Algonquin

Algonquin Mercantile Corporation
1989 Annual Report

THE COMPANY

Algonquin Mercantile Corporation is a diversified Canadian public company engaged directly or through subsidiaries in the retailing of drugs and related products; the wholesaling, packaging, and distribution of fresh fruits and vegetables; the manufacturing of industrial piping products; the provision of mining management and consulting services; and limited merchant banking activities. Approximately 2,000 people are employed at locations across Canada which include six main plants and wholesale distribution centres, thirteen company-owned Jasco retail drug stores and medical dispensaries; and 117 pharmacy, health, and beauty aid outlets operated under license in Woolco/Woolworth department stores. The company has real estate holdings and maintains a varied investment portfolio.

FINANCIAL HIGHLIGHTS

	1989	1988	1987
Operating Results	$	$	$
Sales from continuing operations	234,034,353	227,584,790	211,288,507
Earnings before extraordinary items	1,825,399	3,266,678	2,899,194
Net earnings	2,130,399	3,736,678	2,899,194
Per Share			
Earnings before extraordinary items	.54	1.02	1.01
Net earnings	.63	1.16	1.01
Dividends	.20	.19	.13
Shareholders' equity	9.15	8.70	7.57

The Annual Meeting of Shareholders will be held in the Windsor Room, Four Seasons Hotel, 21 Avenue Road, Toronto, Ontario on Thursday, July 13, 1989 at 11:00 in the morning.

REPORT TO THE SHAREHOLDERS

The 1988/89 result from operations was disappointing. Steps are being taken to remedy the situation.

Earnings from operations dropped to $1,825,399 or 54 cents per share from last year's level of $3,266,678 or $1.02 per share. Net earnings after extraordinary item were $2,130,399 or 63 cents per share. Net earnings after extraordinary item in the previous year were $3,736,678 or $1.16 per share.

Working capital at March 31, 1989 was $17,419,378 or $5.19 per share for a decrease of $1.08 per share. This drop was mainly due to long term debt retirement and increased purchase of investments.

Shareholder equity was $30,711,831 or $9.15 per share at the fiscal year end.

Repurchase of shares under our normal course issuer bid resulted in the repurchase and cancellation of 43,229 shares at an average cost of $7.49 per share. The number of shares remaining outstanding at March 31, 1989 was 3,356,697.

Subsequent to the March 31, 1989 year end, your company sold the 500,000 shares of Balfour Forest Products Inc., acquired in August 1987, for a pre-tax profit of $7,500,000.

During the fiscal year Algonquin increased its shareholding in Glenayre Electronics Ltd. to 461,700 shares at an average cost of $7.71. Trans Canada Glass Inc. is in the process of a bid for 42% of the outstanding Glenayre shares beyond those it now owns. To support Trans Canada's effort Algonquin and the Simmonds Group have committed their total shareholdings in Glenayre until June 30, 1989. The Trans Canada offer is $8.00 cash and one Trans Canada share per Glenayre share purchased. At time of writing this translates to over $22.00 per Glenayre share.

Activation of Algonquin's employee stock purchase program was delayed by market conditions throughout most of the fiscal year. It is the intent to implement this program now.

The directors acknowledge the retirement from the board of Donald S. Anderson who is not standing for re-election. Mr. Anderson's services to the company have been unparalleled and he has been accorded an honorary directorship and full right of board attendance. Mr. Anderson will have served on the board of Algonquin from January 1976 to July 1989 and also served on the board of Hardee Farms International Ltd. until Algonquin disposed of its control position in Hardee.

We continue to search out interesting opportunities for investment — this search will be enhanced by the profitable disposal of the Balfour and, possibly some Glenayre shares. We are extremely appreciative and aware of the continuing loyalty and support of our customers and suppliers and of the effort put forth by company personnel.

On behalf of the Board,

C. H. Franklin

C. H. Franklin
Chairman of the Board

May 24, 1989

TRIBUTE TO PROGRESS

In recognition of this Annual Report marking twenty full years of operations since our Chairman, Cecil H. Franklin, acquired controlling interest in Algonquin Mercantile Corporation, it seems appropriate to review the remarkable record of success achieved by the company over that period.

Mr. Franklin acquired control of Algonquin in late 1968. The company had been organized in 1957 by a group of lumber dealers as a finance company created to extend loans and mortgages to their customers. Algonquin Building Credits had experienced considerable economic adversity in the 1960's and at the time of the change in control had reported a deficit of $1.25 million and recorded only $83,000 in shareholders' equity.

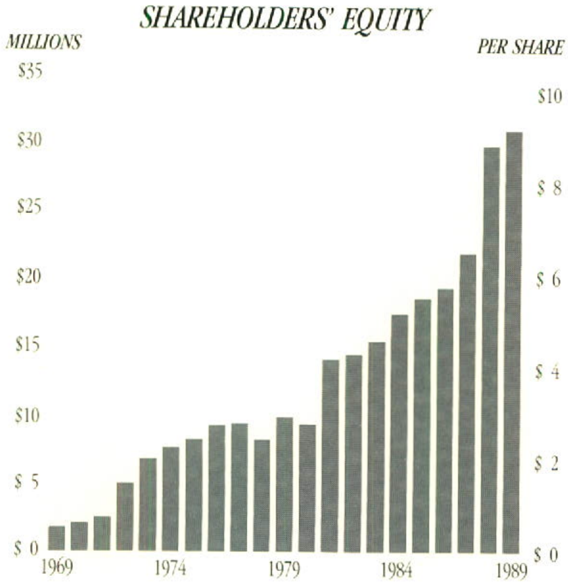
Following its acquisition and reorganization, Algonquin was about to begin its second life as an operating financial holding company.

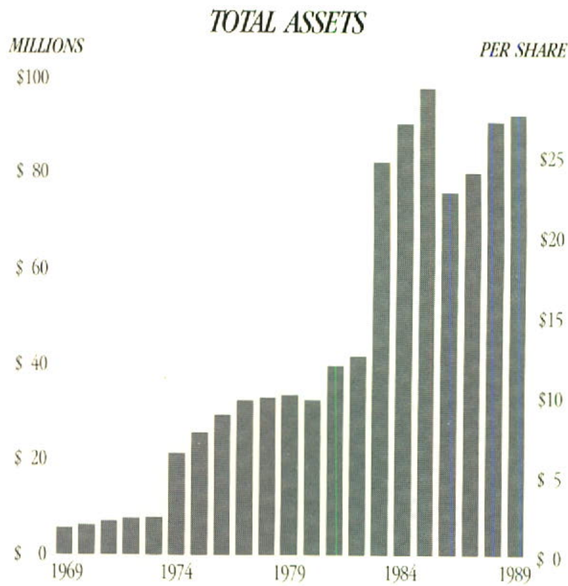
Control of Hardee Farms International, another public company, was acquired in early 1969. That same year Algonquin acquired a 182 acre parcel of land known as Rivalda Farms located on Weston Road, adjacent to the new Highway 407. Also in that year, Duomatic, a manufacturer of domestic furnaces was purchased. In 1971, Algonquin acquired Coupco — a manufacturer of pipe couplings, fittings and valves — as well as Coupco's subsidiary, Ideal ABC Limited — a manufacturer and distributor of oil and gas fired burners for boilers and furnaces. Algonquin then had a fairly sizeable operating base and embarked on developing an investment portfolio in publicly traded companies.

Cecil H. Franklin
Chairman of the Board

Operating results began to improve and profits realized on the investment portfolio enhanced the company's balance sheet. In 1973, Duomatic and Ideal ABC were profitably sold. That year, however, marked the freeze of the Rivalda property in the Parkway Belt but the operations continued to generate steady profits.

Wesston Appliances was purchased in 1976 and in that same year the reorganized Algonquin made its initial payment of a dividend of 5¢ per share semi-annually.





Approximately one-half of the Rivalda property was sold to the Ontario Government in 1977 recovering all carrying costs but leaving the remaining acreage still frozen in the Parkway Belt.

The name of the company was then changed to Algonquin Mercantile Corporation to more accurately reflect the nature and diversity of its activities.

Growth continued and by 1979 the dividend rate was 5¢ per quarter becoming 10¢ per quarter the following year.

In 1981, Algonquin successfully obtained an industrial rezoning on the remaining Rivalda property which was then sold for $6.7 million, producing an after-tax profit of $4.5 million. That funding enabled the company to pursue a major acquisition and in November, 1982, all of the shares of Dominion Citrus & Drugs Ltd. were acquired.

The fiscal year-end was changed from June 30th to March 31st in recognition of the fact that the majority of Algonquin's revenues were then tied to the retail sector. Growth through 1982, 1983 and 1984 was truly dramatic with revenues increasing from $40 million in 1982 to $80 million in 1983 and $216 million in 1984. The Hardee and Wesston operations were not performing satisfactorily and efforts continued to vend those companies. In 1984, the dividend rate increased to 15¢ per quarter.

Hardee in late 1985 negotiated a reverse takeover of Cobi Foods, which had the effect of reducing Algonquin's holdings in the larger new company from 60% in Hardee to 20% in Cobi.

During 1986, Wesston Appliances Division was discontinued by sale of its assets.

In 1987 most of Algonquin's shares in Cobi Foods were sold generating an after-tax profit of $1.4 million. The dividend rate was again increased to a quarterly rate of 20¢ per share. The balance sheet as at March 31, 1987, indicated $21.8 million in equity and following the close of the rights issue in August, 1987, equity grew to approximately $28 million.

In September, 1987, prior to the now famous October stockmarket crisis, Algonquin invested $5 million to acquire 13.3% interest in Balfour Forest Products Inc., a soft wood lumber producer operating six mills in the interior of British Columbia and generating 600 million board feet per annum. At the same time Algonquin began to accumulate shares in Glenayre Electronics Ltd., a Vancouver based manufacturer and distributor of sophisticated wireless communication equipment. Eventually these holdings increased to 461,700 shares, or approximately 8% of Glenayre's issued capital.

As elsewhere stated, Algonquin's 13.3% interest in Balfour Forest has been sold to Canfor Corporation. Algonquin received $12.5 million cash on closing and will record a $7.5 million pre-tax gain.

Subject to the conclusion of the Trans Canada Glass intent to purchase control of Glenayre, Algonquin will be in a position to realize a pre-tax profit approaching two times its $3.5 million investment in Glenayre.

As at March 31, 1989, Algonquin's equity was approximately $31 million. By the end of this current year its equity will be approaching $40 million. In addition, total dividends paid out since the 1968 change in control are in excess of $4 million and have been paid without interruption since 1976.

The graphs included in this Annual Report clearly indicate consistent growth and expansion of the corporation. They reflect a dynamic company combining capital with industrious people dedicated to increasing shareholder value.

Algonquin today is a manifestation of its Chairman's spirit of enterprise and stands in eloquent testimony of one man's abilities to create wealth, employment, and returns for shareholders through dedicated commitment to a philosophy of entrepreneurial capitalism.

Robert M. Franklin
Vice Chairman and
Chief Executive Officer

OPERATIONS REVIEW

Consolidated operating results for the year ended March 31, 1989 were below those of the previous year and lower than earlier expectations.

Net income from food wholesaling, coupling manufacturing and mining services compared favourably with results of the previous year. Net income from drug retailing was impacted by losses sustained on the sale of the Doncaster Home Health Care Division and an operating loss incurred by Phar Mor Super Drugs Inc. Higher interest costs on increased retail inventories also adversely affected consolidated operating results.

AUSTIN HEALTH CARE CORPORATION

Austin continues to be one of Canada's leading pharmacy and drugstore retailers through its position as licensee in 117 Woolco/Woolworth stores across Canada and its operation of 13 independent Jasco retail drugstores and medical dispensaries.

As previously reported, the Ontario government's universal Assistive Devices Program, introduced in late 1987 to underwrite the cost of mobility devices for handicapped individuals throughout the Province, significantly reduced the margin levels required to profitably continue operations of the Doncaster Home Health Care Division. Accordingly, assets of the Division were sold in August, 1988, and final results impacted Austin's net income for the year.

Phar Mor Super Drugs Inc. was organized three years ago as a 50/50 joint venture corporation with Grafton Group Limited to operate large high volume retail stores featuring a wide variety of products from drugs and cosmetics to groceries, clothing and many other items at deep discount prices. This concept which has been successfully developed in major U.S. markets has not been well received in Ontario and most entrants have substantially modified or terminated their original activities. To take advantage of reduced overheads and other synergies, Austin assumed 100% ownership of Phar Mor Super Drugs Inc. during the past year and operations since the takeover date have been consolidated in the accompanying accounts. Steps are currently being taken to eliminate further negative effects from this venture.

DOMINION CITRUS DIVISION

Sales volume and operating results of the Dominion Citrus fresh fruit and vegetable wholesaling and distribution operations again attained record levels during the past year.

Volume at the Ontario Food Terminal Division has continued to increase since year-end despite the widely publicized temporary ban on Chilean imports which affected March and April activities of most North American wholesalers. Fresh produce maintains an increasingly preferred year-round position in the diets of health and nutrition conscious Canadians and Dominion Citrus remains a leader in supplying the needs of consumers in Ontario's major market areas.

The Dominion Farm Produce fresh vegetable grading and packaging operations at Bradford produced record net income last year despite a major mid-summer fire which destroyed a substantial segment of the packaging plant. Facilities have since been fully restored and the outlook for the current year is favourable.

Results of the Toronto-based food service distribution operations of Skrow's Foods Inc. were reduced during the past year as the Division adjusted to elements of change. Management was reorganized, warehouse handling systems were improved, the vehicle distribution fleet was completely replaced, and Skrow's corporate image was refurbished with a fresh new look accompanying the name change to Skrow's Foods Inc. Activities in the current year are being carefully monitored to assure improved return on investment from this Division.

OTHER DIVISIONS

Results of the Coupco pipe coupling manufacturing and distribution business for the past year were favourable despite the general downturn of activities in segments of the market it serves. This Division retains its position as a leading supplier of grooved end and threaded pipe couplings, fittings, valves and pipe hangars servicing requirements of the industrial plumbing, heating, fire protection, construction and mining industries across Canada.

A favourable contribution to net income was made during the year by Algomin Inc. which provides services as manager, operator, and consultant to companies involved in mineral exploration and development.

INVESTMENT AND OTHER INCOME

Income from investments and other sources showed a reduction in the past twelve months against income realized in the preceding year. Timing plays a major element in investment activities and as noted elsewhere in this report significant investment gains are being realized in the current fiscal year.

Arthur W. Walker
President and Chief Operating Officer

CONSOLIDATED

as at Mar

ASSETS	1989 $	1988 $
CURRENT ASSETS		
Accounts receivable	16,320,694	17,272,036
Inventories	53,097,548	51,626,179
Prepaid expenses	600,622	595,024
Income taxes recoverable	498,547	—
Mortgages and loans receivable	—	2,842,500
	70,517,411	72,335,739
INVESTMENTS (note 2)	12,707,690	9,265,777
FIXED ASSETS (note 3)	7,177,158	7,531,672
OTHER ASSETS (note 4)	1,708,157	1,617,151
	92,110,416	90,750,339

Signed on behalf of the Board

C. W. Franklin

Director

E. J. Kernaghan

Director

AUDITORS' REPORT T

We have examined the consolidated balance sheet of Algonquin Mercantile Corporation as at March 31, 1989 and the consolidated statements of earnings, retained earnings and cash flow 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.

ALANCE SHEET

31, 1989

	1989	1988
LIABILITIES	$	$
CURRENT LIABILITIES		
Bank advances (note 5)	23,551,740	19,552,589
Accounts payable and accrued liabilities	28,707,606	28,947,754
Income taxes payable	—	343,793
Current portion of long-term debt	838,687	2,186,921
	53,098,033	51,031,057
LONG-TERM DEBT (note 6)	8,300,552	10,139,239
	61,398,585	61,170,296
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 7)		
Authorized —		
Unlimited number of common shares		
Issued and fully paid —		
3,356,697 common shares (1988 — 3,399,926 common shares)	7,641,058	7,739,188
RETAINED EARNINGS	23,070,773	21,840,855
	30,711,831	29,580,043
	92,110,416	90,750,339

THE SHAREHOLDERS

In our opinion, these consolidated financial statements present fairly the financial position of the company as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
May 5, 1989

Coopers & Lybrand
CHARTERED ACCOUNTANTS

CONSOLIDATED STATEMENT OF EARNINGS

For the Year Ended March 31, 1989

	1989	1988
	$	$
Sales	234,034,353	227,584,790
Cost of Sales and Other Expenses	225,747,951	218,910,158
Depreciation and Amortization	1,829,735	1,816,853
	227,577,686	220,727,011
	6,456,667	6,857,779
Other Income (note 8)	1,021,916	2,330,620
Earnings From Operations Before Interest	7,478,583	9,188,399
Interest (note 6)	3,625,973	2,924,174
Earnings From Operations Before Income Taxes	3,852,610	6,264,225
Provision for Income Taxes (note 10)	1,722,000	2,532,000
	2,130,610	3,732,225
Share of Loss of Affiliated Companies	305,211	465,547
Earnings from Operations Before Extraordinary Item	1,825,399	3,266,678
Extraordinary Item		
Reduction of income taxes resulting from utilization of prior years' losses	305,000	470,000
Net Earnings for the Year	2,130,399	3,736,678
Per Share:		
Earnings before extraordinary item	$ .54	$1.02
Net earnings for the year	$ .63	$1.16

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the Year Ended March 31, 1989

	1989	1988
	$	$
Retained Earnings — Beginning of Year	21,840,855	18,963,788
Excess of cost of shares repurchased over average paid-up capital	225,854	231,358
	21,615,001	18,732,430
Net earnings for the year	2,130,399	3,736,678
	23,745,400	22,469,108
Dividends	674,627	628,253
Retained Earnings — End of Year	23,070,773	21,840,855

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended March 31, 1989

	1989	1988
	$	$
Operations		
Earnings from operations before extraordinary item	1,825,399	3,266,678
Items not requiring an outlay of funds —		
Depreciation and amortization	1,829,735	1,816,853
Gain on disposal of property, investments and fixed assets	(7,718)	(1,790,945)
Share of loss of affiliated companies	305,211	465,547
	3,952,627	3,758,133
Cash invested in operating working capital	(5,273,173)	(5,408,949)
Reduction of income taxes arising from utilization of prior years' losses	305,000	470,000
	(1,015,546)	(1,180,816)
Investments		
Acquisition of subsidiaries	(1,075,303)	—
Add: Bank advances assumed on acquisition	(923,244)	—
	(1,998,547)	—
Proceeds on disposal of Doncaster Medical Supplies	4,890,835	—
Reduction in mortgages receivable	2,842,500	3,216,269
Dividends from affiliated companies	105,091	—
Proceeds on disposal of investments	654,814	1,340,164
Purchase of investments	(3,450,000)	(9,001,669)
Proceeds on disposal of fixed and other assets	398,930	322,857
Purchase of fixed and other assets	(2,241,696)	(2,154,800)
Purchase of Algonquin Mercantile Corporation shares	(323,984)	(315,348)
	877,943	(6,592,527)
Financing		
Proceeds from issue of common shares net of costs of issuance	—	5,103,099
Long-term debt incurred	—	5,400,000
Retirement of long-term debt	(3,186,921)	(4,335,344)
	(3,186,921)	6,167,755
Dividends	(674,627)	(628,253)
Increase in Bank Advances	(3,999,151)	(2,233,841)
Bank Advances — Beginning of Year	(19,552,589)	(17,318,748)
Bank Advances — End of Year	(23,551,740)	(19,552,589)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 1989

1. Summary of Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the company and all subsidiary companies at their respective year-ends. The acquisitions of subsidiaries are accounted for as purchases and the results of all subsidiaries are included from the dates of acquisition. The company's interests in affiliated companies are accounted for on the equity basis whereby the investment is stated at cost and adjusted for earnings, losses and dividends since acquisition.

(b) Inventories

Manufactured and warehouse inventories are valued at the lower of cost and net realizable value, with cost generally determined on a first-in, first-out basis. Retail store inventories are initially valued at normal selling prices and the amounts so determined are then reduced to the lower of cost and net realizable value by applying normal profit margins.

(c) Fixed assets

Fixed assets are depreciated principally on the diminishing balance basis over their estimated useful lives as follows:

Buildings	—	20 to 40 years
Equipment	—	7 to 17 years

(d) Other assets

Other assets consist primarily of goodwill arising on acquisitions, prescription lists and leasehold interests. The goodwill and prescription lists are amortized over 10 years and the leasehold interests over lease life, both on a straight-line basis. Goodwill arising prior to April, 1974 is not being amortized so long as there is no evidence of impairment in value.

2. Investments

Investments are as follows:

	1989		1988	
	Cost	Market	Cost	Market
	$	$	$	$
Listed shares	7,544,337	7,149,160	3,788,294	3,269,514
Unlisted shares —				
Balfour Forest Products Inc. (note 11)	5,000,000		5,000,000	
Other	163,353		477,483	
	12,707,690		9,265,777	

3. Fixed Assets

Fixed assets are as follows:

	1989	1988
	$	$
Buildings and equipment — at cost	15,455,229	15,727,002
Accumulated depreciation	8,868,333	8,819,034
	6,586,896	6,907,968
Land — at cost	590,262	623,704
	7,177,158	7,531,672

4. Other Assets

Other assets are as follows:

	1989	1988
	$	$
Goodwill — at cost	844,634	1,216,645
Prescription lists — at cost	978,234	730,000
Leasehold interests — at cost	781,234	533,000
Other — at cost	125,139	42,266
	2,729,241	2,521,911
Accumulated amortization	1,021,084	904,760
	1,708,157	1,617,151

5. Bank Advances

The Company has pledged shares in a subsidiary, book debts, inventories and fire insurance policies as security for bank indebtedness, including advances and long-term loans.

6. Long-term Debt

Long-term debt is as follows:

	Current	Long-term	1989 Total	1988 Total
	$	$	$	$
Bank loans (note 5), at interest rates between prime and prime plus ½ of 1% due between August 21 and September 1, 1992	150,000	5,700,000	5,850,000	8,350,000
Debentures at an average rate of 12.96% due January 15, 1991 payable $56,000 per month (see below)	672,000	2,464,000	3,136,000	3,808,000
Sundry mortgage at an interest rate of 11.5%, due October 15, 1990	16,687	136,552	153,239	168,160
	838,687	8,300,552	9,139,239	12,326,160

Repayments required on long-term debt in fiscal 1991 are $2,750,552, in fiscal 1992 $150,000 and in fiscal 1993 $5,400,000.

Interest on long-term debt for the current year amounted to $1,311,670 (1988 — $1,282,107).

Assets of subsidiaries having a carrying value of approximately $74,000,000 are pledged as security for the debentures by way of a fixed and floating charge which ranks second to the long-term loans and bank advances described in note 5.

7. Capital Stock

During the year, the company acquired on the open market 43,229 common shares for $323,984. These shares have been cancelled from the authorized capital stock of the company.

8. Other Income

Other income is as follows:

	1989	1988
	$	$
Gain on sale of property	34,448	1,567,367
Gain on disposal of investments	74,595	212,701
Interest, dividends and royalties	912,873	550,552
	1,021,916	2,330,620

9. Future Income Taxes

The following amounts are available to reduce future income taxes of subsidiaries:

	$
Losses available for tax purposes	
— expiring in fiscal 1993	70,000
— expiring in fiscal 1994	890,000
— expiring in fiscal 1995	1,150,000
	2,110,000

10. Income Taxes

The company's effective income tax rate which differs from the basic tax rate is made up as follows:

	1989	1988
	%	%
Combined basic federal and provincial income tax rate	47.3	51.7
(Decrease) in income tax rate resulting from:		
Tax exempt investment income	(1.0)	(9.1)
Manufacturing and processing deduction	(1.1)	(1.7)
Other	(.5)	(.5)
Effective tax rate	44.7	40.4

11. Subsequent Event

Subsequent to the year end the company disposed of its investment in Balfour Forest Products Inc. for cash consideration of $12,500,000.

12. Commitments

The minimum total annual rentals payable by a subsidiary under licence and lease agreements expiring from 1989 to 1993 amount to approximately $10,000,000.

13. Segmented Information

The company operates in three business segments as follows:

(a) Drug retailing

The operation of retail drug stores and the operation of drug, health and beauty aid departments in Canadian Woolco and Woolworth stores west of the Maritimes.

(b) Food wholesaling
The wholesaling of local and imported fresh fruit and produce.

(c) Other

13. Segmented Information (continued)

	Drug retailing 1989	Food wholesaling 1989	Other 1989	Consolidated 1989
	$	$	$	$
Sales to third parties	147,610,145	51,497,456	34,926,752	234,034,353
Segment operating profit	4,354,195	1,653,354	1,866,897	7,874,446
Other income				1,021,916
General corporate expenses (net)				(1,417,779)
Earnings from operations before interest				7,478,583
Interest expense				(3,625,973)
Income taxes				(1,722,000)
Share of loss of affiliated companies				(305,211)
Extraordinary item				305,000
Net earnings for the year				2,130,399
Identifiable assets	65,291,759	4,282,618	9,840,144	79,414,521
Corporate assets				12,695,895
Total assets				92,110,416
Capital expenditures	1,314,408	407,199	520,089	2,241,696
Depreciation and amortization	1,065,524	239,395	524,816	1,829,735

	Drug retailing 1988	Food wholesaling 1988	Other 1988	Consolidated 1988
	$	$	$	$
Sales to third parties	139,509,418	50,790,474	37,284,898	227,584,790
Segment operating profit	4,993,145	1,611,748	1,904,598	8,509,491
Other income				2,330,620
General corporate expenses (net)				(1,651,712)
Earnings from operations before interest				9,188,399
Interest expense				(2,924,174)
Income taxes				(2,532,000)
Share of loss of affiliated companies				(465,547)
Extraordinary item				470,000
Net earnings for the year				3,736,678
Identifiable assets	62,622,097	5,942,788	11,191,187	79,756,072
Corporate assets				10,994,267
Total assets				90,750,339
Capital expenditures	1,487,997	140,796	526,007	2,154,800
Depreciation and amortization	1,036,724	199,389	580,740	1,816,853

DIRECTORS

W. Ross Abbott
Vice President and Secretary
Algonquin Mercantile Corporation

Robert M. Franklin(1),(2)
Vice Chairman and Chief Executive Officer
Algonquin Mercantile Corporation

E. Richard S. McLaughlin(2)
Chairman
Canada Transport
International Limited

Donald S. Anderson(2)
Chairman
Canada Realties Limited

Edward J. Kernaghan(1),(2*),(3)
Chairman and Chief Executive Officer
Thomson Kernaghan & Co. Limited

Arthur W. Walker(1)
President and Chief Operating Officer
Algonquin Mercantile Corporation

Honorary Director
Charles C. Laking
Retired Executive

Cecil H. Franklin(1*),(3*)
Chairman of the Board
Algonquin Mercantile Corporation

Francis D. Lace(1)
Honorary Director
RBC Dominion Securities Inc.

(1) Member of Executive Committee
(2) Member of Audit Committee
(3) Member of Compensation Committee
* Chairman

EXECUTIVE OFFICERS

C. H. Franklin
Chairman of the Board

D. H. Kirstine
Vice President Finance and Treasurer

R. M. Franklin
Vice Chairman and Chief Executive Officer

W. R. Abbott
Vice President and Secretary

A. W. Walker
President and Chief Operating Officer

G. Maxwell
Assistant Secretary

CORPORATE INFORMATION

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Toronto, Ontario M4W 3C7
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Fax: (416) 962-4666

Solicitors:
Fasken & Calvin, Toronto

Principal Bankers:
The Royal Bank of Canada
The Toronto-Dominion Bank
Canadian Imperial Bank of Commerce

Auditors:
Coopers & Lybrand, Toronto

Transfer Agents & Registrar:
Central Guaranty Trust Company, Toronto

Stock Listing:
Toronto Stock Exchange
Trading Symbol AM

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