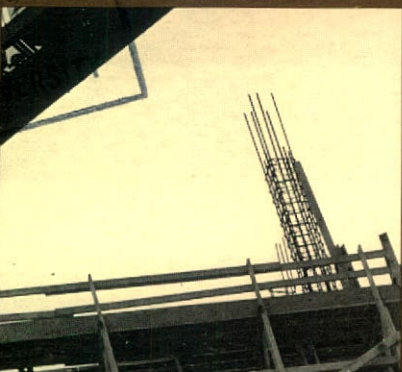
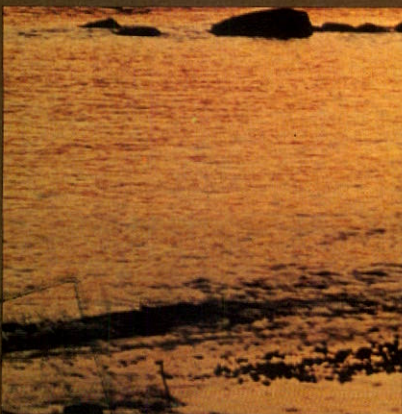
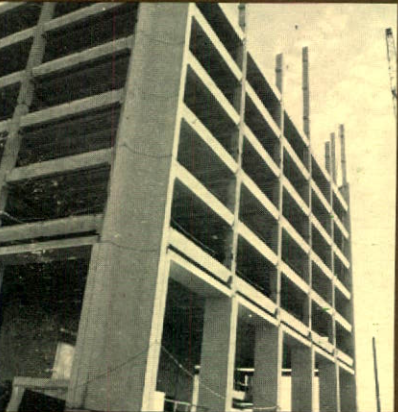


**First City
Financial
Corporation
Ltd.**

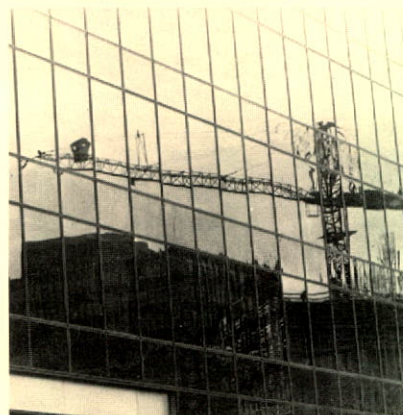
**Annual
Report
for
the year
1974**





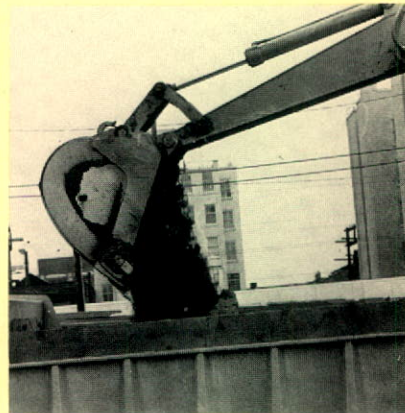
**First City Financial Corporation Ltd.
and its subsidiaries offer a wide
range of financial services:**

- Savings Accounts
- Chequing Accounts
- Guaranteed Investment Certificates
- Personalized Cheques
- Corporate Trust Services
- Personal Loans
- Registered Retirement Savings Plans
- Registered Home Ownership Savings Plan
- Deferred Profit Sharings Plans
- Income Averaging Certificates
- Real Estate Brokerage
- Purchase and Sale of Mortgage Portfolios
- First Mortgage Loans
- Second Mortgage Loans
- Interim and Construction Financing
- Land Development Loans
- N.H.A. Loans
- Real Estate Development
- Lease-Back Financing
- Joint Venture Participations
- Stand-By Commitments
- Term Lending
- Equipment Leasing
- Factoring



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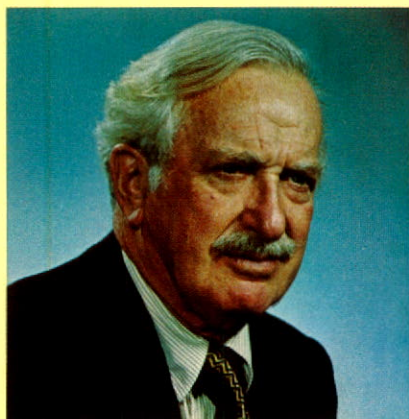
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**First City Financial Corporation Ltd.
Annual Report for the year 1974**

Financial Highlights

	1974	1973	Percentage Increase (Decrease)
INCOME FROM OPERATIONS.....	\$ 1,121,943	\$ 1,545,342	(27)
NET INCOME.....	868,490	1,312,664	(34)
NET EARNINGS PER COMMON SHARE.....	0.59	0.93	(37)
GROSS REVENUE.....	26,332,563	15,112,704	74
INTEREST COSTS.....	16,885,185	8,796,441	92
SALARIES AND EMPLOYEE BENEFITS	2,671,364	1,723,164	55
GROSS ASSETS.....	263,920,754	178,680,643	48
SHAREHOLDERS' EQUITY.....	10,076,602	9,471,316	6



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

Right: Mr. Samuel Belzberg, B.Comm.
President

Report of the Directors

During 1974, First City continued to grow in assets and in revenues. However net profits declined from 1973. The largest factor in asset growth was our mortgage portfolio which increased 53.9% to \$188.9 million. It was largely because of this rapid growth and the growth of other investments that total revenue increased 74.2%. That increase also resulted from significantly higher levels of interest rates in 1974 than we have experienced in past years. But rising interest rates have affected our interest costs to a greater degree than they have affected our investment income. Primarily because of this we have recorded a decline in income from operations before income taxes of 20.5%. While it is disappointing to record a decline in income at any time, our circumstance in 1974 was not atypical of our industry, which is primarily the trust industry.

First City Financial Corporation Ltd. operates as a holding company with three major subsidiaries: City Savings & Trust Company, First City Capital Ltd. and First City Investments Ltd. In addition, during 1974 First City acquired 23.5% of Far West Financial Corporation, a California-based savings and loan holding company. In light of the current economic situation in the U.S. we are reassessing our investment policy in that country.

Income from the operations of City Savings before income taxes declined 13.4% in 1974 to \$1.8 million due primarily to rising interest rates. During 1974 we increased our ownership of this, our major subsidiary, to 86%

from 79%. We intend to issue subordinated debt in this company in the very near future to allow for further growth this year without diluting earnings as would result from adding equity capital.

Early in 1974 we added new management to First City Capital Ltd. and during the year capable lending officers have been added to the staff. The factoring operation in Toronto has been active and is producing additional revenue and profits for your company. Weakness in the Canadian economy and particularly in the province of British Columbia has reduced the demand for industrial term financing so that the performance of this subsidiary has not met expectations but we are now in a position to capitalize on opportunities as they present themselves in this industry.

The environment for First City Investments Ltd. in 1974 was very good. We have had money available in a period of tight money. First City Investments has made a significant profit contribution to the First City group as attractive opportunities in the construction lending field have been forthcoming. During 1974, First City Investments has been restructured as a separate, organized entity with its own management team and staff. Some of the loans that have been made included a participation in equity profits of the projects, adding a new dimension to our lending activities.

We have taken steps in recent months to protect profits from the adverse impact of fluctuating interest rates. To the extent that a financial company borrows short and lends long, or vice versa, it is exposed to fluctuating interest rates. But to the extent that management can match the term structure of assets against liabilities

it will be protected from those fluctuations. Financial controls have been improved in City Savings, First City Investments and First City Capital in order to manage this situation and the proportion of unmatched assets and liabilities is being reduced.

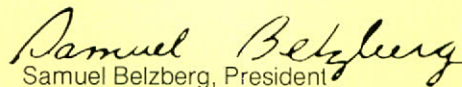
During 1974 the various arms of First City were expanded and developed as separate operations while the inter-relationships between them were strengthened so we are even more a "Full Service Financial Group". We are in a good position to create new opportunities to serve our customers as the operating companies develop further.

On behalf of the Directors, I would like to convey a special word of thanks to management and staff for an outstanding effort in a very difficult year.

The Annual Meeting of First City will be held on April 25, 1975 at the Hyatt Regency Hotel in Vancouver and we encourage all shareholders to attend.

On behalf of the Board


David A. Croll, Chairman of the Board


Samuel Belzberg, President
and Chief Executive Officer

Vancouver, Canada
March 24, 1975

FIRST CITY FINANCIAL CORPORATION LTD. AND SUBSIDIARIES

Consolidated Statement of Income

for the year ended December 31, 1974 (with prior year figures for comparison)

	1974	1973
REVENUE:		
Investment income.....	\$19,973,998	\$11,717,955
Fees, commissions, and other income.....	3,545,153	1,161,227
Real estate sales commissions.....	1,729,355	1,198,167
Finance receivables income.....	1,084,057	1,035,355
Total revenue.....	<u>26,332,563</u>	<u>15,112,704</u>
EXPENSES:		
Interest on customer deposits.....	14,475,262	7,522,019
Interest on term debt.....	683,638	735,329
Bank and other interest.....	1,726,285	539,093
Operating and administrative.....	3,376,815	1,024,245
Real estate commissions.....	1,030,517	691,198
Salaries and employee benefits.....	2,671,364	1,723,164
Depreciation and amortization.....	194,901	144,841
Total expenses.....	<u>24,158,782</u>	<u>12,379,889</u>
INCOME FROM OPERATIONS BEFORE INCOME TAXES.....	<u>2,173,781</u>	<u>2,732,815</u>
PROVISION FOR INCOME TAXES:		
Current.....	434,540	528,264
Deferred.....	617,298	659,209
Total provision for income taxes.....	<u>1,051,838</u>	<u>1,187,473</u>
INCOME FROM OPERATIONS.....	1,121,943	1,545,342
NET (LOSS) GAIN ON EQUITY INVESTMENTS OF SUBSIDIARY — net of income taxes of \$31,000 (1973—\$8,640).....	<u>(111,706)</u>	<u>8,044</u>
INCOME BEFORE MINORITY INTEREST.....	1,010,237	1,553,386
MINORITY INTEREST.....	141,747	240,722
NET INCOME FOR THE YEAR.....	<u>\$ 868,490</u>	<u>\$ 1,312,664</u>
EARNINGS PER SHARE (Note 16).....	<u>\$0.59</u>	<u>\$0.93</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, 1974 (with prior year figures for comparison)

Assets

	<u>1974</u>	<u>1973</u>
CASH AND CERTIFICATES OF DEPOSIT (Note 2).....	\$ 17,449,610	\$ 17,760,523
SECURITIES (Note 3).....	25,857,907	19,700,134
MORTGAGES.....	188,892,512	122,749,014
SECURED AND PERSONAL LOANS.....	2,797,397	3,215,543
FINANCE RECEIVABLES (Note 4).....	11,198,849	10,086,409
REAL ESTATE (Note 5).....	5,238,989	516,014
INVESTMENT IN FAR WEST FINANCIAL CORPORATION (Note 6).....	5,273,827	—
ACCOUNTS RECEIVABLE.....	3,180,560	1,620,558
LEASEHOLD IMPROVEMENTS, OFFICE EQUIPMENT, AND FURNISHINGS (Note 7).....	1,187,426	803,544
OTHER ASSETS.....	1,156,202	569,363
EXCESS OF COST OF INVESTMENT IN SUBSIDIARIES OVER ACQUIRED EQUITY IN NET ASSETS (Note 8).....	1,687,475	1,659,541
	<hr/>	<hr/>
TOTAL.....	<u>\$263,920,754</u>	<u>\$178,680,643</u>

APPROVED BY THE BOARD:

David A. Bovey
 Director

Samuel Belzberg
 Director

Liabilities

	<u>1974</u>	<u>1973</u>
DEMAND AND SHORT-TERM DEPOSITS.....	\$ 57,343,935	\$ 45,217,404
GUARANTEED INVESTMENT CERTIFICATES.....	151,589,401	98,653,175
BANK INDEBTEDNESS (Note 9).....	12,506,949	10,802,897
ACCOUNTS PAYABLE AND ACCRUED CHARGES.....	5,670,723	1,937,114
DEFERRED MORTGAGE FEES.....	713,328	689,065
MORTGAGE PAYABLE (Note 10).....	956,560	—
NOTES PAYABLE—shareholder (Note 11).....	5,000,000	1,265,100
6½% INCOME DEBENTURE—shareholder (Note 12).....	9,000,000	—
TERM DEBT (Note 13).....	7,265,698	7,143,050
DEFERRED INCOME TAXES (Note 14).....	2,368,367	1,816,797
MINORITY INTEREST.....	1,429,191	1,684,725
	<u>253,844,152</u>	<u>169,209,327</u>

Shareholders' Equity

SHARE CAPITAL (Note 15):		
Preferred shares.....	1,000,000	1,000,000
Common shares.....	5,572,126	5,569,046
RETAINED EARNINGS.....	3,504,476	2,902,270
	<u>10,076,602</u>	<u>9,471,316</u>
TOTAL.....	<u>\$263,920,754</u>	<u>\$178,680,643</u>

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

FIRST CITY FINANCIAL CORPORATION LTD. AND SUBSIDIARIES

Consolidated Statement of Source and Application of Cash

for the year ended December 31, 1974 (with prior year figures for comparison)

	1974	1973
CASH PROVIDED:		
From operations	\$ 1,822,437	\$ 2,338,421
Demand and short-term deposits	12,126,531	27,524,127
Guaranteed investment certificates	52,936,226	26,860,971
Bank indebtedness	1,704,052	8,522,783
Notes payable—shareholder	3,734,900	1,265,100
6½% income debenture—shareholder	9,000,000	—
Term debt	670,000	580,000
Mortgage payable	956,560	—
Increase in accounts payable	3,733,610	803,466
Issue of common shares	3,080	49,259
Total cash provided	<u>86,687,396</u>	<u>67,944,127</u>
CASH APPLIED:		
Net investment in:		
Mortgages	66,143,498	53,951,181
Securities	6,157,773	2,290,406
Finance receivables	1,112,440	826,829
Secured and personal loans	(418,146)	1,352,378
Real Estate	4,722,975	—
Investment in Far West Financial Corporation	5,273,827	—
Investment in subsidiaries	391,789	126,449
Purchase of leasehold improvements, office equipment, and furnishings	567,104	309,037
Repayment of term debt	547,352	1,798,642
Dividends	266,284	165,181
Dividends paid to minority interest	50,749	45,361
Increase in accounts receivable	1,560,002	857,026
Other—net	622,662	203,934
Total cash applied	<u>86,998,309</u>	<u>61,926,424</u>
(DECREASE) INCREASE IN CASH FOR THE YEAR	(310,913)	6,017,703
CASH AND CERTIFICATES OF DEPOSIT AT BEGINNING OF THE YEAR	<u>17,760,523</u>	<u>11,742,820</u>
CASH AND CERTIFICATES OF DEPOSIT AT END OF THE YEAR	<u>\$17,449,610</u>	<u>\$17,760,523</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, 1974 (with prior year figures for comparison)

	1974	1973
RETAINED EARNINGS AT BEGINNING OF THE YEAR:		
As previously reported.....	\$2,964,827	\$1,817,344
Adjustment of prior years' income (Note 17).....	62,557	62,557
As restated.....	2,902,270	1,754,787
NET INCOME FOR THE YEAR.....	868,490	1,312,664
	<u>3,770,760</u>	<u>3,067,451</u>
DIVIDENDS ON COMMON SHARES.....	223,617	138,515
DIVIDENDS ON PREFERRED SHARES.....	42,667	26,666
TOTAL DIVIDENDS.....	266,284	165,181
RETAINED EARNINGS AT END OF THE YEAR.....	<u>\$3,504,476</u>	<u>\$2,902,270</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, 1974 and the consolidated statements of income, retained earnings, and source and application of cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the source of 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.

As required by the Companies Act, British Columbia, we also report that, in our opinion, due provision has been made in these consolidated financial statements for minority interests in subsidiaries.

DELOITTE, HASKINS & SELLS
Chartered Accountants

Vancouver, British Columbia
March 21, 1975

Notes to the Consolidated Financial Statements

DECEMBER 31, 1974

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Consolidation:

The consolidated financial statements include the accounts of the company and all of its subsidiaries. The subsidiaries and the percentages owned are as follows:

City Savings & Trust Company	86%
Citrust Developments Limited	86%
C.S.T. Realty Ltd. (inactive)	86%
First City Capital Ltd.	100%
PLC Investments Limited	100%
First City Investments Ltd.	100%
Pacific Leasing (Ontario) Limited	100%
F.C. Financial Associates Ltd.	100%
Citfin Funding Corporation Limited	100%
First City Equities Limited	100%
First City Insurance Agencies Ltd.	100%
Second City Financial Corporation Ltd.	100%
Third City Financial Corporation Ltd. (inactive)	100%
City Investments and Properties Limited (inactive)	100%
Westcan Structures Leasing Ltd.	100%

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 has been made.

All material intercompany balances and transactions have been eliminated.

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. Management believes that this excess has continuing value and, accordingly, no amount of the excess has been amortized.

These consolidated financial statements include City Savings & Trust Company which is incorporated in the Province of Alberta. The accounts of City Savings & Trust Company comprise the major proportion of the consolidated assets, liabilities, and net income. The accounting principles and presentation in the consolidated financial statements reflect those that are common to trust companies in Canada.

Securities Valuation:

The investments in securities are recorded at cost or amortized cost plus accrued income.

Mortgages and Secured and Personal Loans:

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

Finance Receivables:

The accounting principles employed with respect to finance receivables, which include leases and secured finance contracts receivable, are in accordance with the industry practice. 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.

Under leases, options to purchase equipment are granted to the lessee at prices which the company estimates to be the fair market value of the equipment. The amount by which the total payments receivable plus, on lease contracts, the residual values exceeds the cost of the related equipment, is recorded as unearned income.

Leasehold Improvements, Office Equipment, and Furnishings:

It is the company's practice to provide for depreciation and amortization of leasehold improvements, office equipment, and furnishings under the straight line method at rates of 10% to 30% and to provide for amortization of leasehold improvements on a straight line basis over the remaining terms of the leases.

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. The costs incurred to open branches are being written off over five years.

2. CASH AND CERTIFICATES OF DEPOSIT:

	1974	1973
Cash and deposit receipts of		
chartered banks.....	\$16,409,788	\$ 6,862,870
Short-term notes and collateral loans.....	1,039,822	10,897,653
TOTAL.....	\$17,449,610	\$17,760,523

3. SECURITIES:

Bonds are stated at amortized cost and stocks at cost including accrued income as follows:

	1974	1973
Government bonds.....	\$14,210,299	\$ 7,008,638
Corporate bonds.....	6,256,922	5,906,196
Stocks.....	5,390,686	6,785,300
TOTAL.....	\$25,857,907	\$19,700,134

The market values including accrued income are:

	1974	1973
Government bonds.....	\$12,583,510	\$ 5,533,527
Corporate bonds.....	5,177,237	5,347,657
Stocks.....	3,805,948	5,952,380
TOTAL.....	\$21,566,695	\$16,833,564

4. FINANCE RECEIVABLES:

This asset comprises:

	1974	1973
Lease and secured finance contracts receivable.....	\$ 8,587,634	\$10,086,409
Term loans.....	1,697,435	—
Factoring loans.....	913,780	—
TOTAL.....	\$11,198,849	\$10,086,409

5. REAL ESTATE:

This asset comprises:

	1974	1973
Real estate held for resale—at the lower of cost or net realizable value	\$3,088,657	\$ —
Land held for development and resale—at cost	1,592,257	—
Rental properties—at cost less accumulated depreciation of \$107,155 (1973—\$85,492)	558,075	516,014
TOTAL	\$5,238,989	\$516,014

6. INVESTMENT IN FAR WEST FINANCIAL CORPORATION:

During the year the company acquired 23.5% of the outstanding capital stock of Far West Financial Corporation, a U.S. savings and loan holding company whose principal operating subsidiary is State Mutual Savings and Loan Association of California.

The capital stock was acquired as follows:

	Shares	Cost
Purchase under public tender offer including costs of offer	350,000	\$4,438,327
Purchase from a shareholder of First City Financial Corporation Ltd.	111,400	835,500
TOTAL	461,400	\$5,273,827

The quoted market value of the investment as at December 31, 1974 is approximately \$1,900,000 based on the normal board lot price quoted on the New York Stock Exchange. As at March 21, 1975, the quoted market value was approximately \$2,600,000. Management considers that these quoted market values are not indicative of the true value of the investment because of the significance of the percentage ownership which it represents. Management is also of the opinion that a permanent impairment in value has not occurred.

7. LEASEHOLD IMPROVEMENTS, OFFICE EQUIPMENT, AND FURNISHINGS:

These assets are recorded at cost less accumulated depreciation and amortization of \$592,200 (1973—\$393,893).

8. EXCESS OF COST OF INVESTMENT IN SUBSIDIARIES OVER ACQUIRED EQUITY IN NET ASSETS:

Balance as at December 31, 1973	\$1,659,541
Excess of cost on acquisition of further shares of City Savings & Trust Company over equity in net assets acquired	25,347
Other	2,587
Balance as at December 31, 1974	\$1,687,475

9. BANK INDEBTEDNESS:

Bank indebtedness is secured by the following:

Secured debentures of a subsidiary company in the amount of \$6,000,000 (see Note 13) securing bank indebtedness in the amount of \$5,650,000.

Specific mortgages aggregating approximately \$1,650,000 securing demand loans in the amount of \$1,627,165.

Demand debenture in the amount of \$6,000,000 which provides for a fixed charge on mortgages aggregating \$5,500,000, and a floating charge on all other assets of a subsidiary company, to secure a demand loan in the amount of \$2,280,000. Repayments are required on this loan on December 31, 1975 to 1978 inclusive, each amounting to the lesser of \$750,000 or 12.5% of the amount of the loan then outstanding.

Specific first charge on land held for development and resale by a subsidiary company, securing a loan payable to a U.S. bank stated at the Canadian dollar equivalent at December 31, 1974 of \$823,000. This loan is repayable in full by October 10, 1975.

10. MORTGAGE PAYABLE:

During the year the company assumed a mortgage liability in relation to the acquisition of certain real estate. The mortgage bears interest at 6¼%.

The company has listed the related real estate for sale and subsequent to December 31, 1974, it has negotiated a firm offer for sale.

11. NOTES PAYABLE—SHAREHOLDER:

During the year the company negotiated unsecured notes payable aggregating \$5,000,000 as at December 31, 1974, which are repayable on January 31, 1976. Provisions of the borrowings provide for interest rate changes over 90 days calculated on a formula which is based on the prevailing rates for 90 day short-term promissory notes in Canadian money markets. The interest rate on the notes as at December 31, 1974 is 12.25%.

12. 6½% INCOME DEBENTURE—SHAREHOLDER:

The 6½% subordinated income debenture, Series "A", in the amount of \$9,000,000 issued during the year is one of a series of subordinated income debentures authorized to be issued to a limit of \$15,000,000 at interest rates to be determined at time of issue.

The debenture is cumulative and matures on February 12, 1976 or earlier, at the option of the company without notice or bonus. Interest which, under the terms of the debenture, would have been payable in the amount of \$122,000 for the current year has been waived.

13. TERM DEBT:

The details of the term debt of the companies, initially negotiated for a term in excess of one year, are as follows:

	1974	1973
(a) 9% Sinking Fund Debentures, Series "A", unsecured, due July 15, 1992	\$3,000,000	\$3,000,000
(b) Secured Debentures: Series "A"— 7% maturing November 30, 1981	326,150	352,476
Series "B"— 7¼% maturing May 15, 1980	555,000	586,500
(c) Unsecured Sinking Fund Debentures— net of sinking fund deposits	126,742	146,956

(d) Term Bank Loan bearing interest at prime rate plus 1 1/4% due December 31, 1979.....	2,587,806	3,057,118
(e) Note Payable—maturing on or before August 14, 1976.....	670,000	—
TOTAL.....	\$7,265,698	\$7,143,050

(a) 9% Sinking Fund Debentures:

The 9% Sinking Fund Debentures, Series "A", require sinking fund deposits of \$150,000 annually in each of the years 1976 to 1991 inclusive and the balance of \$600,000 is due on July 15, 1992. The debentures are redeemable at the company's option at any time at the price of the original principal amount plus a premium which varies by year during the period the debentures are outstanding.

Share purchase warrants issued in conjunction with the debentures entitle the holders thereof to purchase 100 common shares of the company for each \$1,000 principal amount of the debentures at a price of \$6.50 per share at any time up to July 15, 1977 and at a price of \$8.00 per share thereafter up to the date of expiration of the warrants, July 15, 1982.

In the Trust Deed under which the debentures were issued, the company has agreed to numerous covenants which restrict, among other things, certain types of further borrowings by it or a designated subsidiary (as defined) and the declaration or payment of dividends unless the conditions stated within the Trust Deed are met.

(b) Secured Debentures:

A subsidiary company is authorized to issue various series of secured debentures in unlimited amounts but only upon and subject to the conditions and limitations as set forth in the Deed of Trust and Mortgage dated April 25, 1973. The following secured debentures are outstanding:

Series "A"— with annual interest and principal repayment requirements of \$51,127, and a final payment of \$79,950 on November 30, 1981.

Series "B"— with annual sinking fund requirements of \$35,000, and the balance of \$376,500 is due on May 15, 1980.

In addition, \$6,000,000 Series "A" secured debentures have been issued to secure demand bank loans (see Note 9) of the company.

The secured debentures are secured through the Deed of Trust and Mortgage by a first fixed charge on certain of the subsidiary company's finance receivables (as defined in the Deed of Trust and Mortgage), which security must aggregate not less than 125% of the secured debentures outstanding. Under the Deed of Trust and Mortgage, the company has agreed to certain covenants which provide restrictions on further borrowings by the company and declaration or payment of dividends unless the conditions stated within the Deed of Trust and Mortgage are met.

(c) Unsecured Sinking Fund Debentures:

A subsidiary company is authorized to issue various series of unsecured debentures in unlimited amounts but only upon and subject to the conditions and limitations as set forth in the Trust Indenture dated November 15, 1960, and as subsequently amended. All debentures rank pari passu and are secured equally and rateably regardless of date or terms of issue. All debentures are redeemable at the company's option at any time at the price of the original principal amount plus premium which varies by year during the period the debentures are outstanding. Under the terms of the Trust Indenture, the company has agreed, in addition to other covenants, that not more than one-half of its earnings since November 1, 1960 shall be used to pay dividends or to redeem shares.

The details of the debentures outstanding are as follows:

- (i) The 7% Sinking Fund Debentures, Series "A" and "B" aggregating \$118,000, each have annual sinking fund requirements of \$10,000 to maturity, and balances of \$44,000 payable on November 15, 1975 and October 1, 1977 respectively.
- (ii) The 6 3/4% Convertible Sinking Fund Debentures, Series "C", have annual sinking fund requirements of \$25,000 to maturity, and the balance of \$196,000 is payable on August 15, 1981. The debentures are convertible at the rate of 45 Class "A" common shares of the company for each \$1,000 debenture up to August 14, 1976. Of the \$350,000 of Series "C" Debentures, \$327,000 are held by the company's parent.

(d) Term Bank Loan:

The term bank loan of a subsidiary company is secured by a demand debenture for the principal sum of \$4,200,000. As security under the loan agreement and the demand debenture, the subsidiary company has:

- (i) Mortgaged and charged, by way of a fixed and specific mortgage and charge, all equipment leased under certain specific lease contracts.
- (ii) Granted and assigned to the lender the proceeds from the related lease contracts.

The loan is to be repaid monthly from the proceeds received under the specific lease contracts pledged as security for the loan, to be applied firstly in payment of interest, and secondly in payment of principal. The balance of principal, if any, is due December 31, 1979.

In the bank loan agreement under which the debentures were issued, the subsidiary company has agreed to certain covenants, one of which stipulates that the subsidiary will not declare dividends without the prior consent of the bank.

(e) Note Payable:

The note payable of a subsidiary company is secured by a second charge on certain land held for development and resale. The note bears interest at 5% to April 22, 1975, and thereafter at 8% to maturity on or before August 14, 1976. This note is repayable in U.S. dollars and is stated at the Canadian dollar equivalent at December 31, 1974.

14. INCOME TAXES:

The total income tax provision is less than the amount determined by applying the current rate of tax to the income before tax, as dividends from Canadian taxable corporations and one-half of capital gains or capital losses on sale of security investments are included in the determination of accounting income, but not in the determination of taxable income in any period.

15. SHARE CAPITAL:

Preferred Shares:

The company is authorized to issue 1,600,000 5% redeemable exchangeable preferred shares of no par value. The shares rank equally as to dividends with the common shares except that the rate of dividends on each preferred share is one-third of that on each of the common shares. The preferred shares are redeemable at any time at the company's option for the amount paid thereon. 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, 1974, the company has 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, 1974, the company has issued 1,397,776 shares (December 31, 1973—1,396,896). During the year 880 shares were issued for a cash consideration of \$3.50 each under an employee stock option plan which expired December 31, 1974. Common shares are reserved for issue as follows:

(a) A share purchase warrant for a senior executive allows the purchase of shares for \$6.50 up to July 15, 1977 and \$8.00 thereafter and up to July 15, 1982 at which time the warrant expires. The number of shares that may be purchased in any year is limited. The warrant is exercisable after July 15, 1976 or such earlier date as the company may designate . . .	\$ 40,000
(b) Purchase warrants issued in conjunction with the 9% Sinking Fund Debentures, Series "A" (see Note 13)	300,000
(c) Conversion rights on preferred shares of the company	266,666
<hr/> Total shares reserved	<hr/> \$606,666

16. 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 assumptions that stock options outstanding at the end of 1973 were exercised at the beginning of that year and that conversion rights on preferred shares were exercised on the effective date of issue July 16, 1971, and that the share purchase warrants attached to the 9% Sinking Fund Debentures, Series "A", and the share purchase warrant for a senior executive were exercised on the date of issue of the warrants in 1972.

Earnings in the amount of \$99,400 (1973—\$99,000) net of income taxes were imputed on the assumed funds derived from stock options and share purchase warrants at an assumed rate of 9% before tax.

	1974	1973
Fully diluted earnings per share	\$0.48	\$0.71

Income from operations per share, after deducting minority interest relating thereto, but not including net gain on equity investments of subsidiary, calculated on the weighted average number of shares outstanding during each period, was \$0.68 for 1974 (1973—\$0.92).

17. PRIOR PERIOD ADJUSTMENT:

Opening retained earnings for the years 1974 and 1973 have been restated to reflect an adjustment to a subsidiary company's net income resulting from applying an incorrect tax rate in respect of deferred income taxes in years prior to 1973.

18. COMMITMENTS:

The company's head office, the trust company's head office and branch premises are held under long-term leases to a maximum term of nine years. The aggregate amount of rentals in respect of long-term leases incurred as an expense in 1974 was approximately \$541,000 (1973—\$277,000). The minimum annual rentals expected to be incurred for each of the next five years under all leases currently in force approximate \$508,000.

19. FINANCING COMMITMENT OF SUBSIDIARY COMPANY:

A deficiency in the statutory capital base of the major subsidiary, City Savings & Trust Company, was reported in that company's 1974 Annual Report. The deficiency approximates \$1,300,000 as at December 31, 1974.

The company is seeking the consent of the shareholders to issue subordinated notes (recognized as part of the statutory capital base) at a special general meeting on April 7, 1975.

20. CONTINGENT LIABILITIES:

There are certain claims against the company arising out of the normal conduct of the business. The amounts of liability on these claims at December 31, 1974 were not determinable but, in the opinion of management, the ultimate liability will not materially affect the financial position or results of operations of the company.

21. 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, 1974 to directors and senior officers of the company was \$197,457 (1973—\$57,109).

22. COMPARATIVE FIGURES:

Certain of the 1973 figures provided for comparison have been reclassified to conform to the classifications used in the current year.

First City Financial Corporation Ltd.

Head Office: Suite 1200, 1055 West Georgia Street, Vancouver, British Columbia 689-9144

Directors

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

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

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

Hyman Belzberg
Calgary, Alberta

William Belzberg
Calgary, Alberta

Senator Allister Grosart, B.A.
Toronto, Ontario

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

Morley Koffman
Vancouver, British Columbia

Arthur V. Mauro, Q.C.
Winnipeg, Manitoba

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

*Michael Cytrynbaum,
Vice President

*Glenn M. Ferguson,
Group Controller

*Morley Koffman,
Secretary

*Officers as at April 7, 1975

Major Subsidiaries

CITY SAVINGS & TRUST COMPANY
Edmonton, 10136 - 100 Street, 429-4811
34 Londonderry Mall, 476-7661
Toronto, 95 Yonge Street, 864-1090
1207 St. Clair Avenue West, 654-8407
2289 Yonge Street, 482-7333

Winnipeg, 369 Portage Avenue, 947-1543
Regina, 1861 Hamilton Street, 522-2691
Saskatoon, 140 - 2nd Avenue South, 242-4236
Calgary, 336 - 7th Avenue, S.W., 266-8851
Vancouver, 777 Hornby Street, 688-9421
Victoria, 1306 Douglas Street, 383-4141

FIRST CITY CAPITAL LTD.
Suite 1200, 1055 West Georgia Street,
Vancouver, British Columbia, 689-9144
McLeod Building, Edmonton, Alberta, 429-4811

FIRST CITY INVESTMENTS LTD.
Suite 1200, 1055 West Georgia Street,
Vancouver, British Columbia, 689-9144

Bankers

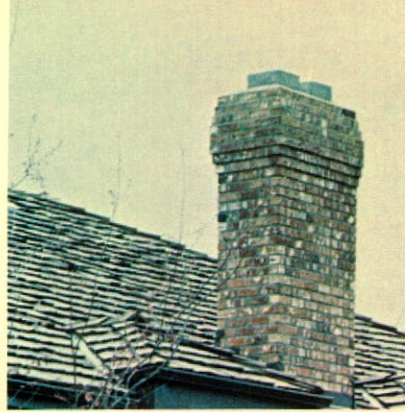
Bank of British Columbia
Bank of Montreal
The Toronto-Dominion Bank
The Mercantile Bank of Canada

Stock Exchange Listings

Toronto Stock Exchange
Vancouver Stock Exchange

Auditors

Deloitte, Haskins & Sells
Chartered Accountants



Osterley Park, a 96 unit luxury townhouse development in Vancouver, B.C. is another example of First City's concept of total financing. The Company provided both interim and conventional financing for this quality project.

