

First City Financial
Corporation Ltd.
1977 Annual Report



Every now and then it is important to remember that life goes by all too quickly. We should stop a moment and take a look. Such a time for pause took place in regard to this annual report.

Who are we? What business...

HOWARD
OF MANAGE

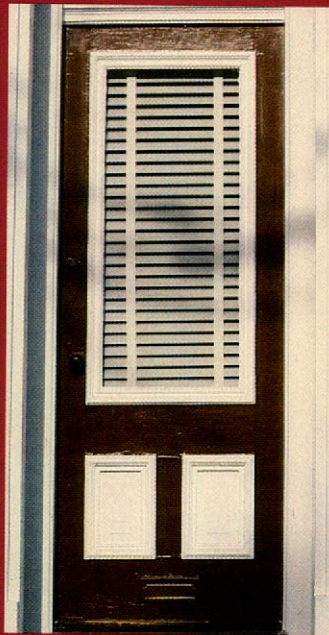
AUG 13 1977

McGILL UNIVERSITY

are we in? What do we *do*?

We provide financial services. To be specific, we deal in money, accepting deposits, lending funds and developing real estate. It seems to us that the image of a door harbours in it many literal and figurative elements of what we do. The financial services we provide cover some basic human needs which have been symbolized metaphorically by this important element in any house. For example, doors represent the individual's need for:

security
shelter
opportunity
freedom
protection
privacy



This is why we have chosen the door as our visual theme in this report... we are proud to be engaged in an activity that is so much a part of life's mainstream. We intend to approach our work with a steady focus on the fact that what we do every day has a direct effect on our fellow human beings.

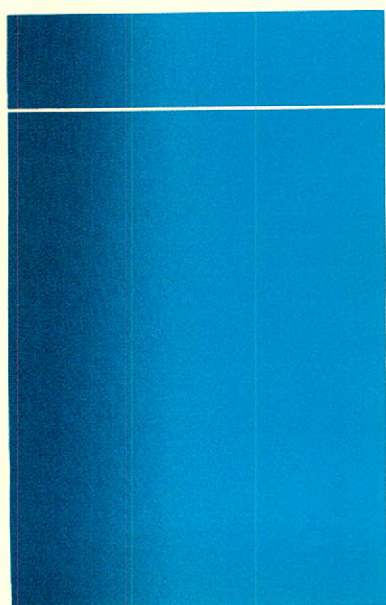


First City Financial Corporation Ltd.

Financial Highlights

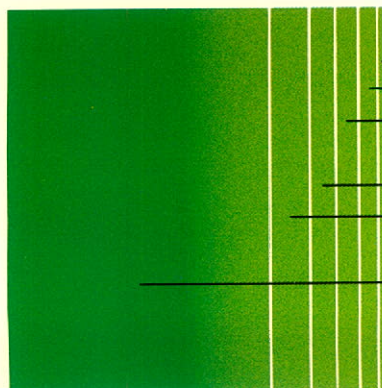
For the year ended
December 31, 1977 (with prior
year's figures for comparison)

	1977	1976	Percentage Increase
Net Income	\$ 4.1 Million	\$ 2.9 Million	41%
Per Common Share			
Earnings	\$1.76	\$2.03	(13%)
Dividends	\$0.20	\$0.18	11%
Book Value	\$9.72	\$9.28	5%
Gross Revenue	\$ 52.2 Million	\$ 43.0 Million	21%
Interest Costs	\$ 34.6 Million	\$ 29.3 Million	18%
Operating and Administrative	\$ 6.6 Million	\$ 5.3 Million	25%
Salaries and Employee Benefits	\$ 3.5 Million	\$ 2.7 Million	30%
Gross Assets	\$505.6 Million	\$396.2 Million	28%
Shareholders' Equity	\$ 27.1 Million	\$ 14.4 Million	88%



Source of Revenue

- 15.1% Fees and Other Income
- 84.9% Investment Income



Use of Revenue

- 1.1% Minority Interest
- 5.5% Income Taxes
- 6.6% Salaries and Employee Benefits
- 7.9% Net Income
- 12.7% Operating and Administrative
- 66.2% Interest Expense

Report of the Directors

We are pleased to report another very successful year for your Company. For the first time, net income exceeded \$4 million and total assets by year-end surpassed one-half billion dollars. In addition, the Company's capital base increased 88 percent during the year to \$27 million as at December 31, 1977.

Net income of \$4.1 million represents a 41 percent increase over the prior year. The substantial increase in the asset base, which was carefully matched off against the rate and term structure of our liabilities, has been an important factor in our consistent, above-industry profit performance.

Revenue from investments amounted to \$44.3 million, a gain of 22.1 percent over the previous year, compared to an 18 percent increase in interest costs to \$34.6 million. The Company has substantially increased its holdings in certain tax-free investments, such as preferred shares of Canadian taxable corporations and income debenture loans. The impact of these investments is apparent on the income statement, where the pretax income has increased 33 percent to \$7.6 million, while income taxes increased but 21 percent. Fees and other income increased 17 percent to \$7.8 million, with a major contribution from the mortgage banking activities in City Trust. Salaries and employee benefits, and operating and administration costs increased approximately 26 percent due to normal annual increases and to expanded activities in all subsidiary companies, such as staff additions and new business locations.

Total assets of the Company at December 31, 1977,

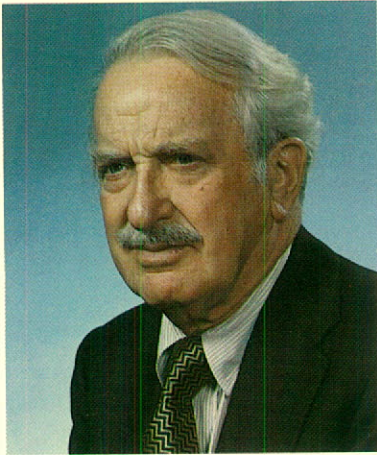
were \$505.6 million, increasing \$110 million (\$80 million in mortgages) from the previous year.

During the year, the Company successfully completed its rights offering to common shareholders. Coincident with the offering, the preferred shareholders took advantage of their conversion privilege and a large portion of the warrant holders exercised their share purchase rights. As a result, 1.3 million additional common shares were issued and the capital base increased \$9.3 million. This injection of capital, plus an additional \$3.4 million of earnings retained, will increase the Company's future financing capabilities. The increased number of common shares issued resulted in the dilution of the earnings per share from \$2.03 in 1976 to \$1.76 in 1977.

The Company sold for cash its investment in its subsidiary, First City Capital Ltd., to its subsidiary, City Savings & Trust Company, at Decem-

ber 31, 1977. This corporate restructuring will facilitate the marketing of our leasing activities. In view of recent changes in trust company legislation, both subsidiaries are now actively engaged in leasing activities under the trade name City Commercial.

It should be noted that substantially all the activities of the Company are carried on by its subsidiaries, the principal of which is City Savings & Trust Company. Annual reports of City Trust are available, and, accordingly, we will only highlight its activities.



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



Samuel Belzberg
President and Chief
Executive Officer

The key financial high-
lights of City Trust are:

	1977	1976	Percentage Increase
Net Income	\$ 3.6 Million	\$ 2.7 Million	33%
Earnings per Share	\$ 2.74	\$ 2.10	(30%)
Mortgages	\$349.7 Million	\$280.1 Million	25%
Customer Deposits	\$425.3 Million	\$338.9 Million	26%
Shareholders Equity	\$ 24.8 Million	\$ 16.5 Million	50%



As previously mentioned, the Trust Companies Act, Alberta was revised during the year and additional legislation is pending that is favourable to the scope of activities in which the Trust Company may be involved. Permission to commence leasing activities was a necessary and logical step, in view of the pending changes to the Bank Act. The Trust Company, coupled with First City Capital Ltd., operating under the trade name City Commercial, is actively expanding the leasing business.

During the year the Trust Company successfully placed an additional preferred share issue, Series B, amounting to \$6 million, on very favourable terms, thus increasing its capital base for future deposit growth.

Management sold the real estate brokerage division of the Trust Company, as it was not a profitable operation. The time and financial resources required to make the operation viable appeared

unlikely to earn a proper return on investment.

The volume and scope of mortgage banking activities was expanded. At December 31, 1977 the Trust Company administered \$153.6 million in mortgages, an increase of \$97.7 million.

We opened a new savings branch operation in Ottawa, relocated the Calgary Branch and opened new mortgage lending branches in Ottawa, Kitchener, Winnipeg, Regina and Saskatoon. New locations for savings and mortgage lending operations are planned for 1978.

The Trust Company has offered a share exchange of one 8¾ percent preferred share par value \$8.50 for two common shares of Consolidated Building Corporation Ltd. At this writing City Trust has obtained 90% of Consolidated Common shares. It is now the major real estate development arm of the Trust Company's activities.

First City Investments

Ltd. is owned directly by First City Financial Corporation Ltd. First City Investments' operating results contributed significantly to the overall profitability. This Company specializes in interim construction loans, conventional financing and joint venture real estate developments.

With the continuing uncertainties in the interest rate structure due to the condition of the Canadian dollar and the impending federal election, the business climate is somewhat unclear. But we are cautiously optimistic that we will be able to continue our growth in profits and assets in the upcoming year.

The thematic symbol of our annual report this year is doors. Our diverse corporate activity essentially comes down to providing doors for our customers—whether literally, as in the case of a home mortgage, or figuratively, in the sense of opening up business opportunities or in offering a safe place for savings.

First City Financial's 1977 achievements are a direct result of the skill and dedication of our staff and managers. To them we voice a most non-perfunctory thank you. This year and in the years to come we want to make it possible for our own people to open doors for themselves in their chosen professional career paths.

The Annual General Meeting will be held on the 26th of May at 11:30 A.M., Hyatt Regency Hotel, Vancouver, B.C.

On behalf of the Board,



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



Samuel Belzberg
*President and
Chief Executive Officer*



*"When one door closes, another
opens; but often we look so
long at the closed door that we
do not see the one which
has been opened for us."*
—Helen Keller

1977 Financial Review

**First City Financial Corporation Ltd.
and Subsidiaries**

Five-Year Summary

(in thousands of dollars except for per share figures)

Balance Sheet	1977	1976	1975	1974	1973
Assets					
Cash and Short-Term Investments	\$ 34,692	\$ 19,399	\$ 9,105	\$ 17,450	\$ 17,761
Securities	53,324	52,596	47,622	25,858	19,700
Mortgages	372,538	292,131	220,021	188,130	125,965
Secured Commercial and Personal Loans	25,421	21,628	15,081	11,199	10,086
Other Assets	19,699	10,417	10,626	20,521	5,169
	<u>\$505,674</u>	<u>\$396,171</u>	<u>\$302,455</u>	<u>\$263,158</u>	<u>\$178,681</u>
Liabilities and Equity					
Deposits	\$425,541	\$338,916	\$255,381	\$208,933	\$143,870
Other Liabilities	39,664	35,829	30,927	40,351	21,838
Total Liabilities	465,205	374,745	286,308	249,284	165,708
Deferred Income Taxes	3,865	3,425	3,117	2,368	1,744
Minority Interest	9,478	3,605	1,329	1,429	1,695
Shareholders' Equity	27,126	14,396	11,701	10,077	9,534
	<u>\$505,674</u>	<u>\$396,171</u>	<u>\$302,455</u>	<u>\$263,158</u>	<u>\$178,681</u>
Income Statement					
Revenue					
Income from Investments	\$ 44,342	\$ 36,304	\$ 29,159	\$ 21,058	\$ 12,754
Fees and Other	7,837	6,697	4,537	4,102	1,685
Total Revenue	<u>52,179</u>	<u>43,001</u>	<u>33,696</u>	<u>25,160</u>	<u>14,439</u>
Expenses					
Interest	34,562	29,305	22,991	16,885	8,796
Salaries	3,452	2,737	2,513	2,671	1,723
Provision for Income Taxes and Other Expenses	10,026	8,062	6,268	4,736	2,607
Total Expenses	<u>48,040</u>	<u>40,104</u>	<u>31,772</u>	<u>24,292</u>	<u>13,126</u>
Net Income	<u>\$ 4,139</u>	<u>\$ 2,897</u>	<u>\$ 1,924</u>	<u>\$ 868</u>	<u>\$ 1,313</u>
Per Common Share:					
Earnings	<u>\$1.76</u>	<u>\$2.03</u>	<u>\$1.34</u>	<u>\$0.59</u>	<u>\$0.93</u>
Dividends	<u>\$0.20</u>	<u>\$0.18</u>	<u>\$0.18</u>	<u>\$0.16</u>	<u>\$0.10</u>
Book Value	<u>\$9.72</u>	<u>\$9.28</u>	<u>\$7.65</u>	<u>\$6.49</u>	<u>\$6.46</u>

**First City Financial
Corporation Ltd.**

**Consolidated Statement
of Income**

For the year ended
December 31, 1977 (with prior
year's figures for comparison)

	1977	1976
Revenue:		
Income from investments	\$44,341,737	\$36,304,448
Fees and other income	7,836,994	6,697,028
Total revenue	<u>52,178,731</u>	<u>43,001,476</u>
Expenses:		
Interest—customer deposits	31,743,424	26,090,426
—bank and other	1,376,225	1,193,733
—unsecured debt	572,063	1,063,115
—term debt	870,030	957,947
Salaries and employee benefits	3,452,414	2,736,553
Operating and administrative	6,605,839	5,270,396
Total expenses	<u>44,619,995</u>	<u>37,312,170</u>
Income Before Income Taxes	<u>7,558,736</u>	<u>5,689,306</u>
Provision for Income Taxes (Note 12):		
Current	2,398,368	1,918,715
Deferred	459,318	447,532
Total provision for income taxes	<u>2,857,686</u>	<u>2,366,247</u>
Income Before Minority Interest	4,701,050	3,323,059
Minority Interest	<u>562,518</u>	<u>425,888</u>
Net Income for the Year	<u>\$ 4,138,532</u>	<u>\$ 2,897,171</u>
Earnings Per Share (Note 13)	<u>\$1.76</u>	<u>\$2.03</u>

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

First City Financial
Corporation Ltd.

Consolidated Balance Sheet

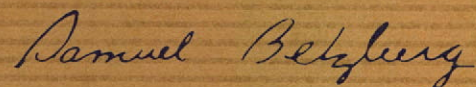
As at December 31, 1977
(with prior year's figures
for comparison)

Assets	1977	1976
Cash and Short-Term Investments (Note 2)	\$ 34,691,663	\$ 19,398,904
Securities (Note 3)	53,324,154	52,596,000
Mortgages and Agreements for Sale	372,538,125	292,131,407
Secured Commercial and Personal Loans	25,421,038	21,628,001
Real Estate (Note 4)	12,907,552	3,990,934
Accounts Receivable and Other Assets	3,589,720	3,258,769
Office Premises and Equipment (Note 5)	1,319,711	1,386,812
Excess of Cost of Investment in Subsidiaries Over Equity in Net Assets Acquired (Note 6)	1,881,977	1,779,836
TOTAL	<u>\$505,673,940</u>	<u>\$396,170,663</u>

Approved by the Board:



David A. Croll
Director



Samuel Belzberg
Director

Liabilities and Shareholders' Equity	1977	1976
Demand and Short-Term Deposits	\$ 71,837,158	\$ 76,064,023
Guaranteed Investment Certificates	353,704,258	262,852,008
Bank Indebtedness (Note 7)	18,389,921	11,853,452
Accounts Payable	3,467,219	3,378,608
Income Taxes Payable	1,140,156	925,591
Unsecured Debt (Note 8)	2,600,000	9,000,000
Term Debt (Note 9)	13,266,715	10,357,743
Deferred Mortgage Fees	799,962	313,601
Deferred Income Taxes	3,864,660	3,424,837
Minority Interest (Note 10)	9,478,204	3,604,864
	<u>478,548,253</u>	<u>381,774,727</u>
Shareholders' Equity:		
Share capital (Note 11):		
Preferred shares	—	1,000,000
Common shares	13,627,726	5,872,751
Contributed surplus	2,566,937	—
Retained earnings	10,931,024	7,523,185
	<u>27,125,687</u>	<u>14,395,936</u>
TOTAL	<u>\$505,673,940</u>	<u>\$396,170,663</u>

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

**First City Financial
Corporation Ltd.**

**Consolidated Statement of
Retained Earnings**

For the year ended
December 31, 1977 (with prior
year's figures for comparison)

	1977	1976
Retained Earnings at Beginning of the Year	\$ 7,523,185	\$ 5,129,212
Net Income for the Year	4,138,532	2,897,171
	<u>11,661,717</u>	<u>8,026,383</u>
Dividends on Common Shares	464,313	253,449
Dividends on Preferred Shares	—	48,000
Expenses of Issue of Preferred Shares by a Subsidiary Company	266,380	201,749
	<u>730,693</u>	<u>503,198</u>
Retained Earnings at End of the Year	<u>\$10,931,024</u>	<u>\$ 7,523,185</u>

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

Auditors' Report

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, 1977 and the consolidated statements of income, retained earnings and changes in cash 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 state-

ments present fairly the financial position of the company as at December 31, 1977 and the results of its operations and the changes in its cash for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE, HASKINS & SELLS,
Chartered Accountants.

March 16, 1978.

**First City Financial
Corporation Ltd.**

**Consolidated Statement
of Changes in Cash**

For the year ended
December 31, 1977 (with prior
year's figures for comparison)

	1977	1976
Cash Provided:		
From operations	\$ 5,356,498	\$ 3,950,635
Real estate	—	1,338,012
Customer deposits	86,625,385	83,535,390
Change in bank indebtedness	6,536,469	8,356,952
Change in accounts payable	88,611	992,320
Change in income taxes payable	214,565	—
Increase in term debt	4,072,158	1,500,000
Issue of common shares	9,340,014	300,625
Issue by subsidiary of preferred shares—net	5,694,107	2,740,488
Change in other assets and liabilities—net	13,329	—
	<u>117,941,136</u>	<u>102,714,422</u>
Cash Applied:		
Net investment in:		
Securities	728,154	4,973,407
Mortgages and agreements for sale	80,406,718	72,110,244
Secured commercial and personal loans	3,793,037	5,716,607
Real estate	8,943,264	—
Dividends	464,313	301,449
Dividends paid to minority interest	436,395	341,494
Purchase of additional shares of subsidiary	313,310	888,502
Change in income taxes payable	—	408,677
Retirement of—unsecured debt	6,400,000	5,000,000
—term debt	1,163,186	1,015,546
Change in other assets and liabilities—net	—	1,665,015
	<u>102,648,377</u>	<u>92,420,941</u>
Increase in Cash for the Year	15,292,759	10,293,481
Cash and Short-Term Investments at Beginning of the Year	19,398,904	9,105,423
Cash and Short-Term Investments at End of the Year	\$ 34,691,663	\$ 19,398,904

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

1. Summary of Significant Accounting Policies:

Basis of consolidation:

The consolidated financial statements include the accounts of the company and the following subsidiaries:

	Percentage Ownership
City Savings & Trust Company	96%
First City Capital Ltd.	96%
Citrust Developments Limited	96%
Villa Properties Limited	96%
First City Investments Ltd.	100%
First City Investments (Ontario) Limited	100%

The company has several inactive subsidiaries which have nominal assets and liabilities.

Acquisitions have been accounted for by the purchase method. The excess of the cost of shares in the subsidiaries over the equity in their net assets at acquisition dates is carried at cost, as management believes that this excess has continuing value.

The results of operations of the subsidiaries are included in the consolidated financial statements from the respective dates of acquisition or incorporation, and the appropriate provision for minority interest, which includes dividends on preferred shares, has been made.

Securities valuation:

Bonds are carried at amortized cost and stocks at cost less provision for permanent decline in value.

Loans valuation:

Mortgages and secured commercial and personal loans are carried at cost plus accrued interest, less repayments and provisions for losses. Finance receivables are included in secured commercial and personal loans and consist of leases and secured finance contracts, net of unearned income and provision 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. Any gains resulting from the residual values of leased assets are reflected in earnings only when realized.

Fees and other income:

Mortgage processing fees are recognized as income over the term of the related mortgage to a maximum of five years.

Commitment and non-refundable fees are recorded as revenue at the time of making a firm commitment to fund a mortgage.

Other mortgage fees, real estate commissions and other income are included in income as received.

Depreciation and amortization:

Office equipment is depreciated on the straight-line basis at rates of 10% to 30%. Leasehold improvements are amortized on a straight-line basis over the terms of the related leases and rental properties are depreciated on a straight-line basis at the rate of 2½%.

2. Cash and Short-Term Investments:

	1977	1976
Cash and bank		
deposit receipts	\$14,805,086	\$12,465,459
Short-term notes and collateral loans	19,886,577	6,933,445
	<u>\$34,691,663</u>	<u>\$19,398,904</u>

3. Securities:

	1977	1976
Carrying values:		
Government bonds	\$25,156,688	\$33,101,644
Corporate bonds	—	2,195,373
Stocks	28,167,466	17,298,983
	<u>\$53,324,154</u>	<u>\$52,596,000</u>
Market values:		
Government bonds	\$23,096,605	\$31,580,721
Corporate bonds	—	1,782,879
Stocks	29,600,201	17,204,893
	<u>\$52,696,806</u>	<u>\$50,568,493</u>

4. Real Estate:	1977	1976
Land held for development and resale—at the lower of cost or net realizable value	\$ 8,816,427	\$ 1,756,581
Land and buildings held for resale—at the lower of cost or net realizable value	2,580,122	1,163,718
Rental properties—at cost less accumulated depreciation of \$131,021 (1976—\$104,376)	1,511,003	1,070,635
	<u>\$12,907,552</u>	<u>\$ 3,990,934</u>
Depreciation on rental properties charged to income for the year amounted to \$26,645 (1976—\$24,015).		

5. Office Premises and Equipment:

These assets are recorded at cost less accumulated depreciation and amortization of \$705,576 (1976—\$568,977). Depreciation and amortization charged to earnings in 1977 amounted to \$188,999 (1976—\$179,044).

6. Excess of Cost of Investment in Subsidiaries Over Equity in Net Assets Acquired:

Balance as at December 31, 1976	\$1,779,836
Excess of cost on acquisition of additional shares of City Savings & Trust Company over equity in net assets acquired	102,141
Balance as at December 31, 1977	<u>\$1,881,977</u>

7. Bank Indebtedness:

Bank indebtedness of \$3,415,622 is secured by the assignment of specific mortgages aggregating \$1,619,832.

Bank indebtedness of \$2,750,000 of a subsidiary is secured by debentures of that subsidiary in the amount of \$5,000,000 (Note 9).

Bank indebtedness of \$9,172,000 of a subsidiary is secured by a registered demand debenture which provides a first and specific mortgage on all assets of the subsidiary and by the assignment of specific mortgages aggregating \$5,800,000.

8. Unsecured Debt:

The unsecured demand debentures issued to a shareholder are part of a series of unsecured demand debentures authorized to be issued to a limit of \$12,000,000 and bear interest equal to 1½% per annum above the prime rate charged from time to time by a Canadian chartered bank (8¼% at December 31, 1977).

9. Term Debt:	1977	1976
Mortgages and agreements payable assumed on the acquisition of real estate	\$ 4,624,025	\$ 551,867
Subordinated notes, Series A	4,500,000	4,750,000
9% Sinking Fund Debentures, Series A, Unsecured	2,676,000	2,736,000
7% Series A Secured Debentures	233,969	266,896
7¼% Series B Secured Debentures	458,500	511,000
6¾% Sinking Fund Debentures, Series C	16,000	60,632
Bank loan	758,221	1,481,348
	<u>\$13,266,715</u>	<u>\$10,357,743</u>

Mortgages and agreements payable bear interest at a weighted average rate of 9.2% and are due at varying dates to 1983.

**First City Financial
Corporation Ltd.**

**Notes to the Consolidated
Financial Statements (continued)**

December 31, 1977

9. Term Debt (continued):

Series A Subordinated Notes bear interest at a rate, adjusted quarterly, equal to 1½% per annum over the prime rate of a Canadian chartered bank, repayable \$500,000 annually to 1981 and \$2,500,000 in 1982.

The 9% Sinking Fund Debentures, Series A, Unsecured, are repayable \$150,000 annually to 1991 and \$600,000 in 1992. They are redeemable at the company's option with a reducing premium upon redemption.

The 7% Series A and 7¼% Series B Secured Debentures are secured through a Deed of Trust and Mortgage by a first charge on certain of a subsidiary company's finance receivables. The debentures require annual sinking fund repayments of \$86,000 until 1979, \$457,000 in 1980 and \$99,000 in 1981. In addition, \$5,000,000 Series A Secured Debentures have been provided to the bank to secure bank indebtedness referred to in Note 7.

The Deeds of Trust and Mortgage securing the debentures provide for restrictions on additional borrowings or payment of dividends.

6¾% Sinking Fund Debentures, Series C have annual sinking fund requirements of \$25,000 to maturity and the balance of \$200,000 payable on August 15, 1981. The balance of the Series C Debentures outstanding above is after elimination of \$259,000 Series C Debentures held by the parent company. On December 29, 1977, the Board of Directors of First City Capital Ltd., approved the call for redemption on February 25, 1978, of all Series C Unsecured Debentures, at par plus a premium of 1¼%.

The bank loan is due in 1979 and bears interest at prime bank rate and is secured by a demand debenture which provides a fixed and specific charge on all equipment under a subsidiary company's lease receivable and an assignment of the proceeds from the lease.

Approximate principal repayments on the aggregate term debt over the next five years are:

1978	\$4,727,000
1979	1,445,000
1980	1,292,000
1981	1,008,000
1982	2,909,000

10. Minority Interest:

Minority interest in a subsidiary company:

	1977	1976
Common shareholders	\$ 478,204	\$ 604,864
Preferred shareholders	9,000,000	3,000,000
	<u>\$9,478,204</u>	<u>\$3,604,864</u>

11. Share Capital:

Preferred shares:

The company is authorized to issue 1,600,000 redeemable (for the amount paid thereon) exchangeable preferred shares of no par value. During the year 800,000 issued preferred shares were exchanged on a three-for-one basis for 266,666 common shares.

Common shares:

The company is authorized to issue 8,400,000 common shares of no par value, with a maximum price of \$6.25 each.

Changes in the issued common shares during the year were as follows:

	Number of Shares Issued	Dollar Value of Common Shares	Contributed Surplus
Balance December 31, 1976 . . .	1,444,026	\$ 5,872,751	\$ —
Conversion of preferred shares	266,666	1,000,000	—
Exercise of warrants . .	154,950	968,438	38,962
Exercise of rights	925,846	5,786,537	2,546,077
Expense of rights offering . . .	—	—	(18,102)
Balance December 31, 1977 . . .	<u>2,791,488</u>	<u>\$13,627,726</u>	<u>\$2,566,937</u>

11. Share Capital (continued):

Share purchase warrants:

The holders of 9% Sinking Fund Debentures, Series A, are entitled to purchase 100 common shares of the company, for each \$1,000 debenture held, at \$8 per share until the expiry date, July 1982.

Common shares are reserved for issue in respect of:

A share purchase warrant for an officer permitting the purchase of shares for \$8 to July 15, 1982, at which time the warrant expires. The number of shares that may be purchased in any year is limited	20,000
Purchase warrants issued in conjunction with the 9% Sinking Fund Debentures, Series A	118,800
	<u>138,800</u>

12. Income Taxes:

A portion of the company's income is tax-exempt dividend income; accordingly, income taxes as provided in the consolidated statement of income are less than the amount obtained by applying the statutory tax rate to income before income taxes.

13. Earnings Per Share:

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

Fully diluted earnings per share have been calculated on the assumption that share purchase warrants were exercised at the beginning of the year.

Earnings in the amount of \$39,800 net of income taxes were imputed on the assumed funds derived from share purchase warrants at an assumed rate of 9% before tax.

	1977	1976
Fully diluted earnings per share . . .	<u>\$1.68</u>	<u>\$1.49</u>

14. Commitments:

The company's head office and the trust company's head office and branch premises are held under long-term leases to a maximum term of seven years.

The aggregate amount of rentals in respect of long-term leases paid in 1977 was approximately \$532,000 (1976—\$470,000). The aggregate rentals payable during the next five years under all leases currently in force approximate \$2,658,000.

15. Contingent Liabilities:

There are two claims arising out of the normal conduct of the business. In the first case the action is proceeding in the ordinary course and warranty proceedings have been commenced against others in respect of this claim. In addition, the claim will be contested. In the second case management is of the opinion that the claim is without merit.

In any event it is the opinion of the management that the ultimate liability, if any, will not materially affect the financial position or results of operations of the company.

The company has guaranteed bank loans of a third party amounting to \$1,007,000 U.S. as at December 31, 1977.

16. Remuneration of Directors and Senior Officers:

The aggregate direct remuneration paid or payable by the company and its subsidiaries during the year ended December 31, 1977 to directors and senior officers of the company was \$698,135 (1976—\$549,849).

17. Government of Canada Anti-Inflation Legislation:

The company is subject to dividend provisions of the Anti-Inflation Act which provides for the restraint of the payment of dividends to October 13, 1978. As at December 31, 1977 the company is of the opinion that it has complied with the provisions of the Act.

18. Comparative Figures:

Certain of the prior year's comparative figures have been reclassified to conform to the classifications used in the current year.

*But if a man happens to find
himself...he has a mansion
which he can inhabit with
dignity all the days of his life.*
—James Michener



First City Financial Corporation Ltd.

Services

First City Financial Corporation Ltd.

Operates as a holding company with two main subsidiaries—City Savings & Trust Company and First City Investments Ltd. Each of these companies specializes in different aspects of a full-service financial plan. As a group they bring a complete combination of resources and talents to bear on a customer's varied requirements.

City Savings & Trust Company

City Trust offers a wide range of financial services through a network of branch locations situated in major centres across Canada.

Guaranteed Investment Certificates

Long Term Guaranteed Investment Certificates are offered at competitive rates for periods from one to five years, with a minimum deposit requirement of \$500. A wide choice of interest payment dates is available. While the certificate is not redeemable prior to maturity, it may be used as collateral for a City Savings & Trust Personal Loan, should funds be required. In addition Short Term Certificates incorporating the same features as above are offered for terms from 30 to 364 days with a minimum deposit requirement of \$5,000.

Savings and Chequing Accounts

Interest on Savings Accounts is calculated on the minimum monthly balance and credited to customer accounts semi-annually.

Chequing Accounts allow the depositor unlimited chequing privileges for a small service charge.

Registered Retirement Savings Plans

Contributions may be invested for varying terms from one to five years, and the rate of interest is guaranteed not to change throughout the term of the investment. Competitive rates of interest are offered for each investment term, and there are no fees or charges of any kind to reduce the fund's earnings.

Under current income tax legislation, taxable income may be reduced to a maximum of the lesser of \$5,500 or 20% of earned income.

Registered Home Ownership Savings Plan

Contributions of up to \$1,000 a year to a lifetime maximum of \$10,000 may be made to the Plan, and the amount is fully deductible from current taxable income. City Trust offers competitive rates of interest and there are no administrative charges.

Deferred Profit Sharing Plan

This Plan is of particular

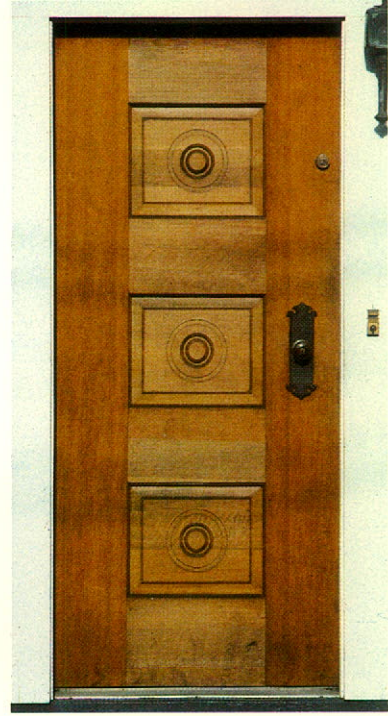
interest to executive groups and small businessmen. The employee gains a tax benefit and the employer reduces his taxable income up to a maximum \$3,500 per employee through these deductible contributions. Membership in a DPSP does not preclude the employee from contributing up to the maximum permissible in a City Trust Registered Retirement Savings Plan.

Income Averaging Certificates

Income tax on earnings such as taxable capital gains, recaptured depreciation, and certain other lump sum sources of income may be deferred over a maximum 15 year period through the purchase of these certificates. There are no sales or administrative charges.

Mortgage Loans

Long term mortgage financing is available for single and multiple residential dwellings as well as commercial and industrial buildings. The Company is an approved



lender both under the National Housing Act and for the private mortgage insurance corporations.

In addition, competitive terms are offered to developers for interim construction financing. Special expertise is offered in all areas of real estate development which enables City Trust to give professional consideration of projects within a minimum period of time.

Mortgage Banking

City Trust offers a comprehensive service of packaging and selling blocks of insured mortgages to private and institutional investors, both domestic and international.

Term Lending & Leasing

Under the banner of City Commercial we offer term loans and leasing services to our business clients. Equipment leasing with its many advantages is becoming increasingly recognized as a

practical tool in financial planning for a great many companies. The company specializes in assisting clients who are acquiring vehicles, plant machinery, computers and many other types of equipment.

Term financing is particularly useful to small and medium sized businesses which may not have sufficient financial strength to allow them to obtain financing in the equity or bond markets. First City Capital accepts loan applications from credit-worthy companies for a wide variety of needs including plant expansions, acquisitions, and working capital requirements.

The Company offers a wide range of individually structured programs at competitive rates.

Property Development

Through two wholly owned subsidiaries of City Trust called respectively

Citrust Developments Limited and Villa Properties, we are actively engaged in all forms of real estate development including joint ventures. The companies operate in Nova Scotia, Ontario, Alberta, British Columbia and the state of Washington.

First City Investments Ltd.

One of the major strengths of the Company's mortgage portfolio is its aggressive involvement in interim construction financing. The group's competitive advantage has been its unrelenting adherence to these basic operating truths:

- The right amount of money must be available when needed.
- The lending decisions must be made quickly; on-time funding is essential.
- Flexibility and creativity must be exercised; set formulas do not work.
- The rate must be right.

This working credo com-

bined with unlimited financial resources has made First City Investments Ltd. a well-known factor in the Canadian land and real estate development industry. The ability to empathize with the developers' needs, the willingness to act quickly and intelligently to design a package for their clients resulted in more than \$50 million of interim financing volume in 1977.

Two typical projects:

A \$7.7 million one year interim construction loan on a project involving the development and construction of the expansion of the Parkland Mall Shopping Center in Red Deer, Alberta. Aside from the normal weighing of the hard data such as cash flow and the intangible factors of experience and ability to perform, the transaction was somewhat unusual because a large portion of the construction was on leased land.

A \$1 million interim land acquisition and construction loan for a two year term in Richmond, B.C. Specifically, the project was for the development and construction of 114 single family units. First City provided the equity money and thereby engaged in a joint venture. In this case, as often happens, the borrowers did not have a large cash investment in the project. What figured very strongly in favour of the borrowers was their considerable experience in residential construction and the fact that they always build a good product with demonstrated market acceptance even under adverse market conditions.

These shorter term loans are a source of higher yields

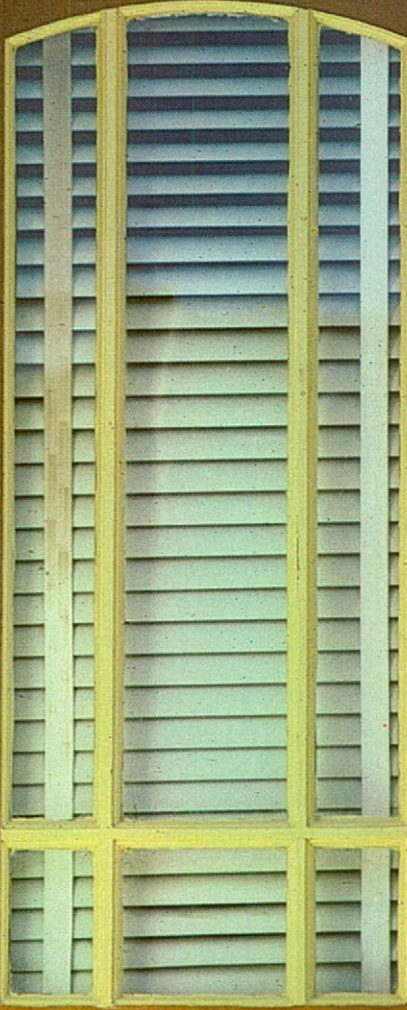
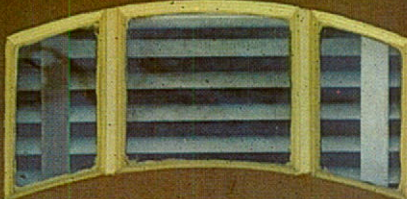


*Michael Cytrynbaum
President
First City Investments Ltd.*

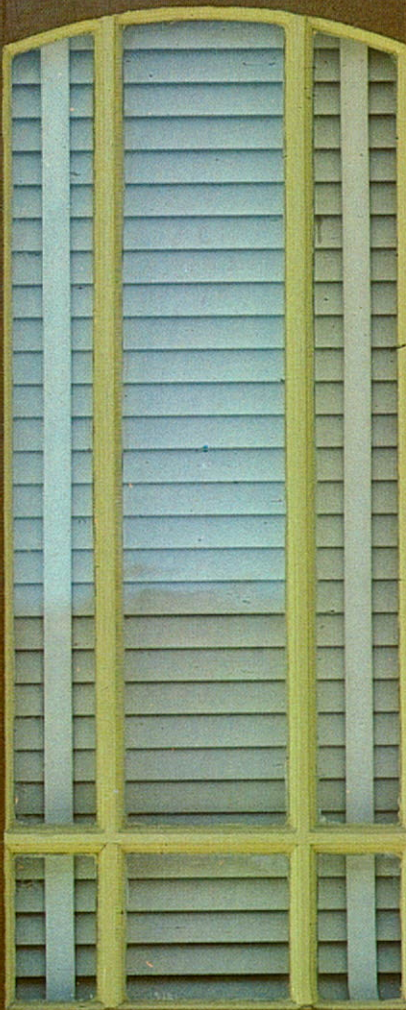
"You can't let it grow as you do—you have to do it now, before lunch, and then go on to something else."

as well as a buffer against interest rate fluctuations. In addition to interim financing, the First City Investment group offers expertise in joint ventures, which are associations formed for the development of a special project on a shared profit basis. This form of financing provides borrowers with an opportunity to substantially increase leverage, thereby permitting them to carry out developments on a much larger scale than could be achieved through their own resources.

First City Investments provides the following additional services: standby financing, land acquisition and subdivision financing, equity financing, and long term mortgaging upon completion of the development.



2940



2938



**First City Financial
Corporation Ltd.
and Subsidiaries**

Directors

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

Samuel Belzberg, B.Comm.
President
Vancouver, British Columbia

R. C. Baxter, B.Comm.
Vancouver, British Columbia

Hyman Belzberg
Calgary, Alberta

William Belzberg
Beverly Hills, California

Senator Allister Grosart, B.A.
Toronto, Ontario

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

Arnold H. Jeffrey
Vancouver, British Columbia

Morley Koffman, B.A., LL.B.
Vancouver, British Columbia

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

Officers

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

Samuel Belzberg, B.Comm.
President

William Belzberg
Vice President

Hyman Belzberg
Vice President

Arnold H. Jeffrey
Senior Vice President

Michael Cytrynbaum
Vice President

Glenn M. Ferguson,
B.Comm., C.A.
Vice President Finance
and Administration

Frank L. Harper, B.Comm., C.A.
Assistant Vice President
Finance

Walter G. Kowaluk, C.A.
Assistant Vice President
Finance and Controller

Morley Koffman, B.A., LL.B.
Secretary

**Major Subsidiaries—
Branch Offices**

**City Savings & Trust
Savings & Mortgage
Branches**

Calgary:

Head Office:
600-7th Avenue S.W.
T2P 0Y6
Phone (403) 266-8851

Edmonton:

10140-100th Street
T5J 0P1
Phone (403) 429-4811

34 Londonderry Mall
137th Avenue & 66th Street
T5C 3C8
Phone (403) 476-7661

Kitchener:

400-30 Duke Street West
N2H 3W5
Phone (519) 579-0230

Ottawa:

85 Albert Street
K1P 6A4
Phone (613) 238-2636

Regina:

1861 Hamilton Street
S4P 2B9
Phone (306) 522-2691

Saskatoon:

140-2nd Avenue South
S7K 1K5
Phone (306) 242-4236

Toronto:

95 Yonge Street
M5C 1S8
Phone (416) 864-1090

1207 St. Clair Avenue West
M6E 1B5
Phone (416) 654-8407

2289 Yonge Street
M4P 2C6
Phone (416) 482-7333

1908 T-D Bank Tower
M5K 1J5
Phone (416) 869-0222

Vancouver:

777 Hornby Street
Vancouver, B.C.
V6Z 1S4
Phone (604) 688-9421

Executive Office:

1200 Royal Centre
1055 West Georgia Street
Vancouver, B.C. V6E 3S6
Phone (604) 689-9144

Victoria:

1306 Douglas Street
Victoria, B.C. V8W 2E8
Phone (604) 383-4141

Winnipeg:

369 Portage Avenue
Winnipeg, Manitoba
R3B 2C4
Phone (204) 947-1543

Citrust Developments Limited

Edmonton:

10562-109th Street
T5H 3B2
Phone (403) 423-3882

Vancouver:

1200 Royal Centre
1055 West Georgia Street
V6E 3S6
Phone (604) 689-9144

City Commercial

Calgary:

600-7th Avenue S.W.
T2P 0Y6
Phone (403) 266-8877

Edmonton:

10140-100th Street
T5J 0P1
Phone (403) 423-1808

London:

04-470 Dundas Street East
N6B 1W3
Phone (519) 673-1900

Toronto:

95 Yonge Street
M5C 1S8
Phone (416) 862-8476

Vancouver:

1200 Royal Centre
1055 West Georgia Street
V6E 3S6
Phone (604) 689-9144

Winnipeg:

369 Portage Avenue
R3B 2C4
Phone (204) 944-0720

First City Investments Ltd.

Calgary:

1930 Ford Tower
633-6th Avenue S.W.
T2P 2Y5
Phone (403) 262-5730

Vancouver:

1200 Royal Centre
1055 West Georgia Street
V6E 3S6
Phone (604) 689-9144

Villa Properties Limited

Toronto:

603-180 Duncan Mill Road
Don Mills, Ontario
M3B 1Z6
Phone (416) 449-7046

Auditors

Deloitte, Haskins & Sells
Chartered Accountants

Bankers

Bank of British Columbia
Bank of Montreal
The Mercantile Bank of Canada
The Toronto-Dominion Bank

Stock Exchange Listing

Toronto Stock Exchange
Stock Ticker Symbol: CYS





**First City
Financial**

1200 Royal Centre
1055 West Georgia Street
Vancouver, British Columbia
Phone (604) 689-9144