

revenue properties company limited

**1972**

annual report

# revenue properties company limited

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## **DIRECTORS**

Richard A. Bain, Toronto

Watson W. Evans, Toronto

Maxwell Goldhar, Toronto

Paul W. Hellen, Toronto

Ken Kelman, Toronto

Gurston I. Rosenfeld, Toronto

C. Harris Tod, C.A., Toronto

Sara Tuberman, Toronto

Michael G. Wright, Montreal

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## **OFFICERS**

President: Maxwell Goldhar

Vice-President and Treasurer: C. Harris Tod, C.A.

Secretary: Richard A. Bain

Assistant Secretary: Sara Tuberman

Controller: Warren H. Bock, C.A.

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**AUDITORS**

Thorne Gunn & Co.

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**PREFERENCE SHARES**

Registrar & Transfer Agent  
National Trust Company, Limited

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**COMMON SHARES**

Registrar & Transfer Agent  
National Trust Company, Limited  
Co-Registrar & Co-Transfer Agent  
Bankers Trust Company

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**SENIOR DEBENTURES**

Trustee: The Royal Trust Company

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**SUBORDINATED DEBENTURES**

Trustee: National Trust Company, Limited

**HEAD OFFICE**

12 Sheppard Street, Toronto, Canada, M5H 3A1

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# revenue properties company limited

## TO THE SHAREHOLDERS:

We are pleased to enclose the audited consolidated financial statements of Revenue Properties Company Limited and subsidiaries for the year ended December 31, 1972.

Net income for the year before extraordinary items at \$399,512 compares with a restated loss for the previous year in the amount of \$2,103,256. Extraordinary items in the amount of \$371,000 arising from income tax reductions on application of prior years' losses bring the net income for the year to \$770,512 or 6.6¢ per share.

In 1970, a provision for possible loss of the Company's equity in two parcels of land was set up. It has become obvious that this was done in error, and management has decided to reverse such provision in the amount of \$1,249,996 and to adjust the related interest which should have been capitalized. The accompanying consolidated financial statements now reflect the appropriate cost of the lands in question. Consolidated deficit would have been \$1,629,939 greater at December 31, 1972 and land held in joint ventures not consolidated would have been understated by a similar amount, had the reversal not been made.

There have been significant improvements in most areas of the Company's operations during 1972. Land sales of \$8,178,339, although lower than sales of \$14,497,416 in 1971, resulted in a gross profit of approximately \$3 million as compared to approximately \$2 million in 1971; rental income increased from \$8,369,299 to \$9,057,826 while direct operating expenses remained about the same; and our associated company operated at a profit in 1972, as compared with a loss in the previous year.

We are also pleased to report that for the first quarter of 1973 unaudited profit was \$313,561, an apparent improvement from the results of operations for the same period in 1972, although comparative figures are not available. Because of the nature of your Company's real estate development business, however, the results for the first quarter of 1973 are not necessarily indicative of results to be expected for the year.

## Land Development

Your Company and its associates continue to be active in the development of subdivisions. During 1972 we developed and sold 520 residential building lots. Joint ventures were entered into with two companies whereby four high-rise apartments and 204 condominium townhouses will be developed in Toronto over the next few years. The first of the apartments is now under way, and the second will be started later in 1973. In all, 900 units will be constructed when the project is completed. The construction of the 204 condominium townhouses was commenced in the latter part of 1972.

During the year, the Company disposed of land which it held in Acton, Ontario, at a profit.

In May, 1973, the Government of Canada indicated that it was prepared to pay approximately \$2,600,000 as total compensation for all interests in approximately 1,100 acres of Century City land which it expropriated for a new international airport. Century City Developments Limited, a 76.25% owned subsidiary, still retains approximately 5,500 acres. Century City will have one year in which to negotiate a settlement for any claims which it may have for additional compensation or to commence proceedings in the Federal Court. Approximately \$1,600,000 of the amount must be used to pay encumbrances and real estate taxes on the land expropriated. The Government has also offered to purchase at a negotiated price an additional 500 acres which had been subject to a notice of intention to expropriate but were not expropriated. The offer remains available until January 31, 1974. Management is actively working on various alternative uses for the development of the balance of the Century City lands.

Additional acreages held by the Company for development or sale in the next few years are listed on the Summary of Principal Holdings shown on page 29.

### **Industrial Division**

In 1972 the Industrial Construction Division operated primarily in Montreal. It was involved in the construction of approximately 300,000 sq. ft. of industrial space, of which 125,000 sq. ft. was completed or is under construction as an addition to the Company's investment portfolio in the Airport Industrial Estates, Dorval, Quebec.

The Division presently has contracts for the construction of 100,000 sq. ft. and proposes to build 46,500 sq. ft. of industrial space and 32,400 sq. ft. of commercial space for investment by the Company as a part of the Airport Industrial Estates.

Industrial construction activities have recently been expanded into Ontario, and the Division has opened an office at 2001 Leslie Street, Toronto. We look forward to a significant growth in the Industrial Construction Division over the next few years.

### **Housing Construction**

During 1972 the Company restricted its housebuilding activities to the construction of a small number of homes in Port Elgin, Ontario. It is anticipated that the housing construction division will gradually increase its activities both in Port Elgin and in other centres in Ontario.

### **Property Management**

A summary of principal properties managed by the Company is included on page 29. At the present time, certain housing trusts and condominiums are also managed by the Company. It is possible that other such ventures will be undertaken in the future. As additional residential, commercial and industrial buildings are completed, either as a Company investment or in joint ventures, it is expected that property management activities will expand.

The Company's accounting staff deserves special recognition. With the release of the accompanying financial statements, the Company is for the first time since 1968 up-to-date in its financial reporting. Its accounting procedures are now such that it can be expected that financial reports will be issued in a timely fashion in future. In addition to the many necessary personnel changes in the Accounting Department, a number of significant changes have been made throughout the organization. Today, your directors feel that the Company has a capable management team which will enable it to strengthen each of the areas of activity in which the Company is presently engaged, with a view to creating a strong positive cash flow and profits.

On behalf of the Board of Directors



MAXWELL GOLDHAR  
President

# revenue properties company limited

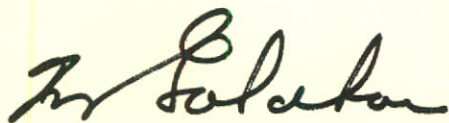
(Incorporated under the laws of Ontario)

and subsidiaries

## ASSETS

	1972	1971
Cash and short-term deposits .....	\$ 872,306	\$ 1,048,605
Cash in escrow .....	907,055	2,268,233
Accounts, rents and other receivables (note 3) .....	2,355,424	2,674,068
Due from directors and officers (note 4) .....	—	2,494,104
Prepaid expenses .....	520,911	462,758
Mortgages receivable (note 5) .....	14,226,562	13,254,200
Balances receivable for land sold under agreements of purchase and sale (note 6) .....	5,036,838	3,748,245
Real estate held for development or sale		
Properties other than Century City (note 7) .....	8,322,936	10,835,441
Century City (note 8) .....	13,768,081	13,190,653
Revenue producing real estate (note 9) .....	31,681,110	33,271,070
Investment in and advances to joint ventures not consolidated (note 10) ...	4,652,406	3,848,796
Investment in and advances to associated company (note 11) .....	941,646	1,235,320
Sundry investments and advances, at cost .....	136,302	384,173
Debenture financing costs less amortization .....	132,438	50,974

Approved by the Board



Director



Director

\$83,554,015 \$88,766,640

# CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1972

(with comparative figures at December 31, 1971 as restated)

## LIABILITIES

	1972	1971
Bank indebtedness, secured	\$ 279,580	\$ 347,043
Accounts payable and accrued liabilities	5,617,409	5,444,125
Liability for settlement of United States civil actions	—	1,145,178
Due to directors, officers and shareholders (note 12)	1,628,000	1,801,605
Estimated completion costs for land sold	467,486	802,608
Loans payable secured by mortgages receivable (note 13)	7,997,582	7,404,921
Other secured loans payable (note 13)	915,750	1,901,000
Mortgages payable secured by land sold under agreements of purchase and sale (note 14)	2,435,611	1,968,074
Mortgages payable on real estate held for development or sale (note 14)		
Properties other than Century City	3,048,771	5,944,743
Century City	5,166,792	5,201,383
Mortgages payable on revenue producing real estate (note 14)	22,015,199	23,115,801
9% Convertible sinking fund debentures (note 15)	12,237,060	12,814,097
7½% Convertible subordinated sinking fund debentures (note 16)	986,000	986,000
	<u>62,795,240</u>	<u>68,876,578</u>
Deferred income (note 17)	4,703,122	5,369,611
Deferred income taxes (note 2(e))	1,192,200	1,425,000
	<u>68,690,562</u>	<u>75,671,189</u>

## SHAREHOLDERS' EQUITY

Capital stock (note 18)		
Authorized		
313,977.5 6% Cumulative, non-voting second preference shares, par value \$10, redeemable at par (314,065 in 1971)		
20,000,000 Common shares without par value (16,164,060 in 1971)		
Issued and outstanding		
13,062,897 Common shares (10,962,070 shares in 1971)	26,116,729	25,063,866
Appropriation for second preference shares reserved for issuance as stock dividends	224,150	225,020
Deficit	(11,477,426)	(12,193,435)
Capital stock less deficit	<u>14,863,453</u>	<u>13,095,451</u>
	<u>\$83,554,015</u>	<u>\$88,766,640</u>

Lease and similar obligations, contingent liabilities and legal proceedings (notes 19, 20 and 21).

# revenue properties company limited

and subsidiaries

## CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1972

(with comparative figures for 1971 as restated)

Revenue	1972	1971
Real estate sales		
Held for development or sale .....	\$ 8,178,339	\$14,497,416
Revenue producing .....	1,573,780	3,158,460
Construction .....	894,149	504,623
Rentals .....	9,057,826	8,369,299
Interest .....	1,376,001	1,681,644
Share of income (loss) of associated company before extraordinary item .....	126,889	(230,585)
Share of income (loss) of joint ventures not consolidated (note 10) ..	(13,322)	(126,328)
	<u>21,193,662</u>	<u>27,854,529</u>
Expenses		
Real estate cost of sales		
Held for development or sale .....	5,170,979	12,326,075
Provision for losses (note 7) .....	116,750	913,107
Revenue producing .....	1,621,100	2,430,691
Construction .....	847,538	406,170
Property operating .....	6,511,731	6,517,770
Interest charges (note 22(a) ) .....	5,251,428	6,363,792
Less amounts capitalized .....	(904,951)	(2,383,859)
Administration and general .....	1,698,069	1,856,584
Depreciation .....	903,188	895,124
	<u>21,215,832</u>	<u>29,325,454</u>
Loss before the undernoted items .....	(22,170)	(1,470,925)
Net transfer from (to) deferred income .....	666,489	(26,820)
Income allocated to other participants of consolidated joint ventures ....	(237,607)	(93,097)
Income (loss) before income taxes and extraordinary items .....	<u>406,712</u>	<u>(1,590,842)</u>
Income taxes (notes 2(e) and 22(b) )		
Current .....	—	(30,000)
Current—subject to reduction by application of losses carried forward	240,000	—
Deferred .....	(232,800)	542,414
	<u>7,200</u>	<u>512,414</u>
Income (loss) before extraordinary items .....	<u>399,512</u>	<u>(2,103,256)</u>
Extraordinary items		
Income tax reduction on application of prior years' losses .....	240,000	—
Share of income tax reduction on application of prior years' loss in associated company .....	131,000	—
Debenture financing costs less deferred income taxes .....	—	(172,007)
Discount on purchase of sinking fund debentures .....	—	81,885
Net income (loss) for the year .....	\$ <u>770,512</u>	\$ <u>(2,193,378)</u>
Earnings (loss) per share (note 22(c) )		
Before extraordinary items .....	3.4¢	(19.3¢)
After extraordinary items .....	6.6¢	(20.1¢)



## CONSOLIDATED STATEMENT OF DEFICIT

YEAR ENDED DECEMBER 31, 1972

(with comparative figures for 1971 as restated)

	1972	1971
Deficit at beginning of year (notes 10 and 23)		
As previously reported .....	\$13,738,767	\$11,461,703
Adjustment of provision for loss .....	1,249,996	1,249,996
Adjustments of related interest .....	295,336	206,392
As restated .....	12,193,435	10,005,315
Net income (loss) for the year .....	770,512	(2,193,378)
	11,422,923	12,198,693
Capital reorganization expense .....	54,503	—
Transfer from appropriation for second preference shares .....	—	5,258
Deficit at end of year .....	\$11,477,426	\$12,193,435

## AUDITORS' REPORT

To the Shareholders of Revenue Properties Company Limited

We have examined the consolidated balance sheet of Revenue Properties Company Limited and subsidiaries as at December 31, 1972 and the consolidated statements of income, deficit and changes in financial position for the year 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.

The realizable value of the Century City real estate has not been determined as explained in note 8 and, therefore, it is not possible to estimate the effect on the accompanying consolidated financial statements of this major uncertainty.

In our opinion, subject to any adjustment which may result from the resolution of the major uncertainty referred to above, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

With respect to the comparative figures for the year ended December 31, 1971 we reported under date of February 20, 1973 that we were unable to express an opinion as to whether the consolidated financial statements, taken as a whole, presented fairly the financial position of the companies as at December 31, 1971 and the results of operations and the source and application of funds for the year then ended in accordance with generally accepted accounting principles. We did, however, express an opinion on certain individual items. The limitations on the scope of our audit and the reasons for the denial of opinion are detailed in that report.

Toronto, Canada  
June 4, 1973.

*Thomas Gunn & Co.*  
Chartered Accountants

# revenue properties company limited

and subsidiaries

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1972

(with comparative figures for 1971 as restated)

Source of funds	1972	1971
Operations		
Net income (loss) for the year .....	\$ 770,512	\$ (2,193,378)
Deferred income taxes and depreciation .....	670,388	1,397,538
Other items not involving funds .....	(697,998)	1,487,959
Funds from operations .....	742,902	692,119
Mortgages receivable		
Payments received .....	742,557	563,238
Mortgages sold .....	713,133	3,141,958
Payments received on agreements of purchase and sale .....	2,671,870	11,010,347
Land, development and related costs realized through sales .....	6,361,330	14,501,623
Investments realized .....	2,499,234	3,057,391
Loans and mortgages obtained on purchases of real estate .....	2,129,441	2,510,581
Other loans and mortgages obtained .....	1,208,081	9,355,890
Issue of common shares .....	1,052,863	—
Net changes in other assets and liabilities .....	31,447	—
	18,152,858	44,833,147
Decrease in cash .....	1,470,014	—
	\$19,622,872	\$44,833,147
Application of funds		
Mortgages receivable and agreements of purchase and sale assumed on sale of real estate .....	\$ 4,157,300	\$11,148,030
Real estate purchases and development costs .....	4,282,720	4,012,513
Capitalized interest and carrying charges .....	1,583,020	3,313,969
Investments made .....	568,380	906,905
Interim bank loan paid .....	—	3,119,270
Decrease in accounts payable .....	—	3,154,325
Settlement of United States civil actions .....	1,145,178	—
Loans and mortgages payable		
Assumed by purchasers on sale of real estate .....	1,883,280	2,899,746
Paid by Company .....	5,415,494	12,520,800
Sinking fund debentures paid .....	587,500	2,073,902
Net changes in other assets and liabilities .....	—	404,995
	19,622,872	43,554,455
Increase in cash .....	—	1,278,692
	\$19,622,872	\$44,833,147

# revenue properties company limited

and subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1972

### INDEX

	PAGE
1. Principles of consolidation .....	10
2. Accounting policies .....	11
3. Accounts, rents and other receivables .....	12
4. Due from directors and officers .....	12
5. Mortgages receivable .....	12
6. Balances receivable for land sold under agreements of purchase and sale	12
7. Real estate held for development or sale — Properties other than Century City .....	13
8. Real estate held for development or sale — Century City .....	13
9. Revenue producing real estate .....	14
10. Investment in and advances to joint ventures not consolidated .....	14
11. Investment in and advances to associated company .....	17
12. Due to directors, officers and shareholders .....	18
13. Loans payable .....	18
14. Mortgages payable .....	19
15. 9% Convertible sinking fund debentures .....	19
16. 7½% Convertible subordinated sinking fund debentures .....	23
17. Deferred income .....	23
18. Capital stock .....	24
19. Lease and similar obligations .....	26
20. Contingent liabilities .....	27
21. Legal proceedings .....	27
22. Consolidated statement of income .....	28
23. Restatement and reclassification of 1971 comparative figures .....	29

# revenue properties company limited

Throughout these notes "the Company" refers to Revenue Properties Company Limited, its consolidated subsidiaries and its consolidated joint ventures unless the context indicates otherwise. The 1972 corporate reorganization is detailed in notes 15, 16 and 18.

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## 1. Principles of consolidation

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- (a) The consolidated financial statements include the accounts of all companies in which Revenue Properties Company Limited holds more than 50% of the voting equity.

Consolidated companies include the following principal active subsidiaries:

	Ownership %	
	1972	1971
Century City Developments Limited .....	76.25	71.25
One Thirty One Bloor West Limited .....	100	100
Revcon Developments Limited .....	100	100
Revdale Construction Limited .....	100	—
Revenue Properties Central Developments Limited .....	100	100
Rusuth Investments Limited .....	100	100
Savarin Investments Limited .....	100	100
The Rubin Development Corporation (United States) .....	100	100

Revdale Construction Limited was incorporated in 1972 to carry on the business of general contractors outside the Province of Quebec.

- (b) The accounts of the subsidiary companies in the United States are translated into Canadian dollars as follows:
- (i) mortgages receivable, revenue producing real estate and accumulated depreciation thereon, and mortgages payable on revenue producing real estate — at the exchange rate prevailing at the date the assets were acquired or the liabilities incurred.
  - (ii) all other assets and liabilities — at the exchange rate prevailing at the balance sheet date.
  - (iii) revenue and expenses — at the average exchange rate prevailing throughout the year except for depreciation which is at the exchange rate prevailing at the acquisition date of the related asset.
- (c) The accounts of joint ventures holding real estate for development or sale are not normally consolidated. The Company's investment in such joint ventures is reflected in the consolidated balance sheet as "Investment in and advances to joint ventures not consolidated" using the equity method by which the investment is increased or decreased by the Company's share of the undistributed profits or losses of the joint ventures.

An exception to the principle outlined in the preceding paragraph occurs because certain joint venture agreements provide that the Company (i) is responsible for all financing required and (ii) has a 100% interest in real estate held for development or sale, subject only to the participation by others in net profits or losses. The Company's participation in these joint ventures varies from 75% to 90%. All of the assets, liabilities, revenues and expenses of these joint ventures are included in the consolidated financial statements.

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## 2. Accounting policies

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### (a) Capitalization of costs

- (i) Land held for development or sale — Acquisition costs, realty taxes, other direct carrying costs and appropriate interest are capitalized, except in the case of Century City lands where interest payable only to third parties is capitalized.
- (ii) Construction of buildings — Direct costs, and appropriate overhead and interest are capitalized.

All estimated costs of servicing land which has been sold are recorded.

With respect to construction projects, the construction period is generally considered to have ended when a rental occupancy of approximately 70% has been achieved, providing that there have been no abnormal delays in construction or rental.

### (b) Recognition of income

Income from the sale of real estate is recognized in accordance with the guidelines published by the Ontario Securities Commission in 1969.

Income from construction contracts is recorded on a percentage of completion basis.

### (c) Depreciation on revenue producing real estate

Depreciation is provided using the straight-line method, based on the estimated useful lives of the various assets as follows:

Buildings .....	40-50 years
Furniture and equipment .....	10 years

### (d) Financing costs

- (i) Costs incurred on the issue of debentures are amortized on a straight-line basis over the terms of the debentures with the unamortized balance of costs applicable to debentures redeemed or refinanced being written off as redemption or refinancing occurs.

At the end of a fiscal period the estimated currency adjustment (see notes 15(a) and 15(g) ) which is applicable to those sinking fund payments falling due within one year is charged against income.

- (ii) Finders' fees and similar charges, which relate mainly to the obtaining of financing by way of mortgages and other loans payable of short-term durations, are written off as incurred except in joint ventures where they are capitalized as part of the cost of real estate held for development or sale.

### (e) Deferred income taxes

Certain provisions of the Income Tax Act are used which have resulted in the deferral of income taxes otherwise currently payable. Such provisions relate mainly to (i) reserves deducted for tax purposes when real estate was sold and mortgages taken back as partial consideration, (ii) depreciation claimed for tax purposes in excess of depreciation recorded in the accounts and (iii) interest, overhead and other carrying charges deducted for tax purposes although capitalized in the accounts as a cost of real estate.

# revenue properties company limited

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## 3. Accounts, rents and other receivables

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	<u>1972</u>	<u>1971</u>
Subdivision deposits and construction contracts .....	\$ 900,401	\$1,427,641
Notes and loans .....	294,984	342,686
Interest .....	463,320	345,255
Rents and miscellaneous .....	696,719	558,486
	<u>\$2,355,424</u>	<u>\$2,674,068</u>

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## 4. Due from directors and officers

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Amounts due from directors and officers at December 31, 1971 are not similarly classified at December 31, 1972 as such persons ceased to be officers and directors during 1972. The remaining unpaid portions of those amounts are reflected within the appropriate asset classifications at December 31, 1972.

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## 5. Mortgages receivable

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Mortgages on properties sold include \$4,096,394 on certain properties leased back or managed (see note 19) and mature at various dates to 2019 (interest rates vary from 5¼% to 9½%, weighted average 7.4%).

1973 .....	\$ 4,084,349
1974 .....	389,531
1975 .....	235,381
1976 .....	253,058
1977 .....	272,075
1978 and subsequent .....	8,317,734
	<u>13,552,128</u>

Second mortgages on sold housing units mature at various dates to 1995 (interest rates vary from 6¾% to 12%) .....	674,434
	<u>\$14,226,562</u>

Substantially all mortgages receivable are pledged against loans payable (see note 13).

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## 6. Balances receivable for land sold under agreements of purchase and sale

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Balances mature at various dates to 1977 (interest rates vary from 6% to 9%, weighted average 8%).

1973 .....	\$ 1,455,365
1974 .....	2,379,263
1975 .....	729,300
1977 .....	472,910
	<u>\$ 5,036,838</u>

The agreements contain clauses providing for earlier principal payment in the event the purchaser requires title to the land.

Mortgages payable secured by the land sold under these agreements of purchase and sale remain an outstanding liability of the Company (see note 14).

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**7. Real estate held for development or sale — Properties other than Century City**

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Land	1972	1971
Unimproved .....	\$ 4,077,891	\$ 3,768,369
Serviced .....	2,817,654	6,201,123
Serviced — leasehold interest .....	618,257	532,821
Housing units		
Land .....	377,282	12,178
Buildings .....	431,852	320,950
	<u>\$ 8,322,936</u>	<u>\$10,835,441</u>

Real estate held for development or sale is shown at cost less an accumulated provision for losses of \$656,569 (\$936,091 in 1971) in recognition of declines in value of certain properties; a provision for losses of \$116,750 (\$913,107 in 1971) was charged to income. Real estate held at the balance sheet date was increased by carrying charges of \$598,793 (\$830,513 in 1971).

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**8. Real estate held for development or sale — Century City**

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Unimproved land of approximately 6,600 acres in and adjacent to The Township of Uxbridge, Province of Ontario, owned by Century City Developments Limited, a partially-owned subsidiary known as "Century City", is included in "Real estate held for development or sale" at a cost of \$13,768,081, of which \$577,428 was capitalized during 1972 (\$517,503 during 1971).

Had interest on the Company's investment also been capitalized (see note 2(a)(i)) the cost of \$13,768,081 would have been increased to \$15,391,101 at the balance sheet date (\$14,242,449 in 1971).

In May, 1973 the Government of Canada indicated that it was prepared to pay approximately \$2,600,000 as total compensation for all interests in approximately 1,100 acres of Century City land which it expropriated for a new international airport. Century City will have one year in which to negotiate a settlement for any claims which it may have for additional compensation or to commence proceedings in the Federal Court. Approximately \$1,600,000 of the amount must be used to pay encumbrances and real estate taxes on the lands expropriated. The Government of Canada has also offered to purchase at a reasonable price an additional 500 acres originally subject to a notice of intention to expropriate. The offer remains available until January 31, 1974.

Land use controls currently under consideration by the Ontario Government have created some uncertainties as to the future uses of Century City real estate. Accordingly the future realizable value of this property cannot be reasonably determined at this time.

Except with respect to the expropriated lands, virtually no mortgage payments have been made on the Century City lands (see note 14) since May 1970. All 1970 realty taxes on these

# revenue properties company limited

lands have been paid and some payments on account of 1971 and 1972 realty taxes have also been made.

Certain mortgagees have commenced proceedings and issued writs of foreclosure to enforce their security. Century City is defending these actions.

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## 9. Revenue producing real estate

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	1972	1971
Buildings and improvements, at cost .....	\$34,264,045	\$35,102,788
Furniture and equipment, at cost .....	448,623	434,320
	<u>34,712,668</u>	<u>35,537,108</u>
Less accumulated depreciation .....	6,122,922	5,610,659
	<u>28,589,746</u>	<u>29,926,449</u>
Land, at cost .....	3,091,364	3,344,621
	<u>\$31,681,110</u>	<u>\$33,271,070</u>

The cost of buildings constructed during 1972 was increased by carrying charges of \$48,127 (\$358,090 in 1971).

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## 10. Investment in and advances to joint ventures not consolidated

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	1972	1971
Mortgages receivable .....	\$ 1,441,260	\$ 860,500
Accounts payable .....	(165,272)	
Other investments and advances, equity basis .....	3,376,418	2,988,296
	<u>\$ 4,652,406</u>	<u>\$ 3,848,796</u>

The Company's share of profits or losses in these joint ventures varies from 40% to 64%.

The Company is contingently responsible for all the liabilities of the joint ventures, but the Company has recourse to all of each joint venture's assets as well as the assets of the other participants to the extent it is required to pay liabilities in excess of its proportionate share.

In the 1971 consolidated financial statements 50% of the profit on transferring a property by the Company to a 50% owned joint venture was shown as a reduction of \$214,077 in the Company's investment. This amount has now been reclassified as deferred income (note 17) to conform with the financial statement presentation adopted for 1972.

A summary of the combined financial statements of these joint ventures follows:



**JOINT VENTURES NOT CONSOLIDATED****Combined Balance Sheet****December 31, 1972**

(with comparative figures at December 31, 1971 as restated)

<b>ASSETS</b>		
	1972	1971
Cash and short-term deposit .....	\$ 221,848	\$ 51,254
Accounts receivable and sundry assets .....	463,877	222,064
Account receivable from the Company .....	165,272	—
Mortgages receivable .....	566,772	660,739
Real estate held for development or sale (see (a) below) .....	11,607,532	10,396,181
	<u>\$13,025,301</u>	<u>\$11,330,238</u>
<b>LIABILITIES</b>		
Bank indebtedness, secured .....	\$ 344,190	\$ 30,000
Accounts payable and accrued liabilities .....	1,719,436	785,098
Loans and mortgages on real estate held for development or sale		
Payable to the Company .....	1,441,260	860,500
Payable to others (see (b) below) .....	4,493,563	5,272,036
Deferred income (see (c) below) .....	153,039	153,039
	<u>8,151,488</u>	<u>7,100,673</u>
<b>PARTICIPANTS' EQUITY</b>		
The Company .....	3,376,418	2,988,296
Others .....	1,497,395	1,241,269
	<u>4,873,813</u>	<u>4,229,565</u>
	<u>\$13,025,301</u>	<u>\$11,330,238</u>

**JOINT VENTURES NOT CONSOLIDATED****Combined Statement of Income****Year ended December 31, 1972**

(with comparative figures for 1971 as restated)

	1972	1971
<b>Revenue</b>		
Real estate sales		
Held for development or sale .....	\$ 1,746,622	\$ —
Construction .....	—	31,468
Rentals .....	1,489,023	1,509,708
Interest .....	61,760	74,618
	<u>3,297,405</u>	<u>1,615,794</u>
<b>Expenses</b>		
Real estate cost of sales		
Held for development or sale .....	1,606,100	—
Construction .....	24,237	54,104
Provision for loss .....	—	131,722
Property operating .....	1,711,741	1,626,508
Administration and general .....	9,015	21,617
	<u>3,351,093</u>	<u>1,833,951</u>
Loss for the year .....	\$ (53,688)	\$ (218,157)

# revenue properties company limited

## JOINT VENTURES NOT CONSOLIDATED

### Combined Statement of Participants' Equity

Year ended December 31, 1972

(with comparative figures for 1971 as restated)

	1972			1971
	The Company	Others	Total	Total
Balance at beginning of year				
As previously reported .....	\$1,657,276	\$1,053,770	\$2,711,046	\$3,785,691
Adjustment of provision for loss ...	1,062,497	187,499	1,249,996	1,249,996
Adjustment of interest capitalized ..	268,523	—	268,523	179,579
As restated .....	<u>2,988,296</u>	<u>1,241,269</u>	<u>4,229,565</u>	<u>5,215,266</u>
Net contributions (drawings) .....	401,444	296,492	697,936	(767,544)
	<u>3,389,740</u>	<u>1,537,761</u>	<u>4,927,501</u>	<u>4,447,722</u>
Loss for the year .....	(13,322)	(40,366)	(53,688)	(218,157)
Balance at end of year .....	\$3,376,418	\$1,497,395	\$4,873,813	\$4,229,565

### Notes to the combined statements of joint ventures not consolidated

(a) *Real estate held for development or sale*

Land	1972	1971
Unimproved .....	\$ 6,800,732	\$ 7,105,480
Serviced .....	2,274,196	1,677,875
Serviced — leasehold interest .....	184,325	—
Industrial and commercial buildings		
Land .....	837,354	837,354
Buildings .....	1,510,925	775,472
	<u>\$11,607,532</u>	<u>\$10,396,181</u>

Real estate held for development or sale is shown at cost. During 1972 the Company reversed a provision for loss of \$1,249,996, which had been recorded in error in 1970 in respect of two unimproved properties. The reversal is shown in the statement of participants' equity as a restatement of the balance at beginning of year. The related interest which had not been capitalized prior to 1972 has also been adjusted in the statement of participants' equity and appropriate interest capitalized has been reflected in the statement of income for both 1971 and 1972.

Arrears of principal and interest which amounted to approximately \$640,000 at December 31, 1972 have subsequently been paid. Real estate held at the balance sheet date was increased by carrying charges of \$440,445 (\$396,702 in 1971).

(b) *Loans and mortgages on real estate held for development or sale — Payable to others*

Mortgages on which principal and interest are in arrears at December 31, 1972 (see (a) above), mature in 1974 (interest rates vary from 6% to 6½%, weighted average 6.2%) .....

\$1,626,360

Other mortgages mature at various dates to 1977 (interest rates vary from 6% to 10½%, weighted average 8.1%)

1973 .....	\$ 705,650	
1974 .....	463,354	
1975 .....	1,075,076	
1976 .....	30,284	
1977 .....	592,839	2,867,203
		<u>\$4,493,563</u>

(c) *Deferred income*

Deferred income represents the gains on two sale and leaseback transactions. The amount of \$153,039 will remain deferred until certain vendor conditions contained in the sale and leaseback agreements are met and/or the leases are terminated (see (d) below).

(d) *Lease obligations*

Two apartment projects were originally sold and leased back by two of the joint ventures. Both leases have been renewed for terms expiring in 1973; however, one of the joint ventures has given notice of intention to terminate its lease in 1973. Annual rents under these leases are \$750,000.

The sale agreements contain clauses providing for reductions in the original selling prices in the event that specified levels of gross annual income, as defined, and specified occupancy levels are not achieved by the time of expiry of the leases including renewal periods. These levels have not yet been reached in the case of the one lease for which notice of intention to terminate has not been given. Based on levels existing at the 1972 lease expiry dates, the original selling prices would have been reduced by an amount in excess of the recorded deferred income (see (c) above). The leases are renewable annually at the present rental rates by the lessors, if the vendor conditions in the sale and leaseback agreements have not been met, or by the joint ventures. Since the determination and realization of any such reductions in selling prices may be deferred indefinitely, they are not provided for in these accounts except to the extent of the deferred income noted in (c) above.

A long-term land lease expiring in 2067 was sold to a joint venture by the Company during 1972 and the accumulated cost thereof is reflected in "Serviced land — leasehold interest" (see (a) above). The annual lease payment is \$28,750.

(e) *Interest on long-term debt*

The joint ventures incurred interest on long-term debt as follows:

	1972	1971
Charged to property operating .....	\$ 124,481	\$ 138,284
Capitalized .....	288,013	364,442
	<u>\$ 412,494</u>	<u>\$ 502,726</u>

11. <b>Investment in and advances to associated company</b>	1972	1971
Canadian Century Homes Limited		
Shares, at cost .....	\$ 1,145	\$ 695
Advances and mortgages receivable .....	911,697	1,463,710
	<u>912,842</u>	<u>1,464,405</u>
Share of retained earnings (deficit) .....	28,804	(229,085)
	<u>\$ 941,646</u>	<u>\$ 1,235,320</u>

The Company owns 50% of the outstanding voting common shares and 100% of the outstanding non-voting participating Class A shares of Canadian Century Homes Limited, representing a 75% equity interest therein.

# revenue properties company limited

In 1972 the Company's equity interest increased from 63.75% to 75% as the result of its acquisition of all the additional non-voting participating Class A shares issued during 1972 by Canadian Century Homes Limited.

In the 1971 consolidated financial statements advances and mortgages were reduced by \$137,539, being the Company's 63.75% share of the profit recorded on the transfer of certain properties in 1970 to Canadian Century Homes Limited. This amount has been reclassified as deferred income (note 17) to conform with the financial statement presentation adopted for 1972.

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## 12. Due to directors, officers and shareholders

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The amount of \$1,628,000 included in the consolidated balance sheet at December 31, 1972 as "Due to directors, officers and shareholders" is owing to Mr. Alex J. Rubin (a shareholder, an officer of the Company until July 20, 1972, and formerly a director), Mr. Harry Rubin (a shareholder and formerly a director and officer of the Company), four family trusts, and two companies controlled by one or more of them (hereinafter referred to as "The Rubins"). The Company agreed on December 1, 1971 to repay the indebtedness of \$1,628,000 to the Rubins on December 1, 1974 together with interest from February 1, 1972 at 12% per annum payable monthly. The Company gave to the Rubins a promissory note in the amount of \$788,000 collaterally secured by an assignment of certain assets of the Company amounting to approximately \$2,900,000 at December 31, 1972 which are pledged against loans payable of approximately \$1,150,000.

The amount due to directors, officers and shareholders at December 31, 1971 includes, in addition to the amount of \$1,628,000 described above, amounts due to persons who were directors and officers of the Company, but who ceased to be directors and officers during 1972, and/or members of their families and/or family trusts and/or companies controlled by one or more of them in 1971. Amounts due to these persons are reflected within the appropriate liability classifications at December 31, 1972.

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## 13. Loans Payable

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Loans payable mature as follows:

	Secured by Mortgages Receivable	Other Secured Loans
1973 .....	\$4,694,000	\$ 360,000
1974 .....	1,678,582	555,750
1975 .....	775,000	—
1976 .....	850,000	—
	<u>\$7,997,582</u>	<u>\$ 915,750</u>
Range of interest rates .....	7% to 12½ %	6% to 11½ %
Weighted average interest rate .....	11.4%	10.6%

The other secured loans are secured as to \$300,000 by Series D debentures held by a subsidiary, as to \$450,000 by revenue producing real estate and as to \$165,750 by the Company's investment in certain joint ventures not consolidated.

#### 14. Mortgages Payable

Mortgages payable mature as follows:

	Secured by			
	Land sold under Agreements of Purchase and Sale	Real Estate held for Development or Sale	Century City Real Estate	Revenue Producing Real Estate
Arrears .....	\$ —	\$ —	\$ 759,271	\$ —
1973 .....	2,435,611	1,340,067	2,899,576	862,195
1974 .....	—	704,132	1,300,895	5,982,316
1975 .....	—	253,020	16,800	1,512,049
1976 .....	—	240,464	18,400	1,749,549
1977 .....	—	124,400	18,200	572,136
1978 and subsequent .	—	386,688	153,650	11,336,954
	<u>\$2,435,611</u>	<u>\$3,048,771</u>	<u>\$5,166,792</u>	<u>\$22,015,199</u>
Range of interest rates	7% to 12%	5% to 12½%	6¼% to 12%	5¼% to 12%
Weighted average interest rate .....	10.8%	9.3%	8%	8.9%
Latest maturity .....	1973	1995	1992	1996

Interest on the Century City mortgages is in arrears to the extent of approximately \$1,253,000.

#### 15. 9% Convertible sinking fund debentures

Effective June 30, 1972 the former 7½% Sinking fund debentures became 9% Convertible sinking fund debentures as a result of the corporate reorganization approved during 1972 by the shareholders, regulatory bodies and other interested parties (see also note 18 — “Capital stock”).

The comparative status of the debentures is set out below:

	December 31, 1972	December 31, 1971
(a) <i>Principal</i>		
Series A	\$ 1,904,000	\$ 1,960,000
Series B	1,342,250	1,374,000
Series C	5,128,750	5,250,000
Series D	3,807,500	4,200,000
Series E	cancelled	nil
	<u>12,182,500</u>	<u>12,784,000</u>
Add currency adjustment	54,560	30,097
	<u>\$12,237,060</u>	<u>\$12,814,097</u>
(b) <i>Interest rate</i>	9%	7½%
(c) <i>Maturity date</i>		
Series A	May 15, 1976	1973
Series B	June 1, 1981	1977
Series C	Feb. 15, 1981	1976
Series D	June 15, 1981	1976

# revenue properties company limited

(d) *Sinking fund requirements*

	<i>Payable November 15 annually</i>	
Series A	\$50,000 to 1975	\$ 50,000 annually to 1972
Series B	Consolidated and shared by the Series B, C and D Debentures rateably in proportion to the principal amount of each series outstanding on the October 5 immediately preceding the sinking fund payment date. Payments are \$250,000 in 1973, \$500,000 in 1974 and 1975, and \$1,550,000 in 1976 to 1980 inclusive.	\$ 40,000 annually to 1976
Series C		\$750,000 annually to 1975
Series D		\$600,000 annually to 1975

The Company is required to pay by each sinking fund payment date an amount sufficient to pay interest accrued to that date in respect of debentures to be redeemed out of the sinking fund, and in the case of the Series C and D debentures to be redeemed the Company is also required to pay the exchange rate adjustment referred to in (g) below. The terms of the debentures provide that all debentures which are redeemed out of sinking fund payments are to be redeemed, firstly, out of the outstanding sub-series I debentures of each series until no sub-series I debentures of the particular series remain outstanding, next out of the sub-series II debentures, then out of the sub-series III debentures, and, lastly, out of the sub-series IV debentures of such series (see (h) below).

Prior to December 31, 1971 the Company had purchased for cancellation \$40,000 principal amount of Series A debentures. During 1972 the Company purchased an additional \$56,000 principal amount of Series A debentures at a cost of \$42,000, bringing the total principal amount available as a sinking fund credit to \$96,000. On November 15, 1972, \$50,000 of such principal amount was applied as a sinking fund credit leaving a balance of \$46,000 available at December 31, 1972.

Prior to December 31, 1971 the Company had purchased for cancellation \$386,000 principal amount of Series B debentures, which principal amount was available as a sinking fund credit. During 1972 the Company applied \$40,000 of such credit in respect of the June 1, 1972 Series B sinking fund payment. Under the terms of the reorganization (see (f) below) the balance of \$346,000 is no longer available as a sinking fund credit.

During the period June 30 to December 31, 1972 the Company purchased \$301,000 Series D debentures at par. As outlined in (f) below, these debentures cannot be used to meet sinking fund requirements but their purchase may be reimbursed from cash held by the trustee, subject to certain restrictions.

All 1972 sinking fund payments have been met.

	<u>December 31, 1972</u>	<u>December 31, 1971</u>
(e) <i>Acceleration of sinking fund payments</i>		
Series C and D	No acceleration provision.	Accelerated in certain circumstances.
(f) <i>Sinking fund credit</i>		
	Although all series of debentures may be purchased or redeemed at prices not in excess of their redemption prices, Series A debentures are	Series A, B or D debentures may be purchased or redeemed at prices not in excess of the

December 31, 1972

the only series which qualify for sinking fund credit.

The Company may be reimbursed for its purchase of any series of debentures, from cash held by the trustee, up to a maximum of 80% of the redemption price of the purchased debentures, provided that the aggregate reimbursements for Series B, C and D debentures in any one fiscal year is limited to 50% of that fiscal year's consolidated sinking fund payment.

- (g) *Adjustment dependent upon Canadian and Federal Republic of Germany currencies*

Series C and D principal and interest payments.

25% maximum (increase or decrease) dependent upon the market exchange rates.

- (h) *Convertible features*

Each series is sub-divided into four equal separate sub-series. The principal amount of such sub-series (Series C and D sub-series being adjusted for above currency relationship) may be converted into common shares at any time prior to maturity as shown below.

<u>Sub-series</u>	<u>Conversion price for one common share</u>
I	\$2.00
II	\$3.00
III	\$4.00
IV	\$5.00

The above conversion prices are subject to anti-dilution provisions.

Under the terms of the Deed of Trust and Mortgage the Company has agreed to file a preliminary prospectus with the Ontario Securities Commission by June 30, 1973 in respect of those common shares that may be issued as a result of the conversion of debentures subsequent to that date.

December 31, 1971

applicable redemption price and the principal amount may then be applied as a credit against respective sinking fund requirements.

15% maximum (increase or decrease) dependent upon the exchange rates officially recognized by the International Monetary Fund.

None.

# revenue properties company limited

December 31, 1972

December 31, 1971

The Ontario Securities Commission has ruled that the common shares resulting from a conversion of the sub-series II, III, and IV debentures may not be resold until the Commission has accepted a prospectus of the Company relating to these shares.

(i) *Redemption*

Series A and B

Series C and D

On or before maturity, in order of sub-series I to IV, at par plus accrued interest.

On or before maturity at approximately par plus accrued interest.

On or before maturity at par plus accrued interest.

These debentures, Series A to D inclusive, rank equally and are secured by fixed and specific charges on certain mortgages receivable, certain revenue producing real estate and certain real estate held for development or sale; by a first floating charge on the assets and undertaking of Revenue Properties Company Limited; and on the real estate known as "Century City" (see note 8). Substantially all of these mortgages receivable and real estate also secure various indebtedness which ranks in priority to this charge.

The aggregate net fair market value of all specifically charged property at any time must not be less than 100% of the principal amount of the debentures then outstanding (adjusted for the currency relationship referred to in (g) above). If the aggregate net fair market value of all specifically charged property is less than 100% of the principal amount of the debentures then outstanding (as so adjusted), property upon which there are erected buildings or dwellings of a permanent nature must be assigned as part of the specifically mortgaged premises to the extent that after such assignment 80% of the net fair market value of the specifically mortgaged premises will consist of cash and real property upon which there are erected buildings or dwellings of a permanent nature. Property may be released from the charge in stated priorities as long as the aggregate net fair market value of the remaining charged property exceeds 120% of the principal amount of debentures then outstanding (adjusted for the currency relationship referred to in (g) above). The June 30, 1972 amendments substantially changed the provisions of the Deed of Trust and Mortgage governing the power of the Company to sell and encumber the property pledged thereunder and the use which may be made of funds on hand with the trustee. The bulk of these amendments are not summarized herein.

The Deed of Trust and Mortgage securing the debentures contains among other things provisions concerning audit of accounts, statutory obligations of the Company and similar matters. The deed also contains covenants of the Company relating among other things to the payment of prior indebtedness and taxes on property pledged as security. In the opinion of the Company's counsel, to their knowledge no events have occurred which do, or with the appropriate notice would, constitute an event of default under the Deed of Trust and Mortgage, except that certain realty taxes are in arrears. Company's counsel is of the opinion that an event of default may not be declared if payment of these realty tax arrears is made within 30 days of receipt of a written demand from the trustee; in the opinion of the Company, it would be able to make such payment.

At December 31, 1971 Series E debentures of \$5,000,000 principal amount were held by a nominee of the Company awaiting cancellation. The terms of the 1972 reorganization prohibit the issue of any additional debentures (including the Series E debentures) and as a result the Series E debentures were cancelled in 1972.



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## 16. 7½% Convertible subordinated sinking fund debentures

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These 7½% convertible subordinated sinking fund debentures Series A in the amount of \$986,000 are due June 30, 1988 and are convertible into common shares of the Company up to the earlier of June 30, 1988 or 3 business days prior to the date specified for their redemption as set out below. No debentures were converted during 1972.

The conversion prices are subject to downward adjustment in the event that the Company issues any additional common shares, as defined, for a consideration per share different from the conversion price in effect immediately prior to the issuance of such shares.

As a result of the foregoing provision and the corporate reorganization during 1972 (see notes 15 and 18) the actual or possible conversion prices at December 31, 1972 are as follows:

	On or before June 30		
	1978	1983	1988
Actual .....	7.53	8.91	10.57
Possible .....	6.34	7.34	8.54

The possible conversion prices reflect the possible issue of 4,689,250 common shares which would result from the conversion of all 9% Convertible sinking fund debentures (see note 15(h)) outstanding at December 31, 1972.

Under the terms of the Trust Indenture, a sinking fund is required to be established for the retirement of \$700,000 aggregate principal amount of the debentures on June 30 in each of the years 1979 to 1988 inclusive. Since debentures converted into common shares and thus cancelled, amounting to \$6,014,000 to December 31, 1972, can be applied against such sinking fund requirements, no sinking fund payments will be required until at least 1987.

These debentures are redeemable at par (i) to meet sinking fund requirements and (ii) at any other time if throughout the 180 days prior to the date on which notice of redemption is given the market price of the common shares has not been less than 125% of the conversion price then in effect.

These debentures are subordinated to the prior payment in full of the sinking fund debentures referred to in note 15 and of certain other prior indebtedness. There are restrictions concerning payment of dividends under the terms of the Trust Indenture.

The Trust Indenture contains among other things provisions concerning audit of accounts and covenants of the Company. In the opinion of the Company's counsel, to their knowledge no events of default have occurred nor have any events occurred which would allow the trustee to declare an event of default after giving appropriate notice.

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## 17. Deferred income

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Deferred income includes gains on certain transactions as follows:

	1972	1971
(a) Gain on sales of development property .....	\$1,516,690	\$1,694,563
(b) 50% of the gain on transfer of property by the Company to a joint venture in which the Company has a 50% interest .....	—	214,077
(c) 63.75% of the gain on transfer of property by the Company to associated company in which the Company had a 63.75% interest in 1971 .....	—	137,539
(d) Unamortized gain on sale and leaseback transactions .....	2,033,345	2,135,933
(e) Unamortized gain on sale of nine properties now managed by the Company .....	812,120	842,960
(f) Unamortized gain on sale of the Company's 75% interest in a long-term lease of commercial space .....	340,967	344,539
	<u>\$4,703,122</u>	<u>\$5,369,611</u>

# revenue properties company limited

Items (b) and (c) were previously shown in 1971 as reductions of the appropriate equity accounts and have been reclassified to conform with the financial statement presentation adopted for 1972.

The above deferred income will be recognized as earned when all requirements of the Ontario Securities Commission guidelines have been met. With respect to (d) to (f), the recognition of income as earned will also be in accordance with the terms of the relevant agreements in amounts of approximately \$135,000 annually until 1982, and thereafter in varying annual amounts until 1999.

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## 18. Capital stock

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### (a) *Authorized*

The number of authorized common shares was increased from 16,164,060 as at December 31, 1971 to 20,000,000 by articles of amendment dated August 9, 1972 in connection with the corporate reorganization.

### (b) *Issued*

During 1972, the Company issued 2,100,827 common shares as follows:

- (i) In August 1972, First Canada Financial Corporation Limited, Danarah Holdings Limited and Two Kiss Holdings Limited subscribed for 500,000, 300,000 and 200,000 common shares respectively at a subscription price of 50¢ per share, resulting in a total of 1,000,000 common shares being issued for \$500,000 cash. The beneficial shareholders of First Canada Financial Corporation Limited are Mr. Maxwell Goldhar and Mr. Ken Kelman, each to the extent of 50%. Mr. Goldhar was engaged as a consultant to the Company in January, 1971 and became a director and the President during June 1972. Mr. Kelman became a director of the Company during June 1972. The beneficial shareholders of Two Kiss Holdings Limited are First Canada Financial Corporation Limited (as to 75%) and Mr. Charles Harris Tod, a director and officer of the Company (as to 25%).

The subscription agreements were subject to various conditions, all of which have been satisfied, including the following:

- (1) By October 30, 1972 the repayment and other terms of the outstanding 7½% sinking fund debentures were extended and modified in a manner satisfactory to First Canada Financial Corporation Limited.
- (2) By October 30, 1972 Mr. Alex J. Rubin, Mr. Harry Rubin and all other persons, firms, trusts and corporations whom First Canada Financial Corporation Limited, in its sole and absolute discretion, was of the opinion were associated or affiliated with either Mr. Alex J. Rubin or Mr. Harry Rubin or did not deal at arm's length with either of them, executed a voting trust agreement satisfactory to First Canada Financial Corporation Limited, whereby Mr. Goldhar was given the right to vote, at all meetings of the shareholders of the Company, all shares in the capital of the Company owned by such persons, firms, trusts and corporations.

In addition to the right to vote the shares outlined in (2) above, Mr. Goldhar was also given the right to vote the 1,000,000 common shares so long as such shares are owned by the subscribers.

- (ii) Rights were issued to all shareholders in August 1972 whereby such shareholders were entitled to subscribe for 1 common share at a price of 50¢ in respect of each 10 common shares of which they were the holders of record. Such rights were not issued in respect of the 1,000,000 common shares subscribed for and issued as outlined in (b) (i) above. The rights offering resulted in the issue of 990,823 common shares. First Canada Financial Corporation Limited subscribed for those common shares which were not purchased under the rights offering and was issued an additional 105,804 common shares.

- (iii) 4,200 common shares were issued during 1972 as the result of Series A 1961 warrants being exercised (see (c)(i)(2) below).

During 1972, on the exercise of 4,200 Series A 1961 warrants, 87.5 second preference shares were issued and were immediately redeemed. The appropriation reserve and authorized preference share capital have been decreased accordingly (see (c)(ii) below).

(c) *Reserved*

The Company has reserved the following shares for possible issue:

- (i) *Common shares — 6,463,000*

- (1) *7½% Convertible subordinated sinking fund debentures — \$986,000*

The conversion of these debentures at \$7.53 per share would result in the issue of 131,000 common shares. Additional common shares would also be reserved if the conversion price were to decline further toward \$6.34 per share (see note 16).

- (2) *Series A 1961 and Series B 1965 Warrants*

Warrants to purchase 1,580,750 common shares are outstanding. The warrants were issued in connection with the sale of the Series A and Series B senior sinking fund debentures. Each \$1,000 of principal for both the Series A and Series B debentures were originally issued carrying warrants to purchase what now amounts, after stock splits, to 600 and 300 common shares respectively.

The outstanding warrants are exercisable as follows:

	<u>Exercisable on or before</u>	<u>Price per share</u>	<u>No. of shares</u>
Series A 1961 warrants (see (ii) below)	November 15, 1973	\$1.1251	1,076,000
Series B 1965 warrants	June 1, 1975	\$2.17	504,750

- (3) *Stock Options*

Options to purchase 62,000 common shares are held by three directors and officers as follows:

	<u>Terms</u>	<u>Price</u>	<u>No. of Shares</u>
3,000 shares in each of the 4 five-year periods ending October 9, 1974 to 1977 inclusive		\$1.95	12,000
5,000 shares in each of the 5 five-year periods ending September 30, 1975 to 1979 inclusive		\$0.50	25,000
5,000 shares in each of the 5 five-year periods ending September 19, 1977 to 1981 inclusive		\$0.63	25,000

- (4) *9% Convertible sinking fund debentures*

The conversion of these debentures, assuming the maximum currency adjustment applicable to Series C and D debentures as set out in note 15(g), would result in the issue of approximately 4,689,250 common shares.

- (ii) *Second preference shares*

The holders of the Series A 1961 warrants are entitled to receive, in addition to the common shares outlined in (i)(2) above, all stock dividends that would have been paid from November 15, 1961 as if the warrants had been exercised and common shares issued on that date. From November 15, 1961 to December 31, 1972, stock dividends in the form of second preference shares were paid to the holders of common shares. Upon the exercise of all Series A 1961 warrants, 22,415 second

# revenue properties company limited

preference shares will be required to be issued without further consideration and accordingly \$224,150 is appropriated for such purpose.

## 19. Lease and similar obligations

Payments	Sale and leasebacks (a)		Long-term land leases (b)	Management agreement (c)
	Leases in effect	If leases terminated or forfeited		
1973 .....	\$ 1,833,000	\$ 326,000	\$ 330,000	\$ 716,000
1974 .....	1,833,000	326,000	330,000	716,000
1975 .....	1,833,000	326,000	330,000	716,000
1976 .....	1,829,000	322,000	330,000	716,000
1977 .....	1,825,000	318,000	330,000	716,000
1978 and subsequent .....	19,874,000	1,663,000	25,161,000	13,700,000

- (a) Revenue producing properties were sold and leased back prior to 1971. Under certain of the lease agreements the lessor is to be paid a percentage of rentals in excess of a specified amount.

Certain of the lease agreements contain clauses relating to the termination or forfeiture of the lease by the Company and cessation of all liability thereunder upon payment of a specific amount pertaining to each such lease, the total amount of such payments being \$1,745,000.

The rents included above for leases, whose latest year of expiry is 1999, are exclusive of participating rents, realty taxes, insurance, maintenance and repairs, and similar expenses.

- (b) The rents included above for long-term land leases, whose latest year of expiry is 2067, are exclusive of realty taxes.
- (c) Prior to 1971 the Company sold nine properties and entered into an agreement with the purchaser concerning operation and management by the Company of the properties until 1999. Under the agreement the Company is required to (i) pay annually to the purchaser a return of 8.25% to 9% before income taxes on the purchaser's invested equity, and (ii) make payments on the mortgages on the properties or, following discharge of any or all of the mortgages, pay annually 50% of the amounts previously payable thereon, to the purchaser. The aggregate of (i) and (ii) so payable are included above. In addition, the purchaser is entitled to participate in net revenue, as defined, in excess of a stated amount for each of the nine properties.

The Company may terminate the contract and its liability thereunder by forfeiting a mortgage of \$350,000 taken back by the Company on the sale of the properties. That mortgage is included in "Mortgages receivable" in the consolidated balance sheet.

## 20. Contingent liabilities

- (a) The Company may be required to repurchase on May 15, 1974 a group of approximately 150 residential first mortgages, bearing interest at approximately 9%, maturing in 1994 and having an aggregate outstanding principal balance of \$2,350,000 at December 31, 1972, at a price of \$98.25 per \$100 principal then outstanding.
- (b) In 1969 Victoria Wood Development Corporation Inc., a partially owned subsidiary of the Company at that time, issued \$5,000,000 8% Sinking fund debentures, Series A. In February, 1973 the \$316,000 balance of these debentures outstanding at December 31, 1972 was retired in full and the Century City real estate previously pledged by the Company as security for these debentures was released.

- (c) In 1972 the Company guaranteed a loan of \$800,000 from a third party to Canadian Century Homes Limited. At the same time the Company pledged certain real estate held for development or sale as security for the loan.
- (d) There are other miscellaneous contingent liabilities of the Company totalling \$400,000.
- (e) See also notes 8, 10 and 21.

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## 21. Legal proceedings

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The final judgments on the settlement order covering 24 private civil actions against the Company in the United States providing for a payment by the Company of \$1,050,000 on behalf of itself and Mr. Alex J. Rubin, Mr. Harry Rubin, The Alex J. Rubin Family Trust and The Harry Rubin Family Trust, became non-reviewable and non-appealable on February 11, 1972 and March 13, 1972 respectively. The settlement contribution, provided for in the accounts prior to 1971, was paid out of cash in escrow during 1972.

Legal proceedings in which the Company is currently a defendant are outlined below:

- (a) A civil action in which the Company is named as a defendant and which claims damages of \$1,250,000 is still outstanding in the United States District Court for the District of Massachusetts. Little pre-trial discovery has been conducted in the action. However, it is the view of counsel, based upon the information presently known to it, that this claim against the Company presents no substantial adverse financial risk except for legal fees and other costs related thereto.
- (b) On August 23, 1972, judgments of permanent injunction were entered by order of the United States District Court for the Southern District of New York, pursuant to the consents of the defendants without their admitting or denying the allegations in the complaints.

The Company and Mr. Maxwell Goldhar were enjoined thereby from violating the proxy solicitation provisions of the Securities Exchange Act of 1934.

The Company was also enjoined thereby from violating the provisions of the 1934 Act which require it to file periodic financial reports with the Securities and Exchange Commission and with the American Stock Exchange. The Company was ordered to file with the Commission and disseminate to its shareholders not later than December 4, 1972 an unaudited financial statement for the first nine months of 1972 and a description of the assets and current operations of the Company, with which order it complied.

The judgment also provides that the Company comply (subject to specific exceptions for the year 1973) with the periodic reporting requirements of the 1934 Act and in particular, that the Company file by March 30, 1973 Form 10-K Annual Reports for the fiscal years ended December 31, 1971 and December 31, 1972.

The Company has filed a Form 10-K Annual Report for the fiscal year ended December 31, 1971 and has filed a Form 10-K Annual Report for the fiscal year ended December 31, 1972, except that the 1972 Annual Report does not contain the required certified financial statements. The Securities and Exchange Commission has refused an extension of time for filing such statements and is considering what action, if any, it should take against the Company for failure to comply with the injunction. The Company expects that it will be able to file the required certified financial statements by June 30, 1973.

- (c) An action is pending in the Supreme Court of Ontario against the Company, Mr. Alex J. Rubin and Mr. Harry Rubin as defendants. The plaintiff alleges that in 1968 the defendants verbally agreed to pay the plaintiff 10% of the dollar value of any offering of stock or convertible debentures of the Company made through a New York underwriter to be introduced to the defendants by the plaintiff. The plaintiff seeks to recover \$1,280,000 with respect to a public offering of common shares in the United States on November 12,

# revenue properties company limited

1968; \$2,675,000 with respect to a proposed offering of convertible debentures, which offering has been indefinitely postponed; and a declaration that he is entitled to 10% of the dollar value of any such further offering by the Company. The Company, Mr. Alex J. Rubin and Mr. Harry Rubin deny both the alleged agreement and the alleged introduction. In the opinion of counsel, there is an excellent prospect of successfully defending the action.

Because of their contingent nature no provisions are made in the consolidated financial statements with respect to the unsettled actions referred to above.

## 22. Consolidated statement of income

(a) <i>Interest charges</i>	1972	1971
Long-term debt		
Debentures (including the amortization of deferred financing costs and the currency adjustment included in note 15(a)) .....	\$1,340,403	\$1,277,092
Mortgages .....	2,648,181	3,456,065
Other .....	1,248,439	1,391,005
Short-term debt .....	14,405	239,630
	<u>\$5,251,428</u>	<u>\$6,363,792</u>

### (b) *Income Taxes*

During the year the parent company and certain subsidiaries earned profits which would have been subject to current income taxes except for the application of prior years' losses. Certain other subsidiaries incurred losses which may be deductible in determining income taxes payable in future years. The income tax effect of current losses and of the accumulated unapplied losses is not recorded in the accounts of the Company except to the extent of the amount of \$240,000 applied in the current year.

### (c) *Earnings (loss) per share*

Earnings (loss) per share is calculated using the weighted average number of shares outstanding of 11,746,380 in 1972 (10,902,070 in 1971).

The conversion of all convertible debentures or the exercise of outstanding warrants or options would not have a dilutive effect on earnings per share in 1972, and consequently the calculation of fully diluted earnings per share is not provided.

### (d) *Aggregate remuneration to directors and senior officers*

	1972	1971
Salaries and directors' fees .....	\$ 220,228	\$ 198,344
Consultants' fees to First Canada Financial Corporation Limited ..	15,000	28,124
Legal and finders' fees to firms in which former directors had an interest .....	15,500	95,001
Income (net of losses) of consolidated joint ventures allocated to a former director (no amount is shown for 1972 because the director resigned in April, 1972) .....	—	98,678
	<u>\$ 250,728</u>	<u>\$ 420,147</u>

## 23. Restatement and reclassification of 1971 comparative figures

Deficit at the beginning of the year and the 1971 comparative figures have been restated to reflect the adjustment of a provision for loss of \$1,249,996, adjustment of interest capitalized (see note 10) and other related interest adjustments.

In addition, the 1971 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1972.

## SUMMARY OF PRINCIPAL HOLDINGS

	Number of Residential Units	Rentable Area (approx. sq. ft.)
<b>Income-producing property owned</b>		
<i>Industrial:</i>		
Toronto, Ontario and vicinity .....		1,370,500
Montreal, Quebec .....		739,700
<i>Commercial and Residential:</i>		
City Hall, Saint John, New Brunswick .....		201,400
The Colonnade, Toronto .....	156	74,200
110 Adelaide Street, Toronto .....		29,500
	156	2,415,300
<b>Income-producing property sold and leased back</b>		
<i>Residential:</i>		
Toronto, Ontario .....	824	
Halifax, Nova Scotia .....	240	
Saint John, New Brunswick .....	152	
<i>Commercial:</i>		
Halifax, Nova Scotia .....		148,500
Toronto, Ontario .....		106,800
<i>Industrial:</i>		
Toronto, Ontario .....		668,800
Montreal, Quebec .....		159,300
	1,372	3,498,700

<b>Land held for development or sale</b>	Zoned	Approx. Number of Acres	Co. % Share Profits	Proposed Use
<i>To be developed in 1973:</i>				
Mississauga, Ontario	Yes	30	75	Residential
Orangeville, Ontario	Yes	7	70	Commercial and Residential
Barrie, Ontario	Yes	10	70	Residential
Guelph, Ontario	Yes	15	75	Commercial and Residential
Toronto, Ontario	Yes	42	90	Residential
Montreal, Quebec	Yes	10	100	Industrial and Commercial
<i>For future development:</i>				
Guelph, Ontario	No	875	75	Multiple use
Acton, Ontario	No	94	75	Residential
Toronto, Ontario	Yes	9	100	Residential
Vaughan, Ontario	No	200	40	Multiple use
Pickering, Ontario	No	300	64	Multiple use
Toronto, Ontario	Yes	0.4	50	Commercial
Montreal, Quebec	Yes	4	100	Industrial
Oakville, Ontario	No	80	37.5	Commercial and Residential
Century City	No	5500	76.25	Multiple use

