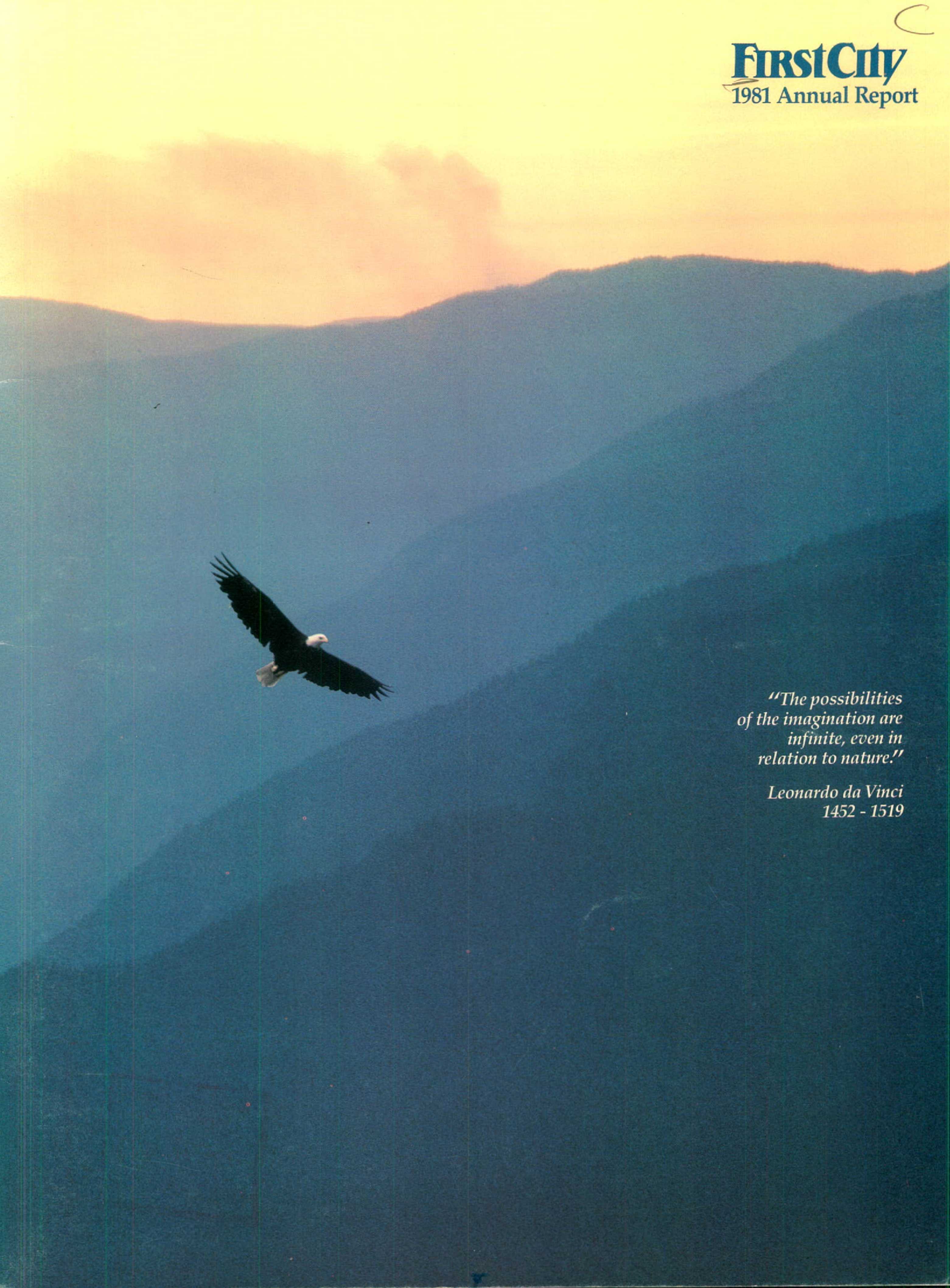
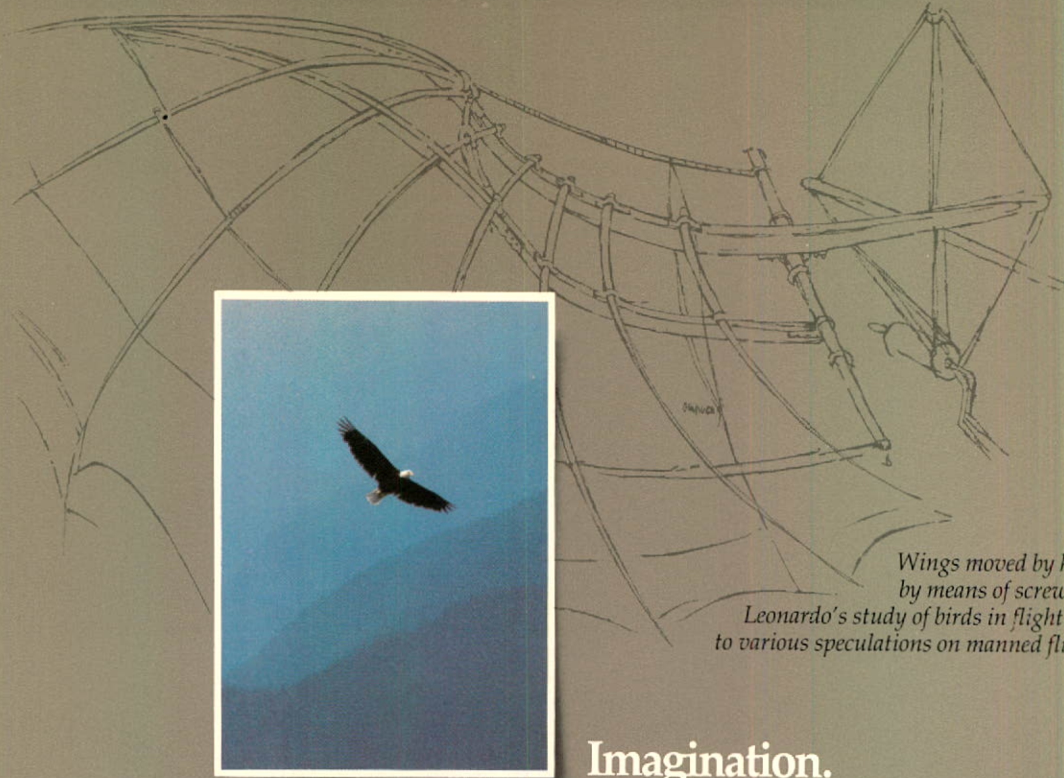
FirstCity
1981 Annual Report



"The possibilities of the imagination are infinite, even in relation to nature."

Leonardo da Vinci
1452 - 1519



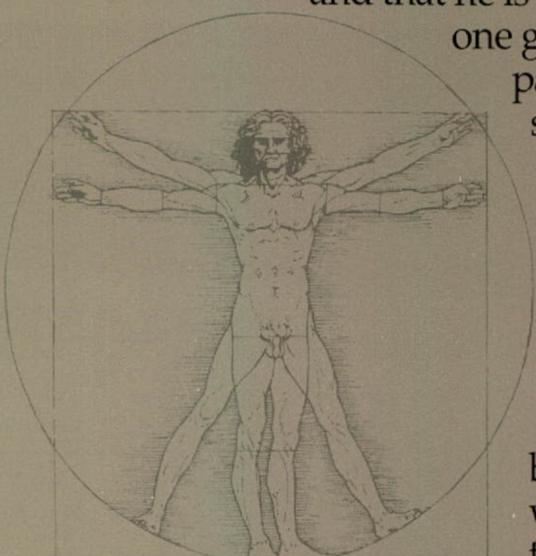
Wings moved by hand by means of screws. Leonardo's study of birds in flight led him to various speculations on manned flight.

Imagination.

Only man has the ability to see things not merely as they are but as they can be.

You can see this quality in children. To the parent, it's a box. To the small child, it's a "house."

You can see this quality igniting the minds of men throughout history. And among them is the towering figure of Leonardo da Vinci. A man of whom it was said, "It seems that in him all modern science is born, and that he is passing it on to succeeding centuries in one grandiose sketch." The seven thousand pages of his notes and drawings that still survive establish him as a visionary giant and prophet of manned flight.



Leonardo da Vinci's canon of proportions.

You can see this quality in companies. There are companies that are destined to plod and never to soar. But others are fired by an entrepreneurial zeal to challenge the heights. At First City, we're convinced that imagination belongs in our industry. Because the world of finance has room for creative thinking. And a need of it. Nor are we afraid of being labelled dreamers. For obviously, we are doers or First City would not be where it is after twenty short years.

At First City, we believe that when mankind makes progress, it is on the shoulders of men of imagination and vision.

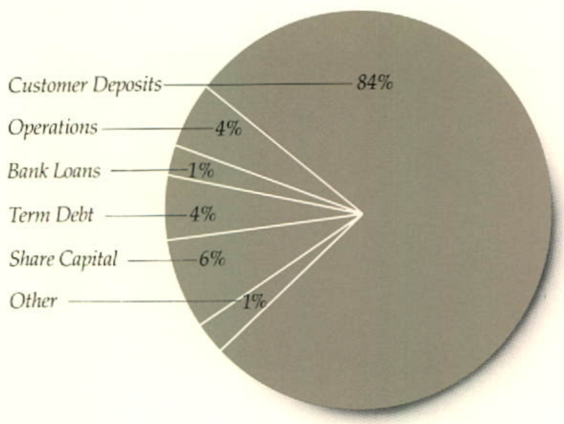
Financial Highlights

		1981	1980	Percentage Increase (Decrease)
First City Financial Corporation Ltd.	Earnings Per Common Share			
	Before extraordinary items	$ 5.27	$ 2.63	100%
	After extraordinary items	$ 6.68	$ 2.63	154%
	Net Income	$56.1 million	$15.2 million	269%
	Total Assets	$ 2.5 billion	$ 1.8 billion	37%
	Shareholders' Equity	$ 126 million	$ 71 million	78%
First City Trust Company	Earnings Per Common Share			
	Before extraordinary items	$ 7.60	$ 8.28	(8%)
	After extraordinary items	$ 10.32	$ 8.28	25%
	Net Income	$18.6 million	$11.6 million	60%
	Investment Assets			
	Securities	$ 195 million	$ 180 million	8%
	Mortgages	$ 926 million	$ 695 million	33%
	Secured Personal Loans	$ 332 million	$ 185 million	79%
	Commercial Loans and Finance Receivables	$ 175 million	$ 103 million	70%
	Real Estate	$ 527 million	$ 420 million	26%
	Customer Deposits	$ 1.7 billion	$ 1.2 billion	39%
	Shareholders' Equity	$ 102 million	$ 74 million	38%

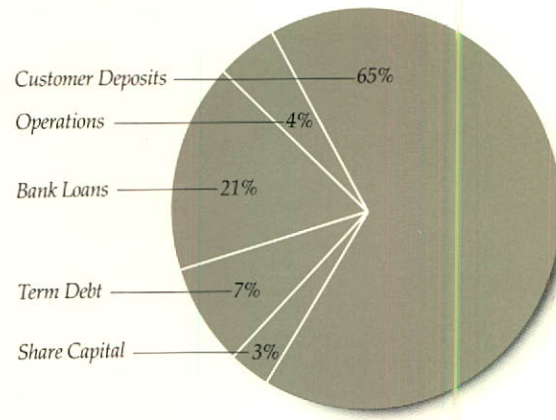
Table of Contents

First City Trust Company
Source of Funds

1977

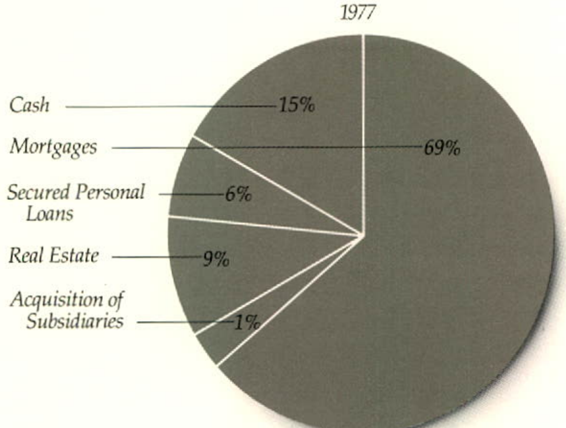


1981

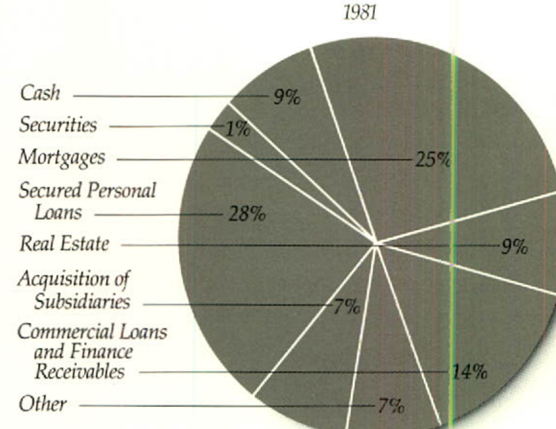


Use of Funds

1977

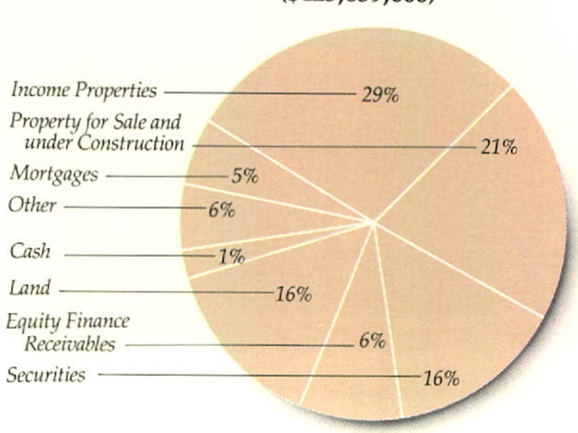


1981

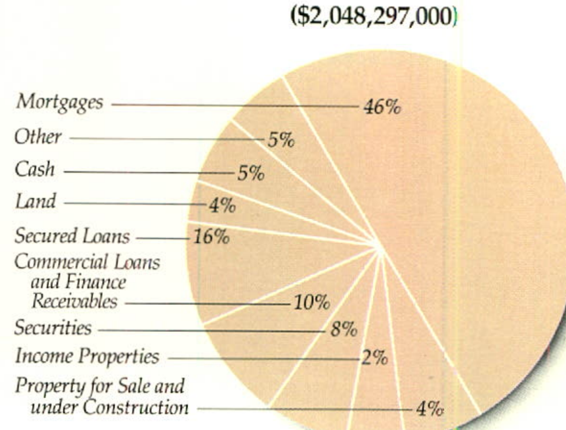


First City Financial Corporation Ltd.
Composition of Total Assets
December 31, 1981

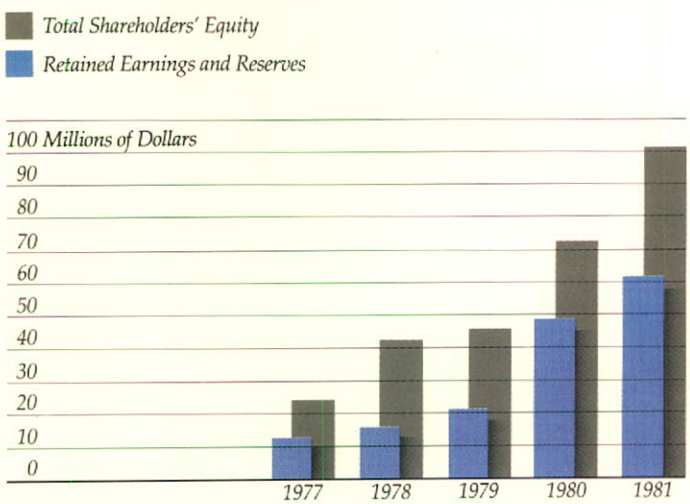
United States
($423,839,000)



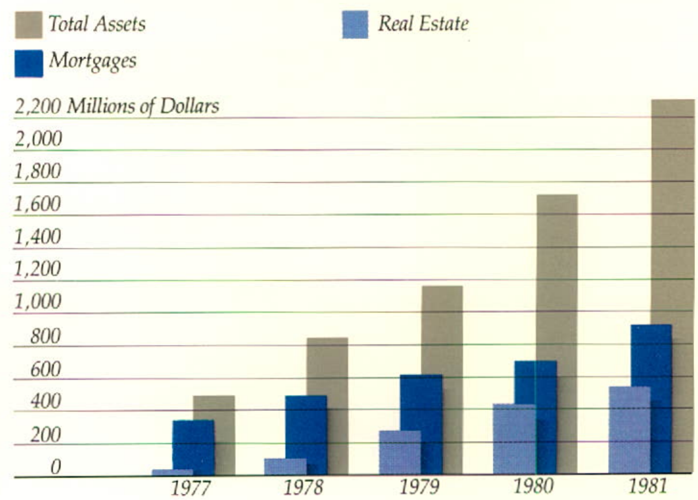
Canada
($2,048,297,000)



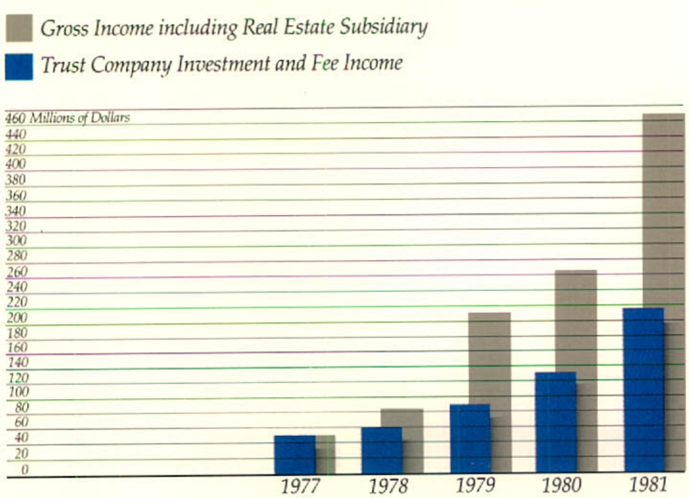
First City Trust Company



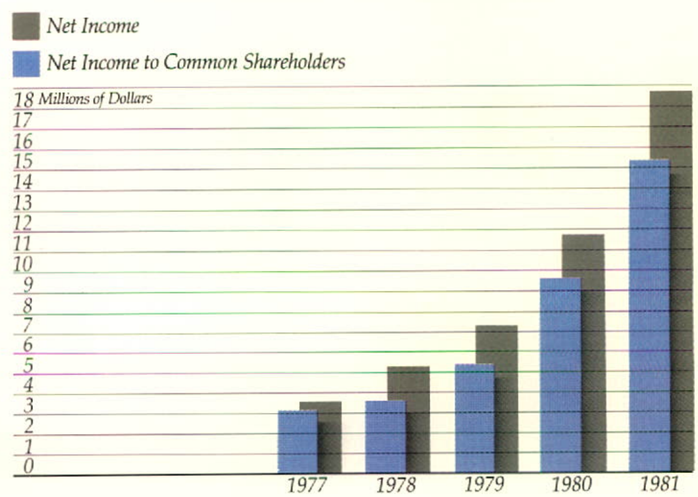
First City Trust Company



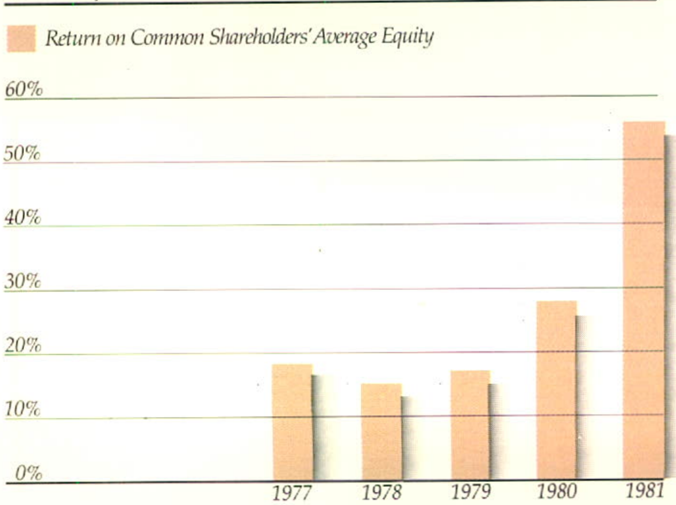
First City Trust Company



First City Trust Company



First City Financial Corporation Ltd.



To Our Shareholders

On behalf of the Boards of Directors, we are pleased to submit the annual report for the First City group of Companies for 1981. This report is particularly gratifying as not only does it reflect the outstanding results achieved by the group but also it is issued as First City Trust embarks upon its twentieth year of operation.

Economic Conditions

The Canadian economy was dominated by three negative factors in 1981 — high and volatile interest rates, continued high inflation, and the eventual slide into recession in the latter half of the year. With the recession came a downturn in housing activity, a pronounced drop in industrial output, and a sharp deterioration in overall business conditions.

Interest rates were not only high by historical standards, but also the volatility and uncertainty that characterized them throughout the year significantly affected the expectations and actions of borrowers and depositors.

In response to the shortening term structure and the pressure on spreads, First City Trust made some very significant changes in its asset-type products. Firstly, the Company reduced its fixed commitment business to the extent that it could. Secondly, we moved into floating or short term products as much as possible. In the mortgage area, for example, we emphasized commercial and builders package-type financing as well as interim financing.

Samuel Belzberg

First City did not escape the impact of inflation as we experienced heavy pressure on operating costs. To preserve our profitability, we embarked upon a program at mid-year to hold the line on costs and to improve efficiency. This has been expanded further in our 1982 operating plan.

First City Financial Corporation Ltd. and Subsidiaries

1981 was another strong growth year for First City Financial. Income excluding extraordinary items was \$44.4 million or \$5.27 per common share versus \$15.2 million or \$2.63 per common share in 1980. Including extraordinary items, net income rose to \$56.1 million in 1981 as compared to \$15.2 million the previous year. This represents earnings per common share of \$6.68 for the year versus \$2.63 in 1980. Total consolidated assets rose to \$2.5 billion at year end, an increase of \$664 million over 1980, and common shareholders' equity increased to \$126 million from \$71 million a year ago.

Over the years, First City Financial has pursued a strategy to not only diversify geographically but also to widen the range of its investment categories and its capital sources. The success of this program is graphically illustrated in the charts at the front of this report. These show the scope of our North American operations and the shift of the Company from extreme dependence on mortgage lending to a more balanced portfolio of investments. They also illustrate the reduction in the proportion of capital raised through customer deposits and the development of a more balanced funds base.

This year marked a significant departure from the past as First City Financial pursued some major investments.

Early this spring, the much publicized takeover of the Bache Group Inc. by the Prudential Insurance Company of America produced a substantial gain for the Company.

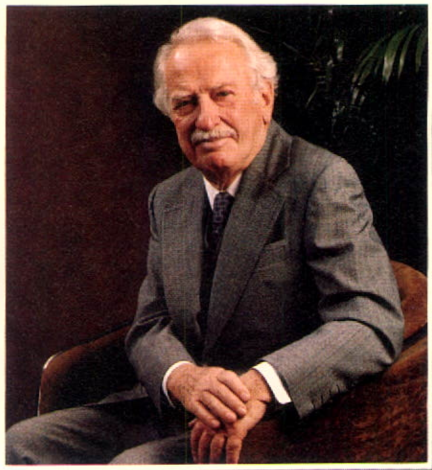
In July, the Company completed the acquisition of approximately 53% of the common shares of Canada Permanent Mortgage Corporation in exchange for common shares, newly created preferred shares, and the payment of cash.

At the very outset of our efforts to acquire Canada Permanent, we were committed to the belief that it was an appropriate time and circumstance to establish a broad shareholder base for First City as well as to afford shareholders of Canada Permanent an opportunity to maintain a share interest in the industry in an enlarged and re-energized company. We believed that our proposal was in the best interests of both companies and everyone concerned. As a consequence of unforeseen circumstances which changed the dynamics of the prospective acquisition, on August 10, 1981, the Company sold its interest in Canada Permanent.

Ronald J. Harrison

On August 11th, we announced an offer to buy back the shares issued under the Canada Permanent share exchange offer. The reason for making this offer was our belief that certain of the Canada Permanent shareholders exchanged their shares for First City shares on the basis that First City would then control Canada Permanent. Since this was not the case, we felt it would be fair and equitable to these former Canada Permanent shareholders to provide them with the opportunity to realize cash for the First City shares so they could make alternative investments if they so decided.

This transaction was completed in the fall as approximately 99% of the shares were tendered. The net effect of the Canada Permanent transaction, after the sale of our Canada Permanent holdings and the buyback of the First City shares, was to produce extraordinary income of $8.8 million.



David A. Croll, Q.C.

We have, for some time, been seeking an opportunity to enter into the natural resource field in a significant way. On February 13, 1982, First City Financial Corporation Ltd. signed an agreement to purchase slightly more than 40% of the common shares of Aberford Resources Ltd. concurrently with the completion of the acquisition by Aberford from the Marathon Oil Company of all of Marathon's Canadian oil, gas, and mineral properties. This, in our opinion, represents an opportunity to acquire a major holding in a company that has proven resources of oil, gas, coal, lead, zinc and uranium. We believe this acquisition will significantly contribute to First City's future growth and diversification.

First City Trust and Subsidiaries

Even though it was a difficult year from an economic perspective, First City Trust achieved new highs for income and asset growth. Income before extraordinary items reached $14.5 million for the year or $7.60 per common share. In addition, extraordinary items amounted to $4.1 million or $2.72 per common share.

Total assets at the end of 1981 grew to $2.4 billion, an increase of $651 million over the previous year. This included an increase in the mortgage portfolio of $231 million plus growth of $147 million in secured personal loans and $72 million in commercial loans and finance receivables. The total value of our real estate holdings grew by $107 million to $527 million. Customer deposits increased by $464 million to $1.7 billion at year end.

Legislation

We have now had more than one year to observe the impact of the new Bank Act which came into effect in late 1980. There have been some positive factors for our industry in this such as the creation of the Canadian Payments Association, a clearing house mechanism for negotiable instruments open to all deposit-accepting financial institutions. However, it is evident the increased business powers given to the banks, as well as the granting of charters to foreign banks, have placed pressure on the trust industry. Our industry is at a competitive disadvantage because of restrictions placed upon certain types of business its members are permitted to conduct, such as commercial lending.

We look forward to the introduction of Federal trust companies legislation which was to have closely followed passage of the Bank Act but which has, so far, been delayed. We believe expanded investment and lending powers will be essential for the industry to remain competitive with other financial institutions and to stay healthy.

The Federal Budget introduced November 12, 1981, although billed as an "equity" budget, did significant damage to the long standing savings and tax planning aspirations of hundreds of thousands of Canadians. It did little to either come to grips with inflation or provide stimuli for the stagnant economy, and severely damaged a number of the products that have been the mainstay of our industry. Income Averaging Annuity Contracts were completely eliminated as a source of long term deposits and MURBs are no longer available to attract funds for sorely needed rental apartment construction. Also, the viability of Registered Retirement Savings Plans and compound interest products as attractive savings vehicles has been adversely affected. First City will devote much of its product development energies this year to the identification of replacement products.

Directors

In March, Messrs. Sam Foster Ross, Q.C., Jack C. Stradwick, and H.J. Michael Watson were appointed Directors of First City Trust.

Senator Allister Grosart, P.C., will not be standing for re-election as a Director of First City Trust as he has reached mandatory retirement age. We are extremely grateful to Senator Grosart for his wise counsel and valued contribution to the Corporation's decision-making over his 17 year association with First City. The Senator has served as chairman of the Audit Committee since 1971 and provided very strong direction for this critical function. We are extremely pleased that he has indicated he will remain on the Board of First City Financial Corporation Ltd. and as an Honorary Director of First City Trust.

Outlook

We anticipate the performance of the Canadian economy in 1982 will be characterized by more of the same. That is, interest rates, inflation, and unemployment will remain high and housing construction and economic growth will remain low for much, and quite possibly all, of the year. The course of the recession is very difficult to predict because of the unsettled and uncertain state of the economies of both Canada and the United States. However, it is virtually certain the Canadian economy will present a trying operating environment for businesses in 1982.

We view 1982 as a year for the Company to focus on consolidation of its operations and strategic planning for the future. We will formulate and implement a strategic plan to develop new products and improve people skills to move into a position to take full advantage of the upsurge in the economy when it comes.

For the coming year, we have developed a business plan aimed squarely at the operating pressures that will face us. It takes a realistic approach to the cost and availability of money and allocates funds only to those areas which can profitably employ them. We will closely monitor our asset growth and will avoid growth merely for the sake of growth. Given the uncertainty of the present operating environment, one of our primary objectives during the current year will be to maintain a position of liquidity in order to be able to maximize our options in the future.

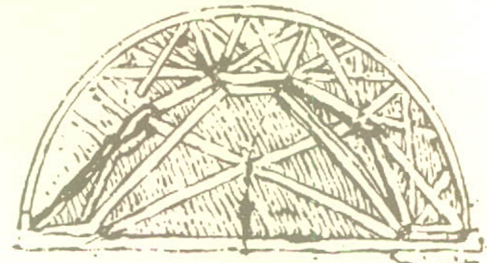
Although we recognize that 1982 will be a significant test of our management skills, we are confident in the strength of the Company and believe we have a solid foundation upon which to build for the future.

David A. Croll, Q.C.
Chairman of the Board
First City Financial Corporation Ltd.

Samuel Belzberg
President
First City Financial Corporation Ltd.
and Chairman of the Board
First City Trust Company

Ronald J. Harrison
President
First City Trust Company

Review of Operations



Leonardo initiated the scientific study of structures and the strength of materials.

CUSTOMER DEPOSITS

By far the greatest impact upon deposit raising activities in 1981 was exerted by the pronounced shift by customers from traditional long-term commitments (that is, five year term deposits) to short-term and demand deposits. The driving force behind this shift was a combination of interest rate instability, a prolonged period during which short-term interest rates were higher than long-term, and expectations of high ongoing inflation. A significant portion of customers opted for the flexibility and relatively high rates of short-term deposits with the result that First City, like most financial institutions in Canada, experienced difficulty raising long-term deposits, the type of funds traditionally used to fund our business. As a result, the Company had to be flexible and innovative to develop ways to profitably utilize the available funds and achieve a proper matching stance.

During 1981, total deposits increased 39% to $1.7 billion at the end of the year. Within this growth, the pattern of change varied significantly from product to product. Although it generally proved to be difficult to raise long-term deposits, two categories; Registered Retirement Savings Plans (RRSPs) and non-loan Income Averaging Annuity Contracts (IAACs), were very successful because of First City's aggressive stance in the market. Term RRSPs grew by $122 million, an increase of 67% over the level at the end of 1980. IAACs increased by $30 million or 41%.

In addition, IAACs subject to loan grew by $97 million.

We added six outlets to our savings branch network in 1981 to bring the total to nineteen. This included a fourth location added in Toronto in February and First City's first entry into the Quebec market which took place with the opening of our Montreal branch in September. The remaining four additions were branches acquired with the Equitrust Mortgage and Savings Company acquisition.

We introduced and test-marketed a number of short-term deposit products to take advantage of the changing marketplace. This included a senior citizens account, a 100-day deposit receipt, and a U.S. Dollar savings account, as well as an innovative 15-month RRSP product.

MORTGAGES

In spite of generally unfavorable market conditions created by high interest rates, inadequate levels of traditional long-term funds, and declining demand, our mortgage operations attained considerable growth in 1981. This was achieved by being innovative and searching out ways to satisfy customer needs while maintaining tight underwriting standards and profitably utilizing the types of funds available.

New commitments totalled $363 million, an 85% increase over 1980's production. By year end, total mortgages in force had grown by approximately one-third to $926 million. This was made up of 75% residential, 14% commercial, and 11% interim loans.

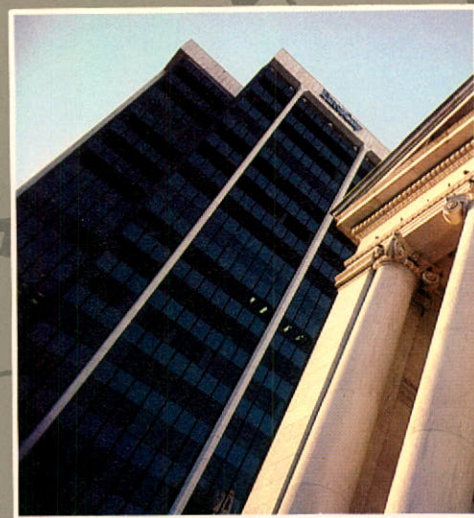
To attain a proper matching of funds, we emphasized floating and short-term products as much as possible. In particular, our strategy focused on commercial, interim, and builders package-type financing. The success of this marketing thrust is attested to by the fact that, by year end, our interim portfolio attained an increase of more than 270% from $27 million to almost $100 million.

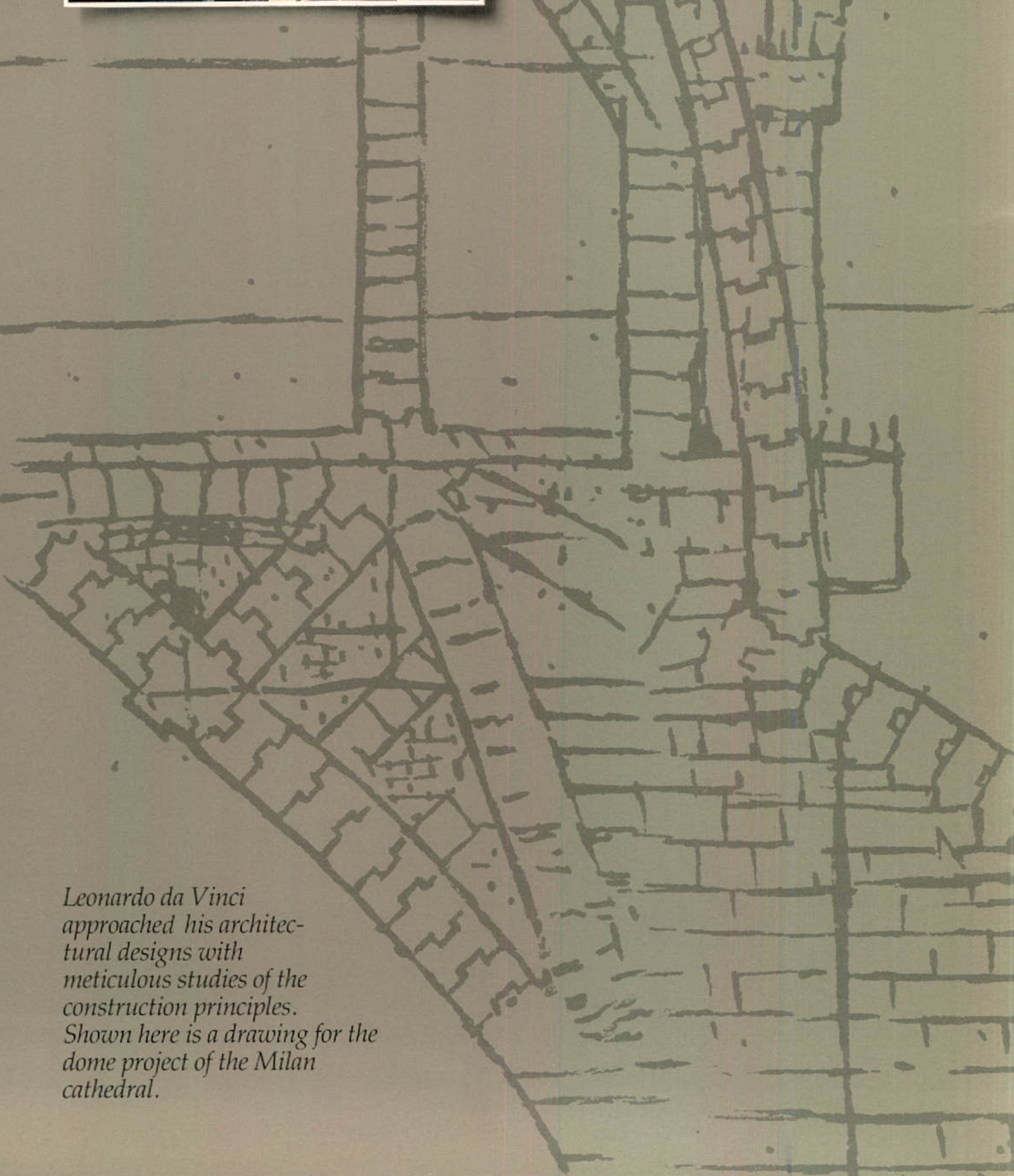
First City also implemented programs to improve productivity in its mortgage operations. This was so successful that we were able to handle the increased volume with 20% fewer staff and the through-put per person more than doubled.

To maintain the required control over our portfolio in these changing times, we strengthened and streamlined our mortgage underwriting operations. This enables us to react quickly and creatively to safely structure transactions tailored to the specific needs of our clients. This group was, in major part, responsible for the strength of our portfolio of construction and interim loans so that, even with difficult economic conditions, we were able to hold our arrears to the same level as the previous year.

During 1981 we discontinued the acquisition and marketing of mortgage banking packages as the viability of this product was severely damaged by fluctuating interest rates. We are continuing, however, to administer these packages for our clients. The portfolio of mortgages administered for banking customers stood at $291 million at the end of the year.

We anticipate that 1982 will be a most challenging year. The building industry will be severely depressed, difficulties in raising term funds will continue, and the cost of money will remain high. With this future in store, we will be placing an even stronger emphasis on properly matching loans to the terms of the underlying funds, as well as creatively structuring transactions to mitigate risk and ensure the strength and safety of our portfolio.





Leonardo da Vinci approached his architectural designs with meticulous studies of the construction principles. Shown here is a drawing for the dome project of the Milan cathedral.

PERSONAL LOANS

Secured personal lending was also an excellent growth category during 1981. This portfolio increased by $147 million or 79% during the year, mainly on the strength of our Income Averaging Annuity Contract (IAAC) loan program and second mortgage lending.

Income Averaging Annuity Contract loan program sales were very strong in January and February as $55 million in new contracts were written. However, in March, Revenue Canada cancelled the prior tax ruling they had given for this product. To protect our clients, we withdrew IAAC loans from the market. The majority of the market took similar action.

The Federal Budget cancelled IAACs outright after March 1, 1982. To take advantage of the short-term opportunity the remaining product offered, we developed and successfully marketed a one-year IAAC program with a variety of customer-oriented options.

First City Trust markets its second mortgages through its Realfunds Division. Realfunds had a very good year as volume reached $63 million, an increase of $17 million over 1980. This increased the portfolio to $108 million at year end from $61 million in 1980 and the number of accounts grew to 4,890.

LEASING

First City Capital, the leasing and term lending arm of the First City Group, achieved excellent growth in 1981. Sales volume was $106 million as compared to $54 million in 1980, an increase of 96%. The number of leases in effect grew by 78% to 6,161 and the total value of gross lease receivables was $205 million at year end.

Although First City Capital can and does lease all types of equipment from fork lifts to oil rigs, its main focus is in the fast-paced word processing, mini-computer, and telephone inter-connect markets. First City Capital knows these markets intimately and shapes its products to meet customer needs. A measure of the degree of customer satisfaction generated by First City Capital is the fact that, last year, over 50% of the volume was repeat business from present lessees.

The challenge of the rapidly changing marketplace in 1982 is an exciting one for us. We recognized early that to merely carry on doing traditional types of equipment leasing during times of high interest rates, scarce long-term funds, and economic slowdown could cause us to lose our preferred position in the industry. The realities of the leasing business are that new and innovative programs must constantly be developed, tested, and implemented to maintain our reputation for providing products which best satisfy the needs of both clients and vendors. One such program already introduced is our 90-day floating rate lease which, in a time of declining rates, allows for non-penalization of those clients who require commitments today. Development plans for other new, creative leasing products are presently underway.

With the excellence of our staff and our new plans, we expect 1982 to be another banner year for First City Capital.

REAL ESTATE

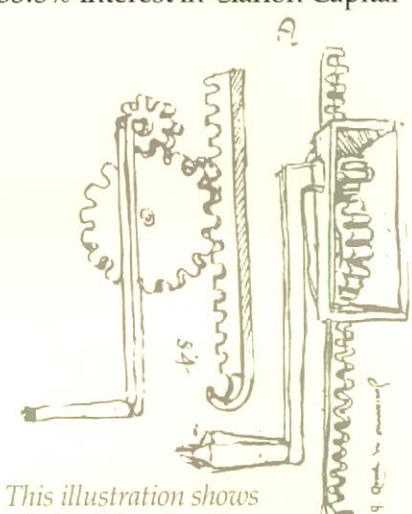
Real estate activities conducted primarily by First City Development Corp. Ltd. and its subsidiary companies continued to be an important segment of the Company's business. During 1981 the Company's real estate assets grew by $107 million, or 26%, to a total book value of $527 million. During the same period, after-tax earnings from real estate operations increased from $5.6 million in 1980 to $12.5 million.

Corporate Reorganization

During 1981 the management of First City Development Corp.'s public real estate subsidiary in the United States, State Mutual Investors, Inc., was transferred from Boston to Los Angeles, and, at the same time, that company's name was changed to First City Properties, Inc. First City Properties, Inc. is listed on the New York Stock Exchange and is reported under stock ticker symbol, "FCP". Additionally, First City Development increased its ownership of First City Properties, Inc., from 51% to 64% and brought all of the Company's California real estate operations under common management.

Corporate Acquisitions

The completion of the acquisition of the Denver Real Estate Investment Association added approximately $81 million of income properties to the Company's real estate portfolio. The Company also acquired a 53.3% interest in Clarion Capital



This illustration shows a jack with rack and reducing gear. In applied mechanics, Da Vinci was head and shoulders above his contemporaries.

Leonardo took a scientific approach to the study of the motion of water and the art of handling a sail-boat.

Corporation, a venture capital company operating under the U.S. Government's Small Business Administration program. This company makes loans and equity investments in corporations having a wide range of activities, including electronics, communications, and real estate.

Income Property Operations

During the year First City Development Corp. disposed of several of its long term investment properties in Toronto, including the Crossways, a multiple use high-rise complex, and two apartment buildings, 40 Gerrard Street and Walmer Place. In California, the Bel-Air Sands Hotel was sold after completion of a major rehabilitation program.

Housing

In 1981, continued high interest rates affected the profitability and sales volume of the Company's housing operations, primarily single and multiple family house construction undertaken by Metropolitan Development Corporation and the Mayer Group, Inc. in the southwestern United States, and condominium sales in Canada and the United States.

Despite this high interest rate environment, the Company's condominium conversion business was quite successful. During 1981 the Company closed on the purchase of the 624-unit, twin tower Harbor Towers complex, located on the waterfront in downtown Boston. Phase One was brought to market and achieved sales of approximately 66% over nine months. The Company expects this phase to be substantially sold in 1982, and anticipates achieving a correspondingly high conversion ratio of the final phase during the current year. Conversely, certain other projects have been noticeably affected by general economic conditions and the Company has had to create innovative selling packages to generate sales. For example, the Company has determined that in certain instances the syndicated sale of an apartment building to tax-oriented investors is more profitable than its sale as a condominium.

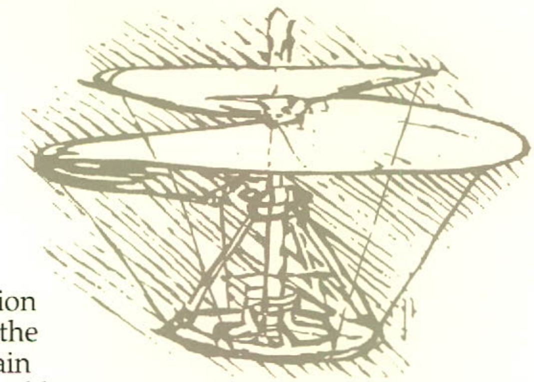
In general, we continued to be active in all our housing business segments, but were very selective and conservative in our choice of projects. We build very few speculative homes and endeavour to build only on a pre-sold basis. This course of action is exemplified by two MURB apartment projects, the 337 unit Dorchester Circle, in Vancouver, British Columbia and the 120 unit Granby Place in Toronto, Ontario, which were approved only after being pre-sold to investors in December 1981.

Land Under Development/Held for Sale

The Company embarked upon few new land projects during 1981 with the exception of its entry into the Texas marketplace where it acquired the rights to 200 acres of industrial land in Houston scheduled for development and sale in 1982. Instead, the Development Group concentrated on marketing its existing portfolio as well as bringing it into a position where its properties are properly zoned and available for sale.

Real Estate Equity Financing and Joint Ventures

An important part of First City's real estate activities is its equity financing loans and joint venture investments. Generally such arrangements are made between First City and developers who are in need of equity capital for real estate investments. First



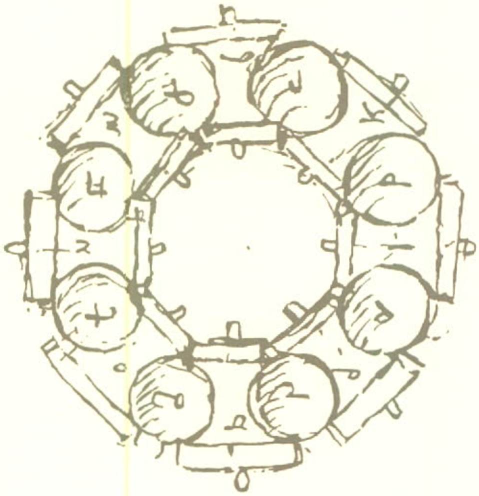
Probably the world's earliest suggestion of what is today a very familiar object — the modern helicopter.

City earns the right to participate in project profits and provides its clients with both financial resources as well as professional solutions to problems facing today's real estate industry. The First City Investments Division of First City Development Corp. Ltd. has generated the majority of this type of business for the group. During 1981, it continued to emphasize reduction in the number of its clients to concentrate on doing more business in larger amounts with clients with proven track records.

Operating Strategy and 1982 Outlook

We expect 1982 to be a difficult year, marked by slow sales, uncertain interest rates, and scarce capital. It will be difficult to surpass 1981's profit levels under these conditions. Should interest rates decline, we anticipate that potential buyers will continue to maintain their cautiousness and defer acquisitions into 1983 in order to allow sufficient time to gain confidence in the stability of the economy.

In this type of environment, the Company will proceed slowly and cautiously with new projects and will place primary emphasis on developing and marketing its existing real estate portfolio. This will necessarily involve the creation of new marketing and financing techniques. Special emphasis will be placed on syndicated sales and the development of equity financing arrangements with long term investors, including pension



Leonardo was the first to systematically study the causes of friction. He anticipated the role of ball bearings in modern machinery.

funds and insurance companies. To this end, in February, 1982, the Company announced the establishment of two real estate funds which will pool investors' contributions for the acquisition of operating income properties. One fund, First City RealFund, a real property registered retirement savings plan of First City Trust Company, is aimed at taxable investors who are concerned with tax shelter as well as long term capital appreciation. The second fund, First City Real Property Fund Ltd., is structured to suit the needs of non-taxable institutional investors such as pension funds and charitable foundations.

SECURITIES AND MONEY MARKET

First City continued to participate in all three sectors of the capital market — equities, bonds, and money market. Funds were shifted between the various portfolio segments throughout the year in response to changing circumstances and developing opportunities. Because of volatility within both the credit market and the equity market, investment time horizons were narrowed considerably with consequent changes in strategy.

Although the size of the total portfolio at year end was essentially unchanged from a year ago, increases in income were recorded in the money market and preferred share portfolios. Our money market desk maintained heavy volumes for the second consecutive year as total transactions exceeded $2.8 billion, with assets totalling $44 million at year end. The preferred share portfolio increased by $24 million during the year to $98 million.

North American bond markets were once again subjected to the unsettling forces of an unstable and uncertain economic environment. This, coupled with central bank intervention and the resulting dramatic fluctuations in short term interest rates, made the long term fixed income sector very volatile. Under these circumstances, our Investment Department initiated a very cautious stance toward the debt markets. The bond portfolio was reduced from $83 million to $64 million over the course of the year.

Because of the rapidly changing economic and interest rate environment, the outlook for equity performance in general deteriorated rapidly during the latter half of the year. As a result, the size of our portfolio of common shares was reduced significantly. A total of $33 million was invested in common equities at year end with $22 million in Canadian stocks and the balance in the U.S. market.

PEOPLE

During 1981, First City added some exceptional key people to its executive team. Primary among them was Ronald J. Harrison, who has been appointed President and Chief Operating Officer of First City Trust. Mr. Harrison brings to the Company 17 years of senior executive level experience in the financial services industry. His background encompasses the full spectrum of financial service activities, including commercial banking, corporate lending, consumer and mortgage lending, and investments. In his most recent position, he was Chief Executive Officer of a U.K.-based bank and trust company, and was responsible for banking services across Europe.

In his career, Mr. Harrison has specialized in the implementation of strategic planning and the motivation of companies within the commercial and merchant banking field. This, combined with his international experience, will make a significant contribution to the future plans of the First City group.

To provide better coordination of some of the major financial services offered by First City, Robert J. Graham, Executive Vice-President in charge of mortgage operations, has also assumed responsibility for First City Capital which includes our leasing activities. Joining Mr. Harrison and Mr. Graham on the Trust Company's Executive Committee are W. Gordon Lancaster, Executive Vice-President, Finance and Administration, and George C. Strachan, Executive Vice-President, Operations. Mr. Lancaster, who is responsible for all accounting, administration, and treasury functions, has 20 years experience in public accounting practice, including 5 years as a partner in a major chartered accountancy firm. Mr. Strachan, who is responsible for the Savings Branches, Marketing, Human Resources, and Corporate Planning, brings with him 23 years experience with a major Canadian bank in commercial and retail banking, and personnel.

Throughout this report, we have pointed out ways in which First City is different from its competitors. In a service organization such as ours, there is really only one thing on which these differences are founded — our people. We would like to acknowledge the excellence and dedication of First City's professionals.

First City Financial Corporation Ltd.

Consolidated Statement of Income

Year ended December 31, 1981

	1981	1980
Revenue		
Investments	$208,596,000	$119,733,000
Real estate	253,647,000	132,910,000
Securities gains and other (Note 15)	70,714,000	24,556,000
	532,957,000	277,199,000
Expenses		
Interest on customer deposits	185,461,000	107,747,000
Bank, term debt and other interest	52,430,000	18,144,000
Cost of real estate sold and property rental expenses (excluding interest and depreciation)	197,718,000	97,403,000
Salaries and employee benefits	21,109,000	13,482,000
Operating and administrative	33,196,000	19,501,000
	489,914,000	256,277,000
Income From Operations Before Income Taxes	43,043,000	20,922,000
Provision For Income Taxes (Note 16)		
Current	2,452,000	33,000
Deferred	(2,277,000)	3,901,000
	175,000	3,934,000
Income From Operations (Note 15)	42,868,000	16,988,000
Share Of Affiliates' Operating Income	4,992,000	295,000
Income Before Minority Interest	47,860,000	17,283,000
Minority Interest	3,444,000	2,077,000
Income Before Extraordinary Items	44,416,000	15,206,000
Extraordinary Items (Note 17)	11,701,000	—
Net Income	$ 56,117,000	$ 15,206,000
Income Attributable To Preferred Shareholders	$ 903,000	$ —
Income Available For Common Shareholders	$ 55,214,000	$ 15,206,000
Earnings Per Common Share (Note 18)		
Before extraordinary items	$5.27	$2.63
After extraordinary items	$6.68	$2.63

Consolidated Balance Sheet

December 31, 1981

Assets	1981	1980
Cash and Short Term Investments	**$ 116,946,000**	$ 63,529,000
Securities (Note 4)	**239,096,000**	255,696,000
Mortgages	**962,967,000**	707,839,000
Secured Personal Loans	**332,073,000**	185,266,000
Commercial Loans and Finance Receivables	**175,130,000**	102,885,000
Real Estate (Note 5)	**527,158,000**	419,937,000
Accounts Receivable and Other Assets (Note 6)	**71,304,000**	45,464,000
Investment in Affiliated Companies (Note 7)	**32,001,000**	16,438,000
Fixed Assets (Note 8)	**11,911,000**	9,233,000
Goodwill	**3,550,000**	1,834,000
Total	**$2,472,136,000**	$1,808,121,000

Approved by the Board:

Sam Belzberg

Samuel Belzberg
Director

David A. Croll, Q.C.
Director

Liabilities	1981	1980
Customer Deposits	**$1,664,399,000**	$1,200,691,000
Bank Indebtedness (Note 9)	**369,139,000**	313,671,000
Accounts Payable and Accrued Liabilities	**46,169,000**	29,999,000
Income Taxes Payable	**3,517,000**	242,000
Due To Related Parties (Note 10)	**48,410,000**	57,311,000
Term Debt (Note 11)	**159,229,000**	90,845,000
Deferred Income	**3,398,000**	1,730,000
Deferred Income Taxes	**15,137,000**	21,379,000
Minority Interest (Note 12)	**36,319,000**	21,219,000
	2,345,717,000	1,737,087,000
Contingencies (Note 21)		
Shareholders' Equity		
Share Capital (Note 13)	**20,799,000**	18,989,000
Contributed Surplus	**17,402,000**	17,402,000
Retained Earnings	**88,218,000**	34,643,000
	126,419,000	71,034,000
Total	**$2,472,136,000**	$1,808,121,000

First City Financial Corporation Ltd.

Consolidated Statement of Retained Earnings

Year ended December 31, 1981

	1981	1980
Balance, Beginning of Year	$34,643,000	$20,449,000
Net Income	56,117,000	15,206,000
	90,760,000	35,655,000
Dividends		
Preferred shares	903,000	—
Common shares	1,483,000	1,012,000
Preferred Share Issue Expenses of a Subsidiary	156,000	—
Balance, End of Year	$88,218,000	$34,643,000

Opinion of Independent Auditors

To the Shareholders of
First City Financial Corporation Ltd.:

We have examined the consolidated balance sheet of First City Financial Corporation Ltd. as at December 31, 1981 and the consolidated statements of income, retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1981 and the results of its operations and the changes in its 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.

Vancouver, British Columbia
February 26, 1982

Deloitte Haskins & Sells
Chartered Accountants

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1981

	1981	1980
Sources of Cash		
From operations	$ 57,248,000	$ 24,677,000
Extraordinary item	6,825,000	—
Increase in customer deposits	325,420,000	378,705,000
Bank indebtedness	55,468,000	124,840,000
Due to related parties	—	13,452,000
Term debt — net of repayments	34,485,000	28,163,000
Issue of common shares (net of repurchase)	1,614,000	20,086,000
Issue of preferred shares (net of repurchase)	195,000	—
Issue of preferred shares by a subsidiary	15,023,000	—
Issue of common shares by a subsidiary	338,000	—
Decrease in securities	22,437,000	—
Increase in accounts payable and accrued liabilities	13,222,000	—
Increase in income taxes payable	3,275,000	—
Increase in deferred income	1,664,000	122,000
	537,214,000	590,045,000
Uses of Cash		
Net investment in		
Securities	—	116,464,000
Mortgages	148,636,000	80,756,000
Secured personal loans	140,313,000	163,402,000
Commercial loans and finance receivables	72,245,000	30,603,000
Real estate	38,369,000	126,064,000
Purchase of subsidiaries — less cash acquired	34,025,000	19,655,000
Purchase of additional shares of subsidiaries	545,000	528,000
Increase in accounts receivable and other assets	23,724,000	13,746,000
Investment in affiliated companies	5,704,000	330,000
Dividends	2,386,000	1,012,000
Dividends paid to minority shareholders	3,262,000	1,921,000
Purchase of preferred shares by subsidiaries	915,000	794,000
Fixed assets	4,614,000	3,994,000
Due to related parties	8,901,000	—
Preferred share issue costs of a subsidiary	158,000	—
Decrease in accounts payable and accrued liabilities	—	1,960,000
Decrease in income taxes payable	—	519,000
	483,797,000	561,748,000
Increase in Cash and Short Term Investments	53,417,000	28,297,000
Cash and Short Term Investments, Beginning of Year	63,529,000	35,232,000
Cash and Short Term Investments, End of Year	$116,946,000	$ 63,529,000

Notes to the Consolidated Financial Statements

December 31, 1981

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect the following policies:

Basis of consolidation and presentation
The consolidated financial statements include the accounts of the company and all of its subsidiaries except for two affiliates discussed in Note 7. The fiscal year end of certain subsidiaries is November 30. As a result, figures as at December 31 or for the years then ended include the financial position of those subsidiaries as at November 30 and the results of their operations for the years then ended. The results of operations of the subsidiaries are included in the consolidated financial statements from the respective dates of acquisition or incorporation.

Joint ventures and partnerships of subsidiary companies are accounted for using the proportionate consolidation method whereby the pro rata share of the assets, liabilities, revenues and expenses are included in the consolidated financial statements (Note 14).

The company accounts for its investment in its affiliates on the equity basis.

Issue and repurchase of share capital
As discussed in Note 2, the company issued shares in exchange for shares of Canada Permanent Mortgage Corporation (Canada Permanent), and subsequently repurchased 99% of such shares. The company has charged paid-up capital with the same per-share amount as was initially credited to paid-up capital on issue; in addition, the gain resulting from the repurchase at an amount per share which was less than the issue price has been included in extraordinary income. The company's method of accounting for the repurchase is at variance with the method recommended by the Accounting Research Committee of the Canadian Institute of Chartered Accountants which requires that the amount charged to paid-up capital be based on the average paid-up per-share amount, and that any gain or loss be credited or charged to contributed surplus or to retained earnings as appropriate. The company considers its accounting treatment more appropriate in light of the circumstances surrounding the issue of the shares and their subsequent repurchase and that any gain resulting therefrom is properly part of the overall gain on the purchase and resale of shares of Canada Permanent.

Securities valuation
Bonds are carried at amortized cost and shares are carried at cost less provision for permanent declines in value.

Loans valuation
Mortgages, commercial and secured personal loans are carried at cost plus accrued interest, less repayments and provisions for losses.

Finance receivables are carried at the contract amount less repayments, unearned income and provisions for losses. These receivables are recorded in accordance with the financing method of accounting under which income is recognized on the sum-of-the-digits method.

Real estate
Income properties are carried at cost, including carrying costs capitalized during the development period. A property is deemed completed and operating when 70% rental occupancy is achieved, subject to a reasonable maximum time period.

Housing completed and under development (including condominium housing) is valued at the lower of cost and estimated net realizable value.

Land, other than land held for income property development, is carried at the lower of cost and estimated net realizable value.

Land held for income property development is carried at cost.

Foreclosed property is carried at the lower of cost and estimated net realizable value.

The company capitalizes direct carrying costs related to real estate projects including specific interest, property taxes, legal fees, and those general and administrative expenses that are clearly identified with projects. In addition, a portion of non-specific interest is allocated to projects. Net rentals from income properties under development and apartments under condominium conversion are capitalized until such time as the property is deemed operating or is sold.

Revenue from the sale of housing units is recognized upon meeting the following criteria:

- ☐ construction is completed;
- ☐ the unit is accepted by the purchaser; and
- ☐ the purchaser assumes existing debt obligations related to the unit.

Revenue from the sale of land and income properties is recognized when all material requirements of the sale agreement have been met, when risks of ownership have been passed to the purchaser and when an appropriate down payment has been received to ensure satisfactory completion of the transaction.

Foreign currency translation

Foreign currency assets and liabilities are translated at the current rate of exchange prevailing at the balance sheet date. Revenue and expenses are translated at the average monthly rate of exchange prevailing during the year. Gains or losses from exchange translations are included in income except for those gains or losses resulting from the company's net investment in United States subsidiaries. These gains or losses have been deferred since repayment of the net investment is not imminent.

Other operating revenue

Mortgage processing fees are recognized as income by the sum-of-the-digits method over the term of the related mortgage to a maximum of five years. If the term of the mortgage is one year or less, fees are recognized as income quarterly in equal amounts. Other mortgage fees and other revenue are included in income as received.

Fee income from real estate equity financing loans is recorded at the time of making a firm commitment to fund a loan. Participation income is recognized as earned and reported by the borrower as stipulated in the loan agreement.

Depreciation and amortization

Operating income properties in Canada are depreciated principally on a 4%, forty-year sinking fund basis and in the United States on a straight-line basis over forty years. The sinking fund depreciation charge, which increases annually, consists of a fixed annual sum together with an amount equivalent to interest compounded at the rate of 4% per annum.

Fixed assets are depreciated on the straight-line basis over 10 to 60 years; leasehold improvements are amortized on a straight-line basis over the terms of the related leases.

Goodwill

Goodwill arising from the 1970 acquisition of First City Trust Company is not being amortized. Goodwill arising from the acquisition of Equitrust Mortgage and Savings Company is being amortized on a straight-line basis over 40 years.

2. ACQUISITION AND SALE OF SHARES OF CANADA PERMANENT

In July 1981, the company acquired, pursuant to an offer dated May 22, 1981, 2,675,925 common shares and 45,400 preference shares of Canada Permanent in exchange for common and preferred shares of the company with an aggregate paid-up value of $90,710,000 (see Note 13). In addition, the company and a subsidiary acquired by market purchases and private agreements, an additional aggregate of 1,810,020 Canada Permanent common shares for cash of $58,245,000. These acquisitions resulted in the company owning or controlling approximately 53.2% of all outstanding Canada Permanent common shares.

In August 1981, the company sold all of the common and preference shares of Canada Permanent acquired by it for cash of $158,880,000 resulting in a gain on sale of $5,885,000 after income taxes of $940,000 (Note 17).

Under the terms of a share purchase offer dated September 28, 1981, 240083 B.C. Ltd., a new wholly-owned subsidiary of the company, offered to purchase for cash all of the shares of the company issued under the share exchange offer discussed above, at a price equivalent to the highest per-share cash price paid by the company for Canada Permanent common shares acquired by market purchases and private agreements. The offer expired October 19, 1981 at which time approximately 99% of the shares had been tendered to the subsidiary for cash of $86,600,000. These shares have been acquired by the company from the subsidiary and have been cancelled. The gain of $2,943,000 on repurchase of the shares was effectively realized in cash as a result of the sale of the Canada Permanent shares discussed above. This amount has been included in extraordinary income (Note 17).

3. OTHER ACQUISITIONS

Effective January 1, 1981, a subsidiary company acquired 99.5% of the common shares of Equitrust Mortgage and Savings Company on a share exchange basis for 1,127,924 preferred shares valued at $9,023,000. The acquisition has been accounted for by the purchase method and the following net assets were acquired:

Total assets	$147,929,000
Total liabilities	140,744,000
Net assets	7,185,000
Goodwill	1,838,000
Consideration	$ 9,023,000

Effective January 1, 1981, a subsidiary company acquired all of the outstanding shares of Denver Real Estate Investments Association for a cash consideration of $48,143,000. The acquisition has been accounted for by the purchase method and the following net assets were acquired:

Total assets	$ 84,086,000
Total liabilities	35,943,000
Consideration	$ 48,143,000

4. SECURITIES

	1981	1980
Carrying values		
Government bonds	$ 64,656,000	$ 87,583,000
Preferred and common shares	174,440,000	168,113,000
	$239,096,000	$255,696,000
Market values		
Government bonds	$ 54,394,000	$ 80,353,000
Preferred and common shares	148,641,000	185,066,000
	$203,035,000	$265,419,000

5. REAL ESTATE

	1981	1980
Income properties		
Under development	$ 36,524,000	$ 17,406,000
Operating — net of accumulated depreciation of $5,309,000 (1980 — $5,180,000)	163,377,000	133,705,000
Housing completed and under development	140,521,000	81,742,000
Land under development and held for sale	157,549,000	149,127,000
Real estate equity financing receivables	25,066,000	29,793,000
Foreclosed property	4,121,000	8,164,000
	$527,158,000	$419,937,000

Depreciation on income properties charged to income for the year amounted to $3,885,000 (1980 — $1,804,000).

6. ACCOUNTS RECEIVABLE AND OTHER ASSETS

	1981	1980
Accounts receivable		
Financial services	$20,939,000	$14,817,000
Real estate	13,399,000	7,314,000
Advances to real estate joint ventures	22,215,000	17,151,000
Prepaid and deferred expenses	14,751,000	6,182,000
	$71,304,000	$45,464,000

7. INVESTMENT IN AFFILIATED COMPANIES

	1981	1980
First City Properties Inc. (formerly State Mutual Investors, Inc.) — 51% owned	$24,129,000	$16,143,000
Clarion Capital Corporation — 53% owned	5,580,000	—
Other	2,292,000	295,000
	$32,001,000	$16,438,000

First City Properties Inc. (FCP) has an option to acquire the 25% minority interest in one of its subsidiaries in exchange for shares of FCP. FCP intends to exercise this option, after which the company's interest in FCP will be reduced below 50%. Consequently, FCP has not been consolidated. Clarion Capital Corporation (Clarion) is a Small Business Investment Company engaged in venture capital activities in the United States and is regulated by the Small Business Administration. Clarion has not been consolidated as its operations are significantly different from those of the company and its assets, liabilities and operations are not material to these consolidated financial statements.

8. FIXED ASSETS

These assets are stated at cost less accumulated depreciation and amortization of $4,677,000 (1980 — $2,778,000). Depreciation and amortization charged to income for the year amounted to $2,387,000 (1980 — $1,102,000).

9. BANK INDEBTEDNESS

	1981	1980
On securities investments	$ 22,719,000	$ 76,960,000
On mortgages receivable	9,090,000	4,862,000
On finance receivables	841,000	1,975,000
On income properties		
Operating	60,329,000	28,241,000
Under development	10,990,000	3,776,000
On housing completed and under development	76,372,000	27,184,000
On land under development and held for sale	—	16,639,000
General	188,798,000	154,034,000
	$369,139,000	$313,671,000

The majority of the bank loans bear interest at rates which vary with bank prime rate; the weighted average rate of interest at December 31, 1981 was 17.6%.

The securities investments loans are secured by specific securities and the finance receivables loan is secured by a floating charge debenture on the receivables portfolio. General bank loans aggregating $165,000,000 are secured by a demand debenture which provides a first floating charge over certain Canadian real estate assets, fixed charges on specific real estate properties, and by a general assignment of book debts. Substantially all of the other loans are secured by specific charges on real estate assets.

10. DUE TO RELATED PARTIES

	1981	1980
Bel-Fran Investments Limited and related corporations (controlling shareholders of the company)	$46,879,000	$55,780,000
Director	1,531,000	1,531,000
	$48,410,000	$57,311,000

The amounts have no specific terms of repayment and bear interest at a weighted average rate of 12.9%; total interest charged for the year was $7,557,000 (1980 — $7,357,000).

11. TERM DEBT

	1981	1980
Secured		
Income properties	$ 70,142,000	$35,500,000
Housing completed and under development	40,324,000	22,497,000
Land under development and held for sale	28,029,000	27,569,000
Finance receivables	—	122,000
General	16,126,000	—
Unsecured		
Subordinated notes, Series A	2,500,000	3,000,000
Sinking fund debentures, Series A	2,108,000	2,157,000
	$159,229,000	$90,845,000

Term debt bears interest at a weighted average rate of 10.2%.

Debt on housing completed and under development will be assumed by the purchasers of such units or discharged out of sale proceeds.

Approximate principal repayments on term debt other than debt on housing completed and under development are:

1982	$ 26,379,000
1983	13,465,000
1984	17,242,000
1985	7,850,000
1986	2,298,000
Thereafter	51,671,000
	$118,905,000

12. MINORITY INTEREST

	1981	1980
Minority interest in subsidiary companies		
Common shareholders	$ 940,000	$ 655,000
Preferred shareholders	35,379,000	20,564,000
	$36,319,000	$21,219,000

13. SHARE CAPITAL

Preferred shares

At December 31, 1980, the company was authorized to issue 1,600,000 redeemable exchangeable preferred shares without par value, of which none were outstanding.

In May 1981, the previously authorized preferred shares were cancelled and 25,000,000 first preferred shares without par value issuable in series and 25,000,000 second preferred shares without par value issuable in series were authorized. Also in May 1981, the company's directors designated 12,500,000 first preferred shares as $0.6125 First Preferred Shares, Series A and designated 12,500,000 second preferred shares as $1.75 Convertible Second Preferred Shares, Series 1.

Each First Preferred Share, Series A is cumulative, redeemable after September 15, 1984 at a maximum of $5.25 per share and retractable at the option of the holder on September 15, 1991 at $5.00 per share plus accrued and unpaid dividends.

Each Convertible Second Preferred Share, Series 1 is cumulative, redeemable after September 15, 1983 at a maximum of $21.00 per share and convertible into common shares at the holder's option at any time prior to September 15, 1986 at $24.00 per common share and thereafter up to September 15, 1991 at $27.00 per common share.

At December 31, 1981, the following preferred shares were issued and outstanding:

	First Preferred Shares		Second Preferred Shares	
	Number	Paid-up Value	Number	Paid-up Value
Issued on acquisition (Note 2)	2,004,575	$10,023,000	1,970,375	$39,407,000
Repurchased and cancelled (Note 2)	1,998,990	9,995,000	1,961,990	39,239,000
Outstanding, December 31, 1981	5,585	$ 28,000	8,385	$ 168,000

Common shares

At December 31, 1980, the company was authorized to issue 16,800,000 common shares without par value; in May 1981, the authorized capital was increased to 25,000,000 common shares without par value.

At December 31, 1981, the following common shares were issued and outstanding:

	Number of Shares	Paid-up Value
Outstanding, December 31, 1980	7,298,652	$18,989,000
Issued on acquisition (Note 2)	1,720,020	41,280,000
Issued on exercise of warrants	164,648	659,000
	9,183,320	60,928,000
Repurchased and cancelled (Note 2)	1,680,204	40,325,000
Outstanding, December 31, 1981	7,503,116	$20,603,000

Common Shares Reserved

At December 31, 1981, common shares are reserved for issuance in respect of:

A share purchase warrant for an officer permitting the purchase of shares for $4.00 each to July 15, 1982, at which time the warrant expires	16,000
11,989 share purchase warrants issued in conjunction with the sinking fund debentures, Series A. Each warrant entitles the holder to purchase 4 shares at $4.00 each to July 15, 1982	47,956
The conversion privilege attached to $1.75 Convertible Second Preferred Shares, Series 1	6,988
	70,944

14. JOINT VENTURES AND PARTNERSHIPS

These consolidated financial statements include subsidiary companies' proportionate share of real estate joint venture and partnership assets, liabilities, revenues and expenses as follows:

	1981	1980
Assets	**$98,441,000**	$116,616,000
Liabilities	**75,250,000**	67,798,000
Revenues	**19,133,000**	16,703,000
Expenses	**23,649,000**	12,997,000

In certain joint ventures and partnerships the subsidiary companies are contingently liable for the remaining portion of liabilities. The amount of this contingent liability at December 31, 1981 is approximately $63,224,000 against which the subsidiary companies would have claims on the related assets which in total are sufficient to meet these obligations.

15. SECURITIES GAINS AND OTHER OPERATING REVENUE

Included in this amount is a gain of $48,700,000 resulting from the sale in June 1981 of the company's investment in Bache Group Inc. Also included in the results of operations for the year are carrying costs including interest and income taxes, totalling $15,400,000 relating to this gain.

16. INCOME TAXES

A portion of the company's revenue consists of tax-exempt income; accordingly, income taxes provided in the consolidated statement of income are less than the amount obtained by applying statutory tax rates to income from operations before income taxes.

17. EXTRAORDINARY ITEMS

Gain on sale of shares of Canada Permanent (including gain on repurchase of preferred and common shares — net of deferred income taxes of $940,000) (Note 2)	$ 8,828,000
Share of tax reduction of affiliated company from utilization of a loss carry forward	2,873,000
	$11,701,000

18. EARNINGS PER COMMON SHARE

Earnings per common share have been calculated on the weighted average number of shares outstanding during each year. Fully diluted earnings per common share are not significantly different from earnings per common share.

19. INTEREST EXPENSE

In respect of real estate development operations of subsidiaries, interest for the year totalled $73,701,000 (1980 — $35,087,000) of which $32,351,000 (1980 — $10,464,000) was charged to operations with the remaining amount being capitalized.

20. COMMITMENTS

The company's premises and certain equipment are held under long term leases; the aggregate amount of rentals paid during the year was $1,610,000 (1980 — $1,111,000). The aggregate rentals payable under all leases currently in force during the next five years is $10,183,000.

A subsidiary company involved in real estate development has lodged letters of credit aggregating $4,943,000 with municipalities and utilities as collateral for the fulfilment of obligations under certain subdivision agreements.

21. CONTINGENCIES

In connection with the cash tender offer for the outstanding shares of Denver Real Estate Investments Association (Note 3), another party has commenced an action against the company which claims interference with contract and interference with prospective advantage and alleges damages in excess of U.S. $8,000,000 and claims exemplary damages of U.S. $40,000,000. The litigation is at a preliminary stage. The company believes that there is legal authority in Colorado which would support the legality of the tender offer in the circumstances. The company also believes that the chances of an award of exemplary damages in this case are remote and that the chances of any monetary liability being assessed against the company are not probable.

The company and certain of its subsidiaries have been named as defendants in continuing litigation for compensatory and punitive damages involving an amount of approximately U.S. $21,000,000 with respect to a real estate transaction in California. A number of the same parties were involved in a prior action relating to the same transaction which resulted in a judgement in favour of the company. The present proceedings were dismissed at an earlier stage, but on appeal, trial proceedings were reinstated. The company is contesting the claim and believes the chance of any monetary liability being assessed is remote.

The company and certain subsidiaries are defendants in other actions arising in the ordinary course of business. These actions are being contested and in certain cases, counter claims have been made. The company believes that the ultimate outcome of these actions will not, individually or in the aggregate, result in any significant liability being assessed.

22. RELATED PARTY TRANSACTIONS

The following summarizes the significant transactions during the year with related parties that have not been reported elsewhere:

(a) A subsidiary company sold a property to a 50% owned joint venture, whose other partner is an officer of a subsidiary company. The sale was made for an aggregate price of $4,200,000 representing fair market value of the property.

(b) A subsidiary company has project loans totalling $8,552,000 at November 30, 1981 ($3,178,000 at November 30, 1980) made to an affiliated company. These loans are secured by real estate projects and carry commercial interest rates.

23. BUSINESS SEGMENT INFORMATION

Operations and identifiable assets by industry segment are as follows (in thousands of dollars):

1981	Financial Services	Real Estate	Eliminations	Consolidated
Revenue from third parties	$ 277,849	$255,108	$ —	$ 532,957
Intersegment revenue	1,051	1,462	(2,513)	—
	$ 278,900	$256,570	$ (2,513)	$ 532,957
Net income	$ 44,843	$ 12,530	$ (1,256)	$ 56,117
Identifiable assets	$1,787,808	$684,328		$2,472,136
Depreciation and amortization	$ 1,368	$ 4,966		$ 6,334

1980	Financial Services	Real Estate	Eliminations	Consolidated
Revenue from third parties	$ 144,289	$132,910	$ —	$ 277,199
Intersegment revenue	405	207	(612)	—
	$ 144,694	$133,117	$ (612)	$ 277,199
Net income	$ 10,141	$ 5,573	$ (508)	$ 15,206
Identifiable assets	$1,327,766	$480,355		$1,808,121
Depreciation and amortization	$ 651	$ 2,255		$ 2,906

Operations and identifiable assets by geographic region are as follows (in thousands of dollars):

1981	Canada	United States	Eliminations	Consolidated
Revenue from third parties	$ 365,524	$167,433	$ —	$ 532,957
Intersegment revenue	8,169	650	(8,819)	—
	$ 373,693	$168,083	$ (8,819)	$ 532,957
Net income	$ 43,664	$ 12,453	$ —	$ 56,117
Identifiable assets	$2,078,501	$423,839	$(30,204)	$2,472,136

1980	Canada	United States	Eliminations	Consolidated
Revenue from third parties	$ 207,859	$ 69,340	$ —	$ 277,199
Intersegment revenue	4,194	155	(4,349)	—
	$ 212,053	$ 69,495	$ (4,349)	$ 277,199
Net income	$ 13,953	$ 1,253	$ —	$ 15,206
Identifiable assets	$1,573,543	$289,858	$(55,280)	$1,808,121

24. COMPARATIVE FIGURES

Certain comparative figures for 1980 have been reclassified to conform with the classifications used in the current year.

25. SUBSEQUENT EVENTS

(a) In February 1982 and pursuant to the approval at a special general meeting of the majority of the stockholders of First City Properties Inc. (FCP) other than the company held on January 27, 1982, FCP acquired all the outstanding capital stock of two of the company's subsidiaries, Metropolitan Development Corporation and First City Developments Corp. of California, in exchange for 3,166,667 shares of FCP. In February 1982, FCP exercised its option discussed in Note 7. As a result of the exchange and the exercise of the option, the company's interest in FCP was increased to 64%. As at October 31, 1981, FCP had total assets of U.S. $176 million, total liabilities including minority interest of U.S. $152 million, and for the twelve months then ended had revenue of U.S. $89 million. The company will consolidate the accounts of FCP in the year ending December 31, 1982.

(b) In February 1982, the company signed a Subscription Agreement under which it agreed to purchase 4,750,000 shares of Aberford Resources Ltd. (Aberford) from the treasury of that company as well as to acquire an additional 500,000 shares of Aberford from two of its major shareholders if, as and when Aberford acquires from Marathon Oil Company all of Marathon's Canadian companies which in turn hold all of Marathon's Canadian oil, gas and mineral properties. The company's proposed purchase from Aberford and its shareholders would, if the transaction completes, require it to advance $30,000,000 in cash plus 545,454 of its common shares to be issued at a deemed price of $22 per share. If the Marathon purchase agreement closes and the Subscription Agreement between the company and Aberford closes, the company would be the largest single shareholder of Aberford owning in excess of 40% of the issued common shares of Aberford and would be entitled to representation on the Aberford board of directors of at least one-third of all board seats.

(c) Pursuant to the terms of an Underwriting and Paying Agency Agreement with Banque Keyser Ullmann S.A. dated February 19, 1982, the company proposes to issue bonds with an aggregate principal amount of from 25,000,000 Swiss francs to 50,000,000 Swiss francs. The bonds will be unsecured and repayable in March 1992 or earlier at the company's option.

Five-Year Summary

(In thousands of dollars except for per share figures)

	1981	1980	1979	1978	1977
Balance Sheet					
Assets					
Cash and Short Term Investments	**$ 116,946**	$ 63,529	$ 35,232	$ 22,452	$ 34,692
Securities	**239,096**	255,696	139,232	99,530	53,324
Mortgages	**962,967**	707,839	627,083	496,017	372,538
Secured Personal Loans	**332,073**	185,266	21,864	8,325	6,998
Commercial Loans and Finance Receivables	**175,130**	102,885	72,282	36,002	18,424
Real Estate	**527,158**	419,937	277,873	138,394	12,815
Other Assets	**118,766**	72,969	37,949	25,719	6,883
Total	**$2,472,136**	$1,808,121	$1,211,515	$826,439	$505,674
Liabilities and Equity					
Deposits	**$1,664,399**	$1,200,691	$ 821,986	$612,045	$425,541
Other Liabilities	**470,633**	402,953	255,206	92,217	26,397
Term Debt	**159,229**	90,845	58,070	50,337	13,267
	2,294,261	1,694,489	1,135,262	754,599	465,205
Deferred Income Taxes	**15,137**	21,379	17,003	15,611	3,865
Minority Interest	**36,319**	21,219	22,496	24,735	9,478
Shareholders' Equity	**126,419**	71,034	36,754	31,494	27,126
Total	**$2,472,136**	$1,808,121	$1,211,515	$826,439	$505,674
Income Statement					
Revenue:					
Investments	**$ 208,596**	$ 119,733	$ 82,120	$ 58,547	$ 44,252
Real Estate	**258,639**	133,205	120,975	20,470	—
Securities Gains and Other	**70,714**	24,556	9,977	8,165	7,927
Total Revenue	**537,949**	277,494	213,072	87,182	52,179
Expenses:					
Interest	**237,891**	125,891	83,853	49,672	34,562
Salaries	**21,109**	13,482	9,418	5,641	3,452
Real Estate	**197,718**	97,403	94,146	15,064	—
Other	**36,640**	21,578	17,236	8,980	7,168
Total Expenses	**493,358**	258,354	204,653	79,357	45,182
Income Taxes	**175**	3,934	2,396	2,787	2,858
Net Income (before extraordinary items)	**$ 44,416**	$ 15,206	$ 6,023	$ 5,038	$ 4,139
Per Common Share (before extraordinary items):					
Earnings (after reflecting 2:1 stock split in 1980)	**$ 5.27**	$ 2.63	$ 1.07	$ 0.90	$ 0.88
Dividends	**$ 0.20**	$ 0.18	$ 0.15	$ 0.12	$ 0.10
Book Value	**$ 16.82**	$ 9.73	$ 6.55	$ 5.63	$ 4.86

Consolidated Statement of Income

Year ended December 31, 1981

	1981	1980
Revenue		
Investments	$200,783,000	$116,680,000
Real estate	253,647,000	132,910,000
Securities gains and other	16,236,000	14,344,000
	470,666,000	263,934,000
Expenses		
Interest on customer deposits	185,461,000	107,747,000
Bank, term debt and other interest	32,196,000	11,123,000
Cost of real estate sold and property rental expenses (excluding interest and depreciation)	197,718,000	97,403,000
Salaries and employee benefits	20,772,000	13,167,000
Operating and administrative	26,859,000	18,369,000
	463,006,000	247,809,000
Income From Operations Before Income Taxes	7,660,000	16,125,000
Recovery Of (Provision For) Income Taxes (Note 13)	2,094,000	(4,658,000)
Income From Operations	9,754,000	11,467,000
Share Of Affiliates' Operating Income	4,992,000	295,000
Income Before Minority Interest	14,746,000	11,762,000
Minority Interest	175,000	143,000
Income Before Extraordinary Items	14,571,000	11,619,000
Extraordinary Items (Note 14)	4,076,000	—
Net Income	$ 18,647,000	$ 11,619,000
Income Attributable To Preferred Shareholders	$ 3,185,000	$ 1,977,000
Income Available For Common Shareholders	$ 15,462,000	$ 9,642,000
Earnings Per Common Share (Note 15)		
Before extraordinary items	$7.60	$8.28
After extraordinary items	$10.32	$8.28

Consolidated Balance Sheet

December 31, 1981

Assets	1981	1980
Cash and Bank Deposit Receipts	**$ 92,083,000**	$ 14,306,000
Short Term Notes	**11,702,000**	45,521,000
Securities (Note 3)	**194,994,000**	180,248,000
Secured Personal Loans	**332,073,000**	185,266,000
Commercial Loans and Finance Receivables	**175,130,000**	102,885,000
Mortgages	**925,803,000**	695,210,000
Real Estate (Note 4)	**527,158,000**	419,937,000
Accounts Receivable	**44,921,000**	30,230,000
Investment in Affiliated Companies (Note 5)	**32,001,000**	16,438,000
Fixed Assets (Note 6)	**11,877,000**	9,066,000
Other Assets	**15,983,000**	13,702,000
Total	**$2,363,725,000**	$1,712,809,000

Approved by the Board:

Sam Belzberg

Samuel Belzberg
Director

Ronald J. Harrison
Director

Liabilities	1981	1980
Customer Deposits		
Demand and short term deposits	$ 324,756,000	$ 243,323,000
Deposit certificates and debentures	1,339,643,000	957,368,000
	1,664,399,000	1,200,691,000
Bank Indebtedness (Note 7)	333,829,000	225,504,000
Accounts Payable and Accrued Liabilities	25,586,000	32,259,000
Income Taxes Payable	244,000	242,000
Due to Related Parties (Note 8)	59,785,000	67,798,000
Term Debt (Note 9)	154,621,000	85,688,000
Subordinated Notes (Note 10)	2,500,000	3,000,000
Deferred Income	3,397,000	1,728,000
Deferred Income Taxes	16,246,000	21,933,000
Minority Interest	1,463,000	—
	2,262,070,000	1,638,843,000
Contingencies (Note 18)		
Shareholders' Equity		
Capital Stock (Note 11)		
Preferred shares	35,705,000	21,799,000
Common shares	2,995,000	2,995,000
Contributed Surplus, General Reserve and Retained Earnings	62,955,000	49,172,000
	101,655,000	73,966,000
Total	$2,363,725,000	$1,712,809,000

First City
Trust Company

Consolidated Statement of Contributed Surplus, General Reserve and Retained Earnings

Year ended December 31, 1981

	1981	1980
Contributed Surplus		
Balance, beginning of year	$22,875,000	$ 3,489,000
Premium on issue of common shares	—	19,273,000
Discount on redemption of preferred shares (Note 11)	276,000	113,000
Balance, end of year	23,151,000	22,875,000
General Reserve		
Balance, beginning of year	2,500,000	2,250,000
Transfer from retained earnings	250,000	250,000
Balance, end of year	2,750,000	2,500,000
Retained Earnings		
Balance, beginning of year	23,797,000	15,539,000
Net income	18,647,000	11,619,000
	42,444,000	27,158,000
Transfer to general reserve	250,000	250,000
Dividends		
Common shares	1,797,000	1,134,000
Preferred shares	3,185,000	1,977,000
Preferred share issue costs	158,000	—
Balance, end of year	37,054,000	23,797,000
	$62,955,000	$49,172,000

Opinion of Independent Auditors

To the Shareholders of
First City Trust Company:

We have examined the consolidated balance sheet of First City Trust Company as at December 31, 1981 and the consolidated statements of income, contributed surplus, general reserve and retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1981 and the results of its operations and the changes in its 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.

Vancouver, British Columbia
February 26, 1982

Deloitte Haskins & Sells
Chartered Accountants

First City
Trust Company

Consolidated Statement of Changes in Financial Position

Year ended
December 31, 1981

	1981	1980
Sources of Cash		
From operations	**$ 18,225,000**	$ 19,836,000
Extraordinary item	**1,501,000**	—
Increase in customer deposits	**325,420,000**	378,705,000
Bank indebtedness	**108,325,000**	62,779,000
Term debt — net of repayments	**35,034,000**	28,910,000
Issue of common shares by a subsidiary	**338,000**	—
Issue of preferred shares	**15,023,000**	—
Decrease in short term notes	**33,819,000**	—
Increase in accounts payable and accrued liabilities	—	5,543,000
Due to related parties	—	17,202,000
Issue of common shares	—	20,000,000
	537,685,000	532,975,000
Uses of Cash		
Net investment in		
Short term notes	—	29,634,000
Securities	**4,847,000**	69,121,000
Secured personal loans	**140,313,000**	163,402,000
Commercial loans and finance receivables	**72,245,000**	30,603,000
Mortgages	**124,101,000**	76,047,000
Real estate	**38,369,000**	126,064,000
Purchase of subsidiaries — less cash acquired	**34,025,000**	19,655,000
Investment in affiliated companies	**5,704,000**	330,000
Increase in accounts receivable	**10,424,000**	6,148,000
Fixed assets	**4,724,000**	4,020,000
Dividends	**4,982,000**	3,111,000
Subordinated notes redeemed	**500,000**	500,000
Purchase of preferred shares for cancellation	**840,000**	2,441,000
Decrease in accounts payable and accrued liabilities	**9,621,000**	—
Due to related parties	**8,013,000**	—
Other	**1,200,000**	6,846,000
	459,908,000	537,922,000
Increase (Decrease) in Cash and Bank Deposit Receipts	**77,777,000**	(4,947,000)
Cash and Bank Deposit Receipts, Beginning of Year	**14,306,000**	19,253,000
Cash and Bank Deposit Receipts, End of Year	**$ 92,083,000**	$ 14,306,000

Notes to the Consolidated Financial Statements

December 31, 1981

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect the following policies:

Basis of consolidation and presentation
The consolidated financial statements include the accounts of the company and all of its subsidiaries except for two affiliates discussed in Note 5. The fiscal year end of certain subsidiaries is November 30. As a result, figures as at December 31 or for the years then ended include the financial position of those subsidiaries as at November 30 and the results of their operations for the years then ended. The results of operations of the subsidiaries are included in the consolidated financial statements from the respective dates of acquisition or incorporation.

Joint ventures and partnerships of subsidiary companies are accounted for using the proportionate consolidation method whereby the pro rata share of the assets, liabilities, revenues and expenses are included in the consolidated financial statements (Note 12).

The company accounts for its investment in its affiliates on the equity basis.

Securities valuation
Bonds are carried at amortized cost and shares at cost.

Loans valuation
Mortgages, commercial and secured personal loans are carried at cost plus accrued interest, less repayments and provisions for losses.

Finance receivables are carried at the contract amount less repayments, unearned income and provisions for losses. These receivables are recorded in accordance with the financing method of accounting under which income is recognized on the sum-of-the-digits method.

Real estate
Income properties are carried at cost, including carrying costs capitalized during the development period. A property is deemed completed and operating when 70% rental occupancy is achieved, subject to a reasonable maximum time period.

Housing completed and under development (including condominium housing) is valued at the lower of cost and estimated net realizable value.

Land, other than land held for income property development, is carried at the lower of cost and estimated net realizable value.

Land held for income property development is carried at cost.

Foreclosed property is carried at the lower of cost and estimated net realizable value.

The company capitalizes direct carrying costs related to real estate projects including specific interest, property taxes, legal fees, and those general and administrative expenses that are clearly identified with projects. In addition, a portion of non-specific interest is allocated to projects. Net rentals from income properties under development and apartments under condominium conversion are capitalized until such time as the property is deemed operating or is sold.

Revenue from the sale of housing units is recognized upon meeting the following criteria:

- ☐ construction is completed;
- ☐ the unit is accepted by the purchaser; and
- ☐ the purchaser assumes existing debt obligations related to the unit.

Revenue from the sale of land and income properties is recognized when all material requirements of the sale agreement have been met, when risks of ownership have been passed to the purchaser and when an appropriate down payment has been received to ensure satisfactory completion of the transaction.

Foreign currency translation
Foreign currency assets and liabilities are translated at the current rate of exchange prevailing at the balance sheet date. Revenue and expenses are translated at the average monthly rate of exchange prevailing during the year. Gains or losses from exchange translations are included in income except for those gains or losses resulting from the company's net investment in United States subsidiaries. These gains or losses have been deferred since repayment of the net investment is not imminent.

Other operating revenue
Mortgage processing fees are recognized as income by the sum-of-the-digits method over the term of the related mortgage to a maximum of five years. If the term of the mortgage is one year or less, fees are recognized as income quarterly in equal amounts. Other mortgage fees and other revenue are included in income as received.

Fee income from real estate equity financing loans is recorded at the time of making a firm commitment to fund a loan. Participation income is recognized as earned and reported by the borrower as stipulated in the loan agreement.

Depreciation and amortization
Operating income properties in Canada are depreciated principally on a 4% forty-year sinking fund basis and in the United States on a straight-line basis over forty years. The sinking fund depreciation charge, which increases annually, consists of a fixed annual sum together with an amount equivalent to interest compounded at the rate of 4% per annum.

Fixed assets are depreciated on the straight-line basis over 10 to 60 years; leasehold improvements are amortized on a straight-line basis over the terms of the related leases.

Goodwill
Goodwill arising from the acquisition of Equitrust Mortgage and Savings Company is being amortized on a straight-line basis over 40 years.

2. ACQUISITIONS

Effective January 1, 1981, the company acquired 99.5% of the common shares of Equitrust Mortgage and Savings Company on a share exchange basis for 1,127,924 preferred shares valued at $9,023,000. The acquisition has been accounted for by the purchase method and the following net assets were acquired:

Total assets	$147,929,000
Total liabilities	140,744,000
Net assets	7,185,000
Goodwill	1,838,000
Consideration	$ 9,023,000

Effective January 1, 1981, a subsidiary company acquired all of the outstanding shares of Denver Real Estate Investments Association for a cash consideration of $48,143,000. The acquisition has been accounted for by the purchase method and the following net assets were acquired:

Total assets	$ 84,086,000
Total liabilities	35,943,000
Consideration	$ 48,143,000

3. SECURITIES

	1981	1980
Carrying values		
Government bonds	**$ 63,978,000**	$ 82,602,000
Preferred and common shares	**131,016,000**	97,646,000
	$194,994,000	$180,248,000
Market values		
Government bonds	**$ 53,716,000**	$ 75,347,000
Preferred and common shares	**108,901,000**	92,397,000
	$162,617,000	$167,744,000

4. REAL ESTATE

	1981	1980
Income properties		
Under development	$ 36,524,000	$ 17,406,000
Operating — net of accumulated depreciation of $5,309,000 (1980 — $5,180,000)	163,377,000	133,705,000
Housing completed and under development	140,521,000	81,742,000
Land under development and held for sale	157,549,000	149,127,000
Real estate equity financing receivables	25,066,000	29,793,000
Foreclosed property	4,121,000	8,164,000
	$527,158,000	$419,937,000

Depreciation on income properties charged to income for the year amounted to $3,885,000 (1980 — $1,804,000).

5. INVESTMENT IN AFFILIATED COMPANIES

	1981	1980
First City Properties Inc. (formerly State Mutual Investors, Inc.) — 51% owned	$24,129,000	$16,143,000
Clarion Capital Corporation — 53% owned	5,580,000	—
Other	2,292,000	295,000
	$32,001,000	$16,438,000

First City Properties Inc. (FCP) has an option to acquire the 25% minority interest in one of its subsidiaries in exchange for shares of FCP. FCP intends to exercise this option, after which the company's interest in FCP will be reduced below 50%. Consequently, FCP has not been consolidated. Clarion Capital Corporation (Clarion) is a Small Business Investment Company engaged in venture capital activities in the United States and is regulated by the Small Business Administration. Clarion has not been consolidated as its operations are significantly different from those of the company and its assets, liabilities and operations are not material to these consolidated financial statements.

6. FIXED ASSETS

These assets are stated at cost less accumulated depreciation and amortization of $4,530,000 (1980 — $2,415,000). Depreciation and amortization charged to income for the year amounted to $2,371,000 (1980 — $1,031,000).

7. BANK INDEBTEDNESS

	1981	1980
On finance receivables	$ 841,000	$ 1,975,000
On income properties		
Operating	60,329,000	28,241,000
Under development	10,990,000	3,776,000
On housing completed and under development	66,708,000	27,184,000
On land under development and held for sale	9,664,000	16,639,000
General	185,297,000	147,689,000
	$333,829,000	$225,504,000

The majority of the bank loans bear interest at rates which vary with bank prime rate; the weighted average rate of interest at December 31, 1981 was 17.7%.

The finance receivables loan is secured by a floating charge debenture on the receivables portfolio and by a guarantee of First City Financial Corporation Ltd. General bank loans aggregating $165,000,000 are secured by a demand debenture which provides a first floating charge over certain Canadian real estate assets, fixed charges on specific real estate properties, a $15,000,000 guarantee of First City Financial Corporation Ltd. and by a general assignment of book debts. Substantially all of the other loans are secured by specific charges on real estate assets.

8. DUE TO RELATED PARTIES

	1981	1980
First City Financial Corporation Ltd. (parent company)	**$16,200,000**	$25,687,000
Bel-Fran Investments Limited and related corporations (ultimate controlling shareholders)	**42,054,000**	40,580,000
Director	**1,531,000**	1,531,000
	$59,785,000	$67,798,000

The amounts have no specific terms of repayment and bear interest at a weighted average rate of 12.5%; total interest charged for the year was $6,569,000 (1980 — $6,584,000).

9. TERM DEBT

Term debt is secured principally by mortgages and bears interest at a weighted average rate of 10.2%.

	1981	1980
Income properties		
Operating	**$ 60,413,000**	$35,500,000
Under development	**9,729,000**	—
Housing completed and under development	**40,324,000**	22,497,000
Land under development and held for sale	**28,029,000**	27,569,000
Finance receivables	**—**	122,000
General	**16,126,000**	—
	$154,621,000	$85,688,000

Debt on housing completed and under development will be assumed by the purchasers of such units or discharged out of sale proceeds.

Approximate principal repayments on term debt other than debt on housing completed and under development are:

1982	$ 23,729,000
1983	13,315,000
1984	17,092,000
1985	7,700,000
1986	2,148,000
Thereafter	50,313,000
	$114,297,000

10. SUBORDINATED NOTES

Series A Subordinated Notes are due June 20, 1982 and bear interest at a rate, adjusted quarterly, equal to 1½% per annum over the prime rate of a Canadian chartered bank.

11. CAPITAL STOCK

Preferred shares

The company is authorized to issue the following preferred shares:

2,000,000 Cumulative redeemable preferred shares of $10 par value, issuable in series
2,000,000 Cumulative redeemable 8¾% preferred shares of $8.50 par value
4,000,000 Cumulative redeemable preferred shares of $8 par value, issuable in series

During the year, the company issued 600,000 Series C preferred shares for cash and 1,127,924 Series 1 preferred shares in exchange for the common shares of Equitrust Mortgage and Savings Company (Note 2).

The following preferred shares are issued and outstanding:

	1981		1980	
	Number of Shares	Paid-up Value	Number of Shares	Paid-up Value
$10 par value				
Series A — 10¾%	281,600	$ 2,816,000	299,000	$ 2,990,000
Series B — 8.32%	521,700	5,217,000	547,600	5,476,000
Series C — floating rate	600,000	6,000,000	—	—
$8.50 par value				
8¾%	1,504,742	12,790,000	1,568,542	13,333,000
$8 par value				
Series 1 — 11¼%	1,110,224	8,882,000	—	—
		$35,705,000		$21,799,000

The Series C preferred shares have a dividend rate equal to the sum of 1½% and 50% of the "prime commercial lending rate".

Preferred share redemption provisions

$10 par value	
Series A — 10¾%	Redeemable after January 1981 at par plus a decreasing premium to January 1995 and thereafter at par.
Series B — 8.32%	Redeemable after September 1982 at par plus a decreasing premium to September 1987 and thereafter at par.
Series C — floating rate	Redeemable at par at any time prior to mandatory redemption date in June 1991.
$8.50 par value	
8¾%	Redeemable after April 1983 at par plus a decreasing premium to April 1988 and thereafter at par.
$8 par value	
Series 1 — 11¼%	Redeemable after December 1985 at par plus a decreasing premium to December 1990 and thereafter at par. Retractable at the holder's option in December 1985.

Preferred shares purchased for cancellation

During the year the company purchased for cancellation 17,400 Series A shares, 25,900 Series B shares, 63,800 8¾% shares and 17,700 Series 1 shares. Contributed surplus has been credited with $276,000 for the year, being the excess of par value over cost.

Common shares

The company is authorized to issue 3,500,000 common shares of $2.00 par value each. As at December 31, 1981 and 1980, 1,497,544 shares were issued and fully paid.

12. JOINT VENTURES AND PARTNERSHIPS

These consolidated financial statements include the subsidiary companies' proportionate share of real estate joint venture and partnership assets, liabilities, revenues and expenses as follows:

	1981	1980
Assets	**$98,441,000**	$116,616,000
Liabilities	**75,250,000**	67,798,000
Revenues	**19,133,000**	16,703,000
Expenses	**23,649,000**	12,997,000

In certain joint ventures and partnerships the subsidiary companies are contingently liable for the remaining portion of liabilities. The amount of this contingent liability at December 31, 1981 is approximately $63,224,000 against which the subsidiary companies would have claims on the related assets which in total are sufficient to meet these obligations.

13. INCOME TAXES

A portion of the company's revenue consists of tax-exempt income; accordingly, income taxes as provided in the consolidated statement of income are less than the amount obtained by applying statutory tax rates to income from operations before income taxes.

The recovery (provision) is as follows:

	1981	1980
Current	**$ 371,000**	$ (364,000)
Deferred	**1,723,000**	(4,294,000)
	$2,094,000	$ (4,658,000)

14. EXTRAORDINARY ITEMS

Gain on sale of shares of Canada Permanent Mortgage Corporation — net of deferred income taxes of $375,000	$1,126,000
Share of tax reduction of affiliated company from utilization of a loss carry forward	2,950,000
	$4,076,000

15. EARNINGS PER COMMON SHARE

Earnings per common share have been calculated on the weighted average number of shares outstanding during each year.

16. INTEREST EXPENSE

In respect of real estate development operations of subsidiaries, interest for the year totalled $73,701,000 (1980 — $35,087,000) of which $32,351,000 (1980 — $10,464,000) was charged to operations with the remaining amount being capitalized.

17. COMMITMENTS

The company's premises and certain equipment are held under long term leases; the aggregate amount of rentals paid during the year was $1,599,000 (1980 — $1,194,000). The aggregate rentals payable under all leases currently in force during the next five years is $9,919,000.

A subsidiary company involved in real estate development has lodged letters of credit aggregating $4,943,000 with municipalities and utilities as collateral for the fulfillment of obligations under certain subdivision agreements.

18. CONTINGENCIES

In connection with the cash tender offer for the outstanding shares of Denver Real Estate Investments Association (Note 2), another party has commenced an action against a subsidiary which claims interference with contract and interference with prospective advantage and alleges damages in excess of U.S. $8,000,000 and claims exemplary damages of U.S. $40,000,000. The litigation is at a preliminary stage. The company believes that there is legal authority in Colorado which would support the legality of the tender offer in the circumstances. The company also believes that the chances of an award of exemplary damages in this case are remote and that the chances of any monetary liability being assessed against the subsidiary are not probable.

Certain subsidiaries have been named as defendants in continuing litigation for compensatory and punitive damages involving an amount of approximately U.S. $21,000,000 with respect to a real estate transaction in California. A number of the same parties were involved in a prior action relating to the same transaction which resulted in a judgement in favour of the subsidiaries. The present proceedings were dismissed at an earlier stage, but on appeal, trial proceedings were reinstated. The companies are contesting the claim and believe the chance of any monetary liability being assessed is remote.

The company and certain subsidiaries are defendants in other actions arising in the ordinary course of business. These actions are being contested and in certain cases, counter claims have been made. The company believes that the ultimate outcome of these actions will not, individually or in the aggregate, result in any significant liability being assessed.

19. RELATED PARTY TRANSACTIONS

The following summarizes the significant transactions during the year with related parties that have not been reported elsewhere:

(a) For the period June 18, 1981 through December 30, 1981, the company's parent company advanced funds on an interest-free basis; the weighted average balance outstanding for the period was approximately $67 million.

(b) A subsidiary company acquired land for development at fair market value of U.S. $3,700,000 from the company's parent company.

(c) A subsidiary company sold a property to a 50%-owned joint venture, whose other partner is an officer of a subsidiary company. The sale was made for an aggregate price of $4,200,000 representing fair market value of the property.

(d) A subsidiary company has project loans totalling $8,552,000 at November 30, 1981 ($3,178,000 at November 30, 1980) made to an affiliated company. These loans are secured on real estate projects and carry commercial interest rates.

20. BUSINESS SEGMENT INFORMATION

Operations and identifiable assets by industry segment are as follows (in thousands of dollars):

1981	Financial Services	Real Estate	Eliminations	Consolidated
Revenue from third parties	$ 215,558	$255,108	$ —	$ 470,666
Intersegment revenue	1,051	1,462	(2,513)	—
	$ 216,609	$256,570	$ (2,513)	$ 470,666
Net income	$ 7,373	$ 12,530	$ (1,256)	$ 18,647
Identifiable assets	$1,679,397	$684,328		$2,363,725
Depreciation and amortization	$ 1,344	$ 4,966		$ 6,310

1980	Financial Services	Real Estate	Eliminations	Consolidated
Revenue from third parties	$ 131,024	$132,910	$ —	$ 263,934
Intersegment revenue	263	207	(470)	—
	$ 131,287	$133,117	$ (470)	$ 263,934
Net income	$ 6,412	$ 5,573	$ (366)	$ 11,619
Identifiable assets	$1,232,454	$480,355		$1,712,809
Depreciation and amortization	$ 589	$ 2,255		$ 2,844

Operations and identifiable assets by geographic region are as follows (in thousands of dollars):

1981	Canada	United States	Eliminations	Consolidated
Revenue from third parties	$ 303,233	$167,433	$ —	$ 470,666
Intersegment revenue	8,169	650	(8,819)	—
	$ 311,402	$168,083	$ (8,819)	$ 470,666
Net income	$ 6,194	$ 12,453	$ —	$ 18,647
Identifiable assets	$1,970,090	$423,839	$ (30,204)	$2,363,725

1980	Canada	United States	Eliminations	Consolidated
Revenue from third parties	$ 194,594	$ 69,340	$ —	$ 263,934
Intersegment revenue	4,194	155	(4,349)	—
	$ 198,788	$ 69,495	$ (4,349)	$ 263,934
Net income	$ 10,366	$ 1,253	$ —	$ 11,619
Identifiable assets	$1,478,231	$289,858	$ (55,280)	$1,712,809

21. COMPARATIVE FIGURES

Certain comparative figures for 1980 have been reclassified to conform with the classifications used in the current year.

22. SUBSEQUENT EVENT

In February 1982 and pursuant to the approval at a special general meeting of the majority of the stockholders of First City Properties Inc. (FCP) other than the company held on January 27, 1982, FCP acquired all the outstanding capital stock of two of the company's subsidiaries, Metropolitan Development Corporation and First City Development Corp. of California, in exchange for 3,166,667 shares of FCP. In February 1982, FCP exercised its option discussed in Note 5. As a result of the exchange and the exercise of the option, the company's interest in FCP was increased to 64%. As at October 31, 1981, FCP had total assets of U.S. $176 million, total liabilities including minority interest of U.S. $152 million, and for the twelve months then ended had revenue of U.S. $89 million. The company will consolidate the accounts of FCP in the year ending December 31, 1982.

Five-Year Summary

(In thousands of dollars except for per share figures)

	1981	1980	1979	1978	1977
Balance Sheet					
Assets					
Cash and Short Term Investments	$ 103,785	$ 59,827	$ 35,140	$ 22,392	$ 34,653
Securities	194,994	180,248	111,127	98,447	52,762
Mortgages	925,803	695,210	619,163	493,898	349,668
Secured Personal Loans	332,073	185,266	21,864	8,325	6,498
Commercial Loans and Finance Receivables	175,130	102,885	72,282	36,002	18,423
Real Estate	527,158	419,937	277,873	138,394	12,815
Other Assets	104,782	69,436	35,526	23,443	4,505
Total	$2,363,725	$1,712,809	$1,172,975	$820,901	$479,324
Liabilities and Equity					
Deposits	$1,664,399	$1,200,691	$ 821,986	$612,045	$425,307
Other Liabilities	425,341	330,531	234,090	104,644	19,166
Term Debt	154,621	85,688	52,166	43,835	6,350
	2,244,361	1,616,910	1,108,242	760,524	450,823
Deferred Income Taxes	16,246	21,933	16,834	15,465	3,718
Minority Interest	1,463	—	1,647	2,632	—
Shareholders' Equity	101,655	73,966	46,252	42,280	24,783
Total	$2,363,725	$1,712,809	$1,172,975	$820,901	$479,324
Income Statement					
Revenue:					
Investments	$ 200,783	$ 116,680	$ 80,833	$ 55,735	$ 40,630
Real Estate	258,639	133,205	120,975	20,470	—
Securities Gains and Other	16,236	14,344	7,896	4,275	4,851
Total Revenue	475,658	264,229	209,704	80,480	45,481
Expenses:					
Interest	217,657	118,870	81,603	47,762	32,216
Salaries	20,772	13,167	9,368	5,417	3,136
Real Estate	197,718	97,403	94,146	15,064	—
Other	27,034	18,512	14,857	5,708	4,813
Total Expenses	463,181	247,952	199,974	73,951	40,165
Income Taxes	(2,094)	4,658	2,338	1,246	1,752
Net Income (before extraordinary items)	$ 14,571	$ 11,619	$ 7,392	$ 5,283	$ 3,564
Per Common Share (before extraordinary items):					
Earnings	$ 7.60	$ 8.28	$ 4.71	$ 3.15	$ 2.74
Dividends	$ 1.20	$ 1.00	$ 0.50	$ 0.50	$ 0.46
Book Value	$ 44.04	$ 34.84	$ 20.77	$ 16.55	$ 13.92

Directory

FIRST CITY FINANCIAL CORPORATION LTD.

DIRECTORS

Senator David A. Croll, Q.C.
Chairman of the Board
Toronto, Ontario

Samuel Belzberg*†
President
Vancouver, B.C.

Richard C. Baxter*
Vancouver, B.C.

Hyman Belzberg
Calgary, Alberta

William Belzberg†
Beverly Hills, California

Michael Cytrynbaum
Vancouver, B.C.

Senator Allister Grosart, P.C.
Toronto, Ontario

W. Bernard Herman, Q.C.
Toronto, Ontario

Frank D. Jones, Q.C.
Edmonton, Alberta

Morley Koffman, LL.B.†
Vancouver, B.C.

Roderick R. McDaniel
Calgary, Alberta

Joseph H. Shoctor, C.M., Q.C.*
Edmonton, Alberta

**Audit Committee*
†Executive Committee

OFFICERS

Senator David A. Croll, Q.C.
Chairman of the Board

Samuel Belzberg
President

W. Gordon Lancaster, C.A.
Executive Vice President, Finance

Lawrence Fox, C.A.
Senior Vice President, Finance and Administration

William Belzberg
Vice President

Hyman Belzberg
Vice President

Brent S. Belzberg
Vice President

Michael Cytrynbaum
Vice President

John D. McAlduff
Vice President

Morley Koffman, LL.B.
Secretary

Azeem Hassanali, C.G.A.
Assistant Vice President, Finance

Aidan Hughes, C.A.
Assistant Controller

Margaret A. Huth
Assistant Secretary

FIRST CITY TRUST COMPANY

DIRECTORS

Samuel Belzberg†
Chairman of the Board and Chief Executive Officer
Vancouver, B.C.

Ronald J. Harrison
President and Chief Operating Officer
Vancouver, B.C.

Richard C. Baxter
Vancouver, B.C.

Hyman Belzberg†
Calgary, Alberta

William Belzberg
Beverly Hills, California

Senator Allister Grosart, P.C.*
Toronto, Ontario

W. Bernard Herman, Q.C.*
Toronto, Ontario

Frank D. Jones, Q.C.*
Edmonton, Alberta

Morley Koffman, LL.B.†
Vancouver, B.C.

Roderick R. McDaniel
Calgary, Alberta

Sam Foster Ross, Q.C.
Hamilton, Ontario

Joseph H. Shoctor, C.M., Q.C.
Edmonton, Alberta

Jack C. Stradwick, Jr.
Burlington, Ontario

H.J. Michael Watson
Toronto, Ontario

**Audit Committee*
†Executive Committee

OFFICERS

Corporate Division

Senator David A. Croll, Q.C.
Honorary Chairman of the Board

Samuel Belzberg
Chairman of the Board and Chief Executive Officer

Ronald J. Harrison
President and Chief Operating Officer

Robert J. Graham
Executive Vice President

W. Gordon Lancaster, C.A.
Executive Vice President, Finance

George C. Strachan
Executive Vice President, Operations

Frank L. Harper, C.A.
Senior Vice President, Finance and Treasurer

Hyman Belzberg
Vice President and Chairman of the Executive Committee

William Belzberg
Vice President

David A. Alderdice, C.A.
Vice President

Joseph H. Shoctor, C.M., Q.C.
Secretary

Margaret A. Huth
Assistant Secretary

Mortgage Acquisition Division

Ronald S. Pillott
Vice President, Western Region

Jack I. Kerr
Assistant Vice President

George Will
Assistant Vice President

Mortgage Administration Division

Jules P. Joanis
Assistant Vice President

David N. Moses
Assistant Vice President

Robert E. Sparks
Assistant Vice President

Mortgage Underwriting Division

John B. Crocker
Assistant Vice President

Drew Ripley
Assistant Vice President

Investment Division

Richard B. Hawkesworth
Vice President

Savings Division

Jack A. Carley
Vice President, Branch Operations

Dennis Cocks
Vice President, Eastern Operations

Kenneth Chapman
Assistant Vice President

C. Nick Melber
Assistant Vice President, Sales

Dale Negraeff
Assistant Vice President and Regional Manager, Manitoba & Saskatchewan

Philip E. Scheiding
Assistant Vice President, Trust Services

John Walling
Assistant Vice President and Quebec Regional Manager

Realfunds Division

Ralph F. Ingram
Divisional Vice President

Keith Gray
Vice President, Alberta Region

Kenneth Maaker
Assistant Vice President

Corporate Planning Division

Michael J. Sommers
Divisional Vice President, Corporate and Human Resource Development

Gordon McFetridge
Assistant Vice President

Human Resources Division

Vera Piccini
Vice President

Marketing Communications Division

Michael R. Mills
Assistant Vice President

Finance and Administration

Neil Hummel, C.A.
Vice President, Corporate Administration

John A. Linthwaite, C.A.
Vice President, Finance

John S. Tysoe, C.A.
Controller

Donald G. Miguez, C.A.
Vice President, Internal Audit

Don I. Bielby, C.A.
Assistant Vice President, Budgets and Management Accounting

D. Lyle Stevenson
Assistant Vice President, Data Processing

FIRST CITY CAPITAL LTD.

OFFICERS

Samuel Belzberg
Chairman and Chief Executive Officer

Ronald J. Harrison
President

John A. Ford
Vice President

G. Dennis Holmes
Vice President

Robert H. Rowan
Vice President

Frank L. Harper, C.A.
Treasurer

Morley Koffman, LL.B.
Secretary

FIRST CITY MORTGAGE COMPANY

This company offers debenture deposit services in all the First City Trust savings branch locations.

FIRST CITY DEVELOPMENT GROUP

FIRST CITY DEVELOPMENT CORP. LTD. (Canadian Operations)

DIRECTORS

Samuel Belzberg
Vancouver, B.C.

Hyman Belzberg
Calgary, Alberta

Brent S. Belzberg
Vancouver, B.C.

Ronald J. Harrison
Vancouver, B.C.

Ricky J. Lyons
Edmonton, Alberta

James D. Snowdon
Edmonton, Alberta

OFFICERS

Lawrence Shankman
Honorary Chairman

Samuel Belzberg
Chairman of the Board

Brent S. Belzberg
Vice Chairman, Chief Executive Officer

Wilmar Andres, C.A.
President

James C. Griffiths, C.A.
Senior Vice President, Finance

William Belzberg
Vice President

Hyman Belzberg
Vice President

G. Neil Hokonson, C.A.
Vice President, Controller, & Secretary

Donald G. McMillan
Vice Presdient

Samuel D. Hanson
Vice President

Frank L. Harper, C.A.
Vice President

Gabor Elias
Senior Vice President, B.C. Region

Angus G. Wilkinson
Vice President, Management Information Systems

John D. McAlduff
Vice President

Robert A. Mudie, C.A.
Senior Controller, Financial Accounting

A. Bruce Milner, C.A.
Senior Controller, Operations

David McGraw, C.A.
Assistant Vice President

Richard E. Barker
Divisional Controller

John H. Harding, C.A.
Assistant Senior Controller

Margaret Huth
Assistant Secretary

Ricky J. Lyons
Assistant Secretary

James D. Snowdon
Assistant Secretary

First City Investments Division

Michael Cytrynbaum
President

David A. Alderdice, C.A.
Vice President

George B. Schaefer
Vice President

Toronto Division

Wilmar Andres, C.A.
President

Somer Rumm
Senior Vice President

David Berman
Vice President, Business Development

David Strachan
Vice President, Land

Neil Mills, C.A.
Controller

Martha Fairfield
Assistant Secretary

First City Villa Division

John Preston
President

FIRST CITY DEVELOPMENTS CORP. (U.S. Operations)

DIRECTORS

Samuel Belzberg
Vancouver, B.C.

William Belzberg
Beverly Hills, California

Raymond C. Swanson
Seattle, Washington

OFFICERS

Samuel Belzberg
Chairman of the Board

William Belzberg
President

Brent S. Belzberg
Vice President

James C. Griffiths, C.A.
Vice President

G. Neil Hokonson, C.A.
Vice President, Controller, & Secretary

Frank L. Harper, C.A.
Vice President

Donald G. McMillan
Vice President

Michael R. Lane
Vice President

Samuel D. Hanson
Vice President

Kenneth R. Blumer
Vice President

John D. McAlduff
Vice President

Angus G. Wilkinson
Vice President

Raymond C. Swanson
Assistant Secretary

FIRST CITY INVESTMENTS, INC.

Michael Cytrynbaum
President

David A. Alderdice, C.A.
Vice President

Raymond C. Swanson
Assistant Secretary

FIRST CITY HOLDINGS OF COLORADO, INC.

William Belzberg
President

Robert Trost
Vice President

Kenneth R. Blumer
Vice President

FIRST CITY DEVELOPMENTS CORP. OF BOSTON

Gregory A. Rand
President

T. Jay Bradsell
Executive Vice President

Linda Wallace, C.P.A.
Controller

FIRST CITY HOLDINGS, INC.

H. Sean Mathis
Executive Vice President

FIRST CITY PROPERTIES INC.

DIRECTORS

Samuel Belzberg
Vancouver, B.C.

William Belzberg
Beverly Hills, California

Miles L. Berger
Chicago, Illinois

Frederic L. Dupre
Worchester, Massachusetts

Federick Fedeli
Worchester, Massachusetts

Bruce C. Juell
Beverly Hills, California

Byron Menides
Worchester, Massachusetts

Daniel U. Pekarsky
Vancouver, B.C.

OFFICERS

Frederick Fedeli
Chairman of the Board

Bruce C. Juell
President

Alan I. Casden, C.P.A.
Executive Vice President

Robert B. Friedman
Senior Vice President

Stephen L. Stapley, C.P.A.
Vice President, Finance

Sheldon L. LaZar, C.P.A.
Secretary

Thomas Bruns, C.P.A.
Assistant Secretary

CLARION CAPITAL CORPORATION

Morton A. Cohen
Chairman of the Board

Peter Van Oosterhout
President and Chief Executive Officer

James R. Kraus
Vice President and Secretary

PARTNERSHIPS

FIRST CITY EQUITIES

David Schuman
Partner

Barry Gelbart
Partner

TRANSFER AGENT AND REGISTRAR

First City Trust Company
Savings Branch Offices:

Calgary
Edmonton
Hamilton
Regina
Toronto
Vancouver
Winnipeg

AUDITORS

Deloitte Haskins & Sells
Chartered Accountants

STOCK EXCHANGE LISTING

Stock Ticker Symbols:
Toronto Stock Exchange
First City Financial — **FCY**
First City Trust — **FCT**
New York Stock Exchange
First City Properties — **FCP**

FIRST CITY OFFICE LOCATIONS

FIRST CITY FINANCIAL CORPORATION LTD.

Head Office:
First City Building
777 Hornby Street
Vancouver, B.C.
V6Z 1S4
(604) 668-5777

FIRST CITY TRUST COMPANY

Head Office:
600-7th Avenue S.W.
Calgary, Alberta
T2P 0Y6

Executive Office:
First City Building
777 Hornby Street
Vancouver, B.C.
V6Z 1S4
(604) 668-5777

Branches In:

Vancouver
Savings (604) 688-9421
Mortgage (604) 668-5777

Victoria
Savings (604) 383-4141

Calgary
Savings (403) 266-8851
Mortgage (403) 266-8821

Edmonton
Savings (403) 429-4811
Mortgage (403) 424-3121

Regina
Savings (306) 522-2691
Mortgage (306) 359-1422

Saskatoon
Savings (306) 242-4236
Mortgage (306) 665-7716

Winnipeg
Savings (204) 947-1543

Toronto
95 Yonge Street
Savings (416) 864-1090

2289 Yonge Street
Savings (416) 482-7333

1207 St. Clair Avenue West
Savings (416) 654-8407

2930 Bloor Street West
Savings (416) 239-4313

99 Avenue Road
Mortgage (416) 922-0088

London
Savings (519) 672-7790
Mortgage (519) 679-9220

Windsor
Savings (519) 256-2314

Ottawa
Savings (613) 238-2636
Mortgage (613) 238-4422

Hamilton
Savings (416) 525-9181
Mortgage (416) 525-9181

Burlington
Savings (416) 637-8205

Brantford
Savings (519) 752-4319

Guelph
Savings (519) 821-2190

Montreal
Savings (514) 284-2424

St. John's
Mortgage (709) 722-3434

Trust Department
1 James Street
South (416) 525-9181
Hamilton, Ontario L8P 4R5

FIRST CITY CAPITAL LTD.

Head Office:
First City Building
777 Hornby Street
Vancouver, B.C.
V6Z 1S4

Branches In:

Vancouver	(604) 668-5777
Calgary	(403) 266-8877
Edmonton	(403) 423-1808
Saskatoon	(306) 665-8911
Winnipeg	(204) 944-0720
Toronto	(416) 922-0088
London	(519) 673-1900
Ottawa	(613) 563-4623
Hamilton	(416) 525-9181
Montreal	(514) 842-4851
Quebec City	(418) 843-3932
Halifax	(902) 453-1770
St. John's, Nfld.	(709) 722-3434

FIRST CITY DEVELOPMENT CORP. LTD. (Canadian Operations)

Head Office:
2300-10025 Jasper Avenue
Edmonton, Alberta
T5J 1T1
(403) 428-0501

Executive Office:
First City Building
777 Hornby Street
Vancouver, B.C.
V6Z 1S4
(604) 668-5777

First City Investments Division

Executive Office:
First City Building
777 Hornby Street
Vancouver, B.C.
V6Z 1S4
(604) 668-5777

Toronto Division

99 Avenue Road
Toronto, Ontario
M5R 2G5
(416) 925-2851

First City Villa Division

Chelsea Square
7225 Woodbine Avenue
Markham, Ontario
L3R 1A3
(416) 474-0270

FIRST CITY DEVELOPMENTS CORP. (U.S. Operations)

Head Office:
3201 The Bank of California Center
Seattle, Washington 98164
U.S.A.
(206) 464-4224

Executive Office:
9665 Wilshire Blvd.
Beverly Hills, California 90212
U.S.A.
(213) 278-1930

Branch Offices:
Suite 102-16800 Dallas Parkway
Dallas, Texas 75248
U.S.A.
(214) 931-1964

228-135 Lake Street South
Kirkland, Washington 98033
U.S.A.
(206) 828-4401

SUBSIDIARIES

FIRST CITY INVESTMENTS, INC.
3201 The Bank of California Center
Seattle, Washington 98164
U.S.A.
(206) 464-4224

FIRST CITY HOLDINGS OF COLORADO, INC.
Suite 140, 789 Sherman Street
Denver, Colorado 80203
U.S.A.
(303) 830-0221

FIRST CITY DEVELOPMENTS CORP. OF BOSTON
29B-85 East India Row
Boston, Massachusetts 02110
U.S.A.
(617) 367-8610

FIRST CITY HOLDINGS, INC.
1002-485 Madison Avenue
New York, New York 10022
U.S.A.
(212) 751-1066

FIRST CITY PROPERTIES INC.
9171 Wilshire Blvd.
Beverly Hills, California 90211
U.S.A.
(213) 274-5553

Subsidiaries

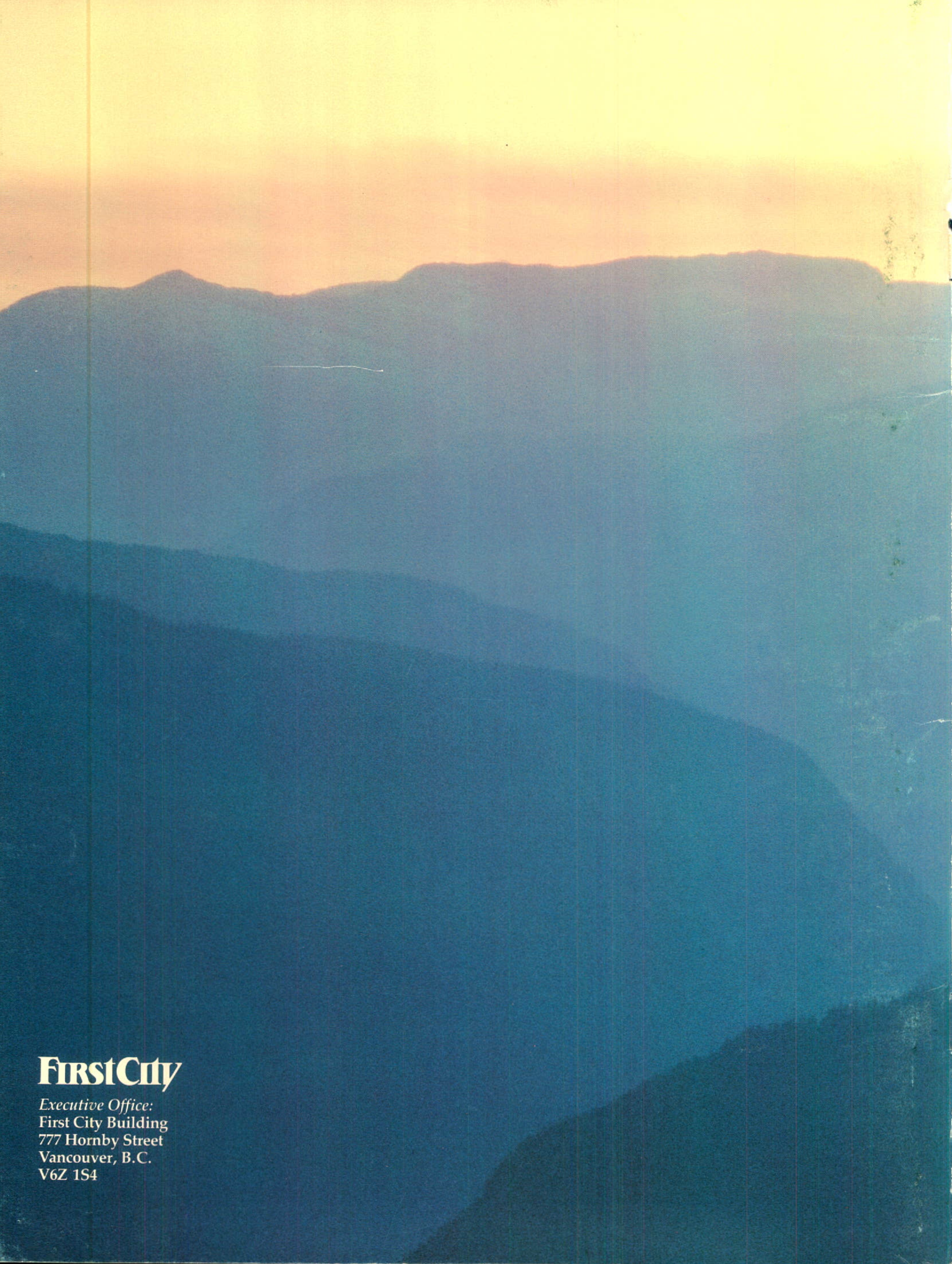
Mayer Group Inc.
Metropolitan Development Corporation
First City Developments Corp. of California

CLARION CAPITAL CORPORATION
The Chesterfield Building
Suite 201
1801 East 12th Street
Cleveland, Ohio 44114
U.S.A.
(216) 687-1096

PARTNERSHIP

FIRST CITY EQUITIES
800 Fifth Avenue, Suite 4040
Seattle, Washington 98104
U.S.A.
(206) 624-9223

Printed in Canada



FirstCity

Executive Office:
First City Building
777 Hornby Street
Vancouver, B.C.
V6Z 1S4