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First City Annual Report 1976



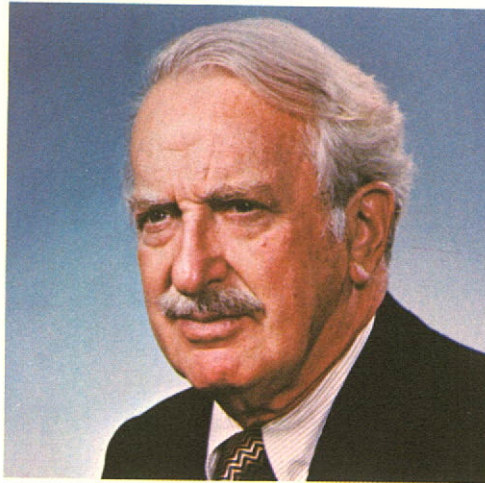
HOWARD ROSS LIBRARY
OF MANAGEMENT
AUG 5 1977
MCGILL UNIVERSITY

FIRST CITY FINANCIAL CORPORATION LTD. ANNUAL REPORT 1976

FINANCIAL HIGHLIGHTS

	1976	1975	Percent Increase
NET INCOME	\$ 2.9 Million	\$ 1.9 Million	51%
PER COMMON SHARE			
—Earnings	\$2.03	\$1.34	51%
—Dividends	18¢	18¢	—
—Book Value	\$9.28	\$7.65	21%
GROSS REVENUE	\$ 44.1 Million	\$ 34.6 Million	27%
INTEREST COSTS	\$ 29.3 Million	\$ 23.0 Million	27%
OPERATING AND ADMINISTRATIVE	\$ 5.0 Million	\$ 3.6 Million	39%
SALARIES AND EMPLOYEE BENEFITS	\$ 2.7 Million	\$ 2.5 Million	8%
GROSS ASSETS	\$395.6 Million	\$302.5 Million	31%
SHAREHOLDERS' EQUITY	\$ 14.4 Million	\$ 11.7 Million	23%

Report of the Directors



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

We are pleased to report that your Company achieved record levels of operating and earnings results. Net income of \$2.9 million and earnings per share of \$2.03 represent a 51 per cent increase over the prior year. The growth in earnings results from a substantial increase in the asset base, an expansion of services, and a continuing concentrated effort to monitor the matching of term and interest rate spreads in our asset/liability portfolios.

Total assets were up 31 percent with \$72.1 million of the asset gain attributable to the mortgage portfolio. Total revenue of \$44.1 million represents an increase of \$9.5 million over 1975 with \$7.2 million of the revenue increase due to the expansion of assets. The remaining \$2.3 million increase in total revenue is mainly from fees earned through participations in joint ventures, construction project financing and mortgage banking activities.

Total expenses were \$38.4 million, an increase of \$8.1 million over last year. Of this, interest expense accounted for \$6.3 million or 78 percent, and operating and administrative costs \$1.8 million, or 22 percent.

Each of the three major operating subsidiaries contributed to the record earnings results.

Our largest subsidiary, City Savings & Trust Company, achieved record earnings of \$2.7 million representing a 65 percent increase over 1975. Gross revenue increased 31 percent to \$39 million while total assets grew by 32 percent to \$364 million.



Mr. Samuel Belzberg, President and
Chief Executive Officer

The mortgage portfolio increased \$67 million with a concentration in residential loans. The volume of mortgage banking activities exceeded \$45 million, which provided a substantial increase in fee income. Our mortgage acquisition locations were increased during the year consistent with the growth in operations.

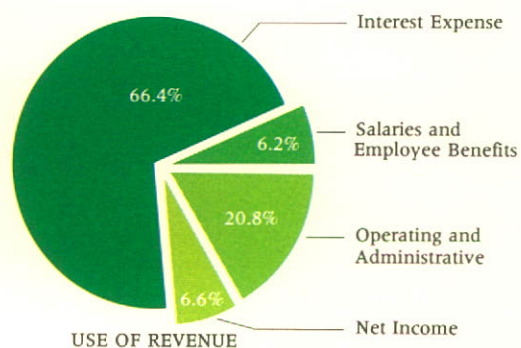
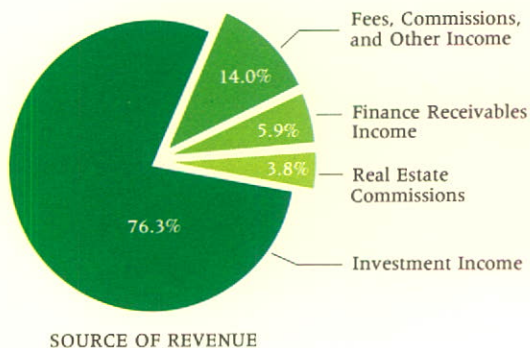
The Real Estate Brokerage Division continued to show improvement over prior periods. The method of accounting for real estate brokerage commissions was changed from an accrual to a cash basis at the beginning of the year.

A comparison of 1976 to 1975 on the new cash basis indicates an improvement in gross commissions of 18 percent.

In February 1976, City Trust placed a \$3 million issue of Preferred Shares, thus increasing the capital base and providing for the continuing orderly expansion of operations. This additional capital plus retained earnings should provide for adequate capital requirements in the foreseeable future.

Mr. Arnold H. Jeffrey was appointed President and elected a Director of City Savings & Trust Company during the year. Mr. Jeffrey has had 20 years of banking and related experience and was formerly the Chief Executive Officer of a large Canadian financial organization. He has also been appointed Senior Vice President of First City Financial Corporation Ltd..

First City Capital Ltd., our leasing and industrial lending arm, while being adversely affected by the recessio-



nary business climate in British Columbia, did on balance reflect an overall increase in profits, and increased its asset base. Due to the recent decrease in the value of the Canadian dollar in relation to the United States dollar, we are anticipating that export markets in both the forestry and mining industries will create a more favorable climate in Western Canada for the expansion of First City Capital's operations. Early in 1977, Mr. Peter W. McDonald was appointed President and Director of this subsidiary. Mr. McDonald was formerly a senior executive with a major Canadian leasing company.

First City Investments Ltd. contributed significantly to the overall Corporate Group results. First City Investments Ltd. specializes in interim construction loans, conventional financing and joint venture real estate developments. This Company's personnel, by offering financial and administrative expertise to assist the developers and contractors, is filling a void in development financing. The Company is rapidly achieving a sound reputation in this specialized area and is establishing a record of successive joint venture arrangements on an ongoing basis with a number of skilled builders.

Citrust Developments Limited, the Group's real estate development arm, increased its activities appreciably during 1976. The capital base was augmented by the issue of \$3 million in Preferred Shares. The Company is currently developing a number of new properties and is actively seeking out new investment opportunities.

Shortly after the Annual General Meeting, First City Financial Corporation Ltd. intends to proceed with a rights offering to its common shareholders whereby each shareholder will receive one right for each common share held. Under the terms of the proposed offer, each two rights plus a cash payment of \$9 entitles subscription for an additional share of common stock. This enlarged equity base will provide additional capital for future expansion.

With the increasing unemployment in Canada and the continuing recessionary mood of businessmen, we are confident that the government will initiate legislation to stimulate capital expenditures, to introduce suitable incentives to residential builders, and to either reduce the interest rate structure or keep it at its present level. Our outlook for our Companies for 1977 despite the current pessimistic scenario is generally optimistic as we feel that certain of our markets in which we are active are still sufficiently buoyant to fill our demand.

We wish to extend our sincere thanks to the management and staff of our Companies for the efforts they extended to achieve the excellent results for the 1976 year.

The Annual General Meeting of the Company will be held on Monday, April 18th, 1977 at the Four Seasons Hotel in Calgary, Alberta, at 11:30 A.M. and all shareholders are encouraged to attend.

On behalf of the Board,

DAVID A. ROLL, Q.C.
Chairman of the Board

SAMUEL BELZBERG
President and
Chief Executive Officer

FIRST CITY FINANCIAL CORPORATION LTD. and SUBSIDIARIES
FIVE-YEAR SUMMARY

(In thousands of dollars except for per share figures)

BALANCE SHEET	<u>1976</u>	<u>1975</u>	<u>1974</u>	<u>1973</u>	<u>1972</u>
ASSETS					
Cash and Short-Term Investments	\$ 19,460	\$ 9,105	\$ 17,450	\$ 17,761	\$ 11,743
Securities	53,454	47,622	25,858	19,700	17,410
Mortgages	292,131	220,021	188,130	125,965	70,661
Finance Receivables	16,247	15,081	11,199	10,086	9,260
Other Assets	14,327	10,626	20,521	5,169	3,830
	<u>\$395,619</u>	<u>\$302,455</u>	<u>\$263,158</u>	<u>\$178,681</u>	<u>\$112,904</u>
LIABILITIES AND EQUITY					
Deposits	\$338,916	\$255,381	\$208,933	\$143,870	\$ 89,485
Other Liabilities	35,277	30,927	40,351	21,838	12,401
Total Liabilities	374,193	286,308	249,284	165,708	101,886
Deferred Income Taxes	3,425	3,117	2,368	1,744	1,104
Minority Interest	3,605	1,329	1,429	1,695	1,577
Shareholders' Equity	14,396	11,701	10,077	9,534	8,337
	<u>\$395,619</u>	<u>\$302,455</u>	<u>\$263,158</u>	<u>\$178,681</u>	<u>\$112,904</u>
INCOME STATEMENT					
REVENUE					
Income from Investments	\$ 36,305	\$ 29,159	\$ 21,058	\$ 12,754	\$ 8,091
Fees and Other	7,819	5,495	5,132	2,376	1,716
Total Revenue	<u>44,124</u>	<u>34,654</u>	<u>26,190</u>	<u>15,130</u>	<u>9,807</u>
EXPENSES					
Interest	29,305	22,991	16,885	8,796	4,849
Salaries	2,737	2,513	2,671	1,723	1,116
Provision for Income Taxes and Other Expenses	9,185	7,226	5,766	3,298	2,732
Total Expenses	<u>41,227</u>	<u>32,730</u>	<u>25,322</u>	<u>13,817</u>	<u>8,697</u>
Net Income	<u>\$ 2,897</u>	<u>\$ 1,924</u>	<u>\$ 868</u>	<u>\$ 1,313</u>	<u>\$ 1,110</u>
PER COMMON SHARE:					
Earnings	<u>\$2.03</u>	<u>\$1.34</u>	<u>\$0.59</u>	<u>\$0.93</u>	<u>\$0.79</u>
Dividends	<u>\$0.18</u>	<u>\$0.18</u>	<u>\$0.16</u>	<u>\$0.10</u>	<u>\$0.08</u>
Book Value	<u>\$9.28</u>	<u>\$7.65</u>	<u>\$6.49</u>	<u>\$6.46</u>	<u>\$5.31</u>

FIRST CITY FINANCIAL CORPORATION LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 1976 (With prior year figures for comparison)

	<u>1976</u>	<u>1975</u>
REVENUE:		
Investments	\$33,683,763	\$27,241,432
Fees, commissions, and other	6,161,323	3,778,260
Finance receivables	2,620,685	1,917,741
Real estate sales commissions	1,658,479	1,716,934
Total revenue	<u>44,124,250</u>	<u>34,654,367</u>
EXPENSES:		
Interest:		
Customer deposits	26,090,426	20,013,498
Unsecured debt	1,063,115	990,073
Bank and other	1,193,733	1,403,027
Term debt	957,947	584,117
Operating and administrative	5,027,445	3,659,245
Real estate commissions	1,122,774	958,327
Salaries and employee benefits	2,736,553	2,512,518
Depreciation and amortization	242,951	176,368
Total expenses	<u>38,434,944</u>	<u>30,297,173</u>
INCOME BEFORE INCOME TAXES	<u>5,689,306</u>	<u>4,357,194</u>
PROVISION FOR INCOME TAXES:		
Current	1,918,715	1,502,989
Deferred	447,532	744,724
Total provision for income taxes	<u>2,366,247</u>	<u>2,247,713</u>
INCOME BEFORE MINORITY INTEREST	<u>3,323,059</u>	<u>2,109,481</u>
MINORITY INTEREST	<u>425,888</u>	<u>185,145</u>
NET INCOME FOR THE YEAR	<u>\$ 2,897,171</u>	<u>\$ 1,924,336</u>
EARNINGS PER SHARE (Note 13)	<u>\$2.03</u>	<u>\$1.34</u>


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

FIRST CITY FINANCIAL CORPORATION LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

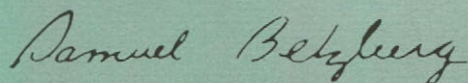
As at December 31, 1976 (With prior year figures for comparison)

ASSETS	<u>1976</u>	<u>1975</u>
CASH AND SHORT-TERM INVESTMENTS (Note 2)	\$ 19,460,024	\$ 9,105,423
SECURITIES (Note 3)	53,453,744	47,622,337
MORTGAGES AND AGREEMENTS FOR SALE	292,131,407	220,021,163
SECURED AND PERSONAL LOANS	5,381,190	830,172
FINANCE RECEIVABLES (Note 4)	16,246,811	15,081,222
REAL ESTATE (Note 5)	3,439,067	4,777,079
ACCOUNTS RECEIVABLE	980,688	992,817
OFFICE PREMISES AND EQUIPMENT (Note 6)	1,386,812	1,012,923
OTHER ASSETS	1,359,217	1,323,221
EXCESS OF COST OF INVESTMENT IN SUBSIDIARIES OVER ACQUIRED EQUITY IN NET ASSETS (Note 7)	<u>1,779,836</u>	<u>1,688,866</u>
TOTAL	<u>\$395,618,796</u>	<u>\$302,455,223</u>

APPROVED BY THE BOARD:



Director DAVID A. CROLL



Director SAMUEL BELZBERG

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>1976</u>	<u>1975</u>
DEMAND AND SHORT-TERM DEPOSITS	\$ 76,064,023	\$ 47,208,719
GUARANTEED INVESTMENT CERTIFICATES	262,852,008	208,171,922
BANK INDEBTEDNESS (Note 8)	11,853,452	3,496,500
ACCOUNTS PAYABLE	3,378,608	2,386,288
INCOME TAXES PAYABLE	925,591	1,334,268
DEFERRED MORTGAGE FEES	313,601	388,445
UNSECURED DEBT (Note 9)	9,000,000	14,000,000
TERM DEBT (Note 10)	9,805,876	9,321,422
DEFERRED INCOME TAXES	3,424,837	3,117,194
MINORITY INTEREST (Note 11)	<u>3,604,864</u>	<u>1,329,127</u>
	<u>381,222,860</u>	<u>290,753,885</u>
 SHAREHOLDERS' EQUITY:		
Share capital (Note 12):		
Preferred shares	1,000,000	1,000,000
Common shares	5,872,751	5,572,126
Retained earnings	<u>7,523,185</u>	<u>5,129,212</u>
	<u>14,395,936</u>	<u>11,701,338</u>
 TOTAL	 <u>\$395,618,796</u>	 <u>\$302,455,223</u>

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

FIRST CITY FINANCIAL CORPORATION LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended December 31, 1976 (With prior year figures for comparison)

	1976	1975
RETAINED EARNINGS AT BEGINNING OF THE YEAR	\$ 5,129,212	\$ 3,504,476
NET INCOME FOR THE YEAR	<u>2,897,171</u>	<u>1,924,336</u>
	8,026,383	5,428,812
DIVIDENDS ON COMMON SHARES	253,449	251,600
DIVIDENDS ON PREFERRED SHARES	48,000	48,000
EXPENSES OF ISSUE OF PREFERRED SHARES BY A SUBSIDIARY COMPANY	<u>201,749</u>	<u>—</u>
	503,198	299,600
RETAINED EARNINGS AT END OF THE YEAR	<u>\$ 7,523,185</u>	<u>\$ 5,129,212</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. and Subsidiaries as at December 31, 1976 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 statements present fairly the financial position of the companies as at December 31, 1976 and the results of their operations and the changes in their cash for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
March 4, 1977
(Except as to Note 19, for which
the date is March 14, 1977)

Deloitte, Haskins & Sells
Chartered Accountants.

FIRST CITY FINANCIAL CORPORATION LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN CASH

For the year ended December 31, 1976 (With prior year figures for comparison)

	<u>1976</u>	<u>1975</u>
CASH PROVIDED:		
From operations	\$ 3,950,635	\$ 2,774,235
Change in real estate	1,338,012	461,910
Change in accounts receivable	12,129	2,187,743
Customer deposits	83,535,390	46,447,305
Change in bank indebtedness	8,356,952	(8,122,448)
Change in accounts payable	992,320	(4,326,312)
Issue of term debt	1,500,000	3,500,000
Issue of common shares	300,625	—
Issue by subsidiary of preferred shares — net	2,740,488	—
From disposal of investment in Far West Financial Corporation	—	5,542,800
	<u>102,726,551</u>	<u>48,465,233</u>
CASH APPLIED:		
Net investment in:		
Securities	5,831,407	21,764,430
Mortgages and agreements for sale	72,110,244	31,891,651
Finance receivables	1,165,589	3,882,373
Secured and personal loans	4,551,018	(1,967,225)
Dividends	301,449	299,600
Dividends paid to minority interest	341,494	47,841
Purchase of additional shares of subsidiary	888,502	237,404
Change in income taxes payable	408,677	(1,294,584)
Retirement of — unsecured debt	5,000,000	—
— term debt	1,015,546	1,444,276
Change in other assets and liabilities — net	758,024	503,654
	<u>92,371,950</u>	<u>56,809,420</u>
INCREASE (DECREASE) IN CASH FOR THE YEAR	10,354,601	(8,344,187)
CASH AND SHORT-TERM INVESTMENTS AT BEGINNING OF THE YEAR	9,105,423	17,449,610
CASH AND SHORT-TERM INVESTMENTS AT END OF THE YEAR	\$ 19,460,024	\$ 9,105,423

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

FIRST CITY FINANCIAL CORPORATION LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 1976

1. Summary of Significant Accounting Policies:

(a) Basis of Consolidation:

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

	Percentage Ownership
City Savings & Trust Company	95%
Citrust Developments Limited	95%
First City Capital Ltd.	100%
PLC Investments Limited	100%
First City Investments Ltd.	100%
First City Investments (Ontario) Limited	100%
Citfin Funding Corporation Limited	100%
Westcan Structures Leasing Ltd.	100%
Inactive subsidiaries:	
C.S.T. Realty Ltd.	95%
First City Equities Limited	100%
First City Insurance Agencies Ltd.	100%
Second City Financial Corporation Ltd.	100%
Third City Financial Corporation Ltd.	100%
City Investments and Properties Limited	100%

These financial statements do not include the accounts of a wholly-owned subsidiary, F.C. Financial Associates Ltd., as it is management's intention to effect an orderly liquidation of this subsidiary. The assets and liabilities of the subsidiary are not significant.

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.

(b) Securities Valuation:

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

(c) Mortgages, Agreements for Sale, and Secured and Personal Loans:

Mortgages, agreements for sale, and secured and personal loans are recorded at cost plus accrued interest less payments thereon.

(d) Finance Receivables:

The accounting principles employed in respect of finance receivables are in accordance with practices followed in the industry. Income from leases and secured finance contracts is recognized on the sum of the digits method. Income from term loans and factoring loans is recognized on the simple interest basis.

(e) 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%.

(f) Deferred Costs:

Deferred costs included in other assets consist of incorporation and organization expenses, issue expenses on debentures, and costs incurred in opening branch offices. Issue expenses are being amortized over the period the debentures are outstanding and the costs incurred to open branches are being written off over five years.

2. Cash and Short-Term Investments:

	1976	1975
Cash and bank deposit receipts	\$12,478,470	\$ 5,545,907
Short-term notes and collateral loans	6,981,554	3,559,516
TOTAL	<u>\$19,460,024</u>	<u>\$ 9,105,423</u>

3. Securities:

	1976	1975
Carrying values:		
Government bonds	\$33,735,836	\$33,359,797
Corporate bonds	2,234,555	6,289,105
Stocks	17,483,353	7,973,435
TOTAL	<u>\$53,453,744</u>	<u>\$47,622,337</u>
Market values:		
Government bonds	\$32,214,911	\$29,807,966
Corporate bonds	1,822,063	5,407,325
Stocks	17,389,262	6,872,962
TOTAL	<u>\$51,426,236</u>	<u>\$42,088,253</u>

4. Finance Receivables:

	1976	1975
Lease and secured finance contracts	\$ 9,142,100	\$ 9,407,135
Term loans	5,991,241	3,753,997
Factoring loans	1,113,470	1,920,090
TOTAL	<u>\$16,246,811</u>	<u>\$15,081,222</u>

5. Real Estate:

	1976	1975
Real estate held for resale — at the lower of cost or net realizable value	\$ 1,151,577	\$ 2,932,375
Land held for development and resale — at the lower of cost or net realizable value	1,216,855	848,700
Rental properties — at cost less accumulated depreciation of \$103,226 (1975 — \$69,834)	1,070,635	996,004
TOTAL	\$ 3,439,067	\$ 4,777,079

Real estate and land held for development and resale are net of certain assumed mortgages payable on the real estate acquired, amounting to \$1,031,105 (1975 — nil). Depreciation charged to earnings on rental properties for the year amounted to \$24,015.

6. Office Premises and Equipment:

These assets are recorded at cost less accumulated depreciation and amortization of \$568,977 (1975 — \$369,581). Depreciation and amortization charged to earnings in 1976 amounted to \$179,044 (1975 — \$165,898).

7. Excess of cost of Investment in Subsidiaries over Acquired Equity in Net Assets:

Balance as at December 31, 1975	\$1,688,866
Excess of cost on acquisition of additional shares of City Savings & Trust Company over equity in net assets acquired	90,970
Balance as at December 31, 1976	<u>\$1,779,836</u>

8. Bank Indebtedness:

Bank indebtedness is secured by the following:

Secured debentures of a subsidiary company in the amount of \$9,000,000 (Note 10) securing bank indebtedness in the amount of \$5,700,000.

A secured debenture and the assignment of specific mortgages aggregating approximately \$8,085,992 securing demand loans in the amount of \$4,152,845.

9. 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.

10. Term Debt:

- (a) 9% Sinking Fund Debentures, Series A, Unsecured, due July 15, 1992:

These debentures require sinking fund deposits of \$150,000 annually from 1977 to 1991 with a final payment of \$600,000 on July 15, 1992. They are redeemable at the company's option with a reducing premium upon redemption.

1976 — \$2,736,000 1975 — \$2,929,000

- (b) Secured Debentures:

7% Series A with annual principal and interest payments of \$51,127 and a final payment of \$99,000 on November 30, 1981.

7¼% Series B with annual sinking fund deposits of \$35,000 and a final payment of \$406,000 on May 15, 1980.

These debentures and those amounting to \$9,000,000 issued to secure demand bank loans (Note 8), are secured through a Deed of Trust and Mortgage which provides for a first fixed charge on certain finance receivables.

Series A — 1976 — \$266,896 1975 — \$297,623
Series B — 1976 — \$511,000 1975 — \$526,500

- (c) Unsecured Sinking Fund Debentures:

7% Series B have a sinking fund requirement of \$44,632 payable on October 1, 1977.

6¾% Series C have annual sinking fund requirements of \$25,000 to maturity and the balance of \$200,000 payable on August 15, 1981.

These debentures are redeemable at the subsidiary's option with a reducing premium upon redemption. The balance of the Series B and C debentures outstanding after elimination of \$284,000 Series C debentures held by the parent company is:

1976 — \$60,632 1975 — \$76,071

- (d) Term Bank Loan:

The loan bears interest at prime rate (9¼% at December 31, 1976) plus 1¼% and is secured under a demand debenture, by a specific mortgage and charge on all equipment leased under specific lease contracts of a subsidiary and an assignment of the proceeds from the related lease contracts. Payments are made monthly out of the proceeds of the lease contracts. The balance, if any, is due December 31, 1979.

1976 — \$1,481,348 1975 — \$1,992,228

- (e) Subordinated Notes, Series A:

The notes issued by a subsidiary are repayable \$250,000 in 1977, \$500,000 from 1978 through 1981,

and \$2,500,000 on June 20, 1982. They bear interest at 1½% over bank prime rate adjusted quarterly. Subordinated notes of \$1,500,000, which were held by the parent company at December 31, 1975, were sold during the year.

1976 — \$4,750,000 1975 — \$3,500,000

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

1977 — \$ 901,000 1980 — \$1,105,000
 1978 — \$1,224,000 1981 — \$ 759,000
 1979 — \$1,215,000

Borrowing Restrictions:

The Trust Deeds covering the debentures contain covenants restricting further borrowings by the companies, subject to the conditions set out in the Trust Deeds.

Dividend Restrictions:

The Trust Deeds covering the debentures, and the loan agreement, contain covenants restricting the declaration of dividends either by the company or, in the case of the term bank loan agreement, by a subsidiary.

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 \$6.50 per share to July 15, 1977 and \$8.00 per share thereafter until July 15, 1982, the expiry date of the warrants.

11. Minority Interest:

	<u>1976</u>	<u>1975</u>
Minority interest in a subsidiary company:		
Common shareholders	\$ 604,864	\$ 1,329,127
Preferred shareholders	<u>3,000,000</u>	<u>—</u>
TOTAL	<u>\$ 3,604,864</u>	<u>\$ 1,329,127</u>

12. 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. The shares rank equally as to dividends with the common shares except that the rate of dividend on each preferred share is a minimum of 5% or one-third of that on each common share. The preferred shareholders may, at their option at any time up to September 27, 1986, exchange the preferred for common on a three-for-one basis.

As at December 31, 1976, the company had issued 800,000 preferred shares, unchanged from the previous year.

Common Shares:

The company is authorized to issue 8,400,000 common shares of no par value.

As at December 31, 1976, the company had issued 1,444,026 shares (December 31, 1975 — 1,397,776 shares). During the year 46,250 warrants, described in Note 10, were exercised for a total cash consideration of \$300,625.

Common shares are reserved for issue in respect of:

(a) A share purchase warrant for an officer permitting the purchase of shares for \$6.50 up to July 15, 1977 and \$8.00 thereafter to July 15, 1982 at which time the warrant expires. The number of shares that may be purchased in any year is limited.	40,000
(b) Purchase warrants issued in conjunction with the 9% Sinking Fund Debentures, Series A (Note 10)	253,750
(c) Conversion rights on preferred shares	<u>266,666</u>
Total shares reserved	<u>560,416</u>

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 conversion rights and share purchase warrants were exercised on the date of issue.

Earnings in the amount of \$84,200 net of income taxes were imputed on the assumed funds derived from share purchase warrants at an assumed rate of 9% before tax.

	<u>1976</u>	<u>1975</u>
Fully diluted earnings per share	<u>\$1.49</u>	<u>\$1.01</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 eight years. The aggregate amount of rentals in respect of long-term leases paid in 1976 was approximately \$470,000 (1975 — \$374,000). The aggregate rentals payable during the next five years under all leases currently in force approximate \$1,719,000.

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 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.

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, 1976 to directors and senior officers of the company was \$549,849 (1975 — \$133,549).

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, 1977. As at December 31, 1976 the Company is of the opinion that it has complied with the provisions of the Act.

18. Comparative Figures:

Certain of the 1975 figures provided for comparison have been reclassified to conform to the classifications used in the current year.

19. Subsequent Event:

The company intends to proceed with a rights offering to its common shareholders whereby each shareholder will receive one right for each common share held. Under the terms of the proposed offer, each rights-holder will then be entitled to subscribe for one additional share for each two rights tendered plus a cash payment of \$9.

FIRST CITY FINANCIAL CORPORATION LTD.

FIRST CITY FINANCIAL CORPORATION LTD.

operates as a holding company with three main subsidiaries — City Savings & Trust Company, First City Capital Ltd., and First City Investments Ltd.. Each of these companies specializes in different aspects of a full-service financial plan. Acting 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.



Construction financing for this shopping centre in Richmond, B.C. was provided by City Trust.

MORTGAGE BANKING

City Trust offers a comprehensive service of packaging and selling blocks of insured mortgages to private and institutional investors, both domestic and foreign. The Company administers these investment packages for a small fee.

PERSONAL AND BUSINESS LOANS

Applications for loans covering a variety of needs can be made at any City Trust Savings Branch.

REAL ESTATE SALES

Full real estate services are offered for buying and selling residential, commercial and industrial properties. A Guaranteed Sales Plan is available on residential sales should a replacement home be purchased through City Trust. Appraisals can be carried out on all types of properties, and City Trust can assist with arrangements for mortgage financing.

CITRUST DEVELOPMENTS LIMITED

This wholly owned subsidiary of City Trust is actively engaged in all forms of real estate development including joint ventures.

FIRST CITY INVESTMENTS LTD.

First City Investments Ltd. provides a professional approach to real estate financing, offering competitive terms, and decisions on most loan proposals within 72 hours, on a nationwide basis. The Company's primary activities encompass interim financing and joint venture arrangements for residential, commercial and industrial real estate projects. Each financing package is tailored to suit the requirements of the specific project.

In the field of interim financing, First City Investments



Peter F. McPherson, Vice President, reviews plans of a recently completed condominium financed by First City Investments Ltd.

complements the types of loans available from City Trust, including loans for land banking, subdivision servicing, and project construction.

The Company is actively involved in joint ventures, which are associations formed for the development of a specific project on a shared profit basis. This form of financing provides borrowers with an opportunity to substantially in-

crease leverage thereby permitting them to carry out developments on a much larger scale than could be achieved through their own resources.

In addition to its main functions First City Investments provides the following additional services:

- standby commitments
- wraparound mortgages
- second mortgages on income producing properties
- mortgage brokerage
- equity financing

FIRST CITY CAPITAL LTD.

Equipment leasing with its many advantages is becoming increasingly recognized as an efficient concept in the financial planning process 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 creditworthy 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.



A number of the many types of products financed by First City Capital Ltd. Left, President Peter McDonald discusses computer facilities with a client.

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, Calif.

Senator Allister Grosart, B.A.,
Toronto, Ontario.

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

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

Andrew Sarlos, C.A.,
Toronto, Ontario.

Joseph H. Shocter, 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 &
Controller.

Morley Koffman, B.A., LLB.,
Secretary.



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 LISTINGS

Toronto Stock Exchange
Vancouver Stock Exchange

EXECUTIVE OFFICE

1200 Royal Centre,
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Phone (604) 689-9144

MAJOR SUBSIDIARIES CITY SAVINGS & TRUST COMPANY

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137th Avenue & 66th Street,
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Phone (306) 522-2691

Saskatoon

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