

(b) The Company is contingently liable for the proportion of the indebtedness of joint ventures that has not already been reflected in the Company's liabilities. The amount of this contingent liability is \$13,054,000 at December 31, 1973. Against this contingent liability the Company would have claims on the joint ventures' related assets.

(c) At December 31, 1973 the Company is committed to expend further amounts of approximately \$42,400,000 on income-producing property and land development projects which are presently in progress and for which financing has been arranged.

## 10. Extraordinary Items—Other

Details of extraordinary items—other, included in the consolidated statement of income, are as follows:

1973—(after income tax credits net of \$169,000)		
Net gain on the divestiture of aircraft leased to TransAir Limited.....		\$ 219,000
Amount written off investment in shares of TransAir Limited (being an amount equivalent to the net gain on the divestiture of aircraft leased to that company).....		(219,000)
Net gain on the divestiture of industrial assets.....		3,000
Loss on divestiture of golf and country club facilities of U.S. subsidiary including foreign exchange adjustment.....		(162,000)
		<u>\$(159,000)</u>
1972—Net gain on the divestiture of industrial assets after providing \$900,000 to write down the assets still to be disposed of to estimated realizable value.....		\$ 26,000
1971—Distribution on Atlantic Acceptance senior secured notes in excess of carrying value.....		\$ 375,000
1970—Net gain on foreign exchange resulting from the freeing of the Canadian dollar.....		\$ 559,000
Write-down of Empire Clay assets to net realizable value due to plant shut-down.....		(607,000)
		<u>\$ ( 48,000)</u>

## 11. Income Tax Credits

The loss carry-forward tax credits shown on the accompanying consolidated statement of income became available as a result of the application of tax losses of the Company and certain subsidiaries. It is expected that through utilization of loss carry-forwards, further reductions of future income taxes otherwise payable of approximately \$2,650,000 will be available over the next few years.



## AUDITORS' REPORT

To the Directors of  
WESTERN REALTY PROJECTS LTD.

We have examined the consolidated balance sheets of Western Realty Projects Ltd. as at December 31, 1972 and December 31, 1973 and the consolidated statements of earnings, and retained earnings for the years ended December 31, 1969, December 31, 1970, December 31, 1971, December 31, 1972 and December 31, 1973. Our examination of the financial statements of Western Realty Projects Ltd. and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion:

- (a) the accompanying consolidated balance sheets present fairly the financial position of the companies as at December 31, 1972, and December 31, 1973;
- (b) the accompanying consolidated statements of earnings and retained earnings present fairly the results of operations, after due provision for minority interests, for the years ended December 31, 1969, December 31, 1970, December 31, 1971, December 31, 1972 and December 31, 1973;

all in accordance with generally accepted accounting principles applied on a consistent basis except as set out in note 3, with which we concur.

Vancouver, B.C.  
February 22, 1974

(Signed) COLLINS, LOVE, EDDIS, VALIQUETTE AND BARROW  
Chartered Accountants

**WESTERN REALTY PROJECTS LTD.**  
and its subsidiary companies

**CONSOLIDATED BALANCE SHEET**  
**DECEMBER 31**

ASSETS

	1973	1972
Cash.....	\$ 254,000	\$ 4,021,000
Mortgages and accounts receivable (notes 5 and 8).....	24,178,000	16,131,000
Marketable securities, at cost (quoted value \$157,000).....	146,000	144,000
Land held for development and resale, at cost (note 2).....	40,548,000	24,460,000
Prepaid expenses, deposits and sundry assets.....	1,949,000	278,000
Income-producing properties and construction in progress (note 6).....	80,133,000	71,511,000
Investments in affiliates (note 7).....	4,303,000	4,766,000
Fixed assets, at cost less accumulated depreciation of \$170,000 (\$137,000 in 1972).....	212,000	121,000
Financing costs, less amortization of \$161,000 (1972—\$120,000).....	852,000	893,000
	\$152,575,000	\$122,325,000

LIABILITIES AND SHAREHOLDERS' EQUITY

Bank advances (note 8).....	\$ 10,624,000	\$ 4,517,000
Accounts payable and accrued liabilities.....	5,097,000	4,346,000
Provision for completion costs (note 9).....	437,000	3,284,000
Tenant deposits.....	181,000	236,000
Mortgages and agreements for sale on land and income-producing properties (note 10).....	77,925,000	63,810,000
Debentures (note 11).....	17,496,000	17,496,000
Deferred income taxes (note 12).....	10,985,000	7,324,000
Deferred revenue (note 13).....	5,084,000	352,000
Minority interest in subsidiary companies.....	97,000	56,000
	127,926,000	101,421,000
Capital stock (note 14)		
Authorized		
20,000,000 shares without par value		
Issued and fully paid		
6,454,139 shares (6,453,439 in 1972).....	3,754,000	3,750,000
Retained earnings.....	20,895,000	17,154,000
	24,649,000	20,904,000
	\$152,575,000	\$122,325,000

On behalf of the Board:

(Signed) R. H. McISAAC, Director

(Signed) S. BELZBERG, Director

*The accompanying notes are an integral part of this financial statement.*



**WESTERN REALTY PROJECTS LTD.**  
and its subsidiary companies

**CONSOLIDATED STATEMENT OF EARNINGS**  
**FOR THE YEARS ENDED DECEMBER 31**

	1973	1972	1971	1970	1969
RENTAL REVENUE.....	\$ 8,835,000	\$ 6,670,000	\$ 4,935,000	\$ 3,888,000	\$ 3,231,000
Less: Property operating expenses.....	2,782,000	2,069,000	1,989,000	1,336,000	1,115,000
Mortgage interest.....	4,444,000	3,092,000	2,000,000	1,531,000	1,214,000
Depreciation (note 2).....	771,000	653,000	436,000	255,000	255,000
	7,997,000	5,814,000	4,425,000	3,122,000	2,584,000
EARNINGS FROM RENTAL OPERATIONS.....	838,000	856,000	510,000	766,000	647,000
REAL ESTATE SALES.....	17,576,000	15,277,000	10,576,000	10,742,000	6,951,000
Less: Cost of real estate sales.....	10,816,000	11,278,000	7,218,000	8,147,000	5,119,000
EARNINGS FROM REAL ESTATE SALES.....	6,760,000	3,999,000	3,358,000	2,595,000	1,832,000
INVESTMENT AND MISCELLANEOUS INCOME					
Affiliated companies.....	267,000	839,000	1,065,000	617,000	386,000
Interest.....	879,000	376,000	346,000	336,000	279,000
Other.....	338,000	185,000	187,000	161,000	443,000
	1,484,000	1,400,000	1,598,000	1,114,000	1,108,000
ANIMAL FOOD SALES.....					2,128,000
Less: Cost of animal food sales.....					1,956,000
EARNINGS FROM ANIMAL FOOD SALES.....					172,000
	9,082,000	6,255,000	5,466,000	4,475,000	3,759,000
EXPENSES					
General and administrative.....	1,330,000	925,000	913,000	688,000	668,000
Non-mortgage interest (note 2).....	169,000	90,000	75,000	95,000	110,000
	1,499,000	1,015,000	988,000	783,000	778,000
EARNINGS FROM OPERATIONS BEFORE PROVISION FOR INCOME TAXES.....	7,583,000	5,240,000	4,478,000	3,692,000	2,981,000
PROVISION FOR INCOME TAXES (note 12)					
Current.....	128,000	67,000	50,000	38,000	(72,000)
Deferred.....	3,661,000	2,120,000	1,810,000	1,604,000	1,464,000
	3,789,000	2,187,000	1,860,000	1,642,000	1,392,000
MINORITY INTEREST.....	38,000	51,000	48,000	61,000	57,000
	3,827,000	2,238,000	1,908,000	1,703,000	1,449,000
EARNINGS FOR THE YEAR BEFORE EXTRAORDINARY ITEM....	3,756,000	3,002,000	2,570,000	1,989,000	1,532,000
EXTRAORDINARY ITEM (note 20).....	—	—	—	2,530,000	—
NET EARNINGS FOR THE YEAR.....	\$ 3,756,000	\$ 3,002,000	\$ 2,570,000	\$ 4,519,000	\$ 1,532,000
EARNINGS PER SHARE (note 19)					
Net earnings.....	58.2¢	46.5¢	39.9¢	70.5¢	23.9¢
Fully diluted earnings.....	50.4¢	40.6¢	35.6¢	63.5¢	22.1¢
FULLY DILUTED CASH FLOW PER SHARE.....	\$ 1.07	65.0¢	70.0¢	88.4¢	48.1¢

*The accompanying notes are an integral part of this financial statement.*

**WESTERN REALTY PROJECTS LTD.**  
and its subsidiary companies

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS**  
**FOR THE YEARS ENDED DECEMBER 31**

	1973	1972	1971	1970	1969
BALANCE, BEGINNING OF YEAR.....	\$17,154,000	\$14,178,000	\$12,607,000	\$ 8,124,000	\$ 6,517,000
NET EARNINGS FOR THE YEAR.....	3,756,000	3,002,000	2,570,000	4,519,000	1,532,000
	20,910,000	17,180,000	15,177,000	12,643,000	8,049,000
Less: Adjustment of capitalized interest restated in net income (note 3).....	—	—	—	128,000	105,000
	20,910,000	17,180,000	15,177,000	12,515,000	7,944,000
ADJUSTMENTS.....	(15,000)	(26,000)	10,000	92,000	180,000
	20,895,000	17,154,000	15,187,000	12,607,000	8,124,000
REDUCTION OF RETAINED EARNINGS (note 1).....	—	—	1,009,000	—	—
BALANCE, END OF YEAR.....	<u>\$20,895,000</u>	<u>\$17,154,000</u>	<u>\$14,178,000</u>	<u>\$12,607,000</u>	<u>\$ 8,124,000</u>

*The accompanying notes are an integral part of this financial statement.*

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31**

**1. Amalgamations**

On December 29, 1971 the former Western Realty Projects Ltd. amalgamated with two wholly-owned subsidiary companies, forming the present Western Realty Projects Ltd.

Such former company was itself formed on January 1, 1971, by the amalgamation of the original Western Realty Projects Ltd. and Terra Developers Ltd. Under the terms of such earlier amalgamation, the shares of Terra Developers Ltd. owned by Western Realty Projects Ltd. prior to amalgamation were cancelled and 28,649 shares of the amalgamated company were issued for the remaining outstanding shares of Terra Developers Ltd. The basis of the amalgamation was seven shares of Terra Developers Ltd. or one share of the original Western Realty Projects Ltd. for one share of the amalgamated company. On an amalgamation of Alberta companies the original dollar amount of share capital of the amalgamated company must equal the aggregate dollar amounts of share capital of its predecessors. The aggregate dollar amounts of share capital of the two wholly-owned subsidiary companies at December 29, 1971 was \$469 and the dollar amount of share capital of Terra Developers Ltd. at January 1, 1971 was \$1,085,919. The dollar amount of share capital of Western Realty Projects Ltd. therefore increased by these amounts following the two amalgamations. In addition, it was necessary in each case to reduce the retained earnings of the amalgamated company by an amount representing the capital of other predecessor companies held by the predecessor Western Realty Projects Ltd.; such reductions aggregated approximately \$1,009,000.

**2. Accounting policies**

(a) Capitalization of costs

The company capitalizes as part of the cost of land held for development and resale and income producing properties while under construction:

- (i) direct carrying costs, such as interest and property taxes, on unproductive land until such land is sold or put to productive use.
- (ii) interest, property taxes and net rental losses (gains) of construction projects until 70% of rental occupancy is achieved (subject to a maximum period of time) or the project is sold.
- (iii) salaries and expenses of development personnel attributable to projects, such as construction projects and subdivisions, until 70% of rental occupancy is achieved (subject to a maximum period of time) or, in the case of subdivisions and housing units, until the project is completed and available for sale.
- (iv) a portion of the interest on general borrowing based upon the company's equity in unproductive land and construction projects. Interest on general borrowing is allocated in proportion to the assets of the company; in making the allocation shareholders' equity is deemed to apply first to the company's equity in completed income-producing properties and other capital assets, second, to non-capital assets such as cash, receivables and third to construction in progress, and land held for development.



The capitalization policy has not resulted in raw land and projects for resale being reflected at a value greater than their estimated market values.

The amounts capitalized during the years ended December 31 are as follows:

	<u>1973</u>	<u>1972</u>	<u>1971</u>	<u>1970</u>	<u>1969</u>
Interest.....	\$3,032,000	\$2,442,000	\$2,071,000	\$1,613,000	\$ 952,000
Property taxes.....	646,000	318,000	305,000	238,000	142,000
Overhead.....	<u>722,000</u>	<u>420,000</u>	<u>479,000</u>	<u>282,000</u>	<u>119,000</u>
	<u>\$4,400,000</u>	<u>\$3,180,000</u>	<u>\$2,855,000</u>	<u>\$2,133,000</u>	<u>\$1,213,000</u>

(b) Income recognition

Income from the sale of real estate is recognized when all material conditions of the sale have been fulfilled or provided for.

(c) Depreciation

Depreciation is recorded on buildings included in revenue producing properties on a sinking fund basis. By this method, depreciation is charged to income in an amount which increases annually, such amount consisting of a fixed annual sum together with interest compounded at the rate of 5% per annum, so as to fully depreciate concrete buildings over a forty year period and frame buildings over a twenty-five year period.

Other assets are depreciated on the declining balance method.

(d) The 1972 comparative figures have been reclassified where applicable to conform with the presentation used in the current year.

### 3. Change in accounting policy

In 1971 the company revised its method of determining the amount of interest which should be capitalized with respect to bank loans, debentures and similar indebtedness not related to a specific asset (referred to as general borrowing). Except where specifically traceable to a non income producing property, such interest had not previously been capitalized by the company. This specific tracing proved impracticable and the company has instead adopted a method recommended in the Canadian Institute of Chartered Accountants' Research Study of Accounting for Real Estate Development Operations, which is designed to avoid the difficulties involved in specific tracing. Under this method interest on general borrowing is allocated in proportion to the assets of the company; in making the allocation shareholders' equity is deemed to apply first to the company's equity in completed income producing properties and other capital assets including long-term investments, after deduction of specifically related liabilities. This change in accounting policy results in an increase in 1971 net income of \$140,000. Prior years' figures have been restated to reflect the change in policy resulting in an increase of net income of \$128,000 in 1970 and \$105,000 in 1969. Since offsetting entries in other accounts have not been recorded, deductions in the same amounts have been made in the calculation of retained earnings for such years respectively.

### 4. Principles of consolidation

The consolidated financial statements include:

(a) the accounts of Western Realty Projects Ltd. and all of its subsidiaries:

Alpine Builders Ltd.	Richmond Inn Ltd.
Alpine Construction Ltd.	Sentinel Community Developers Ltd.
Alpine Sand & Gravel Ltd.	Terra Properties Ltd.
C.C.C.L. Properties Limited	Terra Realty Ltd.
Eastern Realty Ltd.	Tropical Investments Ltd.
Leeds Development	United Leasing Services Ltd.
Meadowlark Bowl Ltd.	Western Realty Shopping Centres Ltd.

(b) the proportionate share of the assets, liabilities, revenue and expenses of its unincorporated joint ventures and

(c) the companies' interest in affiliated companies which is accounted for on the equity basis.

### 5. Mortgages and accounts receivable

The principal amounts due are as follows:

	<u>1973</u>	<u>1972</u>
Due within one year.....	\$18,986,000	\$10,094,000
Due after one year.....	<u>5,192,000</u>	<u>6,037,000</u>
	<u>\$24,178,000</u>	<u>\$16,131,000</u>

## 6. Income producing properties and construction in progress, at cost less accumulated depreciation

The book value of income producing properties and construction in progress is as follows:

	1973			1972
	Western and subsidiaries	Share of assets of unincorporated joint ventures	Total	Total
Apartments.....	\$23,264,000	\$ 2,217,000	\$25,481,000	\$25,656,000
Other buildings.....	7,855,000	3,934,000	11,789,000	10,673,000
Shopping centres.....	25,617,000	891,000	26,508,000	26,272,000
Construction in progress.....	19,999,000	—	19,999,000	11,868,000
	<u>76,735,000</u>	<u>7,042,000</u>	<u>83,777,000</u>	<u>74,469,000</u>
Accumulated depreciation.....	2,827,000	817,000	3,644,000	2,958,000
Book value.....	<u>\$73,908,000</u>	<u>\$ 6,225,000</u>	<u>\$80,133,000</u>	<u>\$71,511,000</u>

## 7. Investments in affiliates

The investments in affiliates are as follows:

	1973	1972
Shares, at cost plus equity increase.....	\$ 2,190,000	\$ 2,007,000
Advances.....	796,000	1,818,000
Debentures and mortgages, at cost.....	1,317,000	941,000
	<u>\$ 4,303,000</u>	<u>\$ 4,766,000</u>

The equity increase is the company's share of the net earnings of the affiliates less any such earnings distributed in the form of dividends.

The company's proportion of the aggregate net earnings of its affiliates during the periods indicated, after elimination of material inter-company transactions, amounted to:

1973.....	\$200,000
1972.....	555,000
1971.....	477,000
1970.....	316,000
1969.....	215,000

## 8. Bank advances

Bank advances are secured by the assignment of the proceeds of mortgages on real estate and by rentals and other receivables and represent general borrowing and interim loans on construction for which long-term financing on completion has been arranged. All of the bank borrowings are on a demand basis.

## 9. Provision for completion costs

Future completion costs of \$437,000 (1972—\$3,284,000) are applicable to real estate sold and are included in the cost of real estate sales.

## 10. Mortgages and agreements for sale on land and income producing properties

The mortgages and agreements for sale are repayable in the following annual amounts:

Date	Regular principal payments	Lump sum payments at maturity	Total
1974.....	\$ 3,755,000	\$ 394,000	\$ 4,149,000
1975.....	2,656,000	1,450,000	4,106,000
1976.....	2,367,000	860,000	3,227,000
1977.....	2,199,000	1,141,000	3,340,000
1978.....	1,988,000	3,357,000	5,345,000
1979.....	1,539,000	276,000	1,815,000
1980.....	1,481,000	26,000	1,507,000
1981.....	1,487,000	—	1,487,000
1982.....	1,379,000	7,000	1,386,000
1983.....	1,438,000	—	1,438,000
subsequent to 1983.....	50,125,000	—	50,125,000
	<u>\$70,414,000</u>	<u>\$ 7,511,000</u>	<u>\$77,925,000</u>
		1973	1972
Mortgages on income producing properties.....		\$59,368,000	\$53,074,000
Mortgages on land held for development and resale.....		18,557,000	10,736,000
		<u>\$77,925,000</u>	<u>\$63,810,000</u>



## 11. Debentures

The debentures outstanding are as follows:

	1973	1972
9% Secured Debentures, maturing August 15, 1991, with sinking fund requirements of \$300,000 in each of the years 1976 to 1985 inclusive and \$700,000 in each of the years 1986 to 1990 inclusive.....	\$10,000,000	\$10,000,000
7¾% Subordinated Convertible Sinking Fund Debentures, Series A maturing June 15, 1989, with sinking fund requirements of \$200,000 in each of the years 1979 to 1988 inclusive.....	4,000,000	4,000,000
7¾% Subordinated Convertible Sinking Fund Debentures, Series B, maturing October 15, 1989, with sinking fund requirements of 5% of the outstanding principal amount in each of the years 1979 to 1988 inclusive.....	3,091,000	3,091,000
Accrued interest.....	405,000	405,000
Total.....	<u>\$17,496,000</u>	<u>\$17,496,000</u>

The 9% Secured Debentures are secured by a fixed mortgage, pledge and charge of and on property, first mortgages, cash and approved securities having at all times a security value at least equal to the principal amount of debentures outstanding, and are also secured by a floating charge of and on the undertaking, property and assets of the company.

Each \$1,000 principal amount of 9% Secured Debentures carried 50 share purchase warrants. Each share purchase warrant entitles the holder to purchase one common share of the company at any time until August 15, 1976, at a price of \$7.00 and thereafter until August 15, 1981 at a price of \$9.00.

The Series A and B Subordinated Convertible Sinking Fund Debentures are secured by a floating charge on all the undertaking, property and assets of the company and are subordinate to the 9% Secured Debentures. The Series A and B Subordinated Convertible Sinking Fund Debentures are convertible at the option of the holder at any time up to the close of business on June 15, 1979, and October 15, 1979, respectively, unless previously redeemed, into common shares of the company at the rate of 100 shares per \$1,000 principal amount.

The Trust Deed and Trust Indentures providing, respectively, for the 9% Secured Debentures and for the Subordinated Convertible Sinking Fund Debentures, contain provisions prohibiting the payment by the company of dividends in excess of certain prescribed limits. The more restrictive of these provisions at December 31, 1973 was that under the Trust Indenture, which at that date prohibited payments in excess of approximately \$5,634,000.

## 12. Income taxes

The companies and their predecessors have followed the practice of claiming depreciation and other expenses for income tax purposes in amounts which differ from those recorded in the accounts. Accordingly, income taxes otherwise payable of approximately \$11,565,000 have been deferred to future years of which \$10,985,000 have been recorded in the accounts. Prior to 1968 the predecessor companies recorded income taxes on a taxes payable basis. The difference of \$580,000 reflects deferred tax liability applicable to years prior to 1968 for which no provision has been made in the accounts.

## 13. Deferred revenue

During the year the company sold its interest in a certain property under development for \$8,432,000. The sale price included municipal services. At the year end only one phase of this development had been substantially completed with the costs determined and provided for. As a result the company has deferred revenue relating to this sale of \$3,710,000 and included \$4,721,000 in real estate sales. The remaining deferred revenue of \$1,373,000 represents discounts on mortgages purchased and other items.

## 14. Capital stock

During the year the company issued 700 shares, under stock options exercised, for cash of \$4,155.

As at December 31, 1973, the following shares were reserved:

—For the conversion rights attaching to the 7¾% Subordinated Convertible Sinking Fund Debentures (see note 11).....	709,120
—For the share purchase warrants (see note 11).....	499,950
—For employee stock option plans (see note 15).....	12,400

## 15. Stock options

The company has granted certain directors and officers the option to acquire 12,400 common shares as follows:

—expiring January 31, 1974 at \$6.00 per share.....	1,000
—expiring December 31, 1974 at \$5.85 per share.....	10,000
—expiring January 31, 1975 at \$6.00 per share.....	1,400
Total shares under option.....	<u>12,400</u>

## 16. Commitments

The company is lessee under certain lease agreements for terms to 99 years with minimum annual rental payments of \$146,100, subject to increase after the initial 25 to 35 years to a rate based on a fixed percentage of the fair market value of the land. These leases cover six commercial buildings and result from sales and leasebacks with six finance companies.

The company has entered into financing arrangements under which, 99 year options to purchase a 50% interest in specific projects have been granted at a price equal to one-half of the principal balance of the mortgages and one-half of the equity investment, as defined, in the projects. The effect of this arrangement is that one-half of the projects are carried at the option price. Leases have been granted on the projects which provide for a profit sharing between the company and the lessee over the terms of the 99 year leases.

**17. Contingent liabilities**

The company is the defendant in certain litigation totalling approximately \$3,000,000, relating to costs of buildings constructed. The company has denied liability in these actions and in some instances have served counter claims. In the opinion of legal counsel it is difficult to determine with any certainty the extent, if any, of the company's liability.

**18. Remuneration of directors and officers**

The aggregate remuneration paid by the company and its subsidiaries to directors and officers during the year amounted to \$360,000 (1972—\$230,000).

**19. Per share calculations**

Earnings per share and cash flow from operations per share have been calculated on the average number of shares outstanding during each of the periods under review. The fully-diluted earnings and cash flow per share reflect income that would have been reported had all convertible debt been converted, and all warrants and options exercised at the earliest period during the year, and had all funds received been invested to produce an annual return of 6% per annum before income taxes. Interest expense was not reduced on conversion of debt as all interest on convertible debt was capitalized.

**20. Extraordinary items**

Gain on sale of animal food division—net of income taxes.....	\$2,490,000
Gain on sale of National Equipment Rentals Ltd.....	40,000
1970 extraordinary gain.....	<u>\$2,530,000</u>



## APPENDIX

AGREEMENT made this 29th day of April, 1974

BETWEEN :

GREAT NORTHERN CAPITAL CORPORATION LIMITED,  
a corporation incorporated under the laws of the Province of  
Ontario,

(hereinafter sometimes called "GNC")

OF THE FIRST PART,

—and—

WESTERN REALTY PROJECTS LTD., a corporation incorpora-  
ted under the laws of the Province of Alberta and continued under  
the laws of the Province of Ontario,

(hereinafter sometimes called "Western Realty")

OF THE SECOND PART.

WHEREAS GNC was formed under the laws of the Province of Ontario by the amalgamation of two companies by letters patent of amalgamation dated May 11, 1954, under the name Consolidated Toronto Development Corporation Limited and its name was changed to Great Northern Capital Corporation Limited by supplementary letters patent dated June 30, 1964;

AND WHEREAS Western Realty was formed under the laws of the Province of Alberta by the amalgamation of three companies by certificate of amalgamation dated December 29, 1971;

AND WHEREAS the Minister of Consumer and Commercial Relations of Ontario has issued a Certificate of Continuation continuing Western Realty on and from April 29, 1974 as if it had been incorporated under The Business Corporations Act of Ontario;

AND WHEREAS the authorized capital of GNC consists of 7,500,000 shares without par value of which  
\* have been issued for \$ \* and are outstanding as fully paid and non-assessable;

AND WHEREAS the authorized capital of Western Realty consists of 20,000,000 shares without nominal or par value of which \* have been issued for \$ \* and are outstanding as fully paid and non-assessable.

AND WHEREAS each of the parties hereto has made full disclosure to the other of its known assets and liabilities;

AND WHEREAS the parties hereto acting under the authority conferred by The Business Corporations Act have agreed to amalgamate upon the terms and conditions hereinafter set out and to continue as one corporation;

AND WHEREAS it is desirable that the said amalgamation should be effected;

NOW THEREFORE THIS AGREEMENT WITNESSETH as follows:

1. In this agreement the term "Amalgamated Corporation" shall mean the corporation continuing from the amalgamation of GNC and Western Realty.

2. GNC and Western Realty hereby agree to amalgamate under the provisions of Section 196 of The Business Corporations Act and to continue as one corporation under the terms and conditions hereinafter set out.

3. The name of the Amalgamated Corporation shall be Abbey Glen Property Corporation.

4. The objects of the Amalgamated Corporation shall be as follows:

(a) generally to deal in and with real and personal property of every kind and description including without limit to the generality of the foregoing to carry on the business of investing in, developing, managing, constructing or otherwise dealing in land and interests therein and structures thereon;

\*Details as at April 29, 1974 will be inserted at that time.



- (b) to raise and assist in raising money for, and aid by way of bonus, loan, promise, endorsement, guarantee or otherwise, any person or body corporate and guarantee the performance or fulfilment of any contracts or obligations of any person or body corporate, and in particular guarantee the payment of the principal of and interest on the debt obligations of any such person or body corporate;
- (c) to carry on any other trade or business whatsoever which can, in the opinion of the board of directors, be advantageously carried on by the corporation in connection with or as ancillary to any of the above businesses or the general business of the corporation.

5. The head office of the Amalgamated Corporation shall be situate at the Municipality of Metropolitan Toronto in the Province of Ontario.

6. The address of the head office shall be 123 Edward Street, Toronto, Ontario.

7. The authorized capital of the Amalgamated Corporation shall be divided into 20,000,000 common shares without par value; provided, however, that the aggregate consideration for the issue of the said shares without par value shall not exceed in amount or value the sum of \$40,000,000 or such greater amount as the board of directors of the Amalgamated Corporation by resolution determines, provided that such resolution shall not be effective until a certified copy thereof has been filed with the Minister of Financial and Commercial Affairs, all prescribed fees have been paid and the Minister has so certified.

8. The issued and outstanding shares of GNC and Western Realty shall be converted into issued and outstanding shares in the capital of the Amalgamated Corporation as follows:

- (a) each issued and outstanding share without par value of GNC will be converted into one and one-half fully paid and non-assessable common shares without par value of the Amalgamated Corporation;
- (b) each issued and outstanding share without nominal or par value of Western Realty will be converted into one fully paid and non-assessable common share without par value of the Amalgamated Corporation;

provided that the issued capital of the Amalgamated Corporation shall be equal to the aggregate of the issued capitals of each of GNC and Western Realty immediately before such amalgamation.

9. (1) After the amalgamation becomes effective the shareholders of the parties hereto, when requested by the Amalgamated Corporation to do so, shall surrender the certificates representing the shares held by them respectively for cancellation and in return shall be entitled to receive certificates for shares of the Amalgamated Corporation on the basis set out in paragraph 8 hereof.

(2) Each person who, prior to the amalgamation becoming effective, was entitled to a fraction of a share of either of the parties hereto shall be entitled to a fraction of a share of the Amalgamated Corporation on the basis of the conversion set forth in paragraph 8 hereof. No fractions of shares of the Amalgamated Corporation shall be issued, but each person who would otherwise be entitled to a fraction of a share of the Amalgamated Corporation will be entitled to receive a bearer fractional certificate in respect of such fraction.

10. The Board of Directors of the Amalgamated Corporation, until otherwise changed in accordance with The Business Corporation Act, shall consist of nine members, and the first directors of the Amalgamated Corporation with their names, occupations, and places of residence, shall be the following:

<u>Name</u>	<u>Occupation</u>	<u>Residence Address</u>
JAMES W. V. ANDREWS.....	Joint Managing Director..... Capital & Counties Property Company Limited London, England	St. Andrew's House 40 Broadway London, England
SAMUEL BELZBERG.....	President.....	1369 Connaught Drive First City Financial Corporation Ltd. Vancouver, British Columbia
JOHN B. HAMILTON, Q.C.....	Senior Partner.....	15 Cluny Drive Toronto, Ontario
	Campbell, Nobbs & Woods	



<u>Name</u>	<u>Occupation</u>	<u>Residence Address</u>
WILLIAM R. HODGSON.....	President..... Skyline Hotels Limited	26 Edenbridge Drive Islington, Ontario
SOL KANEE.....	President..... Soo Line Mills (1969) Ltd.	122 Ash Street Winnipeg, Manitoba
DENNIS R. G. MARLER.....	Joint Managing Director..... Capital & Counties Property Company Limited London, England	Woolbrough House 40 Roedean Crescent London, England
RODERICK H. MCISAAC.....	President..... Great Northern Capital Corporation Limited and Western Realty Projects Ltd.	14 Wilket Road Willowdale, Ontario
GEORGE F. H. NELSON.....	Director..... Surveyor Fund Inc.	16 Clearview Drive Summit, New Jersey, U.S.A.
SIR RICHARD THOMPSON, Bt.....	Chairman..... Capital & Counties Property Company Limited London, England	Rhodes House Sellindge Near Oxford Kent, England

The said first directors of the Amalgamated Corporation shall hold office until the first annual meeting of its shareholders, or until their successors are elected or appointed. The subsequent directors shall be elected in accordance with the provisions of The Business Corporations Act.

- 11.** The directors of the Amalgamated Corporation may from time to time,
- (i) borrow money on the credit of the Amalgamated Corporation; or
  - (ii) issue, sell or pledge debt obligations of the Amalgamated Corporation; or
  - (iii) charge, mortgage, hypothecate or pledge all or any currently owned or subsequently acquired real or personal, movable or immovable property of the Amalgamated Corporation, including book debts, rights, powers, franchises and undertaking, to secure any debt obligations or any money borrowed, or other debt or liability of the Amalgamated Corporation;  
the words "debt obligations" as used in this clause mean bonds, debentures, notes or other similar obligations of the Amalgamated Corporation, whether secured or unsecured.
- 12.** Subject to the provisions of The Business Corporations Act the Amalgamated Corporation may purchase any of its issued common shares.
- 13.** The meetings of the board of directors and the executive committee, if any, of the Amalgamated Corporation may be held at any place within or outside of Ontario but in any financial year of the Amalgamated Corporation the majority of the meetings of the board of directors and the majority of the meetings of the executive Committee must be held at a place within Canada, and meetings of the shareholders of the Amalgamated Corporation may be held at any place within Ontario or at the City of Montreal in the Province of Quebec, the City of Winnipeg in the Province of Manitoba, the City of Edmonton in the Province of Alberta or the City of Vancouver in the Province of British Columbia.
- 14.** The by-laws annexed hereto as Schedule "A" shall be the by-laws of the Amalgamated Corporation until repealed, amended, altered or added to.
- 15.** The Amalgamated Corporation shall possess all the property, rights, privileges, franchises and other assets and shall be subject to all the liabilities, contracts, disabilities and debts of each of the parties hereto.
- 16.** All rights of creditors against the property, rights and assets of the parties hereto and all liens upon their property, rights and assets shall be unimpaired by such amalgamation and all debts, contracts, liabilities and duties of the parties hereto shall thenceforth attach to the Amalgamated Corporation and may be enforced against it.

17. No action or proceeding by or against any of the parties hereto shall abate or be affected by such amalgamation.

18. Upon the shareholders of the parties hereto respectively confirming the resolution of their respective boards of directors approving this agreement, the parties hereto shall jointly file, in duplicate with the Minister of Consumer and Commercial Relations, Articles of Amalgamation and all other documents necessary to bring such amalgamation into effect. This agreement shall take effect as of the date set forth in the certificate of amalgamation issued by the Minister, provided that if such date is not the first day of a calendar month, this agreement shall for all purposes of the relationships of the parties hereto one to the other, be deemed to be effective at 11:59 P.M. on the last day of the month preceding the month in which such date lies.

IN WITNESS WHEREOF this agreement has been duly executed by the parties hereto under their respective corporate seals as witnessed by the signatures of their proper officers in that behalf.

GREAT NORTHERN CAPITAL CORPORATION LIMITED

Per:.....  
c/s  
.....

WESTERN REALTY PROJECTS LTD.

Per:.....  
c/s  
.....



## **SCHEDULE "A"**

### **BY-LAW NO. 1**

a by-law relating generally to the transaction of the business and affairs of

ABBHEY GLEN PROPERTY CORPORATION

BE IT ENACTED as a by-law of Abbey Glen Property Corporation (hereinafter referred to as the "Corporation") as follows:

#### **INTERPRETATION**

1. *Definitions*—In this by-law and all other by-laws of the Corporation unless the context requires otherwise:

- (a) "the Act" means The Business Corporations Act (Ontario), or any statute which may be substituted therefor, as amended from time to time;
- (b) "articles" means the articles of amalgamation of the Corporation as from time to time amended or restated;
- (c) "board" means the board of directors of the Corporation;
- (d) "non-business day" means Saturday, Sunday and any other day that is a holiday as defined in The Interpretation Act (Ontario);
- (e) "person" includes individuals, bodies corporate, partnerships, trusts and unincorporated associations;
- (f) "resident Canadian" means a Canadian citizen who is ordinarily resident in Canada or as otherwise defined in the Act;
- (g) words importing the singular number only include the plural and vice versa; words importing the masculine gender include the feminine and neuter genders;
- (h) all words used in this by-law which are defined in the Act shall have the meanings given to such words in the Act.

#### **HEAD OFFICE**

2. Until changed by special by-law, the head office of the Corporation shall be in the Municipality of Metropolitan Toronto and at such location therein as the board may from time to time determine by resolution.

#### **MEETINGS OF SHAREHOLDERS**

3. *Annual Meeting*—The annual meeting of shareholders shall be held on such day in each year and at such time and at such place within Ontario or elsewhere if permitted by the articles as the board, or the chairman of the board or the president in the absence of the chairman of the board, may from time to time determine, for the purposes of receiving the financial statements and auditor's report thereon as required by the Act to be laid before the shareholders at an annual meeting, electing directors, appointing the auditor and fixing or authorizing the board to fix his remuneration and for the transaction of such other business as may properly be brought before the meeting. At least 21 days before the date of every annual meeting of the shareholders a copy of the annual financial statement and a copy of the auditor's report to be presented at the meeting shall be mailed, postage prepaid, to each shareholder of record on the books of the Corporation in accordance with Section 4.

4. *Record Date for Receipt of Financial Statements*—The board may fix a date, preceding the date of the annual meeting of the shareholders by not less than 21 days, nor by more than 50 days, for the determination of the shareholders entitled to receive the financial statements of the Corporation and a copy of the auditor's report thereon to be presented at the meeting. If no such record date is fixed by the board, the record date shall be at the close of business on the day next preceding the day on which the financial statement is given or sent.



5. *General Meeting*—The board or the chairman of the board or the president shall have the power at any time to call a general meeting of the shareholders of the Corporation to be held on such date and at such time and at such place within Ontario or elsewhere if permitted by the articles as may be determined by the board or the person calling the meeting. The phrase “meeting of shareholders” wherever it occurs in this by-law shall mean and include an annual meeting of shareholders and general meeting of shareholders.

6. *Notices*—Notice of the date, time and place of every meeting of shareholders shall be given not less than 21 days nor more than 50 days before the date on which the meeting is to be held to the auditor of the Corporation, to each person who at the close of business on the record date for notice appears on the records of the Corporation as the holder of one or more shares carrying the right to vote at the meeting and to each director. Notice of a general meeting of shareholders shall state the general nature of the business which is to be transacted at it. A meeting of shareholders may be held at any time without notice if all the shareholders entitled to vote thereat are present in person or represented by proxy or those not so present or represented by proxy waive notice of or otherwise consent to such meeting being held, and if the auditor is present or waives such notice or otherwise consents to such meeting being held.

7. *Record Date for Notice*—The board may fix a date, preceding the date of any meeting of shareholders by not less than 21 days nor more than 50 days, for the determination of the shareholders entitled to notice of the meeting. If no such record date for notice is fixed by the board, the record date for notice shall be the day next preceding the day on which notice is given or sent.

8. *Chairman and Secretary*—The chairman of the board or, in his absence, the president or, in his absence, a vice-president shall be chairman of any meeting of shareholders and, if none of the said officers be present within fifteen minutes after the time appointed for holding the meeting, the persons present and entitled to vote shall choose a chairman from amongst themselves. The secretary of the Corporation shall act as secretary at any meeting of shareholders or, if the secretary of the Corporation is absent, the chairman of the meeting shall appoint some person, who need not be a shareholder, to act as secretary of the meeting.

9. *Persons Entitled to be Present*—The only persons entitled to attend a meeting of shareholders shall be those entitled to vote thereat, the directors of the Corporation, the auditor of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act, the articles or the by-laws of the Corporation to be present at the meeting. Any other person may be admitted only on the invitation of the chairman of the meeting or with the consent of the meeting.

10. *Quorum*—Two or more persons present in person and each entitled to vote thereat either personally or as proxy and holding or representing by proxy not less than 10% of the outstanding shares in the capital of the Corporation carrying voting rights thereat shall constitute a quorum for the transaction of business at any meeting of shareholders.

11. *Right to Vote*—At each meeting of the shareholders every shareholder shall be entitled to vote who on the record date for voting appears on the records of the Corporation as the holder of one or more shares carrying the right to vote at such meeting; save that, if the share in question has been mortgaged or hypothecated, the person who mortgaged or hypothecated such share (or his proxy) is entitled to vote at all meetings of shareholders in respect thereof unless in the instrument creating the mortgage or hypothec he has expressly empowered the holder of such mortgage or hypothec to vote in respect of such share, in which case, subject to the articles, such holder (or his proxy) is entitled to vote in respect of such share upon filing with the secretary of the meeting sufficient proof of the terms of such instrument.

12. *Record Date for Voting*—The board may fix in advance of any meeting of shareholders a date and time, not more than two days, excluding non-business days, before the date of the meeting, as the record date for the determination of the shareholders entitled to vote at the meeting, but if no such record date is fixed by the board, the record date for voting shall be the time of the taking of the vote.



13. *Personal Representatives*—Where a person holds shares as an executor, administrator, guardian, tutor, trustee, receiver or liquidator or the committee of or the curator to a mental incompetent, that person or his proxy upon filing with the secretary of the meeting sufficient proof of his appointment shall be entitled to vote at all meetings of shareholders in respect of the shares so held by him.

14. *Proxies*—Every shareholder, including a shareholder that is a body corporate, entitled to vote at a meeting of shareholders may by means of a proxy appoint a person, who need not be a shareholder, as his nominee to attend and act at the meeting in the manner, to the extent and with the power conferred by the proxy. The proxy shall be in writing executed by the shareholder or his attorney authorized in writing or, if the shareholder is a body corporate, under its corporate seal or by an officer or attorney thereof duly authorized, and shall conform with the requirements of the Act. The proxy shall cease to be valid after the expiration of one year from the date thereof. The proxy shall be deposited with the secretary of the meeting before any vote is cast under its authority, or before such earlier time, not exceeding forty-eight hours (excluding non-business days) preceding the meeting, as the board may fix by resolution.

15. *Joint Shareholders*—Where two or more persons hold the same share jointly, any of such persons present or represented by proxy at a meeting of shareholders has the right in the absence of the other or others to vote in respect of such share, but, if more than one of such persons are present or represented by proxy, they shall vote together as one on the share jointly held by them.

16. *Scrutineers*—At each meeting of shareholders one or more scrutineers who need not be shareholders of the Corporation may be appointed by a resolution of the meeting or by the chairman to serve at the meeting.

17. *Votes to Govern*—Unless otherwise required by the articles or by-laws of the Corporation or by law, all questions proposed for the consideration of shareholders at a meeting of shareholders shall be determined by the majority of the votes cast.

18. *Show of Hands*—Subject to the provisions of the Act, any question at a meeting of shareholders shall be decided by a show of hands unless a poll thereon is required or demanded as hereinafter provided. Upon a show of hands every person who is present and entitled to vote shall have one vote. Whenever a vote by show of hands shall have been taken upon a question, unless a poll thereon is so required or demanded, a declaration by the chairman of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question and the result of the vote so taken shall be the decision of the shareholders upon the said question.

19. *Polls*—On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken thereon, the chairman may require or any person entitled to vote on the question may demand a poll thereon. A poll so required or demanded shall be taken in such manner as the chairman shall direct. A requirement or demand for a poll may be withdrawn at any time prior to the taking of the poll. Upon a poll each person present shall be entitled, in respect of the shares which he is entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the articles, and the result of the poll so taken shall be the decision of the shareholders upon the said question.

20. *Casting Vote*—In case of an equality of votes at any meeting of shareholders either upon a show of hands or upon a poll, the chairman of the meeting shall be entitled to a second or casting vote.

21. *Adjournment*—The chairman presiding at a meeting of shareholders may, with the consent of the meeting and subject to such conditions as the meeting may decide, adjourn the meeting from time to time and from place to place.

22. *Action in Writing by Shareholders*—Any by-law or resolution passed by the directors may, in lieu of confirmation at a general meeting of shareholders, be confirmed and consented to in writing by all the shareholders entitled to vote at such meeting. Any resolution may, in lieu of being passed at a meeting of shareholders, be consented to by the signatures of all the shareholders who would be entitled to vote at a meeting of shareholders duly called, constituted and held for the purpose of considering such resolution.



## DIRECTORS

23. *Duties of Directors*—The board shall manage or supervise the management of the affairs and business of the Corporation.

24. *Qualification of Directors*—(a) A majority of directors on the board of directors shall be resident Canadians.

(b) No person shall be elected or appointed a director if he is

(i) under 18 years of age, or

(ii) an undischarged bankrupt or a mental incompetent.

(c) At least two of the directors shall be persons who are not officers or employees of the Corporation or of any other body corporate that is deemed under the provisions of the Act to be affiliated with the Corporation.

(d) A director need not be a shareholder of the Corporation.

25. *Number of Directors and Quorum*—Until changed by special by-law the board shall consist of nine members of whom four shall constitute a quorum for the transaction of business.

26. *Executive Committee*—Whenever the board consists of more than six directors the board may elect from among its number an executive committee to be composed of not fewer than three directors, of whom a majority shall be resident Canadians, which committee may exercise all the powers of the board, subject to any restrictions imposed from time to time by the board. All action of the executive committee shall be reported to the board at its meeting next succeeding such action. Unless otherwise ordered by the board, the executive committee shall have power to fix its quorum at not less than a majority of its members, to elect its chairman and to regulate its procedure. No business shall be transacted by an executive committee except at a meeting of its members at which a quorum is present and at which a majority of the members present are resident Canadians.

27. *Action by the Board*—The board shall make all determinations and take all action in exercise of its powers by or pursuant to a by-law or resolution either passed at a meeting of directors at which a quorum is present and at which a majority of the directors present are resident Canadians or consented to by the signatures of all the directors then in office if constituting a quorum.

28. *Election and Term*—(a) Directors shall be elected yearly at the annual meeting of shareholders of the Corporation and shall hold office until the next annual meeting of shareholders. Each director then in office shall retire, but, if qualified, shall be eligible for re-election. The election may be by a resolution carried by a show of hands unless a poll is demanded by any shareholder and if a poll is demanded such election shall be by ballot. If an election of directors is not held at the annual meeting of shareholders, the directors then in office shall continue in office until their successors are elected.

(b) The election or appointment of a person as a director shall not be effective unless,

(i) he was present at the meeting when he was elected or appointed and did not refuse at the meeting to act as a director; or

(ii) he consented in writing before his election or appointment or within ten days thereafter to act as director.

29. *Removal of Directors*—The shareholders may, by resolution passed by a majority of the votes cast at a general meeting of shareholders duly called for that purpose, remove any director and may at that meeting elect a qualified person in his stead for the remainder of his term.

30. *Vacation of Office*—A director may resign his office by notice in writing delivered or sent to the secretary of the Corporation and such resignation shall become effective on receipt thereof or on such later date as may be specified in such notice. A director shall forthwith cease to hold office as a director should he become a bankrupt or be found to be a mental incompetent.

31. *Vacancies*—Where there is a vacancy or vacancies in the board of directors, the remaining directors may exercise all the powers of the board so long as a quorum of the board remains in office. If a vacancy shall occur in the board otherwise than as a result of an increase in the number of directors, the remaining



directors if constituting a quorum may appoint a qualified person to fill the vacancy for the remainder of the term. In the absence of a quorum the remaining directors shall forthwith call a meeting of shareholders to fill the vacancy. Where the number of directors is increased, any vacancy resulting from such increase shall be filled by election at a general meeting of shareholders duly called for that purpose.

32. *Calling of Meetings*—Meetings of the board shall be held from time to time at such place, on such day and at such time as the board, or the chairman of the board or the president or any two directors may determine. Notice of every meeting so called shall be given to each director not less than forty-eight hours before the time when the meeting is to be held and need not be in writing; provided that no notice of a meeting shall be necessary if all the directors are present or if those absent waive notice of or otherwise signify their consent to the holding of such meeting.

33. *Meetings by Telephone*—Any director may participate in a meeting of the board of directors or of the executive committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, if all the directors consent to the holding of meetings in such manner.

34. *Regular Meetings*—The board may appoint a day or days in any month or months for regular meetings at a place and hour to be named. A copy of any resolution by the board fixing the place and time of regular meetings of the board shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting.

35. *Auditor's Attendance at Meetings*—The auditor of the Corporation shall be entitled to attend and be heard at meetings of the board on matters relating to his duties as auditor.

36. *First Meeting of the New Board*—Each newly elected board may, without notice, hold its first meeting for the purpose of organization and the election and appointment of officers within one week following the meeting of shareholders at which such board was elected, provided that a quorum of directors is present.

37. *Place of Meeting*—Meetings of the board of directors and of the executive committee may be held at the head office of the Corporation or any other place within or outside Ontario, but in any financial year of the Corporation a majority of the meetings of the board of directors and a majority of the meetings of the executive committee shall be held within Canada. If a majority of the directors participating by telephone in any meeting of the board or of the executive committee are then in Canada the meeting shall be deemed to have been held in Canada.

38. *Votes to Govern*—At all meetings of the board every question shall be decided by a majority of the votes cast on the question and in the case of an equality of votes the chairman of the meeting shall be entitled to a second or casting vote.

39. *Chairman and Secretary*—The chairman of the board or, in his absence, the president or, in his absence, a vice-president shall be chairman of any meeting of the board; and, if none of the said officers is present, the directors present shall choose one of their number to be chairman. The secretary of the Corporation shall act as secretary at any meeting of the board and, if the secretary of the Corporation is absent, the chairman of the meeting shall appoint a person who need not be a director to act as secretary of the meeting.

40. *Remuneration and Expenses*—Each director of the Corporation shall be paid for his services as a director the sum of \$5,000 per annum payable semi-annually and if such director is also a member of the executive committee, a further sum of \$5,000 per annum payable semi-annually.

41. *Interest of Directors in Contracts*—Subject to the provisions of the Act it shall be the duty of every director of the Corporation who has, directly or indirectly, any material interest in any material contract or transaction to which the Corporation or a subsidiary thereof is or is to be a party, other than a contract or transaction in which his interest is limited solely to his remuneration as a director, officer or employee, to disclose his interest in such contract or transaction in accordance with the requirements of the Act and to refrain from voting in respect thereof at any meeting of the board of directors, and any director so required to disclose his interest will not be counted as being present at the meeting for the purpose of determining



whether a quorum is present at the time a vote is taken in respect of the contract or transaction in which he has disclosed his interest.

Subject to the foregoing, no director acting honestly and in good faith shall be disqualified by his office from contracting or otherwise dealing with the Corporation, and no such director who has, directly or indirectly, any interest in any contract or transaction to which the Corporation or a subsidiary thereof is or is to be a party shall be accountable, by reason of his holding the office of director, to the Corporation or to its shareholders for any profit or gain realized from the contract or transaction, and the contract or transaction shall not be voidable by reason only of the director's interest therein if the contract or transaction was in the best interests of the Corporation or such subsidiary at the time it was entered into.

42. *Audit Committee*—At the first meeting of the board of directors after each election of directors, the board shall elect from among its members an audit committee composed of not fewer than three directors, of whom a majority shall be persons who are not officers or employees of the Corporation or of any other corporation that is deemed under the Act to be affiliated with the Corporation. Such committee shall hold office until the next annual meeting of the shareholders, and the board shall fill any vacancies on the committee occurring from time to time. A chairman of the audit committee shall be elected by its members from among themselves. The annual financial statement of the Corporation shall be submitted to the audit committee for review, and the auditor shall have the right to appear before any meeting of the audit committee and to cause a meeting of the committee to be convened, and he shall appear before the committee when required to do so by the committee.

43. *Loans to Shareholders*—The Corporation may from time to time when authorized by the board:
- (a) make loans to bona fide full-time employees of the Corporation, whether or not they are shareholders or directors, with a view to enabling them to purchase or erect dwelling houses for their own occupation, and may take from such employees mortgages or other security for the repayment of such loans;
  - (b) provide, in accordance with a scheme for the time being in force, money by way of loan for the purchase of or subscription for shares of the Corporation by trustees, to be held by or for the benefit of bona fide employees of the Corporation, whether or not they are shareholders or directors; or
  - (c) make loans to bona fide employees of the Corporation other than directors, whether or not they are shareholders, with a view to enabling them to purchase or subscribe for shares of the Corporation to be held by them by way of beneficial ownership.

## OFFICERS

44. *Election and Appointment*—At the first meeting of the board after each election of directors the board shall elect or appoint a president and a secretary and may elect or appoint a chairman of the board, one or more vice-presidents, a treasurer, and such other officers as the board may determine including one or more assistants to any of the officers so appointed. In default of such election or appointment the then incumbent shall hold office until his successor is elected or appointed, or until he shall resign the office; the chairman of the board must be a member of the board but the president and other officers may, but need not, be members of the board. One person may hold more than one office. A vacancy occurring from time to time in any office may be filled by the board.

45. *Term of Office and Remuneration*—In the absence of written agreement to the contrary the board may remove at its pleasure any officer of the Corporation. The terms of employment and remuneration of the president and other officers elected or appointed by it shall be settled from time to time by the board.

46. *Chairman of the Board*—If appointed, the chairman of the board shall, if present, preside at all meetings of the board and of shareholders. In addition, the board may assign to him any of the powers and duties that are by any provisions of this by-law assigned to any other officer, and he shall have such other powers and duties as the board may prescribe. During the absence or disability of the chairman of the board the president shall assume all his powers and duties.

47. *President*—Except where the board has designated otherwise, the president shall be the chief executive officer of the Corporation and, subject to the authority of the board, shall be charged with the general supervision of the business and affairs of the Corporation.



48. *Vice-President*—During the absence or disability of the president his duties shall be performed and his powers may be exercised by the vice-president or, if there is more than one, by the vice-president designated from time to time by the board. If a vice-president exercises any such duty or power, the absence or disability of the president shall be presumed with reference thereto. A vice-president shall also perform such other duties and exercise such other powers as the president or the board may from time to time assign to him.

49. *Secretary*—The secretary shall give, or cause to be given, all notices required to be given to shareholders, directors, the auditor and members of committees; he shall attend all meetings of the directors and of the shareholders and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings at such meetings; he shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and all books, papers, records, documents and other instruments belonging to the Corporation other than those required to be kept by another officer or agent appointed for that purpose; and he shall perform such other duties as the president of the board may from time to time assign to him.

50. *Treasurer*—The treasurer shall keep proper books of account and accounting records with respect to all financial and other transactions of the Corporation, and under the direction of the board shall be responsible for the deposit of money, the safekeeping of securities and the receipt and disbursement of the funds of the Corporation. He shall render to the board and to the president, whenever requested, an account of all his transactions as treasurer and of the financial position of the Corporation and he shall perform such other duties as the board or the president may from time to time assign to him.

51. *Other Officers*—The duties of all other officers of the Corporation shall be such as the terms of their engagement call for or the board or the president require of them. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the board or the president otherwise directs.

52. *Agents and Attorneys*—The board shall have power from time to time to appoint agents or attorneys for the Corporation in or out of Ontario with such powers of management or otherwise (including the power to sub-delegate) as the board may determine.

53. *Variation of Duties*—From time to time the board may vary, add to or limit the powers and duties of any officer, agent or attorney of the Corporation.

54. *Fidelity Bonds*—The board may require such officers, employees and agents of the Corporation as the board deems advisable to furnish bonds for the faithful discharge of their duties, in such form and with such surety as the board may from time to time prescribe.

## PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

55. *Indemnity of Directors, Officers and Employees*—Every director, officer and employee of the Corporation and his heirs, executors, administrators and other legal personal representatives shall from time to time be indemnified and saved harmless by the Corporation from and against,

- (a) any liability and all costs, charges and expenses that he sustains or incurs in respect of any action, suit or proceeding that is proposed or commenced against him for or in respect of anything done or permitted by him in respect of the execution of his duties; and
- (b) all other costs, charges and expenses that he sustains or incurs in respect of the affairs of the Corporation;

provided that no director or officer of the Corporation shall be indemnified by the Corporation in respect of any liability, costs, charges or expenses that he sustains or incurs in or about any action, suit or other proceeding as a result of which he is adjudged to be in breach of any duty or responsibility imposed upon him under the Act or under any other statute unless, in an action brought against him in his capacity as director or officer, he has achieved complete or substantial success as a defendant.

56. *Insurance*—Subject to the provisions of the Act, the Corporation may purchase and maintain such insurance for the benefit of its directors, officers or employees as the board may from time to time determine.



## BANKING ARRANGEMENTS AND EXECUTION OF INSTRUMENTS

57. *Banking Arrangements*—The banking business of the Corporation, or any part thereof, shall be transacted with such bank, trust company or other firm or body corporate as the board may designate, appoint or authorize from time to time and all such banking business, or any part thereof, shall be transacted on the Corporation's behalf by such one or more officers or other persons as the board may designate, direct or authorize from time to time and to the extent thereby provided.

58. *Execution of Instruments*—Instruments requiring the signature of the Corporation may be signed by two persons, one of whom holds the office of chairman of the board, president, vice-president or director and the other of whom holds one of the said offices or any other office created by the by-laws of the Corporation or the board. The secretary or any assistant secretary or in their absence any other officer may certify under the corporate seal copies of any by-law, resolution, minute or other document relating to the Corporation and any officer may sign a certificate under the seal of the Corporation as to matters of fact in connection with the Corporation within the purview of authority of such officer. Instruments so signed shall be binding upon the Corporation without further authorization or formality. The board may at any time and from time to time direct the manner in which and the person or persons by whom any particular instrument, class of instruments or instruments in general shall or may be signed. The corporate seal shall be affixed to any instrument on which the seal is required. For the purpose of this section "instruments" includes contracts, deeds, mortgages, transfers and assignments of any property of the Corporation, proxies, obligations, certificates and any other documents.

## SHARES

59. *Allotment*—The board may from time to time allot or grant options to purchase the whole or any part of the authorized and unissued shares of the Corporation, including any shares created by articles of amendment increasing or otherwise varying the capital of the Corporation, in such manner and to such persons or class of persons as the board shall determine.

60. *Payment of Commissions*—The board may authorize the payment of commissions or the allowance of discounts to persons in consideration of their subscribing or agreeing to subscribe, whether absolutely or conditionally, for shares in the Corporation or procuring or agreeing to procure subscriptions, whether absolute or conditional, for such shares, but no such commission or discount shall exceed 25% of the amount of the subscription price.

61. *Lien*—Except in the case of any class or series of shares of the Corporation listed on a stock exchange the Corporation shall have a lien on the shares registered in the name of a shareholder who is indebted to the Corporation, to the extent of such debt.

62. *Share Certificates*—Every shareholder shall be entitled, without payment, to a share certificate stating the number and class of shares held by him as shown on the records of the Corporation. Subject to the provisions of the Act, share certificates shall be in such form as the board shall from time to time approve. Unless otherwise ordered by the board, they shall be signed by the president or a vice-president and by the secretary or an assistant secretary and need not be under the corporate seal; provided that certificates representing shares in respect of which a transfer agent and registrar (which term shall include a branch transfer agent and registrar) have been appointed shall not be valid unless countersigned by or on behalf of such transfer agent and registrar. If authorized by resolution of the board, the corporate seal of the Corporation and the signature of one of the signing officers, or, in the case of share certificates representing shares in respect of which a transfer agent and registrar have been appointed, the signatures of both signing officers, may be printed, engraved, lithographed or otherwise mechanically reproduced in facsimile upon share certificates and every such facsimile signature shall for all purposes be deemed to be the signature of the officer whose signature it reproduces and shall be binding upon the Corporation. Share certificates executed as aforesaid shall be valid notwithstanding that one or both of the officers whose signature (whether manual or facsimile) appears thereon no longer holds office at the date of issue or delivery of the certificate.

63. *Replacement of Share Certificates*—The board may by resolution prescribe, either generally or in a particular case, the conditions as to indemnity, evidence of title and loss and other reasonable requirements,



upon satisfaction of which a new share certificate may be issued in lieu of and upon cancellation of a share certificate which has become mutilated or in substitution for a certificate which has been lost, apparently destroyed or wrongfully taken.

64. *Transfer Agents and Registrars*—The board may from time to time by resolution appoint a registrar to keep the register of holders of any class of securities of the Corporation and a transfer agent to keep the register of transfers of such securities and may also appoint one or more branch registrars or transfer agents to keep branch registers, but one person may be appointed both registrar and transfer agent. The board may at any time terminate the appointment of any registrar or transfer agent.

65. *Registration of Transfer*—Subject to the provisions of the Act, no transfer of shares shall be registered in a register of transfers or branch register of transfers except upon surrender of the certificate representing such shares with a transfer endorsed thereon or delivered therewith duly executed by the registered holder or by his attorney or successor duly appointed, together with such assurance or evidence of signature, identification and authority to transfer as the board may from time to time prescribe, and upon payment of all applicable taxes and upon compliance with such restrictions on transfer as are authorized by the articles and satisfaction of any lien referred to in Section 61.

66. *Non-recognition of Trusts*—The Corporation shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not, except as ordered by a court of competent jurisdiction or as required by statute, be bound to see to the execution of any trust, whether express, implied or constructive, in respect of any share or to recognize any such claim to or interest in such share on the part of any person other than the registered holder thereof.

67. *Joint Shareholders*—If two or more persons are registered as joint holders of any share, the Corporation shall not be bound to issue more than one certificate in respect thereof, and delivery of such certificate to one of such persons shall be sufficient delivery to all of them. Any one of such persons may give effectual receipts for the certificate issued in respect thereof and for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such shares.

## DIVIDENDS

68. *Dividends*—The board may from time to time declare dividends payable to the shareholders according to their respective rights and interests in the Corporation. A dividend payable in cash shall be paid by cheque in the amount of the dividend (less any tax required to be deducted) to the order of each registered holder of shares of the class in respect of which it has been declared and mailed by ordinary mail, postage prepaid, to such registered holder at his last address appearing on the records of the Corporation. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and, if more than one address appears on the books of the Corporation in respect of such joint holding, the cheque shall be mailed to the first address so appearing. The mailing of such cheque as aforesaid shall satisfy and discharge all liability for the dividend to the extent of the sum represented (plus any tax deducted as aforesaid) thereby, unless such cheque be not paid on due presentation. In the event of non-receipt of any cheque for a dividend by the person to whom it is so sent as aforesaid or of the loss thereof, the Corporation, on proof of such non-receipt or loss and upon receiving satisfactory indemnity, shall issue to such person a replacement cheque for a like amount.

69. *Record Date for Dividends and Other Rights*—The board may fix in advance a date as the record date for the determination of shareholders entitled to the payment of any dividend or the allotment or issue of any right to subscribe for shares or other securities of the Corporation and in every such case only such persons as shall be shareholders of record on the record date shall be entitled to receive such dividend or to be allotted or issued the right to subscribe for such shares or other securities. The board may also fix in advance a date as the record date for the determination of shareholders for such other purpose or purposes as are not otherwise specifically provided for herein.

70. *Unclaimed Dividends*—Any dividend unclaimed after a period of six years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.



## NOTICES

71. *Method of Giving*—Any notice, communication or other document to be given or sent by the Corporation to a shareholder, director, officer or auditor of the Corporation under any provision of the articles or by-laws of the Corporation or of the Act, shall be sufficiently given if it is:

- (a) delivered personally to the person to whom it is to be given; or
- (b) delivered to his latest address as shown on the records of the Corporation; or
- (c) mailed by prepaid ordinary or airmail in a sealed envelope addressed to him at his latest address as shown on the records of the Corporation; or
- (d) sent to him at such address by any form of transmitted or recorded communication.

A notice, communication or document so delivered shall be deemed to have been given when it is delivered personally at the address aforesaid; and a notice, communication or document so mailed shall be deemed to have been given or sent when deposited in a post office or public letter box; and a notice sent by any form of transmitted or recorded communication shall be deemed to have been given when delivered to the appropriate communication company or agency or its representative for despatch. Where, on three consecutive occasions, notices, communications or other documents have been mailed to a shareholder at his latest address as shown on the records of the Corporation and where, on three consecutive occasions, notices, communications or other documents have been returned by the Post Office to the Corporation, the Corporation shall not be required to mail to the shareholder any further notices, communications or other documents until such time as the Corporation receives written notice from the shareholder requesting that notices, communications or other documents be sent to the shareholder at a specified address. The secretary may change the address on the records of the Corporation of any person in accordance with any information believed by him to be reliable.

72. *Computation of Time*—In computing the date when notice must be given pursuant to any requirement for a specified number of days notice of any meeting or other event, the date on which the notice is given shall be included and the date of the meeting or other event shall be excluded.

73. *Omissions and Errors*—The accidental omission to give any notice to any shareholder, director, officer or auditor or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

74. *Notice to Joint Shareholders*—Any notice with respect to a share registered in more than one name may, if more than one address appears on the records of the Corporation in respect thereof, be given to the holders of such share at the first address so appearing, and notice so given shall be sufficient notice to all such holders.

75. *Persons Entitled by Death or Operation of Law*—Every person who by operation of law, transfer, death of a shareholder or by any other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share which, prior to his name and address being entered on the records of the Corporation, shall have been duly given to the person from whom he derives his title to such share.

76. *Waiver of Notice*—Any person entitled to receive a notice required to be given by the Corporation under the articles or by-laws of the Corporation or the Act, or the duly appointed proxy of a shareholder so entitled, may waive such requirement and such waiver, whether given before or after the meeting or other event of which notice is required to be given, shall cure any error, omission or default in giving such notice.



## **BY-LAW No. 2**

a by-law respecting the borrowing of money by

**ABBAY GLEN PROPERTY CORPORATION**

BE IT ENACTED and it is hereby enacted as a by-law of Abbey Glen Property Corporation (hereinafter called the "Corporation") as follows:

1. The directors may from time to time
  - (a) borrow money on the credit of the Corporation;
  - (b) issue, sell or pledge debt obligations of the Corporation;
  - (c) charge, mortgage, hypothecate or pledge all or any currently owned or subsequently acquired real or personal, movable or immovable property of the Corporation, including book debts, rights, powers, franchises and undertaking, to secure any debt obligations or any money borrowed, or other debt or liability of the Corporation.

The words "debt obligations" as used in this paragraph mean bonds, debentures, notes or other similar obligations of the Corporation whether secured or unsecured.

2. The directors may from time to time by resolution delegate to the president and the secretary or to any two individuals (including the president or the secretary) each of whom is a director or officer of the Corporation all or any of the powers conferred on the directors by paragraph 1 of this by-law to the full extent thereof or such lesser extent as the directors may in any such resolution provide.

3. The powers hereby conferred shall be deemed to be in supplement of and not in substitution for any powers to borrow money for the purposes of the Corporation possessed by its directors or officers independently of a borrowing by-law.

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## **BY-LAW No. 3**

a by-law authorizing borrowing and pledging

**ABBAY GLEN PROPERTY CORPORATION**

Incorporated under The Business Corporations Act

BE IT AND IT IS HEREBY ENACTED as a By-law of the Company as follows:

1. That the Directors of the Company may from time to time:
  - (a) borrow money upon the credit of the Company by obtaining loans or advances or by way of overdraft or otherwise;
  - (b) issue, sell or pledge securities of the Company including bonds, debentures, debenture stock, for such sums on such terms and at such prices as they may deem expedient;
  - (c) assign, transfer, convey, hypothecate, mortgage, pledge, charge or give security in any manner upon all or any of the real or personal, moveable or immoveable property, rights, powers, choses in action, or other assets, present or future, of the Company to secure any such securities or other securities of the Company or any money borrowed or to be borrowed or any obligations or liabilities as aforesaid or otherwise of the Company heretofore, now or hereafter made or incurred directly or indirectly or otherwise; and
  - (d) without in any way limiting the powers herein conferred upon the Directors, give security or promises to give security, agreements, documents and instruments in any manner or form under the Bank Act or otherwise to secure any money borrowed or to be borrowed or any obligations or liabilities as aforesaid or otherwise of the Company heretofore, now or hereafter made or incurred directly or indirectly or otherwise.

2. That any or all of the foregoing powers may from time to time be delegated by the Directors to any one or more of the directors or officers of the Company.

3. That this By-law shall remain in force and be binding upon the Company as regards any person acting on the faith thereof until such person has received written notification from the Company that this By-law has been repealed or replaced.



## **Canadian Imperial Bank of Commerce**

### **BY-LAW No. 4**

a by-law respecting the borrowing of money and the issue of securities by

ABBEEY GLEN PROPERTY CORPORATION

BE IT ENACTED by the Directors of Abbey Glen Property Corporation as a by-law of the said Corporation as follows:

The Directors of the Corporation may from time to time:

- (a) borrow money upon the credit of the Corporation;
- (b) issue, sell or pledge debt obligations of the Corporation, including without limitation, bonds, debentures, notes or other similar obligations of the Corporation whether secured or unsecured;
- (c) charge, mortgage, hypothecate or pledge all or any currently owned or subsequently acquired real or personal, movable or immovable property of the Corporation, including book debts, rights, powers, franchises and undertaking, to secure any such debt obligations or any money borrowed, or other debt or liability of the Corporation;
- (d) delegate to such one or more of the officers and Directors of the Corporation as may be designated by the Directors all or any of the powers conferred by the foregoing clauses of this By-law to such extent and in such manner as the Directors shall determine at the time of each such delegation.

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### **BY-LAW No. 5**

respecting the borrowing of money by the Company

ABBEEY GLEN PROPERTY CORPORATION

BE IT ENACTED as a By-law of the Company that:

1. The Directors may from time to time borrow money from THE BANK OF NOVA SCOTIA (herein called the "Bank") upon the credit of the Company on cheques, promissory notes, bills of exchange or otherwise in such amounts and subject to such terms as may be considered advisable; AND may assign, transfer, convey, hypothecate, mortgage, charge or pledge to or in favour of the Bank any property of the Company, real or personal, moveable or immovable, present or future, including book debts, unpaid calls, rights, powers, undertaking, franchises and the Company's own debentures, as security for the fulfilment of any liabilities or obligations, present or future, of the Company to the Bank and may empower the Bank or any person or persons to sell by public or private sale, assign, transfer or convey from time to time any such property; AND may sign, make, draw, accept, endorse, execute and deliver on behalf of and in the name of the Company all such cheques, promissory notes, bills of exchange, draws, acceptances, orders for the payment of money, warehouse receipts, bills of lading, agreements to give security, assignments, transfers, conveyances, hypothecs, mortgages, pledges, securities and other agreements, documents and instruments as may be necessary or useful in connection with the borrowing of money by and other banking business of the Company.

2. The Directors may authorize any one or more directors, officers, employees or agents of the Company to exercise any of the rights, powers and authorities conferred by this By-law upon the Directors.

3. The borrowing of money from the Bank from time to time heretofore under the authority of the Directors of the Company and the giving of security therefor are hereby ratified and confirmed.

4. This By-law shall continue in force as between the Company and the Bank until a By-law repealing this By-law shall have been validly passed and confirmed and a copy thereof, duly certified under the seal of the Company, shall have been delivered to the Bank and receipt thereof acknowledged by the Bank.





