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ATLANTIC SUGAR REFINERIES CO. LIMITED

-and-

THE GLENGAIR GROUP LIMITED



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**ATLANTIC SUGAR REFINERIES CO.
LIMITED**

**5660 Ferrier Street
Montreal, Quebec**

(Atlantic)

**THE GLENGAIR GROUP
LIMITED**

**52nd Floor
Toronto-Dominion Centre
Toronto, Ontario
(Glengair)**

INFORMATION CIRCULAR

This information circular is furnished by the managements of Atlantic and Glengair in connection with the solicitation of proxies from shareholders of their respective corporations for use at the following meetings:

1. A meeting of the holders of 5% Cumulative Redeemable Preference Shares with the par value of \$100 each of Atlantic to be held on the 28th day of May, 1973 at the hour of 9:30 o'clock in the forenoon (Eastern Daylight Saving Time) in the Salon Viger, Chateau Champlain, Place du Canada, Montreal, Quebec.
2. A meeting of the holders of Class A Shares without par value of Atlantic to be held on the 28th day of May, 1973 at the hour of 11:30 o'clock in the forenoon (Eastern Daylight Saving Time) in the Salon Viger, Chateau Champlain, Place du Canada, Montreal, Quebec.
3. An annual and general meeting (annual meeting) of the shareholders of Atlantic to be held on the 28th day of May, 1973 at the hour of 2:30 o'clock in the afternoon (Eastern Daylight Saving time) in the Salon Viger, Chateau Champlain, Place du Canada, Montreal, Quebec.
4. A meeting of the holders of 6% Non-cumulative Convertible Non-voting Class B Preference Shares with a par value of \$5 each of Glengair to be held on the 29th day of May, 1973 at the hour of 9:30 o'clock in the forenoon (Eastern Daylight Saving time) in the Wentworth Room, Four Seasons Sheraton Hotel, 123 Queen Street West, Toronto, Ontario.
5. An annual and general meeting (annual meeting) of the shareholders of Glengair to be held on the 29th day of May, 1973 at the hour of 11:30 o'clock in the forenoon (Eastern Daylight Saving time) in the Wentworth Room, Four Seasons Sheraton Hotel, 123 Queen Street West, Toronto, Ontario.

The annual meeting of the shareholders of Atlantic is to receive the consolidated financial statements of Atlantic and its subsidiary corporations for the year ended December 31, 1972 together with the report of the auditors thereon, to elect directors, to appoint auditors and authorize the directors to fix their remuneration, to consider and take action upon a proposal to amalgamate Atlantic and Glengair and to consider and take action upon a proposed arrangement among the classes of shareholders of Atlantic.

The meeting of the holders of the Class A Shares without par value of Atlantic is to consider and take action upon a proposal to amalgamate Atlantic and Glengair and to consider and take action upon a proposed arrangement among the classes of shareholders of Atlantic.

The meeting of the holders of 5% Cumulative Redeemable Preference Shares with a par value of \$100 each of Atlantic is to consider and take action upon a proposal to amalgamate Atlantic and Glengair and to consider and take action upon a proposed arrangement among the classes of shareholders of Atlantic.

The annual meeting of the shareholders of Glengair is to receive the consolidated financial statements of Glengair and its subsidiaries for the year ended December 31, 1972 together with the report of the auditors thereon, to elect directors, to appoint auditors and authorize the directors to fix their remuneration, to consider and take action upon a proposal to amalgamate Atlantic and Glengair and to consider and take action with respect to a proposal to amend the Articles of Incorporation of Glengair.

The meeting of the holders of 6% Non-cumulative Convertible Non-voting Class B Preference Shares of Glengair is to consider and take action upon a proposal to amalgamate Atlantic and Glengair and to consider and take action with respect to a proposal to amend the Articles of Incorporation of Glengair.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF OF ATLANTIC

Each holder of a Common Share of Atlantic of record on the date of the annual meeting of the shareholders of Atlantic is entitled to one vote thereat for each Common Share of Atlantic held. As at April 24, 1973, 5,460,600 Common Shares of Atlantic were outstanding as fully paid.

The Glengair Group Limited of Toronto, Ontario, beneficially owns directly or indirectly more than

10% of the voting shares of Atlantic, owning as of April 24, 1973, 3,400,665 Common Shares of Atlantic representing 62.28% of the issued and outstanding Common Shares of Atlantic.

Each holder of a 5% Cumulative Redeemable Preference Share of Atlantic of record on the date of the meeting of holders of 5% Cumulative Redeemable Preference Shares of Atlantic is entitled to one vote thereat for each 5% Cumulative Redeemable Preference Share held. As at April 24, 1973, 75,000 5% Cumulative Redeemable Preference Shares were outstanding as fully paid.

Trafalgar Investments Co. Limited of Toronto, Ontario, beneficially owns 14,500 5% Cumulative Redeemable Preference Shares of Atlantic.

Each holder of a Class A Share of Atlantic on the date of the meeting of holders of Class A Shares of Atlantic is entitled to one vote thereat for each Class A Share held. As at April 24, 1973, 435,000 Class A Shares were outstanding as fully paid.

Trafalgar Investments Co. Limited of Toronto, Ontario, beneficially owns 43,500 Class A Shares of Atlantic.

Warrants to purchase 450,000 Common Shares of Atlantic were issued in 1968 which entitle the holders thereof to purchase Common Shares of Atlantic as follows:

until March 1, 1976 at \$12 per share; and

until March 1, 1978 at \$14 per share.

Glengair beneficially owns warrants entitling it to purchase 210,930 of the said 450,000 Common Shares.

Options have been granted by Atlantic to officers and employees of Atlantic covering at the date hereof 49,400 Common Shares of Atlantic at \$7 per share. Such options terminate as to 38,400 shares in June, 1979 and as to 11,000 shares in April, 1982.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF OF GLENGAIR

Each holder of a Common Share of Glengair of record at 12:01 o'clock in the forenoon on May 25, 1973, being the second business day (excluding Saturdays and holidays) before the date of the annual meeting of the shareholders of Glengair, is entitled to one vote thereat for each Common Share of Glengair held. As at April 24, 1973, 11,727,980 Common Shares of Glengair were outstanding as fully paid.

Max Tanenbaum directly or indirectly through 269279 Ontario Ltd. beneficially owns 1,439,000 Common Shares of Glengair.

Each holder of 6% Non-cumulative Convertible Non-voting Class B Preference Shares of record at 12:01 o'clock in the forenoon on May 25, 1973, being the second business day (excluding Saturdays and holidays) before the date of the meeting of holders of 6% Non-cumulative Convertible Non-voting Class B Preference Shares of Glengair, is entitled to one vote thereat for each such share held. As at April 24, 1973, 3,180,592 6% Non-cumulative Convertible Non-voting Class B Preference Shares of Glengair were outstanding as fully paid.

Trafalgar Investments Co. Limited of Toronto, Ontario, beneficially owns 1,387,212 6% Non-cumulative Convertible Non-voting Class B Preference Shares of Glengair.

Glengair has issued share purchase warrants (A warrants) entitling the holders thereof to purchase an aggregate of 651,050 Common Shares of Glengair at the following prices: \$3 per share if exercised on or before June 30, 1974 and \$4 per share if exercised on or before June 30, 1976. Glengair has also issued 210,930 B warrants (of which 56 have been exercised) entitling the holders thereof to purchase for each warrant one unit consisting of 1½ 6% Non-cumulative Convertible Non-voting Class B Preference Shares with a par value of \$5 each of Glengair and one Common Share without par value of Glengair at the following prices: \$12 per unit if exercised on or before March 1, 1976 and thereafter \$14 per unit if exercised on or before March 1, 1978.

Trafalgar Investments Co. Limited beneficially owns 145,000 B warrants of Glengair.

Options have been granted to officers and employees of Glengair and its subsidiaries covering 440,000 Common Shares of Glengair at \$1.75 per share, such options terminating on October 31, 1977.

Options expiring April 17, 1975 have been granted to 269279 Ontario Ltd., 247151 Investments Limited (a nominee of Slater, Walker of Canada Limited), Merban Investment Fund (a nominee of Merban Securities Limited) and Wescasit Limited (a nominee of J. Howard Hawke) to purchase an aggregate of 300,000 Common Shares of Glengair at \$1.60 per share in connection with the guarantees given by Max Tanenbaum, Slater, Walker of Canada Limited, Merban Securities Limited and J. Howard Hawke to the Company's banker with respect to a further borrowing by Glengair.

ELECTION OF DIRECTORS OF ATLANTIC

The following are the names of the persons for whom it is intended that votes will be cast for their election at the annual meeting of the shareholders of Atlantic as directors pursuant to proxies solicited by or on behalf of the management of Atlantic:

W. A. Andres, Maurice Archer, Lewis Haldane Millar Ayre, G. R. Chater, Etienne Crevier, V. E. Daughney, L. Yves Fortier, J. Howard Hawke, Hon. Salter A. Hayden, Q.C., L. C. Edward Lawrence, W. J. R. Paton and Hon. Nelson Rattenbury.

The term of office for each such person so elected will be until the next annual meeting of the shareholders of Atlantic or until his successor is elected or appointed.

IN THE EVENT THAT PRIOR TO THE ANNUAL MEETING OF THE SHAREHOLDERS OF ATLANTIC ANY VACANCIES OCCUR IN THE SLATE OF NOMINEES SUBMITTED HEREWITH IT IS INTENDED THAT DISCRETIONARY AUTHORITY SHALL BE EXERCISED TO VOTE THE PROXY FOR THE ELECTION OF ANY OTHER PERSON OR PERSONS AS DIRECTORS.

INFORMATION CONCERNING NOMINEES AS DIRECTORS OF ATLANTIC

<u>Name and office</u>	<u>Present principal occupation</u>	<u>Year first became a director</u>	<u>Approximate number of Common Shares of Atlantic beneficially owned directly or indirectly</u>
W. A. ANDRES, Director	Vice-President, Finance, Pinetree Development Company Limited, real estate developer	1973	1
MAURICE ARCHER, Director	Senior Vice President, Canadian National Railways	1963	1
LEWIS HALDANE MILLAR AYRE, Director	Chairman and President, Ayre & Sons, Limited, holding company	1968	1,000
G. R. CHATER, Director	President, Grafton Group Limited, holding company	1973	1
ETIENNE CREVIER, Director	Chairman of the Board, The Provident Assurance Company, insurance underwriters	1968	1
V. E. DAUGHNEY, Director	Executive, Slater, Walker of Canada Limited, investment and holding company	1973	1
L. YVES FORTIER, Director	Partner, Ogilvy, Cope, Porteous, Hansard, Marler, Montgomery & Renault, Montreal, barristers and solicitors	1970	300
J. HOWARD HAWKE, Director, Chairman of the Board, and Chairman of the Executive Committee	Chairman of the Board of Atlantic and President of The Glengair Group Limited, an operating and investment company	1968	1,000
HON. SALTER A. HAYDEN, Q.C., Director and Vice-President	Senior Partner, McCarthy & McCarthy, Toronto, barristers and solicitors and a member of the Senate of Canada	1939	1,000

<u>Name and office</u>	<u>Present principal occupation</u>	<u>Year first became a director</u>	<u>Approximate number of Common Shares of Atlantic beneficially owned directly or indirectly</u>
L. C. EDWARD LAWRENCE, Director	Company Director	1973	1
W. J. R. PATON, Director and President and Chief Executive Officer	President and Chief Executive Officer of Atlantic	1961	4,000
HON. NELSON RATTENBURY, Director	President of Northern Industries Limited, trade contractors and a member of the Senate of Canada	1969	1

NOTES:

1. For interests of some of the above nominees in Common Shares of Glengair see "Information Concerning Nominees as Directors of Glengair" and the notes thereto.
2. L. C. Edward Lawrence is a Company Director. Mr. Lawrence was Vice President-Credit of The Toronto-Dominion Bank from July, 1968 to April, 1972 and was from December, 1965 to July, 1968 Deputy Chief General Manager of the said Bank.
3. W. A. Andres has been Vice-President, Finance of Pinetree Development Company Limited for four years and for more than one year prior thereto was a manager at Clarkson, Gordon & Co., chartered accountants.
4. G. R. Chater has been President of Grafton Group Limited for the past five years.
5. V. E. Daughney has been an Executive of Slater, Walker of Canada Limited since March, 1973 and was Vice-President of Security Capital Corporation Limited from October, 1971 to March, 1973, Vice-President of Seed Capital Corporation from September, 1970 to October, 1971, an Analyst for International Capital Corporation from September, 1969 to September, 1970 and Chief Financial Officer of Seabrook Farms Frozen Foods Limited for more than two years prior to September, 1969.

REMUNERATION OF MANAGEMENT OF ATLANTIC

During the fiscal year ended December 31, 1972, the aggregate direct remuneration paid or payable by Atlantic and its subsidiaries to all directors and senior officers of Atlantic as a group was \$286,500, including bonuses paid to senior officers under Atlantic's plan of incentive compensation.

The aggregate cost to Atlantic in the year ended December 31, 1972, of all pension benefits proposed to be paid to the directors and senior officers of Atlantic in the event of retirement at normal retirement age was \$7,090.

Atlantic has amended the agreement with one of its senior officers whereby such senior officer will continue after his retirement from full-time active service with Atlantic to make available as a consultant to Atlantic his skill and knowledge in management services at a remuneration of \$60,000 per year. The original agreement is reported in an earlier information circular of Atlantic.

ELECTION OF DIRECTORS OF GLENGAIR

The following are the names of the persons for whom it is intended that votes will be cast for their election at the annual meeting of the shareholders of Glengair as directors pursuant to proxies solicited by or on behalf of the management of Glengair: W. A. Andres, G. R. Chater, E. C. Daniher, V. E. Daughney,

J. Howard Hawke, L. C. Edward Lawrence, C. W. Leonardi, W. J. R. Paton, D. G. Sinclair and Max Tanenbaum.

The term of office for each such person so elected will be until the next annual meeting of the shareholders of Glengair or until his successor is elected or appointed.

IN THE EVENT THAT PRIOR TO THE ANNUAL MEETING OF THE SHAREHOLDERS OF GLENGAIR ANY VACANCIES OCCUR IN THE SLATE OF NOMINEES SUBMITTED HERewith IT IS INTENDED THAT DISCRETIONARY AUTHORITY SHALL BE EXERCISED TO VOTE THE PROXY FOR THE ELECTION OF ANY OTHER PERSON OR PERSONS AS DIRECTORS.

INFORMATION CONCERNING NOMINEES AS DIRECTORS OF GLENGAIR

<u>Name and office</u>	<u>Present principal occupation</u>	<u>Year first became a director</u>	<u>Approximate number of Common Shares of Glengair beneficially owned directly or indirectly</u>
W. A. ANDRES, Director	Vice-President, Finance, Pinetree Development Company Limited, real estate developer	1973	61,000
G. R. CHATER, Director	President, Grafton Group Limited, holding company	1973	1
E. C. DANIHER, Director	President of Baker, Lovick Limited, an advertising agency	1971	69,000
V. E. DAUGHNEY, Director	Executive, Slater, Walker of Canada Limited, investment and holding company	1973	7,600
J. HOWARD HAWKE, Chairman of the Board, President and Director	Chairman of the Board of Atlantic Sugar Refineries Co. Limited and President of The Glengair Group Limited	1964	920,187
L. C. EDWARD LAWRENCE, Director	Company Director	1969	2,000
C. W. LEONARDI, C.A., Vice-President, Treasurer and Director	Vice-President and Treasurer, The Glengair Group Limited	1966	161,000
W. J. R. PATON, Director	President and Chief Executive Officer, Atlantic Sugar Refineries Co. Limited	1970	62,000
D. G. SINCLAIR, Vice-President and General Manager- Operations and Director	Vice-President and General Manager-Operations, The Glengair Group Limited	1970	102,502
MAX TANENBAUM, Director	President, York Steel Construction Limited, steel construction	1973	1,439,000

NOTES:

1. Each nominee who is stated to have first become a director in a specific year has served continuously as a director from the year indicated.

2. C. W. Leonardi beneficially owns, directly or indirectly, 6,000 shares of Venpower Limited. W. J. R. Paton beneficially owns, directly or indirectly, 4,000 Common Shares of Atlantic. J. H. Hawke beneficially owns, directly or indirectly, 1,000 Common Shares of Atlantic and 5,000 shares of Venpower Limited.
3. W. A. Andres has been Vice-President, Finance of Pinetree Development Company Limited for four years and for more than one year prior thereto was a manager at Clarkson, Gordon & Co., chartered accountants.
4. G. R. Chater has been President of Grafton Group Limited for the past five years.
5. V. E. Daughney has been an Executive of Slater, Walker of Canada Limited since March, 1973 and was Vice-President of Security Capital Corporation Limited from October, 1971 to March, 1973, Vice-President of Seed Capital Corporation from September, 1970 to October, 1971, an Analyst for International Capital Corporation from September, 1969 to September, 1970 and Chief Financial Officer of Seabrook Farms Frozen Foods Limited for more than two years prior to September, 1969.
6. Max Tanenbaum has been President of York Steel Construction Limited for more than five years.
7. Wescasit Limited has an option to purchase 150,000 Common Shares of Glengair from Trafalgar Investments Co. Limited and 75,000 Common Shares of Glengair from Glengair. J. Howard Hawke beneficially owns all the outstanding shares of Wescasit Limited.
8. 269279 Ontario Ltd. has an option to purchase 225,000 Common Shares of Glengair from Trafalgar Investments Co. Limited and 112,500 Common Shares of Glengair from Glengair. Max Tanenbaum beneficially owns all the outstanding shares of 269279 Ontario Ltd.

REMUNERATION OF MANAGEMENT OF GLENGAIR

During the fiscal year ended December 31, 1972 the aggregate direct remuneration paid or payable by Glengair and its subsidiaries whose financial statements are consolidated with those of Glengair to all directors and senior officers, as defined in The Business Corporations Act (Ontario), of Glengair as a group was \$417,639 and the estimated aggregate cost to Glengair and its said subsidiaries in the year ended December 31, 1972 of all pension benefits proposed to be paid to senior officers, as so defined, of Glengair as a group under Glengair's normal pension plan in the event of retirement at normal retirement age was \$28,948.

During the 1972 financial year Glengair granted to officers and employees of Glengair and its subsidiaries by options dated October 17, 1972 irrevocable options to purchase from time to time not later than October 31, 1977, 440,000 Common Shares of Glengair at the price of \$1.75 per share. Each such option agreement provides in effect, among other things, that the maximum number of shares in respect of which the option may be exercised shall not exceed on a cumulative basis one-fifth of the shares in respect of which the option is granted for each year or part year during which the option is in force, that the option is exercisable on giving the prescribed notice and payment of the subscription price of the Common Shares in respect of which the option is exercised, that in the event of the death of the optionee while employed by Glengair or a subsidiary the legal personal representatives have certain limited rights to exercise the option, that in the event of the optionee ceasing to be employed by Glengair or a subsidiary of Glengair (otherwise than by death) the option is terminated and that in the event of the subdivision, redivision or change of the Common Shares of Glengair, the number of Common Shares in respect of which the option may be exercised is to be adjusted accordingly. With respect to the options covering the said 440,000 Common Shares, options covering 325,000 Common Shares of Glengair were granted to senior officers who were also directors of Glengair. The price range of the Common Shares of Glengair in the 30 days preceding October 17, 1972 was high \$2.10 and low \$1.70.

APPOINTMENT OF AUDITORS OF ATLANTIC

It is intended to vote proxies hereby solicited for the annual meeting of the shareholders of Atlantic to re-appoint the firm of Messrs. Coopers & Lybrand as auditors of Atlantic. Prior to April 1, 1973 Coopers & Lybrand carried on their practice under the name of McDonald, Currie & Co.

APPOINTMENT OF AUDITORS OF GLENGAIR

It is intended to vote proxies hereby solicited for the annual meeting of the shareholders of Glengair to re-appoint the firm of Glendinning, Jarrett, Gould & Co. as auditors of Glengair.

The Amalgamated Corporation

REASONS FOR AMALGAMATION

The proposed amalgamation of Glengair and Atlantic will integrate the assets and business operations of each of the amalgamating corporations and their subsidiaries in one corporate entity under one management group thereby achieving maximum efficiencies by eliminating the present multiplicity of management, accounting, legal and administrative procedures. In addition, the combined financial and management resources of all the present entities will give the amalgamated corporation an investment and acquisition capacity substantially greater than the separate capacities of the amalgamating corporations.

As a result, and particularly because of the earnings records of both corporations in recent years, the shareholders of both Glengair and Atlantic may expect to benefit considerably from the proposed amalgamation.

It is proposed to name the Amalgamated Corporation Jannock Corporation Limited, a name that will be distinctive and that will resist association and confusion with any existing or recent Canadian enterprise. It is not intended that this change will affect any existing product trade names.

The sections that follow are intended to provide a perspective of the Amalgamated Corporation.

1. Directors
2. Dividend Policy
3. Auditors
4. Transfer agents
5. Description of the Operations of Atlantic
(Audited annual statements for 1972 and five-year summaries of financial data can be found on pages 31—40).
6. Description of the Operations of Glengair
(Audited annual statements for 1972 and five-year summaries of financial data can be found on pages 41—52).
7. Pro forma statements:
 - a. Balance sheet as at March 31, 1973.
 - b. Earnings for the 3 months ended March 31, 1973.
 - c. Earnings for the 12 months ended December 31, 1972.

Reference should be made to the notes to the pro forma statements which outline specific transactions completed or proposed to be completed subsequent to March 31, 1973.

8. Details of the proposed terms of amalgamation, including table of conversions and description of shares.
9. Resolutions to be voted upon.
10. Canadian tax consequences.

Messrs. Coopers & Lybrand were asked, as professional accountants experienced in business and security valuations, for their opinion as to the relative fair market values of the Common Shares of Glengair and Atlantic. The purpose of this valuation was to assist the directors of both corporations in determining a fair and proper share exchange ratio for the proposed amalgamation. Messrs. Coopers & Lybrand reported that in their opinion a fair ratio, if account is taken of Glengair's control position of Atlantic, is in the area of 3.6 Glengair shares for each Atlantic share. They also reported that if a control premium is not recognized then in their opinion a fair ratio is in the area of 4 Glengair shares for each Atlantic share.

The directors of both corporations have considered the report and have determined that the ratio of four Glengair shares for each Atlantic share should be adopted. On this basis the proposed amalgamation will result in the holders of the Common Shares of Atlantic being entitled to 1 Special Share of the Amalga-

mated Corporation for each Common Share of Atlantic held and the holders of Common Shares of Glengair will be entitled to 1 Special Share of the Amalgamated Corporation for each 4 Common Shares of Glengair held.

DIRECTORS

The names and occupations of the first directors of the Amalgamated Corporation are as follows:

<u>Name</u>	<u>Occupation</u>
W. A. ANDRES	Vice-President, Finance, Pinetree Development Company Limited
L. H. M. AYRE	Chairman and President, Ayre & Sons, Limited
G. R. CHATER	President, Grafton Group Limited
E. C. DANIHER	President, Baker, Lovick Limited
V. E. DAUGHNEY	Executive, Slater, Walker of Canada Limited
L. Y. FORTIER	Partner, Ogilvy, Cope, Porteous, Hansard, Marler, Montgomery & Renault
J. H. HAWKE	Chairman of the Board of Atlantic and Chairman of the Board and President of Glengair
HON. S. A. HAYDEN, Q.C.	Senior Partner, McCarthy & McCarthy and a member of the Senate of Canada
L. C. E. LAWRENCE	Company Director
G. E. MARA	President, William Mara Co. Limited
G. H. MONTAGUE	Vice-President, Merban Capital Corporation Limited
W. J. R. PATON	President and Chief Executive Officer of Atlantic
M. TANENBAUM	President, York Steel Construction Limited

The Chairman of the Board and the President and Chief Executive Officer are to be W. J. R. Paton and J. H. Hawke, respectively.

DIVIDEND POLICY

While the dividend policy of the Amalgamated Corporation is a matter for determination by its board of directors, it is anticipated that dividends will be paid quarterly on the outstanding 6% Cumulative Redeemable Preference Shares, First Series, \$1.20 Class A Shares and 6% Class B Shares at their respective rates of dividend and that dividends will be paid upon the Special Shares and the Class D Shares outstanding from time to time at not less than an effective annual rate of 40¢ per share.

AUDITORS

It is intended that the auditors of the Amalgamated Corporation will be the firm of Coopers & Lybrand who are the present auditors of Atlantic.

TRANSFER AGENTS

It is intended that the transfer agent for the 6% Cumulative Redeemable Preference Shares, First Series and the \$1.20 Class A Shares of the Amalgamated Corporation will be Guaranty Trust Company of Canada at its principal transfer offices in the cities of Montreal, Toronto, Winnipeg, Calgary and Vancouver and for the 6% Class B Preference Shares, the Special Shares and the Class D Shares will be Canada Permanent Trust Company at its principal transfer offices in the cities of Montreal, Toronto, Winnipeg, Calgary and Vancouver.

DESCRIPTION OF OPERATIONS OF ATLANTIC

Atlantic, directly and through wholly-owned subsidiaries, is engaged in sugar refining, in two separate deep sea fishing and fish packing operations, in producing groundwood pulp, and in the manufacture and distribution of steel tubing. This section describes these operations and comments on their results in recent years and prospects for the near future.

Sugar Operations

Raw cane sugar, most of it imported from Australia, South Africa and Mauritius, is refined at Saint John, New Brunswick. Atlantic expects to be able to process normal annual sales volume for some years without making major capital expenditures on the refining facilities. Sales in 1972 amounted to over 500 million pounds.

Of steel and concrete construction, the refinery is situated on a 7.9 acre harbour site. It has a rated capacity of 2,400,000 pounds of refined sugar per day. Deep water dock facilities permit year-round delivery of the raw product by ship. Rail and water transportation are used to transport finished products to company warehouses in Montreal and Toronto, to commercial warehouses and to customers.

The Canadian market for sugar is over two billion pounds annually, with industrial users accounting for approximately 60% of production. It is estimated that Ontario and Quebec account for more than 70% of all sugar consumption in Canada. Atlantic produces a full range of industrial and consumer types and packages of refined sugar products which are marketed from the east coast to Winnipeg, Manitoba, under the "Lantic" trade name. Bulk and liquid sugar are supplied to industrial food processors. Export sales are made to the Caribbean area.

During 1972 the world price for raw sugar fluctuated from £90 a long ton on March 10, to £52 on August 1, and to £100 on December 29. The application of certain provisions of the International Sugar Agreement made protective hedging difficult. The floating of the pound sterling, the rise in ocean freight rates and more active competition in the Eastern Canada refined sugar market also contributed to lower sales tonnage and reduced earnings from Atlantic's sugar operations in 1972.

Tuna Packing

Five 200-foot tuna purse seiners operate in the North Atlantic, off the west coast of Africa and in the Pacific off Peru and Ecuador. Built in 1967 and early 1968, all of them have recently been modified to accommodate the wet well freezing system. This system enables the ships to take on and freeze greater quantities of fish.

Catches of tuna are either sold to American or European canners, or are trans-shipped in refrigerated ships to a tuna cannery owned by Atlantic and located near St. Andrews, New Brunswick. This plant, operating on a one-shift basis, can process approximately 25 million pounds of canned tuna annually. The catch is cleaned and cooked in industrial ovens and canned in a variety of sizes.

The cannery supplies more than 20% of the Canadian market and a portion of the U.S. market. Product is sold across Canada under the trademarks "Bye the Sea" and "Chicken of the Sea". Cat food is marketed as "Kitty Treat".

The demand for canned tuna in the second half of 1972 exceeded the corporation's ability to catch and process. Poor mid-year fishing was experienced throughout the industry and conversion work on the tuna purse seiners restricted their operating time. During the year the cannery suffered from a labour shortage and increased turnover. Staffing now appears much improved, however, and during 1973 the plant is scheduled to process 35 tons per day.

Groundfish Processing

Ten 152-foot stern trawlers fish the Grand Banks on trips averaging ten days' duration, delivering the catch of sole, cod, flounder, ocean perch and haddock to Marystown, Newfoundland, for processing and packaging. The plant there is one of the largest of its type in the world and is capable, on a one-shift basis, of processing annually more than 60 million pounds of groundfish into 20 million pounds of frozen fillets. The plant was built to Atlantic's specifications by the Province of Newfoundland and is operated by the corporation under a long-term lease. Most of its production is marketed in the United States.

Arrangements have recently been completed for construction of five additional stern trawlers for lease on a 17-year term. The vessels will be similar in construction to those now used, and will be equipped to carry out mid-water trawling as well as bottom trawling.

Although groundfish operations in 1972 were hampered by a three-month strike, a number of factors including higher prices, the improvement in the dollar exchange rate, and economies resulting from better management practices all contributed to improved results over 1971.

Groundwood Pulp

Atlantic's groundwood pulp mill and lumber production facilities are located four miles south of Nelson-Miramichi, New Brunswick. Timber limits cover approximately 1200 square miles within a 45-mile radius of the mill site. Flash-dried groundwood pulp is shipped by ocean-going vessels from the corporation wharf on the Miramichi River to paper mills in Western Europe, the United Kingdom and the United States.

Results of the pulp business generally in 1972 were discouraging. From May onward demand picked up and prices had strengthened slightly by the year end. Provincial authorities in New Brunswick are aware of the problems facing the groundwood pulp industry and are seeking ways and means of providing aid. Atlantic's major competition is from mills in the Southern United States and Scandinavia. Both these areas enjoy government provided advantages such as road building assistance, special electricity rates, favourable freight rates, pollution abatement assistance and tax incentives.

Atlantic considers its woodlands and mill operations are generally efficient, but costs tend to rise with labour rate increases and production is even curtailed at times due to lack of woodsmen. Demand and prices for 1973 promise to be better and 1973 financial performance should be much improved over 1972. Consideration is being given to sale of the operation or to its merger with an experienced newsprint producer which has an assured market outlet.

Tubing Production

Atlantic is engaged in manufacture and sale of cold formed, electrically welded mechanical steel tubes and hollow structural steel sections through Sonco Steel Tube Company, located at Brampton, Ontario.

The advantages of hollow structural shapes over beams for construction use are becoming evident and as a result the volume of this product is increasing substantially each year. During 1972 more than 60,000 tons of processed steel were shipped to the construction, automotive, furniture and farm equipment industries, as well as to other users. Extension and improvement of the modern 100,000 square foot plant at Brampton is under way at the present time. The excellent market outlook means that the earnings results from this operation in 1973 may be expected to exceed those for 1972.

Tubing Distribution

The Lyman Tube Division of Atlantic is engaged in warehousing, sale and distribution of steel tubing across Canada. In 1972 sales exceeded \$9,300,000. Distribution is facilitated by strategically located service centres in Oakville, Ontario; Montreal, Quebec; Winnipeg, Manitoba; and Vancouver, B.C.

The Division buys, stores, sells and ships tubes of all sizes and lengths for a variety of industrial users. Round, square and rectangular forms are available, both seamless and welded. Sales correspondents and co-ordinators, supported by a technical field sales force, provide the required service and apprise customers of the latest technology.

Results of this Division for 1972 set new highs in both sales and earnings, and further gains are forecast for 1973.

Insurance Underwriting

Berlantic Insurance Company Limited, a Bermuda-incorporated subsidiary of Atlantic, commenced operation on April 1, 1972 as an underwriter of a portion of the marine insurance on the fleet of fifteen vessels owned by the parent corporation. Berlantic also acts as a reinsurer in a Bermuda-based marine insurance pool.

Commodity Trading

Berlantic Enterprises Limited was incorporated in Bermuda to carry out transactions in commodities and to allow the sugar refining business to operate on a hedged basis.

Berlantic has entered into a contract with the Atlantic Sugar Division of Acadia Pulp and Paper Limited to provide the daily requirements of raw sugar to the Saint John refinery.

DESCRIPTION OF OPERATIONS OF GLENGAIR

From a modest beginning in 1962, the character and size of Glengair has changed. Started basically as an investment holding company, it has now grown to the point where it is a fully diversified Canadian corporation active in various industries.

This section outlines the extent of these activities, other than those engaged in by Atlantic and its subsidiaries, and identifies the major product lines, indicates their market performance in recent years, and comments on their prospects.

Allanson Manufacturing Company

Allanson Manufacturing Company is Canada's major producer of oil burner ignition transformers, and serves both original equipment manufacturers and the after-sales service market. During 1972 Allanson began to realize positive results from cost improvement programs initiated in the past two years. Profits improved by 58% on a sales increase of 24% achieved with minimal adjustments in the selling price. The outlook for the demand for Allanson's electrical products, such as ballasts and transformers, indicates continuing strength in 1973.

In December, 1972 Allanson signed agreements to manufacture and sell under license to the Canadian market a line of high quality fuel units of Webster Electric Company Incorporated of Racine, Wisconsin. Webster's fuel units have a major share of the U.S. market and the firms are hopeful of attaining a similar share of the Canadian market. These oil burner fuel pumps will be complementary to Allanson's line of ignition oil burner transformers and the results should make a significant contribution to sales and profit levels in the future.

An 18,000 square foot expansion of Allanson's facilities in Toronto is being undertaken to accommodate this program and provide for growth in existing product lines. Production of the Webster units is to start in April, 1973.

Canada Brick Division

The Canada Brick Division has been with Glengair since 1966 and has been very profitable. The division has 30% of the Ontario brick market. A strong demand in the residential segment of the market produced a most successful year in 1972 with the plant operating at capacity throughout the period.

Canada Brick has been a leader in innovation within the industry, and has introduced an oversize unit for housing marketed as "Tempo". Test marketing has indicated an excellent acceptance of this product. The planned construction of a plant to produce a lower priced concrete brick has been delayed due to zoning problems, but it is anticipated these will be resolved with construction commencing in 1973.

The outlook for 1973 is for a relatively strong construction year. Although residential projects are expected to be below that of 1972, a strong carry-over in bookings and some improvement in the non-residential markets, plus the effect of the introduction of "Tempo", assures a continuance of operations at a high level. On the basis of past trends, forecasts and the strong market position, the recent rate of earnings should be maintained.

Glentech Instruments Limited

Glentech Instruments Limited was a venture capital company formed to make investments in corporations with high technology products and greater than average growth prospects. A minority interest of 12½% was held in the company by Mr. Emanuel Batler, and Glengair has recently acquired Mr. Batler's interest and he has resigned as president. Glentech has disposed of its investment in Digital Telephone Systems, Inc. and realized a substantial profit.

ITL Industries Limited

Glengair and affiliated companies own shares of ITL Industries representing a combined voting power of 13%. Glengair also owns a convertible debenture in the principal amount of \$1.5 million.

ITL Industries incurred severe losses during a depressed period in the U.S. automotive industry, for which it is the principal manufacturer of molds for plastic automobile parts and other components. Recent

management changes, corporate restructuring and improved business conditions have substantially improved the corporation's performance. It is expected that ITL will attain a good level of profitability in 1973.

Northern Tar, Chemical and Wood Limited

Northern Tar, Chemical and Wood Limited and subsidiaries (Nortar) have been engaged in the production and preservation treatment of wood products—utility poles, railway ties and construction lumber—since 1935. In addition, a substantial quantity of lumber has been sold, both domestically and for export.

Nortar operates plants in Thunder Bay, Ontario, and in Prince Albert, Saskatchewan. The main location at Thunder Bay includes a lumber mill, a planing mill and a mill for the production of railway ties, a tar distilling plant, and pressure and non-pressure timber treatment plants, all of which are on leased land. The Prince Albert operation is a pressure treatment plant used in the production and preservation of wood products.

A modern sawmill was completed in 1969 that sells 40 million FBM of lumber, representing 80-85% of its production, to the United States market. Sawdust and shavings from this mill are being sold to Domtar Ltd., which will result in increased income and eliminate a possible source of pollution. In 1973 a long-term supply agreement for part of Nortar's requirements for suitable wood was negotiated with the Ontario Department of Lands and Forests.

In 1972, earnings were a record and 1973 forecasts promise even greater returns.

Orangerooft Canada Limited

Glengair, both directly and indirectly through subsidiary companies, owns a combined total of 905,100 shares, representing a 42.6% voting interest, in Orangerooft Canada Limited, which holds the exclusive franchise for Howard Johnson's hotels and restaurants in Canada. Operations of this company to date have not been profitable. Improved results are in sight however and the directors of Glengair are optimistic about the company's prospects.

Three Howard Johnson's motor lodge and restaurant combinations are now in operation, as are five restaurants. Two more motor lodge/restaurants and an additional restaurant are due to open this year. Ground-breaking is planned for several others.

Redi-Set Business Forms

Redi-Set Business Forms manufactures and sells multiple part sets and continuous sets of custom-made business forms. It has been in business since 1953 and part of Glengair since 1969.

The business forms industry is a competitive one dominated by two corporations which account for 70% of the Canadian market. Despite this, Redi-Set has until 1970-71 experienced reasonable sales and profits. Due to the industry-wide price cutting and to managerial problems in 1971 there was a loss of \$55,000.

Redi-Set started in 1972 with a general reorganization of management and a strengthening of all departments. These steps brought an increase in profits in the latter part of the year that is continuing and improving into 1973, and Redi-Set is now considered to be in a much better position to meet intense price competition.

The continuing improvement in performance combined with the quickening economy is expected to result in even more profitable sales and a further increase in the 1973 profit level.

Venpower Limited

In 1972 the activities of Venpower Limited were directed into investments in the European Common Market and contracts were entered into with two executives to direct these investments from offices in London, England.

The directors of Glengair have decided for reasons due mainly to world currency problems, and the diminishing purchasing power of Venpower's liquid assets, to terminate this investment venture. For this reason, the directors have negotiated the termination of the management contracts and Glengair has agreed to sell its 48% interest in Venpower for \$2,325,000. The investment which Atlantic was to make in Venpower will not be made.

JANNOCK CORPORATION LIMITED

PRO FORMA AMALGAMATED STATEMENTS

JANNOCK CORPORATION
(Incorporated under the laws
and its Subsidiary
Pro Forma Amalgamated
unaudited

ASSETS

CURRENT ASSETS

Cash and short term deposits.	\$ 112,241
Marketable securities, at cost less provision for loss.	7,028,353
Accounts receivable.	19,270,974
Inventories, at the lower of cost and net realizable value.	18,723,496
Prepaid expenses and other assets.	831,509
Taxes recoverable.	209,470

46,176,043

NOTES AND OTHER INVESTMENTS. 853,863

FIXED ASSETS

Land, buildings, machinery, equipment, leasehold improvements and ships, at cost.	99,498,153
Accumulated depreciation, depletion and amortization.	30,956,731

68,541,422

DEFERRED CHARGES. 913,978

EXCESS OF COST OF INVESTMENTS IN SUBSIDIARIES OVER BOOK VALUE

OF NET ASSETS ACQUIRED.	12,257,124
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See notes attached.

\$128,742,430

LIMITED
(the Province of Ontario)

Companies

Balance Sheet March 31, 1973

LIABILITIES

CURRENT LIABILITIES

Bank advances.....	\$ 5,811,521
Term bank note.....	3,000,000
Accounts payable and accrued liabilities.....	14,089,718
Income taxes payable.....	413,224
Current instalments of long term debt.....	754,944
Dividends payable.....	348,425

24,417,832

LONG TERM DEBT (less current instalments).....	19,569,285
TERM BANK LOANS.....	12,000,000
DEFERRED INCOME TAXES.....	3,095,400

MINORITY INTEREST IN SUBSIDIARY COMPANIES

Preference shares—par value.....	982,308
Common shareholders' equity.....	291,360

1,273,668

SHAREHOLDERS' EQUITY

SHARE CAPITAL

Authorized

300,000 Preference Shares with a par value of \$100 each, issuable in series
435,000 \$1.20 Class A Shares without par value
875,000 6% Class B Shares with a par value of \$20 each (non-cumulative, convertible, non-voting)
6,000,000 Special Shares without par value
2,000,000 Class D Shares without par value
500,000 Common Shares without par value

Issued and fully paid

75,000 6% Cumulative Redeemable Preference Shares, First Series.....	7,500,000
435,000 \$1.20 Class A Shares.....	1,910,000
795,148 6% Class B Shares.....	15,902,960
4,991,930 Special Shares.....	21,078,887

RETAINED EARNINGS.....	<u>21,994,398</u>
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68,386,245

\$128,742,430

JANNOCK CORPORATION LIMITED
and its Subsidiary Companies

NOTES TO PRO FORMA AMALGAMATED FINANCIAL STATEMENTS

March 31, 1973

The pro forma amalgamated financial statements give effect to the following transactions:

A. Balance Sheet

1. The proposed amalgamation of Atlantic Sugar Refineries Co. Limited (Atlantic) and The Glengair Group Limited (Glengair) on the following basis:

Old Shares of Amalgamating Corporations as presently constituted	Special Share	New Shares of the Amalgamated Corporation		
		6% Cumul. Redeem. Pref. Shs. 1st Series Par Value \$100	\$1.20 Class A without par value	Class B Share par value \$20
Common Shares:				
Atlantic—common	one (1)			
Glengair—common	four (4)			
Preferred and Class A & B:				
Atlantic—5% cumulative redeemable Preference Share par value \$100	one (1)	one (1)		
Atlantic—Class A Shares without par value	one (1)		one (1)	
Glengair—6% Non-cumulative Convertible Non-voting Class B Shares, par value \$5	four (4)			one (1)

2. Payment of \$1,500,000 tax on 1971 undistributed income on hand in Atlantic Sugar Refineries Co. Limited to create tax paid undistributed surplus on hand.
3. Redemption of long term debt in the aggregate of \$9,777,749 for cash.
4. Repayment of note payable and incurrence of term bank note in the amount of \$3,000,000 for a term of one year.
5. Purchase of minority interest in Glentech Instruments Limited for \$250,000 and sale of investment in Digital Telephone Systems Inc. for \$1,320,000.
6. Repayment of Demand Bank Loans of \$16,067,683 and the incurrence of \$12,000,000 in Term Bank Loans repayable in equal instalments over a four-year period commencing July 1, 1974.
7. The sale of one tuna seiner for \$2,000,000 cash.
8. The sale of marketable securities for \$3,000,000 cash.
9. The sale of shares of Venpower Limited for \$2,325,000 cash.

B. Statement of Earnings

1. the elimination of minority interest of Atlantic.
2. the new share structure in calculating earnings per share.

JANNOCK CORPORATION LIMITED
AND ITS SUBSIDIARY COMPANIES
PRO FORMA AMALGAMATED STATEMENT OF EARNINGS

for the Three Months Ended March 31, 1973

Sales (net).....	\$40,123,167
Cost of sales.....	<u>30,586,344</u>
Gross earnings from operations.....	9,536,823
Operating expenses	
Administration and selling.....	4,277,230
Depreciation and depletion.....	<u>926,940</u>
	<u>5,204,170</u>
Earnings from operations.....	4,332,653
Financial expenses (net)	
Debentures	
Interest.....	497,054
Amortization of financing costs.....	11,624
Other interest.....	<u>468,738</u>
	<u>977,416</u>
Investment and other income.....	<u>202,380</u>
	<u>775,036</u>
	3,557,617
Provision for income taxes	
Income taxes payable.....	1,393,334
Deferred income taxes.....	<u>519,258</u>
	<u>1,912,592</u>
	1,645,025
Minority interest.....	<u>15,858</u>
Earnings for the three months before extraordinary items.....	<u>\$ 1,629,167</u>
Basic earnings per common share before extraordinary items.....	23¢
Pro forma extraordinary income has not been included in the above statement of earnings.	

**JANNOCK CORPORATION LIMITED
AND ITS SUBSIDIARY COMPANIES
PRO FORMA AMALGAMATED STATEMENT OF EARNINGS**

for the year ended December 31, 1972

Sales (net)	\$136,907,195
Cost of sales	<u>104,563,944</u>
Gross earnings from operations	32,343,251
Operating expenses	
Administration and selling	15,149,212
Depreciation and depletion	<u>3,658,613</u>
	18,807,825
Earnings from operations	<u>13,535,426</u>
Financial expenses (net)	
Debentures	
Interest	2,108,874
Amortization of financing costs	48,040
Other interest	<u>1,626,871</u>
	3,783,785
Investment and other income	<u>858,234</u>
	2,925,551
	10,609,875
Provision for income taxes	
Income taxes payable	2,373,770
Deferred income taxes	<u>1,753,072</u>
	4,126,842
	6,483,033
Minority interest	<u>43,771</u>
Earnings before extraordinary items	6,439,262
Extraordinary items (net) less income taxes and minority interest	<u>1,065,118</u>
Net earnings for the year	<u><u>\$ 7,504,380</u></u>
Basic earnings per common share	
Before extraordinary items	\$.89
Net earnings for the year	1.11

THE PROPOSED AMALGAMATION

Atlantic and Glengair, with the approval of their boards of directors, have entered into an amalgamation agreement (the "Amalgamation Agreement") dated April 24, 1973 which contemplates that Atlantic and Glengair will be amalgamated into one Corporation (the "Amalgamated Corporation") under the provisions of The Business Corporations Act (Ontario). A copy of the Amalgamation Agreement is annexed hereto as a schedule. In connection therewith the Amalgamation Agreement contemplates that immediately prior to the amalgamation of the two corporations each 4 outstanding 6% Non-cumulative Convertible Non-voting Class B Preference Shares of Glengair will be consolidated into 1 such Class B Share of Glengair and that each 4 outstanding Common Shares of Glengair will be consolidated into 1 Common Share of Glengair and that upon the amalgamation all of the then outstanding Common Shares of Atlantic and Glengair (except Common Shares of Atlantic owned by Glengair) will be converted into Special Shares of the Amalgamated Corporation on a one for one basis. The effect of such consolidation, of the arrangement of Atlantic hereinafter referred to and of the amalgamation will be that the present holder of one (1) 5% Cumulative Redeemable Preference Share with a par value of \$100 of Atlantic will be entitled to one (1) 6% Cumulative Redeemable Preference Share, First Series with a par value of \$100 of the Amalgamated Corporation, each holder of 1 Class A Share without par value of Atlantic will be entitled to 1 \$1.20 Class A Share without par value of the Amalgamated Corporation, each holder of 1 Common Share without par value of Atlantic will be entitled to 1 Special Share without par value of the Amalgamated Corporation, each present holder of four (4) 6% Non-cumulative Convertible Non-voting Class B Shares with a par value of \$5 of Glengair will be entitled to 1 Class B Share with a par value of \$20 of the Amalgamated Corporation and each present holder of 4 Common Shares without par value of Glengair will be entitled to 1 Special Share without par value of the Amalgamated Corporation.

The Amalgamation Agreement requires that Atlantic make an arrangement among its shareholders, details of which appear on page 28 hereof, and that Glengair will obtain an amendment to its Articles of Incorporation, details of which appear on page 28 hereof.

Upon the amalgamation the Amalgamated Corporation will own all the assets of the two corporations and will be subject to all of their liabilities. The management of the Amalgamated Corporation will be the combined management of Atlantic and Glengair. The Amalgamated Corporation will be named Jannock Corporation Limited. Its Articles of Incorporation will be based upon the Amalgamation Agreement and the by-laws which are referred to in the Amalgamation Agreement.

It is anticipated that prior to the amalgamation becoming effective, Atlantic will pay \$1,500,000 tax on its 1971 undistributed income on hand to create tax paid undistributed surplus on hand.

The following table sets forth the shares of Atlantic and Glengair outstanding on April 24, 1973 and the number of shares of the Amalgamated Corporation which would have been outstanding on that date had the amalgamation become effective on that date after giving effect to the arrangement among the shareholders of Atlantic and the Amendment of Articles of Incorporation of Glengair:

TABLE OF CONVERSIONS

<u>Description of shares outstanding</u>	<u>Atlantic number</u>	<u>Glengair number</u>	<u>Amalgamated Corporation number and class</u>
5% Cumulative Redeemable Preference Shares par value \$100	75,000	—	75,000 6% Cumulative Redeemable Preference Shares, First Series par value \$100
Class A Shares	435,000	—	435,000 \$1.20 Class A Shares
6% Non-cumulative Non-voting Class B Preference Shares	—	3,180,592 par value \$5	795,148 6% Class B Shares par value \$20
Common Shares	5,460,600 (prior to cancellation of 3,400,665)	—	2,059,935 Special Shares
Common Shares	—	11,727,980	2,931,995 Special Shares

NOTES:

1. The 3,400,665 Common Shares of Atlantic held by Glengair will be cancelled in the amalgamation.
2. The holders of warrants and options to purchase Common Shares of Atlantic (other than Glengair) will have the right after the amalgamation to exercise such warrants or options in respect of 1 Special Share of the Amalgamated Corporation for each Common Share of Atlantic which such holder of either warrants or options was entitled to acquire. The warrants to purchase 210,930 Common Shares of Atlantic held by Glengair will be cancelled.
3. After the amalgamation the holders of the A warrants of Glengair will be entitled to purchase not more than 162,762 Special Shares of the Amalgamated Corporation at the price of \$12 per share if exercised on or before June 30, 1974 and of \$16 per share if exercised on or before June 30, 1976, that is, 1 Special Share of the Amalgamated Corporation for each 4 shares described in such A warrants. After the amalgamation the holders of the B warrants will be entitled to purchase not more than 52,718 units of the Amalgamated Corporation at \$48 per unit if exercised on or before March 1, 1976 and thereafter at \$56 per unit if exercised on or before March 1, 1978; a unit of the Amalgamated Corporation will consist of 1½ 6% Class B Shares and 1 Special Share of the Amalgamated Corporation.
4. The holders of the options to purchase Common Shares of Glengair will after the amalgamation be entitled to acquire 1 Special Share of the Amalgamated Corporation for each 4 Common Shares in respect of which each holder was entitled to exercise his option at the price of \$7 per Special Share.
5. The pro forma balance sheet does not give effect to any conversions of 6% Non-cumulative Convertible Non-voting Class B Shares of Glengair or the exercise of warrants or options granted by either Atlantic or Glengair.

After the amalgamation becomes effective, which is anticipated to be on or about June 29, 1973, it is expected that the Amalgamated Corporation will advise shareholders of the procedure to be followed pursuant to which certificates for shares of Atlantic and Glengair may be exchanged for certificates (or bearer fractional certificates) representing shares of the Amalgamated Corporation. Such information will contain instructions as to how a holder of Special Shares may convert them into Class D Shares of the Amalgamated Corporation.

PRICE RANGE OF ATLANTIC AND GLENGAIR COMMON SHARES

	Atlantic						Glengair					
	1971		1972		1973		1971		1972		1973	
	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
Jan.	7½	6¾	7¾	6¾	6¾	5¾	1.95	1.80	1.90	1.75	1.90	1.60
Feb.	8½	7½	8	6¾	6¾	5¾	1.95	1.75	2.20	1.75	1.80	1.60
Mar.	7¾	7¼	7¼	6¾	6½	5¾	1.95	1.75	2.05	1.75	1.80	1.50
Apr.	7¾	7½	7	6¼			2.30	1.75	1.95	1.75		
May	7½	7	6¾	6½			2.50	2.05	1.75	1.60		
June	7½	7	6¾	5¾			2.20	2.00	1.75	1.40		
July	7½	7¼	6¼	5¾			2.00	1.90	2.00	1.70		
Aug.	7½	6¾	6½	5¾			2.00	1.75	2.35	1.70		
Sept.	6¾	6¼	6¾	5¾			1.90	1.75	2.10	1.75		
Oct.	6½	5¾	6	5½			1.80	1.50	2.00	1.60		
Nov.	6½	5½	6	5½			1.60	1.45	1.85	1.55		
Dec.	6¾	5¾	6¼	5¾			1.90	1.50	1.80	1.50		

FRACTIONAL SHARES

Upon the amalgamation contemplated by the Amalgamation Agreement the shareholders of Glengair who become entitled to fractions of shares of Glengair by reason of the consolidation of 6% Non-cumulative Convertible Non-voting Class B Preference Shares and the consolidation of Common Shares of Glengair will be entitled to equivalent fractions of 6% Class B Shares and Special Shares respectively of the Amalgamated Corporation.

Under The Business Corporations Act (Ontario) the owner of such a fraction is not as such entitled to be registered on the books of the Amalgamated Corporation as a shareholder. He receives a bearer fractional certificate in respect of such fraction which entitles him, upon presentation of such certificate and other such certificates aggregating one or more whole shares to the Amalgamated Corporation or its transfer agent, to receive a share certificate for such whole shares together with any accrued dividends.

DESCRIPTION OF SHARES

The preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Preference Shares First Series, the Class A Shares, the Class B Shares and the Special Shares and Class D Shares of the Amalgamated Corporation are set forth in the amalgamation agreement at pages commencing A6, A12, A15 and A19 respectively to which reference is expressly made. The following describes in summary form the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Preference Shares First Series, Class A Shares, Class B Shares and the Special Shares and Class D Shares:

PREFERENCE SHARES FIRST SERIES

DIVIDENDS—The holders of the Preference Shares First Series will be entitled to receive as and when declared by the directors fixed cumulative preferential cash dividends at the rate of 6% per annum accruing from June 15, 1973, payable quarterly on the 15th days of March, June, September and December in each year.

LIQUIDATION—In the event of the liquidation, dissolution or winding up of the Amalgamated Corporation or other distribution of assets among shareholders, the holders of Preference Shares First Series shall be entitled to receive the par value thereof together with all unpaid preferential dividends and a premium of \$5 per share.

PURCHASE AND REDEMPTION—Subject to certain restrictions, the Amalgamated Corporation may purchase for cancellation the whole or any part of the outstanding Preference Shares First Series in the market or by invitation for tenders addressed to all holders of record of Preference Shares First Series at the lowest price at which in the opinion of the directors such shares are obtainable but not exceeding \$105 per share plus costs of purchase and accrued dividends. The Amalgamated Corporation shall, on or before the first day of May in each year commencing with the year 1974, set aside for the purchase of Preference Shares First Series for cancellation the sum of \$100,000, provided that the aggregate amount set aside in the purchase fund shall not at any time be in excess of \$200,000. Subject to certain restrictions, the Preference Shares First Series are redeemable at the option of the Amalgamated Corporation in whole at any time or in part from time to time on not less than 30 days' notice at a redemption price of \$105 per share together with all unpaid preferential dividends accrued thereon to the redemption date.

RESTRICTION ON DIVIDENDS ON CLASS A AND COMMON SHARES—No cash dividends shall be declared or paid on the Class A Shares, Class B Shares, Special Shares, Class D Shares or Common Shares or any other shares ranking junior to the Preference Shares First Series unless all accrued dividends on the Preference Shares First Series shall have been declared and paid or provided for to the last quarterly dividend payment date.

VOTING RIGHTS—The holders of the Preference Shares First Series are not entitled to attend or vote at meetings of shareholders unless the Amalgamated Corporation shall fail to pay in the aggregate 6 quarterly dividends on the Preference Shares First Series. Thereafter, so long as any dividends remain in arrears, the holders of Preference Shares First Series are entitled to one vote in respect of each Preference Share First Series held and in addition are entitled as a class to elect 3 members of the board of directors of the Amalgamated Corporation.

AMENDMENT—The provisions attached to the Preference Shares as a class and the Preference Shares First Series as a series may be deleted or varied and the authorized number of Preference Shares or shares ranking prior thereto may be increased if authorized by at least two-thirds of the votes cast at a meeting of the holders of Preference Shares and/or Preference Shares First Series duly called for that purpose, in addition to the requirements for approval by shareholders in general.

CLASS A SHARES

PRIORITY OF PREFERENCE SHARES—The rights of the holders of the Class A Shares are subject to the prior rights and preferences attaching to the Preference Shares.

DIVIDENDS—The holders of the Class A Shares will be entitled to receive as and when declared by the directors fixed cumulative preferential cash dividends at the rate of \$1.20 per share per annum accruing from July 1, 1973 and payable quarterly on the first days of January, April, July and October in each year. No dividends shall be paid on the Special Shares, the Class B Shares, the Class D Shares or the Common Shares until the full preferential dividend for the current quarter has been paid on the Class A Shares.

LIQUIDATION—In the event of the liquidation or other distribution of the assets of the Amalgamated Corporation for the purpose of winding up its affairs, the holders of the Class A Shares are entitled to receive an

amount equal to \$20 per share together with all accrued and unpaid cumulative preferential dividends and, after the holders of the Class B Shares have been paid the amount to which they are entitled and the holders of the Special Shares, the Class D Shares and the Common Shares have received an amount equal to \$5 per share, any remaining assets are to be distributed among the holders of Class A Shares, Special Shares, Class D Shares and Common Shares, share and share alike.

PURCHASE AND REDEMPTIONS—The Class A Shares are not redeemable by the Amalgamated Corporation.

The Amalgamated Corporation may at any time purchase for cancellation the whole or any part of the Class A Shares outstanding in the market or by invitation for tenders addressed to all the shareholders of record of the Class A Shares at the lowest price at which in the opinion of the directors such shares are obtainable but not exceeding \$25 per share. The Amalgamated Corporation shall, on or before the 1st day of May in each year commencing with the year 1974, set aside as a purchase fund for the purchase of Class A Shares for cancellation the sum of \$100,000, provided that the amount at any time in the purchase fund is not to exceed \$200,000.

VOTING RIGHTS—The holders of Class A Shares are not entitled to attend or vote at meetings of shareholders unless the Amalgamated Corporation shall fail to pay in the aggregate 8 quarterly dividends on the Class A Shares; thereafter, so long as any dividends on the Class A Shares remain in arrears, the holders of Class A Shares are entitled to one vote in respect of each Class A Share held.

AMENDMENT—The provisions attached to the Class A Shares may be deleted or varied and the authorized number of Class A Shares or shares ranking prior thereto may be increased if authorized by at least two-thirds of the votes cast at a meeting of the holders of Class A Shares duly called for that purpose, in addition to the requirements for approval by shareholders in general.

CLASS B SHARES

DIVIDENDS—The holders of Class B Shares will be entitled to a cash dividend of \$1.20 per share per annum payable quarterly on such dates as the board of directors shall determine. After December 31, 1974 no dividend shall be declared or paid on the Special Shares, the Class D Shares or the Common Shares or any shares ranking junior to the Class B Shares unless during the 13 calendar months preceding the month of such declaration or payment, as the case may be, dividends aggregating \$1.20 per share have been paid or authorized for payment on the Class B Shares.

VOTING RIGHTS—The holders of the Class B Shares are not to be entitled to attend or vote at any meeting of shareholders, but they are to be entitled to receive notice of meetings called for the purpose of the dissolution or the sale of its undertaking or a substantial part thereof and to receive copies of financial statements of the Amalgamated Corporation.

RETURN OF CAPITAL—In the event of liquidation, dissolution or winding up, the holders of the Class B Shares are to be entitled to receive the amount paid up on such Class B Shares, together with all declared and unpaid preferential dividends, in priority to the Common Shares or any shares ranking junior to the Class B Shares but shall not be entitled to share in any further distribution of the property or assets of the Amalgamated Corporation.

REDEMPTION AND PURCHASE FOR CANCELLATION—The Amalgamated Corporation may at any time or from time to time after June 15, 1980 redeem or purchase for cancellation the whole or any part of the Class B Shares outstanding at, or at a price not exceeding, the par value thereof, together with all declared and unpaid preferential dividends and, in the case of purchase for cancellation, costs of purchase.

CONVERSION RIGHTS—The holders of fully paid Class B Shares will have the right at any time (up to the close of business on the third business day prior to the date fixed for redemption) to convert all or any part of such shares into fully paid Special Shares or Class D Shares without par value (as the same shall be constituted on the date of the amalgamation becoming effective) on the basis of one Special Share or one Class D Share for each Class B Share converted. Neither the number of the outstanding Class B Shares nor the number of the outstanding Special Shares nor the number of the outstanding Class D Shares nor the number of the outstanding Common Shares shall be increased or decreased by reason of being subdivided, consolidated or reclassified unless contemporaneously therewith the number of shares of the other classes of such shares shall be subdivided, consolidated or reclassified in the same proportion and in the same manner.

AMENDMENT—The provisions attached to the Class B Shares may be deleted or varied and the authorized number of Class B Shares or shares ranking prior thereto may be increased if authorized by at least two-thirds of the votes cast at a meeting of the holders of Class B Shares duly called for that purpose, in addition to the requirements for approval by shareholders in general.

PRIOR RIGHTS—The Special Shares, the Class D Shares and the Common Shares rank junior to the Class B Shares and are subject to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching thereto.

SPECIAL SHARES AND CLASS D SHARES

DIVIDENDS—The Special Shares, the Class D Shares and the Common Shares shall participate equally as to dividends. In declaring dividends the directors may provide (without making any such provision in respect of payment of dividends on the Class D Shares or Common Shares) for payment in whole or in part of dividends on the Special Shares by way of a cash dividend out of tax-paid undistributed surplus on hand or out of 1971 capital surplus on hand as defined in the Income Tax Act (Canada), provided that no such provision for payment may be made in respect of any such dividend on the Special Shares unless forthwith following the making of such provision the directors declare a cash dividend, payable forthwith following the payment of the said dividend on the Special Shares, on each Class D Share and each Common Share then outstanding equal to the sum of (i) the cash dividend per share payable at that time on each Special Share then outstanding plus (ii) in the case of a dividend on the Special Shares paid out of tax-paid undistributed surplus on hand an amount equal to the tax paid by the Corporation and/or by any one or more of its subsidiary corporations and/or by Atlantic under the said Income Tax Act or any predecessor statutes to create tax-paid undistributed surplus on hand equal to an amount of cash dividend per share payable at that time on each Special Share then outstanding.

CONVERSION RIGHTS—Any holder of Special Shares shall be entitled at his option at any time to have all or any of the Special Shares held by him converted into Class D Shares as the same shall be constituted at the time of conversion upon the basis of one Class D Share for each one Special Share in respect of which the conversion right is exercised. Any holder of Class D Shares shall be entitled at his option at any time to have all or any of the Class D Shares held by him converted into Special Shares as the same shall be constituted at the time of conversion upon the basis of one Special Share for each one Class D Share in respect of which the conversion right is exercised. Neither the number of the outstanding Class B Shares nor the number of the outstanding Special Shares nor the number of the outstanding Class D Shares nor the number of the outstanding Common Shares shall be increased or decreased by reason of being subdivided, consolidated or reclassified unless contemporaneously therewith the number of shares of the other classes of such shares shall be subdivided, consolidated or reclassified in the same proportion and in the same manner.

LIQUIDATION—In the event of the liquidation, dissolution or winding up of the Amalgamated Corporation, subject to the rights of the holders of the Preference Shares, after payment to the holders of the Class A Shares of the sum of \$20 per share together with all accrued and unpaid dividends thereon and to the holders of Class B Shares of the amounts to which they are entitled, the holders of the Special Shares, the Class D Shares and the Common Shares shall be entitled to be paid the sum of \$5 per share out of the remaining property and assets of the Amalgamated Corporation; thereafter all the remaining property and assets of the Amalgamated Corporation available for distribution shall be paid or distributed equally share for share to the holders of the Class A Shares, the Special Shares, the Class D Shares and the Common Shares respectively without preference or distinction.

AMENDMENT—The provisions attached to the Special Shares and the Class D Shares may be deleted or varied and the authorized number of Special Shares or Class B Shares or shares ranking prior thereto may be increased if authorized in the case of the Special Shares by at least two-thirds of the votes cast at a meeting of the holders of the Special Shares duly called for that purpose and in the case of the Class D Shares if authorized by at least two-thirds of the votes cast at a meeting of the holders of the Class D Shares duly called for that purpose, in addition to the requirements for approval by shareholders in general.

VOTING—The holder of each Special Share, each Class D Share and each Common Share is entitled to receive notice of and to attend and to one vote in respect of each Special Share, each Class D Share and each Common Share held at all annual and general meetings of the Amalgamated Corporation.

COMMON SHARES

The rights of the holders of Common Shares are subject to the prior rights and preferences attaching to the Preference Shares, Class A Shares, Class B Shares, Special Shares and Class D Shares. The holders of Common Shares are entitled to one vote in respect of each Common Share held and to such dividends (subject to the participation of Special Shares and Class D Shares) as shall from time to time be declared by the directors. In the event of the liquidation, dissolution or winding up of the Amalgamated Corporation, subject to the rights of the holders of the Preference Shares, after payment to the holders of the Class A Shares of the sum of \$20 per share together with all accrued and unpaid dividends thereon and to the holders of Class B Shares of the amounts to which they are entitled, the holders of the Special Shares, the Class D Shares and the Common Shares are entitled to the sum of \$5 per share; thereafter all the remaining property and assets of the Amalgamated Corporation available for distribution shall be paid or distributed equally share for share to the holders of the Class A Shares, the Special Shares, the Class D Shares and the Common Shares respectively without preference or distinction.

VOTING

Reference is made to the information under the headings "Voting Shares and Principal Holders thereof of Atlantic" and "Voting Shares and Principal Holders thereof of Glengair" respectively and the information in respect of holdings of the directors of the respective amalgamating corporations set forth under the headings "Information Concerning Nominees as Directors of Atlantic" and "Information Concerning Nominees as Directors of Glengair".

The boards of directors of both corporations believe that the approval by the shareholders of the amalgamation agreement and the amalgamation will be in the best interests of both amalgamating corporations and their shareholders and recommend a favourable vote for the following resolutions which will be presented at each meeting referred to above:

BE IT RESOLVED THAT

the resolution of the board of directors of the Corporation approving the amalgamation agreement between Atlantic Sugar Refineries Co. Limited and The Glengair Group Limited, authorizing the execution and delivery of such agreement and authorizing the proper officers of the Corporation to take such steps as may be necessary to carry the said amalgamation agreement into effect be and the same is hereby confirmed.

In addition, the board of directors of Atlantic recommends a favourable vote upon the following resolution which will be presented to the annual meeting of Atlantic, to the meeting of the holders of 5% Cumulative Redeemable Preference Shares of Atlantic and to the meeting of the holders of Class A Shares of Atlantic:

BE IT RESOLVED THAT

the Arrangement dated April 24, 1973 referred to in the notice calling this meeting and forming part of the information circular accompanying such notice between the Corporation and its shareholders be and the same is hereby agreed to.

In addition, the board of directors of Glengair recommends a favourable vote upon the following resolution which will be presented only to the annual meeting of Glengair and the meeting of the holders of the 6% Non-cumulative Convertible Non-voting Class B Preference Shares of Glengair:

BE IT RESOLVED THAT

the resolution passed by the board of directors of the Corporation authorizing an amendment to the Articles of Incorporation of the Corporation, among other things, redividing the 3,180,592 6% Non-cumulative Convertible Non-voting Class B Preference Shares with a par value of \$5 each of the Corporation into 795,148 6% Non-cumulative Convertible Non-voting Class B Preference Shares with a par value of \$20 each, cancelling 11,819,331 unissued 6% Non-cumulative Convertible Non-voting Class B Preference Shares without par value of the Corporation and consolidating the 11,727,980 issued Common Shares into 2,931,995 Common Shares without par value be and the same is hereby confirmed without variation.

For particulars of the Arrangement with the shareholders of Atlantic and the amendment to the Articles of Glengair and the votes required see page 28 of this information circular. Unless there is the appropriate vote in favour of each of the above resolutions at each of the meetings at which they are presented, the amalgamation will not be proceeded with.

CANADIAN TAX CONSEQUENCES

Atlantic has received an opinion of Messrs. McCarthy & McCarthy of Toronto that:

1. The carrying out of the proposed Arrangement between Atlantic and its shareholders should not constitute a disposition of shares by shareholders of Atlantic for purposes of the Income Tax Act (Canada), in which event no tax will be payable by the shareholders of Atlantic on account of income or capital gains by reason of the Arrangement.
2. No tax should be payable under the Income Tax Act (Canada) by shareholders of Atlantic on account of capital gains by reason of the amalgamation between Atlantic and Glengair following implementation of the Arrangement.
3. Where a shareholder of Atlantic has acquired his shares after December 31, 1971 (otherwise than in a non-arm's length transaction), his cost base for the shares of the Amalgamated Corporation will be the adjusted cost of the original shares.
4. Where a shareholder of Atlantic owned his present shares on December 31, 1971, the so-called "tax-free zone" rules will ordinarily be applicable in determining the adjusted cost base for such shares, in the absence of an election to the contrary by an individual shareholder with respect to all his capital property made on or before the date on which he is required to file his income tax return for his first taxation year in which he "disposes" of a capital asset. Under the present provisions of the Income Tax Act (Canada) such adjusted cost base will be deemed to be his cost of the shares of the Amalgamated Corporation into which his present shares are converted. Following the amalgamation the "tax-free zone" rules will no longer apply in determining the adjusted cost base of shares of the Amalgamated Corporation.
5. Under the present provisions of the Income Tax Act (Canada) the effect of the "tax-free zone" rules for a shareholder of Atlantic who owned such shares on December 31, 1971 is that the cost base of his shares of the Amalgamated Corporation will be fixed at the figure which is neither the greatest nor the least of (a) his original cost of his Atlantic shares, (b) the value of such shares on December 22, 1971 (the "Valuation Day value"), and (c) the value of such shares immediately prior to the amalgamation (the "Amalgamation Day value"). Assuming (as appears likely) that the Amalgamation Day value of the shares of Atlantic is greater than the Valuation Day value of such shares, a shareholder's adjusted cost base of such shares will be adversely affected only if the cost was higher than the Amalgamation Day value; in that event, the cost of the shares of the Amalgamated Corporation will be fixed at the Amalgamation Day value and the benefit of the higher original cost of his Atlantic shares under the "tax-free zone" rules will be eliminated.
6. In the 1973 Budget resolutions the Government has announced its intention to amend the Income Tax Act in order to provide that in the case of an amalgamation occurring after February 19, 1973, subject to certain conditions, a shareholder who owned shares of an amalgamating corporation on December 31, 1971 will be permitted to determine his gain or loss on the disposition of his shares of the amalgamated corporation using the "tax-freezone" rules provided no election to the contrary has been made. This would apply to a shareholder who owned his present shares of Atlantic on December 31, 1971. The shareholder's original cost and the Valuation Day value of his shares of the Amalgamated Corporation would be deemed to be the original cost and the Valuation Day value respectively of his shares of Atlantic. The shareholder would be treated as having owned his shares of the Amalgamated Corporation from the time at which he acquired his shares of Atlantic, and as not having "disposed" of those shares by virtue of the amalgamation. Any adjustments to the cost of the shares of Atlantic would be carried through to his shares of the Amalgamated Corporation. To date, however, Parliament has not yet enacted legislation implementing this Budget resolution.
7. The "tax-free zone" rules do not apply to shares which are not capital assets in the hands of a shareholder—e.g. where the shareholder is a trader or dealer in securities.
8. A portion (which Atlantic has advised is approximately \$4,050,000) of Atlantic's 1971 undistributed income on hand is "designated surplus" vis a vis Glengair for purposes of Section 192 of the Income Tax Act. If the amalgamation takes place while such amount remains "designated", tax of 25% of such portion will be payable by the Amalgamated Corporation under Subsections (1)

and (3) of Section 192. If, prior to the amalgamation, Atlantic elects, pursuant to Section 196, to pay and pays tax of 15% on an amount equal to the amount of Atlantic's 1971 undistributed income on hand (as defined in the Income Tax Act and which Atlantic has advised is approximately \$10,000,000) the 25% tax will not be payable upon the amalgamation. Payment of the 15% tax pursuant to Section 196 will convert the 1971 undistributed income on hand of Atlantic into "tax paid undistributed surplus on hand" which will be available in the Amalgamated Corporation for the payment of non-taxable dividends if the corporation so elects pursuant to Subsection (1) of Section 83 of the Income Tax Act. Upon receipt of such dividends the shareholders' adjusted cost base of the shares will be reduced (for Canadian capital gains tax purposes) by the amount of the dividend. All holders of Atlantic Common Shares other than Glengair will receive such Special Shares on the amalgamation.

9. A holder of Special Shares of the Amalgamated Corporation who does not wish to receive such dividends by reason of his own tax position will be entitled to exercise his conversion privilege and convert his Special Shares into Class D Shares. The conversion of a Special Share of the Amalgamated Corporation into a Class D Share will not constitute a disposition for Canadian capital gains tax purposes nor will the exercise of the right to convert a Class D Share into a Special Share constitute such a disposition. Upon either conversion the adjusted cost base of the share received in exchange will be the adjusted cost base of the share exchanged. However, if the "tax-free zone" rules should be applicable to the share exchanged by virtue of the amendment proposed in the 1973 Budget resolutions, those rules would not apply after the conversion to the shares acquired on the conversion.

Glengair has received an opinion of Messrs. Fraser & Beatty of Toronto that:

1. The proposed consolidations of the issued 6% Non-cumulative Convertible Non-voting Class B Preference Shares with a par value of \$5 each (the "Class B Preference Shares") and of the issued Common Shares without par value of Glengair will not result in a disposition of any such shares for income tax purposes and no tax under the Income Tax Act (Canada) will be payable by the shareholders on income or capital gains as a result of such consolidations.
2. The amalgamation will have the following consequences under the Income Tax Act (Canada) for holders of the Class B Preference Shares of Glengair:
 - (i) No tax should be payable by holders of the Class B Preference Shares of Glengair on income or capital gains as a result of the amalgamation, except as is indicated in paragraph 4 below.
 - (ii) Where a shareholder has acquired his Class B Preference Shares of Glengair after December 31, 1971 (otherwise than in a non-arm's length transaction), his cost of such shares will be his adjusted cost base for the 6% Class B Shares with a par value of \$20 each of the Amalgamated Corporation into which they are converted.
 - (iii) Where a shareholder owned his present Class B Preference Shares of Glengair on December 31, 1971 the so-called "tax-free zone" rules will ordinarily be applicable in determining the adjusted cost base for such shares in the absence of an election to the contrary by an individual shareholder with respect to all his capital property when he files his income tax return for 1972 or 1973. Under the present provisions of the Income Tax Act (Canada) such adjusted cost base at the time of the amalgamation will be deemed to be his cost of the 6% Class B Shares of the Amalgamated Corporation into which his present Class B Preference Shares of Glengair are converted. Following the amalgamation, the "tax-free zone" rules will no longer apply in determining the adjusted cost base of his 6% Class B Shares of the Amalgamated Corporation.
 - (iv) Under the present provisions of the Income Tax Act (Canada) the effect of the "tax-free zone" rules for a holder of Class B Preference Shares of Glengair who owned such shares on December 31, 1971 is that the cost of his 6% Class B Shares of the Amalgamated Corporation will be fixed at the figure which is neither the greatest nor the least of (a) his original cost of his Class B Preference Shares of Glengair, (b) the value of such shares on December 22, 1971 (the "Valuation Day value"), and (c) the value of such shares immediately prior to the amalgamation (the "Amalgamation Day value"). Assuming (as appears likely) that the Amalgamation Day value of the Class B Preference Shares of Glengair is greater than the Valuation Day

value of such shares, the shareholder's adjusted cost base will be adversely affected only if his cost of such shares was higher than the Amalgamation Day value; in that event, the cost of the 6% Class B Shares of the Amalgamated Corporation will be fixed at the Amalgamation Day value and the benefit of the higher original cost under the "tax-free zone" rules will be eliminated.

- (v) In the 1973 Budget resolutions the Government has announced its intention to introduce an amendment which would provide that in case of an amalgamation occurring after February 19, 1973, subject to certain conditions, a shareholder who owned shares of an amalgamating company on December 31, 1971 will be permitted to determine his gain or loss on the disposition of his shares of the amalgamated company using the "tax-free zone" rules provided no election to the contrary has been made. This would apply to a shareholder who owned his present Class B Preference Shares of Glengair on December 31, 1971. The shareholder's original cost and the Valuation Day value of his Class B Preference Shares of Glengair would be deemed to be the original cost and the Valuation Day value respectively of his 6% Class B Shares of the Amalgamated Corporation. The latter shares would be regarded as having been acquired by the shareholder when he acquired his Class B Preference Shares of Glengair. Parliament has not yet enacted legislation implementing this Budget resolution.
3. The amalgamation will have the following consequences under the Income Tax Act (Canada) for holders of the Common Shares without par value of Glengair:
- (i) A holder of Common Shares of Glengair will be deemed for income tax purposes to have disposed of such shares at the time of the amalgamation and to have acquired in exchange therefor Special Shares without par value of the Amalgamated Corporation. Accordingly, a holder of the Common Shares of Glengair will have a capital gain or a capital loss equal to the amount, if any, by which the value on the date of the amalgamation of such Special Shares which he acquires exceeds or is exceeded by, as the case may be, his adjusted cost base for the Common Shares of Glengair which he disposes of on the amalgamation. Where a shareholder has acquired his Common Shares of Glengair after December 31, 1971 (otherwise than in a non-arms length transaction) his adjusted cost base of such Common Shares will be based on his original cost thereof. The adjusted cost base of Common Shares of Glengair which were owned by the shareholder on December 31, 1971 ordinarily will be determined by the "tax-free zone" rules referred to in item (iv) of paragraph 2 above, in the absence of an election to the contrary by an individual shareholder as referred to in item (iii) of paragraph 2 above.
 - (ii) The adjusted cost base to the shareholder of the Special Shares of the Amalgamated Corporation acquired by him on the amalgamation will be the value immediately before the amalgamation of the Common Shares of Glengair disposed of in exchange therefor.
 - (iii) The "tax-free zone" rules and the proposed amendment referred to in items (iii) to (v) of paragraph 2 above would not be applicable in determining the adjusted cost base of the Special Shares of the Amalgamated Corporation following the amalgamation.
4. The "tax-free zone" rules do not apply to shares which are not capital assets in the hands of a shareholder—e.g., where the shareholder is a trader or dealer in securities. Items (iii) to (v) of paragraph 2 above would not apply to such a shareholder.
5. Where a holder of 6% Class B Shares with a par value of \$20 each or Special Shares without par value or Class D Shares without par value of the Amalgamated Corporation (the "Convertible Shares") exercises the conversion rights attaching thereto and thereby acquires Class D Shares or Special Shares of the Amalgamated Corporation, such conversion will not be treated for income tax purposes as a disposition of the Convertible Shares which he has so converted. No tax will be payable under the Income Tax Act (Canada) by the shareholder on income or capital gains as a result of such conversion and his adjusted cost base of such Convertible Shares immediately before the conversion will be deemed to be his adjusted cost base of the Special Shares or Class D Shares, as the case may be, acquired as a result of the conversion. However, following the conversion the "tax-free zone" rules referred to in items (iii) to (v) of paragraph 2 above would not be applicable in determining his adjusted cost base of the Special Shares or Class D Shares acquired on the conversion.

ARRANGEMENT WITH SHAREHOLDERS OF ATLANTIC

As part of the amalgamation procedure Atlantic is to become bound by an arrangement between Atlantic and its shareholders (a) providing that the authorized capital shall be 80,000 Preference Shares with a par value of \$100 each, issuable in series, the first series to consist of and be the presently outstanding 75,000 5% Cumulative Redeemable Preference Shares which are to be designated as 6% Cumulative Redeemable Preference Shares, First Series, 600,000 \$1.20 Class A Shares without par value of which 435,000 shares shall be outstanding and 9,000,000 Common Shares without par value of which 5,460,600 shares shall be outstanding and (b) amending the provisions attaching to the 5% Cumulative Redeemable Preference Shares to remove certain restrictive conditions attached to such shares which were established in the early days of Atlantic and which now hinder Atlantic's ability to grow, to increase the dividend rate on such shares and to provide for class provisions and series provisions and (c) amending the Class A Share provisions to include provision for a purchase fund. In order that the arrangement should become effective it must be adopted by a vote of at least three-fourths of the shares of each class represented at the respective meetings of shareholders of Atlantic referred to above. Following such adoption Atlantic proposes to apply to the Supreme Court of Ontario for an order approving the arrangement and if such order is obtained then to deliver to the Minister of Consumer and Commercial Relations a statement in duplicate executed under the seal of Atlantic setting forth the required material and obtaining from the Minister a certificate setting forth the date of the filing of the scheme of arrangement whereupon the arrangement will be effective upon such date. Atlantic does not propose to obtain such a certificate unless immediately following the obtaining of such a certificate Atlantic and Glengair are to be amalgamated as provided for in the amalgamation agreement.

The only interest of the directors of Atlantic in the Arrangement is as shareholders of Atlantic and the effect of the Arrangement on such interest is no different from its effect on the interest of other shareholders of Atlantic.

AMENDMENT TO ARTICLES OF GLENGAIR

As part of the amalgamation procedure Glengair is to amend its Articles of Incorporation to consolidate 3,180,592 issued 6% Non-cumulative Convertible Non-voting Class B Preference Shares with a par value of \$5 each into 795,148 6% Non-cumulative Convertible Non-voting Class B Preference Shares with a par value of \$20 each, to cancel 11,819,331 unissued 6% Non-cumulative Convertible Non-voting Class B Preference Shares with a par value of \$5 each and to consolidate 11,727,980 issued Common Shares without par value into 2,931,995 Common Shares without par value. The resolution authorizing this amendment passed by the directors must be confirmed by at least two-thirds of the votes cast at the annual meeting of the shareholders of Glengair and by two-thirds of the votes cast at the meeting of the holders of 6% Non-cumulating Convertible Non-voting Class B Preference Shares. Glengair proposes contemporaneously with Atlantic obtaining a certificate with respect to the filing of its arrangement to obtain a certificate from the Minister of Consumer and Commercial Relations amending the articles of incorporation of Glengair. Glengair does not propose to obtain such last mentioned certificate unless immediately following the obtaining of such a certificate Atlantic and Glengair are to be amalgamated as provided for in the amalgamation agreement.

VOTING OF PROXIES FOR ATLANTIC AND GLENGAIR

A SHAREHOLDER OF ANY CLASS OF SHARES OF ATLANTIC OR GLENGAIR HAS THE RIGHT TO APPOINT A PERSON (WHO NEED NOT BE A SHAREHOLDER) TO ATTEND AND ACT FOR HIM AND ON HIS BEHALF AT THE MEETING AT WHICH HE IS ENTITLED TO VOTE OTHER THAN THE PERSONS DESIGNATED IN THE APPROPRIATE FORM OF PROXY. TO EXERCISE THIS RIGHT THE SHAREHOLDER MAY INSERT THE NAME OF THE DESIRED PERSON IN THE BLANK SPACE PROVIDED IN THE PROXY AND STRIKE OUT THE OTHER NAMES OR MAY SUBMIT ANOTHER APPROPRIATE PROXY.

The shares represented by the proxy will be voted and where a choice is specified in a proxy the proxy will be voted in accordance with the specifications so made. IF NO SPECIFICATION IS MADE IN THE PROXY WITH RESPECT TO THE MATTERS SET OUT THEREIN, THE PROXY WILL BE VOTED IN FAVOUR OF EACH MATTER.

Each form of proxy confers discretionary authority with respect to amendments or variations to matters identified in the notice of meeting to which the proxy relates and other matters which may properly come before such meeting.

It is not intended to use any proxy for the purpose of voting upon the consolidated financial statements of Atlantic and its subsidiary companies or of Glengair and its subsidiary companies for the year ended December 31, 1972 and the reports of the auditors thereon.

A shareholder executing a form of proxy has the power to revoke it at any time before it is exercised. Section 116(4) of The Business Corporations Act (Ontario) sets out a procedure for revoking proxies by the deposit of an instrument in writing at the head office of Atlantic or Glengair, as the case may be, or with the Chairman of the meeting to which such proxy relates.

GENERAL

The managements of Atlantic and Glengair know of no matters to come before the meetings referred herein, other than the matters referred to in the appropriate notices of the meetings. However, if any other matters which are not now known to the managements should properly come before any meeting, the form of proxy appropriate to such meeting will be voted on such matters in accordance with the best judgment of the person voting the proxy.

April 24, 1973.

AUDITED FINANCIAL STATEMENTS
OF
ATLANTIC SUGAR REFINERIES CO. LIMITED
FOR THE YEAR ENDED DECEMBER 31, 1972
AND
FIVE YEAR COMPARATIVE DATA
1968 TO 1972

ATLANTIC SUGAR
and
Consolidated Balance

ASSETS	1972	1971
	\$	\$
CURRENT ASSETS		
Cash and short-term deposits	3,542,143	1,837,083
Marketable investments at cost less provision for loss (quoted value—1972—\$3,884,000; 1971—\$4,004,000)	4,071,082	4,008,124
Accounts receivable	12,742,864	9,529,628
Inventories—at the lower of cost or net realizable value	19,898,697	13,236,961
Prepaid expenses	587,844	707,547
	<u>40,842,630</u>	<u>29,319,343</u>
FIXED ASSETS (note 2)	84,754,665	82,235,080
Accumulated depreciation	20,864,132	18,286,938
	<u>63,890,533</u>	<u>63,948,142</u>
EXCESS OF COST OF SUBSIDIARIES OVER EQUITY AT DATE OF ACQUISITION . . .	1,285,651	1,285,651
	<u><u>106,018,814</u></u>	<u><u>94,553,136</u></u>

Signed on behalf of the Board

W. J. R. PATON, Director

J. H. HAWKE, Director

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Atlantic Sugar Refineries Co. Limited and subsidiaries as at December 31, 1972 and the consolidated statements of earnings, retained earnings and source and use of working capital 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.

REFINERIES CO. LIMITED

Subsidiaries

Sheet as at December 31, 1972

LIABILITIES

	1972	1971
	\$	\$
CURRENT LIABILITIES		
Bank advances and short-term notes.....	7,203,188	1,477,560
Accounts payable and accrued liabilities.....	8,502,985	6,165,140
Dividends payable January 2.....	676,560	676,560
Income taxes.....	(12,225)	448,662
Current portion of long-term debt.....	<u>795,096</u>	<u>1,029,847</u>
	17,165,604	9,797,769
LONG-TERM DEBT (note 3).....	23,492,569	25,069,039
DEFERRED INCOME TAXES (note 4).....	<u>1,816,271</u>	<u> </u>
	<u>42,474,444</u>	<u>34,866,808</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 5)		
Issued and fully paid—		
75,000 5% preference shares.....	7,500,000	7,500,000
435,000 class A shares.....	1,910,000	1,910,000
5,460,600 common shares.....	<u>664,200</u>	<u>664,200</u>
	10,074,200	10,074,200
CONTRIBUTED SURPLUS.....	13,204,865	13,204,865
RETAINED EARNINGS.....	<u>40,265,305</u>	<u>36,407,263</u>
	<u>63,544,370</u>	<u>59,686,328</u>
	<u>106,018,814</u>	<u>94,553,136</u>

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Quebec
February 9, 1973.

McDonald, Currie & Co.,
Chartered Accountants

ATLANTIC SUGAR REFINERIES CO. LIMITED

and Subsidiaries

Consolidated Statement of Retained Earnings

For the year ended December 31, 1972

	1972	1971
	\$	\$
BALANCE—BEGINNING OF YEAR.....	36,407,263	31,988,460
Net earnings for the year.....	6,939,282	8,492,103
	<u>43,346,545</u>	<u>40,480,563</u>
Dividends—		
5% preference shares.....	375,000	375,000
Class A shares.....	522,000	522,000
Common shares.....	2,184,240	2,730,300
	<u>3,081,240</u>	<u>3,627,300</u>
Deferred income taxes.....		446,000
	<u>3,081,240</u>	<u>4,073,300</u>
BALANCE—END OF YEAR.....	<u>40,265,305</u>	<u>36,407,263</u>

Consolidated Statement of Source and Use of Working Capital

For the year ended December 31, 1972

	1972	1971
	\$	\$
SOURCE OF WORKING CAPITAL		
Net earnings for the year.....	6,939,282	8,492,103
Items not affecting working capital—		
Depreciation.....	2,923,190	2,781,614
Deferred income taxes.....	1,816,271	(446,000)
Capital gain on sale of fixed assets.....		(1,134,461)
Provided from operations.....	11,678,743	9,693,256
Proceeds from sale of fixed assets.....	125,693	1,644,330
Collection of notes receivable.....		1,074,586
	<u>11,804,436</u>	<u>12,412,172</u>
USE OF WORKING CAPITAL		
Additions to fixed assets.....	2,991,274	1,410,944
Dividends.....	3,081,240	3,627,300
Redemption of long-term debt.....	1,576,470	2,923,845
	<u>7,648,984</u>	<u>7,962,089</u>
INCREASE IN WORKING CAPITAL.....	4,155,452	4,450,083
WORKING CAPITAL—BEGINNING OF YEAR.....	<u>19,521,574</u>	<u>15,071,491</u>
WORKING CAPITAL—END OF YEAR.....	<u>23,677,026</u>	<u>19,521,574</u>

ATLANTIC SUGAR REFINERIES CO. LIMITED

and Subsidiaries

Consolidated Statement of Earnings

For the year ended December 31, 1972

	1972	1971
	\$	\$
SALES.....	105,833,832	95,595,053
COST OF SALES, SELLING DISTRIBUTION AND GENERAL EXPENSES.....	93,249,479	81,306,773
OPERATING PROFIT BEFORE THE FOLLOWING ITEMS.....	<u>12,584,353</u>	<u>14,288,280</u>
Income from investments.....	200,554	290,651
Other income.....	337,460	365,163
	<u>538,014</u>	<u>655,814</u>
	<u>13,122,367</u>	<u>14,944,094</u>
Depreciation.....	2,923,190	2,781,614
Interest on long-term debt.....	1,625,300	1,871,838
	<u>4,548,490</u>	<u>4,653,452</u>
	<u>8,573,877</u>	<u>10,290,642</u>
PROVISION FOR INCOME TAXES		
Current.....	1,326,430	5,915,000
Deferred.....	1,816,271	(446,000)
	<u>3,142,701</u>	<u>5,469,000</u>
EARNINGS BEFORE EXTRAORDINARY ITEMS.....	5,431,176	4,821,642
EXTRAORDINARY ITEMS (note 6).....	1,508,106	3,670,461
NET EARNINGS FOR THE YEAR.....	<u><u>6,939,282</u></u>	<u><u>8,492,103</u></u>
BASIC EARNINGS PER COMMON SHARE (note 7)		
Earnings before extraordinary items.....	.83	.72
Extraordinary items.....	<u>.28</u>	<u>.67</u>
Net earnings for the year.....	<u><u>1.11</u></u>	<u><u>1.39</u></u>

ATLANTIC SUGAR REFINERIES CO. LIMITED and Subsidiaries

Notes to Consolidated Financial Statements

for the year ended December 31, 1972

1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiary companies, including the newly incorporated Berlantinc Insurance Company Limited, all of which are wholly-owned.

2. FIXED ASSETS

(a) Fixed assets are classified as follows:

	1972			1971
	Cost \$	Accumulated depreciation \$	Net \$	Net \$
Land	919,718		919,718	946,903
Buildings	16,087,870	4,398,072	11,689,798	12,077,783
Timber limits	480,000		480,000	480,000
Plant, equipment, furniture and fixtures	37,135,892	11,839,641	25,296,251	26,000,872
Ships	30,131,185	4,626,419	25,504,766	24,442,584
	<u>84,754,665</u>	<u>20,864,132</u>	<u>63,890,533</u>	<u>63,948,142</u>

(b) The Saint John sugar refinery is carried at values as appraised by Stone and Webster Engineering Corporation in 1954 with subsequent additions at cost, less retirements.

3. LONG-TERM DEBT

(a) Long-term debt is classified as follows:

	1972			1971
	Total outstanding \$	Current portion \$	Long-term portion \$	Long-term portion \$
Sinking fund bonds—				
Series "A" 4% maturing in 1974	2,956,000	184,000	2,772,000	3,126,500
Series "A" 6¾% maturing in 1984	3,636,000		3,636,000	4,221,000
Series "C" 6% maturing in 1985 (U.S. \$6,990,000) ..	7,489,749	302,162	7,187,587	7,489,749
First mortgage bonds—				
6¼% maturing quarterly until 1982	1,050,487	87,304	963,183	1,057,986
7¼% maturing semi-annually until 1987	1,315,877	53,708	1,262,169	1,315,877
8¼% maturing semi-annually until 1988	3,805,024	129,072	3,675,952	3,805,025
8¾% maturing semi-annually until 1988	848,405	21,312	827,093	848,034
Other—				
8½% note payable due 1976	2,750,000		2,750,000	2,750,000
Miscellaneous	436,123	17,538	418,585	454,868
	<u>24,287,665</u>	<u>795,096</u>	<u>23,492,569</u>	<u>25,069,039</u>

(b) Payments required in the next five years to meet long-term debt instalments and sinking fund provisions are:

1973	\$ 795,096
1974	3,489,649
1975	998,884
1976	4,243,296
1977	1,513,219

4. INCOME TAXES

The cumulative effect of claiming depreciation for income tax purposes in excess of the amounts provided in the accounts of Atlantic Sugar Refineries Co. Limited and subsidiaries up to December 31, 1972 has been a reduction of \$11,601,271 in income taxes otherwise payable. To the extent of \$9,785,000, this reduction has not been reflected in deferred income taxes.

5. CAPITAL STOCK

(a) The authorized capital stock is as follows:

75,000 5% cumulative redeemable preference shares of \$100 par value, redeemable at \$105
600,000 Class A \$1.20 cumulative preference shares without par value
9,000,000 common shares without par value

- (b) 524,400 authorized and unissued common shares have been reserved as follows:
- (i) 450,000 shares for the exercise of warrants issued in 1968 which entitle the holders to purchase one share for each warrant as follows:
 - Until March 1, 1973 at \$10 per share
 - Until March 1, 1976 at \$12 per share
 - Until March 1, 1978 at \$14 per share
 - (ii) 74,400 shares for stock options to officers and key employees. Options are outstanding covering 49,400 of such shares at \$7 each, such options terminating in June, 1979 and April, 1982.

6. EXTRAORDINARY ITEMS

Extraordinary items are as follows:

	1972	1971
Capital gain on sale of fixed assets	\$	\$
Reduction of income taxes on application of losses of prior years	1,508,106	1,134,461
Provision for estimated loss on marketable investments		3,311,000
		(775,000)
	<u>1,508,106</u>	<u>3,670,461</u>

7. EARNINGS PER COMMON SHARE

	1972		1971	
	Basic	Fully diluted	Basic	Fully diluted
Before extraordinary items	\$.83	\$.80	\$.72	\$.69
Extraordinary items . . . . .	.28	.25	.67	.62
Net earnings for the year	<u>1.11</u>	<u>1.05</u>	<u>1.39</u>	<u>1.31</u>

8. COMMITMENTS

- (a) Commitments under long-term leases amount to approximately \$863,000 per annum over the next twenty years.
- (b) The purchase price of a subsidiary acquired in 1970 includes an amount of \$2,750,000 which has not been reflected in the statements because this amount is contingent upon the earnings of such subsidiary over a five year period from the date of acquisition. The final price will be accounted for on January 1, 1976 with interest at 5%.
- (c) Under an agreement dated July 31, 1972 the company has agreed to acquire 1,000,000 shares of Venpower Limited at a cost of \$1.29 per share. This agreement is subject to approval by the shareholders.

9. STATUTORY INFORMATION

- (a) Sales by class of business were as follows:

	(000's omitted)			
	1972		1971	
	\$	%	\$	%
Sugar operations	63,815	60.30	56,374	58.97
Tube operations	19,898	18.80	16,476	17.24
Fish operations	14,018	13.24	14,590	15.26
Pulp operations	8,103	7.66	8,156	8.53
	<u>105,834</u>	<u>100.00</u>	<u>95,596</u>	<u>100.00</u>

- (b) The direct remuneration paid by the company and its subsidiaries during the year to the directors and senior officers amounted to \$286,500 (1971—\$314,300).

ATLANTIC SUGAR REFINERIES CO. LIMITED
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EARNINGS

	Year Ended December 31				
	1972	1971	1970	1969	1968
Sales.....	\$105,833,832	\$ 95,595,053	\$ 76,185,712	\$ 64,428,017	\$ 51,963,102
Cost of sales, selling, distribution and general expenses.....	<u>93,249,479</u>	<u>81,306,773</u>	<u>62,372,007</u>	<u>51,378,751</u>	<u>44,045,943</u>
Operating profit before the fol- lowing items.....	<u>12,584,353</u>	<u>14,288,280</u>	<u>13,813,705</u>	<u>13,049,266</u>	<u>7,917,159</u>
Income from investments..	200,554	290,651	491,608	314,810	239,238
Other income.....	<u>337,460</u>	<u>365,163</u>	<u>152,717</u>	<u>115,030</u>	<u>135,549</u>
	<u>538,014</u>	<u>655,814</u>	<u>644,325</u>	<u>429,840</u>	<u>374,787</u>
	<u>13,122,367</u>	<u>14,944,094</u>	<u>14,458,030</u>	<u>13,479,106</u>	<u>8,291,946</u>
Depreciation.....	2,923,190	2,781,614	2,670,948	2,552,431	2,058,842
Interest on long-term debt..	<u>1,625,300</u>	<u>1,871,838</u>	<u>1,684,004</u>	<u>1,719,671</u>	<u>1,511,048</u>
	<u>4,548,490</u>	<u>4,653,452</u>	<u>4,354,952</u>	<u>4,272,102</u>	<u>3,569,890</u>
	<u>8,573,877</u>	<u>10,290,642</u>	<u>10,103,078</u>	<u>9,207,004</u>	<u>4,722,056</u>
PROVISION FOR INCOME TAXES					
Current.....	1,326,430	5,915,000	4,100,000	4,000,000	2,700,000
Deferred.....	<u>1,816,271</u>	<u>(446,000)</u>	<u>(265,000)</u>	<u>(294,000)</u>	
	<u>3,142,701</u>	<u>5,469,000</u>	<u>3,835,000</u>	<u>3,706,000</u>	<u>2,700,000</u>
EARNINGS BEFORE EXTRAORDI- NARY ITEMS.....	<u>5,431,176</u>	<u>4,821,642</u>	<u>6,268,078</u>	<u>5,501,004</u>	<u>2,022,056</u>
EXTRAORDINARY ITEMS.....	<u>1,508,106</u>	<u>3,670,461</u>	<u>—</u>	<u>(183,700)</u>	<u>(3,563,322)</u>
NET EARNINGS (LOSS) FOR THE YEAR.....	<u><u>6,939,282</u></u>	<u><u>8,492,103</u></u>	<u><u>6,268,078</u></u>	<u><u>5,317,304</u></u>	<u><u>(1,541,266)</u></u>
BASIC EARNINGS PER COMMON SHARE					
Earnings before extraordinary items.....	.83	.72	.99	.84	.22
Extraordinary items.....	<u>.28</u>	<u>.67</u>	<u>—</u>	<u>(.03)</u>	<u>(.65)</u>
Net earnings for the year.....	<u><u>1.11</u></u>	<u><u>1.39</u></u>	<u><u>.99</u></u>	<u><u>.81</u></u>	<u><u>(.43)</u></u>

**ATLANTIC SUGAR REFINERIES CO. LIMITED
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year Ended December 31				
	1972	1971	1970	1969	1968
Balance—Beginning of year	\$ 36,407,263	\$ 31,988,460	\$ 29,060,622	\$ 26,284,318	\$ 31,025,271
Net earnings (loss) for the year .	6,939,282	8,492,103	6,268,078	5,317,304	(1,541,266)
	43,346,545	40,480,563	35,328,700	31,601,622	29,484,005
Dividends—					
5% preference shares	375,000	375,000	375,000	375,000	318,750
Class A shares	522,000	522,000	522,000	522,000	481,500
Common shares	2,184,240	2,730,300	2,178,240	1,350,000	2,025,000
	3,081,240	3,627,300	3,075,240	2,247,000	2,825,250
Deferred income taxes		446,000	265,000	294,000	
Miscellaneous					374,437
	3,081,240	4,073,300	3,340,240	2,541,000	3,199,687
BALANCE—END OF YEAR	\$ 40,265,305	\$ 36,407,263	\$ 31,988,460	\$ 29,060,622	\$ 26,284,318

**ATLANTIC SUGAR REFINERIES CO. LIMITED
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF SOURCE AND USE OF WORKING CAPITAL

	Year Ended December 31				
	1972	1971	1970	1969	1968
SOURCE OF WORKING CAPITAL					
Net earnings (loss) for the year	\$ 6,939,282	\$ 8,492,103	\$ 6,268,078	\$ 5,317,304	\$ (1,541,266)
Items not affecting working capital—					
Depreciation	2,923,190	2,781,614	2,670,948	2,552,431	2,058,842
Deferred income taxes . . .	1,816,271	(446,000)	(265,000)	(294,000)	
Capital gain on sale of fixed assets		(1,134,461)			
Provided from operations	11,678,743	9,693,256	8,674,026	7,575,735	517,576
Proceeds from sale of fixed assets	125,693	1,644,330			
Collection of notes receivable .		1,074,586			
Long term borrowings			2,803,240	334,100	5,046,000
Proceeds from sale of capital stock			544,200		5,400,000
Subsidies on ships					125,184
Write off of pre-operating & start-up expenses					3,614,013
	<u>11,804,436</u>	<u>12,412,172</u>	<u>12,021,466</u>	<u>7,909,835</u>	<u>14,702,773</u>
USE OF WORKING CAPITAL					
Additions to fixed assets	2,991,274	1,410,944	1,376,161	52,831	1,192,678
Dividends	3,081,240	3,627,300	3,075,240	2,247,000	2,825,250
Redemption of long-term debt	1,576,470	2,923,845	1,121,875	1,317,405	1,173,680
Acquisition of subsidiaries . . .			6,366,862		
Reduction of area development grant				75,780	
	<u>7,648,984</u>	<u>7,962,089</u>	<u>11,940,138</u>	<u>3,693,016</u>	<u>5,191,608</u>
INCREASE IN WORKING CAPITAL.	4,155,452	4,450,083	81,328	4,216,819	9,511,165
WORKING CAPITAL—					
BEGINNING OF YEAR	<u>19,521,574</u>	<u>15,071,491</u>	<u>14,990,163</u>	<u>10,773,344</u>	<u>1,262,179</u>
WORKING CAPITAL —					
END OF YEAR	<u>\$ 23,677,026</u>	<u>\$ 19,521,574</u>	<u>\$ 15,071,491</u>	<u>\$ 14,990,163</u>	<u>\$ 10,773,344</u>

AUDITED FINANCIAL STATEMENTS
OF
THE GLENGAIR GROUP LIMITED
FOR THE YEAR ENDED DECEMBER 31, 1972
AND
FIVE YEAR COMPARATIVE DATA
1968 TO 1972

ASSETS	1972	1971
CURRENT ASSETS		
Cash and short term deposits	\$ 7,356,019	\$ 6,084,673
Marketable securities, at cost less provision for loss (Market value 1972 \$10,277,026; 1971 \$11,804,431)	10,989,875	10,321,597
Accounts receivable	17,782,345	15,012,063
Inventories, at the lower of cost and net realizable value	25,079,216	19,625,694
Prepaid expenses and other assets	961,632	1,359,836
Taxes recoverable	37,963	94,491
	62,207,050	52,498,354
NOTES AND OTHER INVESTMENTS	1,046,390	713,329
FIXED ASSETS		
Land, buildings, machinery, equipment, leasehold improvements and ships, at cost	100,946,771	102,673,513
Accumulated depreciation, depletion and amortization	30,080,735	29,643,132
	70,866,036	73,030,381
DEFERRED CHARGES	967,739	1,055,438
EXCESS OF COST OF INVESTMENTS IN SUBSIDIARIES OVER BOOK VALUE OF NET ASSETS ACQUIRED		
	23,221,126	23,392,406
	\$158,308,341	\$150,689,908

Approved by the Board:

J. H. HAWKE, Director

C. W. LEONARDI, Director

GROUP LIMITED

(of the Province of Ontario)

by Companies

Balance Sheet

1972

LIABILITIES

	1972	1971
CURRENT LIABILITIES		
Bank advances (note 2).....	\$ 10,428,317	\$ 6,190,448
Demand bank loans (secured) (note 3).....	16,067,683	17,567,683
Demand note payable—7% (note 3).....	3,000,000	3,000,000
Accounts payable and accrued liabilities.....	12,765,113	10,402,478
Income taxes payable.....	745,645	564,365
Current instalments of long term debt.....	1,352,921	1,683,484
Dividends payable to minority shareholders of subsidiary companies.....	349,089	336,493
	<u>44,708,768</u>	<u>39,744,951</u>
LONG TERM DEBT (less current instalments) (note 5)		
Parent company.....	3,062,580	3,262,580
Subsidiary companies.....	26,598,976	30,655,248
	<u>29,661,556</u>	<u>33,917,828</u>
DEFERRED INCOME TAXES (note 4).....	2,521,346	479,305
MINORITY INTEREST IN SUBSIDIARY COMPANIES		
Preference shares—par value.....	10,411,144	10,503,362
Common shareholders' equity.....	23,256,156	21,732,838
	<u>33,667,300</u>	<u>32,236,200</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 6)		
Authorized		
1,000,000 cumulative redeemable Class A preference shares with a par value of \$25 each		
14,999,925 6% non-cumulative convertible non-voting Class B preference shares with a par value of \$5 each		
20,000,075 common shares without par value		
Issued and fully paid		
3,180,510 Class B preference shares.....	15,902,550	15,902,930
(1971 3,180,585)		
11,727,922 common shares.....	20,828,065	20,827,685
(1971 11,727,847)		
RETAINED EARNINGS.....	11,018,756	7,581,009
	<u>47,749,371</u>	<u>44,311,624</u>
	<u>\$158,308,341</u>	<u>\$150,689,908</u>

THE GLENGAIR GROUP LIMITED

and its Subsidiary Companies

Consolidated Statement of Retained Earnings

For the year ended December 31, 1972

	1972	1971
Balance, January 1	\$ 7,581,009	\$ 4,303,333
Net earnings for the year	<u>5,009,408</u>	<u>5,114,209</u>
	12,590,417	9,417,542
Preferred dividends, including \$607,293 (1971 \$608,484) paid to minority shareholders of subsidiary companies	1,561,468	1,562,699
Other	<u>10,193</u>	<u>273,834</u>
	<u>1,571,661</u>	<u>1,836,533</u>
Balance, December 31	<u><u>\$11,018,756</u></u>	<u><u>\$ 7,581,009</u></u>

Consolidated Statement of Earnings

For the year ended December 31, 1972

	1972	1971
Sales (net)	\$136,907,195	\$128,462,293
Cost of Sales	<u>104,563,944</u>	<u>94,540,970</u>
Gross earnings from operations	32,343,251	33,921,323
Operating expenses		
Administration and selling	15,149,212	15,451,130
Depreciation and depletion	<u>3,658,613</u>	<u>4,057,218</u>
	<u>18,807,825</u>	<u>19,508,348</u>
Earnings from operations	13,535,426	14,412,975
Financial expenses (net)		
Debtentures		
Interest	2,108,874	2,616,573
Amortization of financing costs	48,040	52,949
Other interest	<u>1,626,871</u>	<u>1,814,920</u>
	3,783,785	4,484,442
Investment and other income	<u>858,234</u>	<u>1,007,869</u>
	<u>2,925,551</u>	<u>3,476,573</u>
	10,609,875	10,936,402
Provision for income taxes		
Income taxes payable	2,373,770	6,120,862
Deferred income taxes	<u>1,753,072</u>	<u>(210,793)</u>
	<u>4,126,842</u>	<u>5,910,069</u>
	6,483,033	5,026,333
Minority interest	<u>2,092,411</u>	<u>1,886,176</u>
Earnings before extraordinary items	4,390,622	3,140,157
Extraordinary items (net) less income taxes and minority interest (note 7)	<u>618,786</u>	<u>1,974,052</u>
Net earnings for the year	<u><u>\$ 5,009,408</u></u>	<u><u>\$ 5,114,209</u></u>
Basic earnings per common share (note 8)		
Before extraordinary items	24¢	14¢
Net earnings for the year	29¢	31¢

THE GLENGAIR GROUP LIMITED
and its Subsidiary Companies
Consolidated Statement of Source and Application of Funds
For the year ended December 31, 1972

	1972	1971
SOURCE OF FUNDS		
FROM OPERATIONS		
Net earnings for the year before extraordinary items.....	\$ 4,390,622	\$ 3,140,157
Items not affecting funds		
Depreciation and depletion.....	3,658,613	4,057,218
Deferred income taxes.....	1,753,072	(210,793)
Amortization of deferred financing costs.....	48,040	52,949
Minority interest.....	2,092,411	1,886,176
	<u>11,942,758</u>	<u>8,925,707</u>
Extraordinary items.....	618,786	1,974,052
Items not affecting funds		
Deferred income taxes.....	(107,696)	(4,045)
Minority interest.....	549,147	1,735,028
	<u>1,060,237</u>	<u>3,705,035</u>
Total funds from operations.....	13,002,995	12,630,742
Sales and collection of notes receivable and other investments.....		1,093,999
Disposal of fixed assets (net).....		505,684
Issue of common shares of parent and subsidiary.....	120,000	315,302
Issue of long term debt.....		310,597
Working capital deficiency of unconsolidated subsidiary (note 1).....	496,909	
Miscellaneous.....	486,041	274,962
	<u>14,105,945</u>	<u>15,131,286</u>
APPLICATION OF FUNDS		
Additions to fixed assets (net).....	4,239,713	
Amounts used to increase interest in subsidiaries (net).....	48,115	351,439
Reduction of long term debt.....	2,197,271	3,702,017
Purchase of other investments.....	150,204	340,138
Payment of dividends.....	2,725,763	2,933,897
Miscellaneous.....		57,032
Working capital deficiency of subsidiary consolidated for first time.....		531,454
	<u>9,361,066</u>	<u>7,915,977</u>
INCREASE IN WORKING CAPITAL FOR THE YEAR.....	4,744,879	7,215,309
WORKING CAPITAL, JANUARY 1 (note 3).....	12,753,403	5,538,094
WORKING CAPITAL, DECEMBER 31 (note 3).....	<u>\$ 17,498,282</u>	<u>\$ 12,753,403</u>

AUDITORS' REPORT

To the Shareholders,
THE GLENGAIR GROUP LIMITED.

We have examined the consolidated balance sheet of The Glengair Group Limited and its subsidiaries as at December 31, 1972, and the consolidated statements of earnings, retained earnings and source and application of funds for the year ended on that date. Our examination of the financial statements of the Company and of those subsidiaries of which we are auditors 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. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, these consolidated financial statements present fairly the financial position of the Companies as at December 31, 1972, and the results of their operations and the source and application of their funds 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,
February 28, 1973.

Glendinning, Jarrett, Gould & Co.,
Chartered Accountants

THE GLENGAIR GROUP LIMITED

Notes to Consolidated Financial Statements

December 31, 1972

1. BASIS OF CONSOLIDATION

Assets, liabilities and operating results of all subsidiary companies have been included in the consolidated financial statements with the exception of St. Lawrence Brick Co. Limited, which has been excluded since the equity interest has been written off. (See also note 7)

2. SECURITY FOR BANK ADVANCES

Bank advances are partially secured by inventories and general assignment of book debts. (See also note 3)

3. BANK LOANS—secured

Note payable—7%

These loans were arranged to acquire shares in subsidiaries and certain other investments. The shares and investments have been pledged to the bank as security. Although payable on demand, these loans were shown in prior years as non-current liabilities since it was and still is the directors' intention to replace them with permanent financing. Pursuant to the recommendations of certain regulatory bodies the loans have been reclassified as current liabilities. To be comparative the figures for 1971 have been restated accordingly.

4. DEFERRED INCOME TAXES

In addition to the amount shown on the balance sheet, there are unrecorded deferred income tax credits accumulated prior to the adoption of the allocation basis in 1968, and reduced by subsequent charges to date amounting to \$10,122,938 (1971 \$10,343,428).

These credits arose from capital cost allowances in excess of depreciation recorded in prior years.

5. LONG TERM DEBT

	1972	1971
Parent company		
Sinking fund debentures		
Series 'A' 6¾% due December 15, 1985.....	\$1,762,580	\$1,862,580
Series 'B' 6½% due June 30, 1976.....	1,500,000	1,600,000
	3,262,580	3,462,580
Less: Sinking fund payments due within one year.....	200,000	200,000
	\$3,062,580	\$3,262,580
Subsidiary companies		
Northern Tar, Chemical and Wood Limited		
Secured debenture, 7.8% due \$110,000 annually December 15, 1973 to 1978 inclusive.....	\$1,160,000	\$1,270,000
Term loan payable \$3,017 monthly at bank prime rate plus 2%.....	130,431	145,067
	1,290,431	1,415,067
Canada Brick Company Limited		
First mortgage sinking fund bonds 6¾% due January 4, 1986.....	1,286,500	1,344,000
(The current obligation has been met)		
Tancord Industries Ltd.		
Secured debenture 6¾% due \$200,000 annually July 31, 1973 to 1976.....	800,000	1,000,000
Atlantic Sugar Refineries Co. Limited		
Sinking fund bonds		
Series 'A' 4% maturing in 1974.....	2,956,000	3,556,500
Series 'A' 6¾% maturing in 1984.....	3,636,000	4,221,000
Series 'C' 6% maturing in 1985.....	7,489,749	7,791,911
(U.S. \$6,990,000)		
First mortgage bonds		
6¼% maturing quarterly until 1982.....	1,050,487	1,140,154
7¼% maturing semi-annually until 1987.....	1,315,877	1,365,893
8¼% maturing semi-annually until 1988.....	3,805,024	3,930,130
8¾% maturing semi-annually until 1988.....	848,405	872,120
Other		
8½% note payable due 1976.....	2,750,000	2,750,000
Miscellaneous.....	436,123	471,178
St. Lawrence Brick Co. Limited.....	(see note 1)	2,156,000
Mortgages and floating charge debentures.....	87,301	124,779
	27,751,897	32,138,732
Less: Sinking fund and principal payments due within one year.....	1,152,921	1,483,484
	\$26,598,976	\$30,655,248

Payments required in the next five years to meet long term debt instalments and sinking fund provisions are:

1973.....	\$1,352,921
1974.....	4,135,853
1975.....	1,645,088
1976.....	5,975,115
1977.....	1,823,219

6. SHARE CAPITAL, OPTIONS AND WARRANTS

- (a) Share capital
 Converted during 1972
 75 Class B preference shares were converted into common shares.
- (b) Options
 The following options are outstanding:
 440,000 common shares at \$1.75 per share (at a maximum rate of 88,000 shares per year) to officers of the Company and of subsidiary companies to expire not later than October 31, 1977.
 15,000 common shares at \$5.375 per share to an employee of a subsidiary company to expire not later than August 31, 1974.
- (c) Warrants
 Share purchase warrants
 There are share purchase warrants outstanding entitling the holders thereof to purchase an aggregate of 651,050 common shares of the Company at the following prices:
 \$3.00 per share if exercised on or before June 30, 1974; thereafter
 \$4.00 per share if exercised on or before June 30, 1976; void thereafter
 'B' warrants
 There are 210,930 'B' warrants outstanding entitling the holders thereof to purchase for each warrant, one unit consisting of one and one-half (1½) 6% non-cumulative convertible, non-voting Class B preference shares with a par value of \$5 each and one (1) common share without par value at the following prices:
 \$10 per unit if exercised on or before March 1, 1973; thereafter
 \$12 per unit if exercised on or before March 1, 1976; thereafter
 \$14 per unit if exercised on or before March 1, 1978; void thereafter
- (d) Atlantic Sugar Refineries Co. Limited
 524,400 of the authorized common shares of this subsidiary have been reserved as follows:
- (i) 450,000 shares for the exercise of warrants issued in 1968 of which 210,930 are held by the parent company, and which entitle the holders to purchase one share for each warrant as follows:
 Until March 1, 1973 at \$10 per share; thereafter
 Until March 1, 1976 at \$12 per share; thereafter
 Until March 1, 1978 at \$14 per share; void thereafter
- (ii) 74,400 shares for stock options to officers and key employees. Options are outstanding covering 49,400 of such shares at \$7 each, such options terminating in June, 1979 and April, 1982.

7. EXTRAORDINARY ITEMS

Extraordinary items are as follows:

Reduction of income taxes on application of losses of prior years	\$1,730,088
Capital gains (net) on sale of fixed asset	91,834
Profits on sales of securities (net)	140,845
Expenses on discontinuance of operations of certain subsidiaries	(171,635)
Organization and financing costs written off	(162,170)
Provision for decline in value of investment in St. Lawrence Brick Co. Limited (see note 1)	(561,524)
Miscellaneous	100,495
	1,167,933
Less: Minority interest therein	549,147
	\$ 618,786

8. FULLY DILUTED EARNINGS PER COMMON SHARE

The exercise of warrants, conversion and option privileges respecting the Company's shares and those of its subsidiaries would not have a dilutive effect on earnings per common share.

9. TRANSLATION OF FOREIGN CURRENCIES.

Translation of accounts in foreign currencies has been made as follows:

- (a) Current assets and current liabilities—at the rate of exchange on December 31, 1972.
 (b) Fixed assets and long term debt—at the rate of exchange prevailing at the time of acquisition or incurrence.
 (c) All items on the statement of earnings—at the average rate of exchange for the year calculated on a monthly basis.

10. STATUTORY INFORMATION

- (a) The aggregate direct remuneration paid or payable by the Company or its subsidiaries to the directors and senior officers (as defined by the Ontario Business Corporations Act) of the Company was \$417,639 (1971 \$364,892).
 (b) Sales by class of business were as follows:

	1972		1971	
	\$(000's)	%	\$(000's)	%
Sugar operations	\$ 63,815	46.7	\$ 56,374	43.9
Forest operations	20,166	14.7	18,136	14.1
Tube operations	19,898	14.5	16,476	12.8
Fish operations	14,018	10.2	14,590	11.4
Other	19,010	13.9	22,886	17.8
	\$136,907	100.0	\$128,462	100.0

11. LOANS FROM SHAREHOLDER

Of the aggregate bank loans and advances, all but \$1,203,664 is owing to a bank which is a shareholder of the Company. The demand note payable is owing to a shareholder of the Company.

12. COMMITMENTS AND CONTINGENT LIABILITIES

- (a) Commitments for rentals under long term leases amount to approximately
 - (i) \$900,000 per annum over the next twenty one years
 - (ii) \$350,000 per annum over periods varying from two to five years.
- (b) The purchase price of a subsidiary acquired in 1970 includes an amount of \$2,750,000 which has not been reflected in the statements because this amount is contingent upon the earnings of such subsidiary over a five year period from the date of acquisition. The final price will be accounted for on January 1, 1976 with interest at 5%.

THE GLENGAIR GROUP LIMITED
AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF EARNINGS

Year Ended December 31

	1972	1971	1970	1969	1968
Sales (net)	\$136,907,195	\$128,462,293	\$ 77,279,018	\$ 29,734,157	\$ 19,882,252
Cost of sales	104,563,944	94,540,970	55,239,843	21,819,971	15,334,147
Gross earnings from operations . .	32,343,251	33,921,323	22,039,175	7,914,186	4,548,105
Operating expenses					
Administration and selling . . .	15,149,212	15,451,130	10,924,103	4,258,908	2,219,744
Depreciation and depletion . . .	3,658,613	4,057,218	2,819,751	1,015,962	579,662
	18,807,825	19,508,348	13,743,854	5,274,870	2,799,406
Earnings from operations	13,535,426	14,412,975	8,295,321	2,639,316	1,748,699
Financial expenses (net)					
Debentures					
Interest	2,108,874	2,616,573	1,639,735	599,041	559,214
Amortization of financing costs	48,040	52,949	53,885	57,634	58,025
Other interest	1,626,871	1,814,920	1,748,721	981,099	350,568
	3,783,785	4,484,442	3,442,341	1,637,774	967,807
Investment and other income . .	858,234	1,007,869	735,265	232,744	285,735
	2,925,551	3,476,573	2,707,076	1,405,030	682,072
	10,609,875	10,936,402	5,588,245	1,234,286	1,066,627
Provision for income taxes					
Income taxes payable	2,373,770	6,120,862	2,504,682	913,137	412,508
Deferred income taxes	1,753,072	(210,793)	(254,604)	(142,712)	(68,998)
	4,126,842	5,910,069	2,250,078	770,425	343,510
	6,483,033	5,026,333	3,338,167	463,861	723,117
Minority interest	2,092,411	1,886,176	1,516,059	63,538	62,040
Earnings before extraordinary items	4,390,622	3,140,157	1,822,108	400,323	661,077
Extraordinary items (net) less income taxes and minority interest	618,786	1,974,052		1,480,806	760,377
Net earnings for the year	<u>\$ 5,009,408</u>	<u>\$ 5,114,209</u>	<u>\$ 1,822,108</u>	<u>\$ 1,881,129</u>	<u>\$ 1,421,454</u>
Basic earnings per common share					
Before extraordinary items . . .	.24	.14	.10	.04	.07
Net earnings for the year . . . .	.29	.31	.10	.20	.17

THE GLENGAIR GROUP LIMITED
AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year Ended December 31				
	1972	1971	1970	1969	1968
Balance, January 1	\$ 7,581,009	\$ 4,303,333	\$ 3,329,576	\$ 1,490,872	\$ 199,366
Net earnings for the year	5,009,408	5,114,209	1,822,108	1,881,129	1,421,454
	12,590,417	9,417,542	5,151,684	3,372,001	1,620,820
Preferred dividends, including dividends paid to minority shareholders of subsidiary companies	1,561,468	1,562,699	797,822	41,690	100,326
Other	10,193	273,834	50,529	735	29,622
	1,571,661	1,836,533	848,351	42,425	129,948
Balance, December 31	\$ 11,018,756	\$ 7,581,009	\$ 4,303,333	\$ 3,329,576	\$ 1,490,872

**THE GLENGAIR GROUP LIMITED
AND ITS SUBSIDIARY COMPANIES**

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year Ended December 31				
	1972	1971	1970	1969	1968
SOURCE OF FUNDS					
From operations					
Net earnings for the year before extraordinary items..	\$ 4,390,622	\$ 3,140,157	\$ 1,822,108	\$ 400,323	\$ 661,077
Items not affecting funds					
Depreciation and depletion.....	3,658,613	4,057,218	2,819,751	1,015,962	579,662
Deferred income taxes...	1,753,072	(210,793)	(254,604)	(142,712)	(68,998)
Amortization of deferred financing costs.....	48,040	52,949	53,885	57,634	58,025
Minority interest.....	2,092,411	1,886,176	1,516,059	63,538	62,040
	<u>11,942,758</u>	<u>8,925,707</u>	<u>5,957,199</u>	<u>1,394,745</u>	<u>1,291,806</u>
Extraordinary items.....	618,786	1,974,052		1,480,806	760,377
Items not affecting funds					
Deferred income taxes...	(107,696)	(4,045)		181,736	
Minority interest.....	549,147	1,735,028		64,449	(2,788)
	<u>1,060,237</u>	<u>3,705,035</u>		<u>1,726,991</u>	<u>757,589</u>
Total funds from operations	13,002,995	12,630,742	5,957,199	3,121,736	2,049,395
Sales and collection of notes receivable and other investments.....		1,093,999			
Issue of common shares of parent and subsidiary.....	120,000	315,302	142,500	469,752	8,200
Issue of long term debt.....		310,597	2,534,029	50,000	650,000
Working capital deficiency of unconsolidated subsidiary..	496,909				
Miscellaneous.....	486,041	274,962	218,486	874,089	488,664
	<u>14,105,945</u>	<u>14,625,602</u>	<u>8,852,214</u>	<u>4,515,577</u>	<u>3,196,259</u>
APPLICATION OF FUNDS					
Additions to fixed assets (net)	4,239,713	(505,684)	2,004,260	2,161,440	1,628,091
Amounts used to increase interest in subsidiaries (net) ..	48,115	351,439			
Reduction of long term debt..	2,197,271	3,702,017	1,289,761	586,240	510,000
Purchase of other investments	150,204	340,138	189,349	3,294,713	
Payment of dividends.....	2,725,763	2,933,897	1,390,910	74,936	161,898
Miscellaneous.....		57,032		188,338	32,349
Acquisition of subsidiaries (net of working capital).....			3,996,455	1,808,330	
Working capital deficiency of subsidiary consolidated for first time.....		531,454			
	<u>9,361,066</u>	<u>7,410,293</u>	<u>8,870,735</u>	<u>8,113,997</u>	<u>2,332,338</u>
INCREASE (DECREASE) IN WORKING CAPITAL FOR THE YEAR	4,744,879	7,215,309	(18,521)	(3,598,420)	863,921
WORKING CAPITAL, JANUARY 1..	<u>12,753,403</u>	<u>5,538,094</u>	<u>5,556,615</u>	<u>9,155,035</u>	<u>8,291,114</u>
WORKING CAPITAL, DECEMBER 31	<u>\$ 17,498,282</u>	<u>\$ 12,753,403</u>	<u>\$ 5,538,094</u>	<u>\$ 5,556,615</u>	<u>\$ 9,155,035</u>

AMALGAMATION AGREEMENT

THIS AGREEMENT made this 24th day of April, 1973

BETWEEN:

ATLANTIC SUGAR REFINERIES CO. LIMITED, a corporation incorporated under the laws of the Province of Ontario, (hereinafter referred to as "Atlantic")

OF THE FIRST PART

—and—

THE GLENGAIR GROUP LIMITED, a corporation incorporated under the laws of the Province of Ontario, (hereinafter referred to as "Glengair")

OF THE SECOND PART

WHEREAS Atlantic is a corporation incorporated under the laws of the Province of Ontario by Letters Patent dated October 13, 1939 under the name of Acadia Sugar Refining Company, Limited, such name being changed by order dated June 1, 1945 to Acadia-Atlantic Sugar Refineries Limited and being further changed by Supplementary Letters Patent dated May 3, 1962 to Atlantic Sugar Refineries Co. Limited, and Supplementary Letters Patent dated June 12, 1945, January 31, 1951, May 1, 1961, June 22, 1965, July 28, 1966 and June 6, 1967 respectively have also been issued to Atlantic;

AND WHEREAS Glengair was incorporated under the laws of the Province of Ontario by Letters Patent dated January 15, 1962 under the name of Consumer Credit Corporation Limited, which name was changed by Supplementary Letters Patent dated February 25, 1966 to The Glengair Group Limited, and further Supplementary Letters Patent dated May 31, 1962, October 19, 1962, November 21, 1963, May 5, 1969 and May 20, 1970 respectively and a Certificate of Amendment dated April 26, 1972 have also been issued to Glengair;

AND WHEREAS the authorized capital of Atlantic consists of 75,000 5% Cumulative Redeemable Preference Shares with a par value of \$100 each all of which shares have been issued and are outstanding as fully paid, 600,000 Class A Shares without par value of which 435,000 shares are issued and outstanding as fully paid and 9,000,000 Common Shares without par value of which 5,460,600 shares are issued and outstanding as fully paid;

AND WHEREAS the authorized capital of Glengair consists of 1,000,000 Class A Preference Shares with a par value of \$25 each, issuable in series, none of which have been issued, 14,999,923 6% Non-cumulative Convertible Non-voting Class B Preference Shares with a par value of \$5 each of which 3,180,592 shares are issued and outstanding as fully paid and 20,000,077 Common Shares without par value of which 11,727,980 shares are issued and outstanding as fully paid;

AND WHEREAS each party hereto has made full and complete disclosure to the other party hereto of its known assets and liabilities;

AND WHEREAS under the authority conferred by The Business Corporations Act (Ontario) the parties hereto desire and have agreed to amalgamate upon the terms and conditions hereinafter set out and to continue as one corporation;

NOW THEREFORE THIS AGREEMENT WITNESSETH as follows:

1. In this agreement the term "Amalgamated Corporation" shall mean the corporation continuing from the amalgamation of Atlantic and Glengair.

2. Atlantic and Glengair do hereby agree to amalgamate under the provisions of section 196 of The Business Corporations Act (Ontario) and to continue as one corporation upon the terms and conditions hereinafter set out and the Articles of Incorporation of Atlantic and Glengair are amended to the extent necessary to give effect to the terms and conditions hereof.

3. The name of the Amalgamated Corporation shall be JANNOCK CORPORATION LIMITED.

4. The objects of the Amalgamated Corporation shall be as follows:

(a) to manufacture, process, buy, sell, import, export, distribute or otherwise deal in goods, wares and merchandise and to carry on a general manufacturing trade or business and to enter into contracts, agreements and arrangements of any and all kinds with any person, corporation, partnership, firm or association;

(b) to purchase or otherwise acquire or invest in shares, stocks, bonds, debentures, debenture stock and other evidences of indebtedness and obligations issued or guaranteed by any corporation, company, chartered bank, association, partnership, syndicate, entity, person or governmental, municipal or public authority, domestic or foreign, and evidences of any interest in respect of any such shares, stocks, bonds, debentures, debenture stock and other evidences of indebtedness and obligations and, while the owner or holder thereof, to exercise all rights, powers and privileges of ownership including all voting rights, if any, with respect thereto and to invest and lend money at interest on the security of personal property or without security;

(c) to purchase or otherwise acquire and hold real and personal property and rights and, in particular, lands, buildings, hereditaments, business or industrial concerns and undertakings, mortgages, charges, contracts, concessions, franchises, annuities, patents, licences, securities, policies, book debts and any interest in real or personal property and any claims against such property or against any person or company and privileges and choses in action of all kinds;

(d) to guarantee, with or without security, the performance of contracts and the performance of any obligations or undertakings of, or any security given by, any other company, corporation, syndicate, firm, partnership, association, person, enterprise or undertaking including the payment of dividends, interest, principal and premium, if any, of or on shares, bonds, debentures, debenture stock or other securities or obligations of any such company, corporation, syndicate, firm, partnership, association, person, enterprise or undertaking; and

(e) to carry on any trade or business whatsoever which can, in the opinion of the board of directors, be advantageously carried on by the Amalgamated Corporation in connection with or ancillary to any of the above businesses or the general business of the Amalgamated Corporation.

5. The authorized capital of the Amalgamated Corporation shall be divided into: 300,000 Preference Shares with a par value of \$100 each, issuable in series, the first series to consist of 75,000 Preference Shares to be designated as 6% Cumulative Redeemable Preference Shares, First Series; 435,000 \$1.20 Class A Shares without par value; 875,000 6% Class B Shares with a par value of \$20 each; 6,000,000 Special Shares without par value; 2,000,000 Class D Shares without par value; and 500,000 Common Shares without par value; provided that the Class A Shares without par value shall not be issued for an aggregate consideration exceeding in amount or value the sum of \$1,910,000 or such greater amount as the board of directors of the Amalgamated Corporation by resolution determines; provided that the Special Shares without par value shall not be issued for an aggregate consideration exceeding in amount or value the sum of \$21,500,000 or such greater amount as the board of directors of the Amalgamated Corporation by resolution determines; provided that the Class D shares without par value shall not be issued for an aggregate consideration exceeding in amount or value the sum of \$2,000,000 or such greater amount as the board of directors of the Amalgamated Corporation by resolution determines; and provided further that the Common Shares without par value shall not be issued for an aggregate consideration exceeding in amount or value the sum of \$500,000 or such greater amount as the board of directors of the Amalgamated Corporation by resolution determines.

6. Atlantic shall, prior to the amalgamation of Atlantic and Glengair becoming effective, become bound by an arrangement between Atlantic and its shareholders (a) providing that the authorized capital of Atlantic shall be 80,000 Preference Shares with a par value of \$100 each, issuable in series, the first series to consist of and be the presently outstanding 75,000 5% Cumulative Redeemable Preference Shares which are to be designated as 6% Cumulative Redeemable Preference Shares, First Series, 600,000 \$1.20 Class A Shares without par value of which 435,000 shares shall be outstanding, and 9,000,000 Common Shares without par value of which 5,460,600 shares shall be outstanding, (b) amending the provisions attaching to the existing 5% Cumulative Redeemable Preference Shares to increase the dividend rate on such shares and to provide for class provisions and series provisions and (c) amending the Class A Share provisions to include provision for a purchase fund, the whole as provided for in the Arrangement dated April 24 , 1973 varied as provided for therein.

7. Glengair shall, prior to the amalgamation of Atlantic and Glengair becoming effective, amend the Articles of Incorporation of Glengair to redivide the 3,180,592 issued 6% Non-cumulative Convertible Non-voting Class B Preference Shares with a par value of \$5 each into 795,148 6% Non-cumulative Convertible Non-voting Class B Preference Shares with a par value of \$20 each, to cancel the 11,819,331 unissued 6% Non-cumulative Convertible Non-voting Class B Preference Shares with a par value of \$5 each and to consolidate the 11,727,980 issued Common Shares without par value into 2,931,995 Common Shares without par value.

8. The authorized and issued capital of Atlantic shall, by the amalgamation of Atlantic and Glengair, be decreased by the cancellation of 3,400,665 Common Shares without par value recorded on the books of Atlantic in the name of Glengair and the issued capital with respect to the remaining 2,059,935 Common Shares of Atlantic shall thereupon be \$250,560. The warrants owned by Glengair entitling it to purchase 210,930 Common Shares of Atlantic shall be cancelled upon the said amalgamation.

9. The shares of Atlantic and Glengair which are issued and outstanding after the arrangement between Atlantic and its shareholders above referred to becomes effective and after the amendment above referred to of the Articles of Incorporation of Glengair and immediately prior

to the date of the certificate of amalgamation of Atlantic and Glengair shall on and from such last-mentioned date be converted into issued and outstanding shares of the Amalgamated Corporation as follows:

(a) the 75,000 6% Cumulative Redeemable Preference Shares, First Series, with a par value of \$100 each of Atlantic shall be converted share for share into 75,000 6% Cumulative Redeemable Preference Shares, First Series, with a par value of \$100 each of the Amalgamated Corporation;

(b) the 435,000 Class A Shares without par value of Atlantic shall be converted share for share into 435,000 \$1.20 Class A Shares without par value of the Amalgamated Corporation;

(c) the 795,148 6% Non-cumulative Convertible Non-voting Class B Preference Shares with a par value of \$20 each of Glengair (including the shares in respect of which shareholders of Glengair became entitled to fractions upon the redivision of shares provided for in paragraph 7 hereof) shall be converted share for share into 795,148 6% Class B Shares with a par value of \$20 each of the Amalgamated Corporation;

(d) the 2,059,935 Common Shares without par value of Atlantic shall be converted share for share into 2,059,935 Special Shares without par value of the Amalgamated Corporation; and

(e) the 2,931,995 Common Shares of Glengair (including the shares in respect of which shareholders of Glengair became entitled to fractions of shares upon the consolidation of shares provided for in paragraph 7 hereof) shall be converted share for share into 2,931,995 Special Shares without par value of the Amalgamated Corporation.

10. After the issue of the certificate of amalgamation of Atlantic and Glengair the shareholders of Atlantic and Glengair, when requested by the Amalgamated Corporation to do so, may surrender the certificates representing the shares of Atlantic and Glengair held by them respectively for cancellation and shall be entitled to receive without charge certificates for shares of the Amalgamated Corporation on the bases aforesaid provided that Glengair shall not receive any certificate in respect of the shares cancelled in accordance with the provisions of paragraph 8 hereof and provided further that those persons who were shareholders of Glengair and who by reason of the redivision and consolidation of shares referred to in paragraph 7 hereof became entitled to fractions of shares of Glengair shall be entitled to similar fractions of shares of the Amalgamated Corporation but shall not be entitled to be registered on the books of the Amalgamated Corporation in respect thereof or to receive share certificates therefor and shall be entitled to receive bearer fractional certificates in respect of such fractions in accordance with the provisions of section 52 of The Business Corporations Act (Ontario).

11. The head office of the Amalgamated Corporation shall be situate in The Municipality of Metropolitan Toronto in the Province of Ontario at the 52nd Floor, Toronto-Dominion Centre, Toronto, Ontario until changed in accordance with the provisions of The Business Corporations Act (Ontario) or in the case of a change of address within such municipality by resolution of the board of directors.

12. The by-laws of Glengair shall, so far as applicable, be the by-laws of the Amalgamated Corporation.

13. The board of directors of the Amalgamated Corporation, until otherwise determined by special by-law, shall consist of 13 members and the first directors of the Amalgamated Corporation with their names and places of residence shall be the following:

<u>Name</u>	<u>Residence</u>
Wilmar Abe Andres	3 Noel Avenue, Toronto, Ontario
Lewis Haldane Miller Ayre	26 King's Bridge Road, St. John's, Newfoundland
George Richard Chater	R.R. 3, Campbellville, Ontario
Ernest Clayton Daniher	125 Cheltenham Avenue, Toronto, Ontario
Vernon Edward Daughney	39 Riverside Crescent, Toronto, Ontario
Louis Yves Fortier	40 Arlington Avenue, Westmount, Quebec
John Howard Hawke	34 Whitney Avenue, Toronto, Ontario
Hon. Salter Adrian Hayden, Q.C.	140 Heath Street West, Toronto, Ontario
Lawrence Clement Edward Lawrence	Apt. 804, Park Tower West, 400 Walmer Rd. Toronto, Ontario
George Edward Mara	42 Park Lane Circle, Don Mills, Ontario
George Hastings Montague	46 Glen Road, Toronto, Ontario
William John Ross Paton	27 Claremont Avenue, Pointe Claire, Quebec
Max Tanenbaum	424 Rosemary Road, Toronto, Ontario

The said first directors shall hold office until the first annual meeting of the shareholders of the Amalgamated Corporation or until their successors are elected or appointed; the subsequent directors shall be elected in accordance with the provisions of The Business Corporations Act (Ontario).

14. The management and operation of the Amalgamated Corporation shall be under the control of the board of directors from time to time, subject to the provisions of The Business Corporations Act (Ontario).

15. The directors of the Amalgamated Corporation may from time to time,

(i) borrow money on the credit of the Amalgamated Corporation; or

(ii) issue, sell or pledge debt obligations of the Amalgamated Corporation; or

(iii) charge, mortgage, hypothecate or pledge all or any currently owned or subsequently acquired real or personal, movable or immovable property of the Amalgamated Corporation, including book debts, rights, powers, franchises and undertaking, to secure any debt obligations or any money borrowed, or other debt or liability of the Amalgamated Corporation;

the words "debt obligations" as used in this clause mean bonds, debentures, notes or other similar obligations of the Amalgamated Corporation, whether secured or unsecured.

16. The Amalgamated Corporation may purchase any of its Common Shares.

17. Each of the parties shall contribute to the Amalgamated Corporation all its assets, subject to its liabilities, as such exist immediately before the amalgamation.

18. **The Preference Shares** with a par value of \$100 each (hereinafter called "Preference Shares") of the Amalgamated Corporation (hereinafter in this paragraph 18 and in paragraphs 19, 20, 21, 22 and 23 hereof referred to as the "Corporation") shall have attached thereto, as a class, the following preferences, rights, conditions, restrictions, limitations and prohibitions:

(a) The Preference Shares may at any time and from time to time be issued in one (1) or more series, each series to consist of such number of shares as may, before the issue thereof, be determined by resolution of the board of directors of the Corporation;

(b) The board of directors of the Corporation shall, by resolution duly passed before the issue of any Preference Shares of any series (other than the first series), fix the designation, preferences, rights, conditions, restrictions, limitations and prohibitions to be attached to the Preference Shares of such series, including, but without in any way limiting or restricting the generality of the foregoing, the rate or amount of preferential dividends, the date or dates and place or places of payment thereof, the consideration and the terms and conditions of any purchase for cancellation or redemption thereof, conversion rights (if any), the terms and conditions of any share purchase plan or sinking fund and the restrictions (if any) respecting payment of dividends on any shares ranking junior to the Preference Shares, the whole subject to the issue of a certificate of filing of a statement containing a certified copy of the said resolution pursuant to section 31 of The Business Corporations Act;

(c) The Preference Shares of each series shall, with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, be entitled to a preference over the Common Shares without par value of the Corporation and over any other shares

ranking junior to the Preference Shares and the Preference Shares of each series may also be given such other preferences over the Common Shares and any other shares ranking junior to the Preference Shares as may be determined, by the said resolution fixing the designation, preferences, rights, conditions, restrictions, limitations and prohibitions to be attached to the Preference Shares of such series, as to the respective series authorized to be issued;

(d) The Preference Shares of each series shall rank on a parity with the Preference Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs other than any sinking fund or compulsory retirement obligation applicable to any particular series;

(e) No series of Preference Shares shall be authorized which shall have a dividend rate in excess of ten per cent (10%) per annum on the par value thereof or be entitled to receive upon liquidation, dissolution or winding up or upon redemption or purchase for cancellation a sum in excess of one hundred and ten per cent (110%) of the par value thereof plus a sum equivalent to all unpaid dividends accumulated thereon (which dividends, for such purpose, shall be calculated as if such dividends were accruing from day to day);

(f) Subject to the provisions of clause (e) hereof, the holders of the Preference Shares of each series shall be entitled to receive and the Corporation shall pay thereon as and when declared by the board of directors out of the moneys of the Corporation properly applicable to the payment of dividends fixed cumulative preferential cash dividends at such rate and on such date or dates as may be provided for in the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Preference Shares of such series; such dividends shall, except in the case of the first series, accrue from such date or dates not later than six (6) months after the respective dates of issue as may in the case of each issue be determined by the board of directors of the Corporation or in case no date be so determined then from the date of issue; cheques of the Corporation payable at par at any branch of the Corporation's bankers for the time being in Canada shall be issued in respect of such dividends and payment thereof shall satisfy such dividends; if on any date for the payment of any dividend on the Preference Shares of any series the dividend payable on such date is not paid in full on all the Preference Shares of such series then issued and outstanding such dividend or the unpaid part thereof shall be paid on a subsequent date or dates determined by the board of directors of the Corporation on which the Corporation shall have sufficient moneys properly applicable to the payment of the same; the holders of the Preference Shares of any series shall not be entitled to any dividends other than or in excess of the cash dividends for such series hereinbefore in this clause (f) referred to;

(g) In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Preference Shares of each series shall be entitled to receive the par value of such shares, together with all dividends (if any) accrued thereon up to the date of distribution and then remaining unpaid on such shares, whether or not earned or declared (which dividends, for such purpose, shall be calculated as if such dividends were accruing from day to day) and an additional amount equal to the premium (if any) which would be payable upon the Preference Shares of such series as part of the redemption price of such shares if such shares were redeemed under the provisions of clause (j) hereof, and not pursuant to any retirement obligation imposed upon the

Corporation, before any amount shall be paid or any property or assets of the Corporation distributed to the holders of any Common Shares or shares of any other class ranking junior to the Preference Shares; after payment to the holders of the Preference Shares of each series of the amount so payable to them they shall not be entitled to share in any further distribution of the property or assets of the Corporation;

(h) No dividends (other than stock dividends in shares of the Corporation ranking junior to the Preference Shares) shall at any time be declared or paid on or set apart for payment on any shares of the Corporation ranking junior to the Preference Shares unless all dividends up to and including the dividend payable for the last completed period for which such dividends shall be payable on each series of the Preference Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such declaration or payment or setting apart for payment on such shares of the Corporation ranking junior to the Preference Shares nor shall the Corporation call for redemption or purchase for cancellation or decrease or otherwise pay off any of the Preference Shares (less than the total number of Preference Shares then outstanding) or any shares of the Corporation ranking junior to the Preference Shares unless all dividends up to and including the dividend payable for the last completed period for which such dividends shall be payable on each series of the Preference Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such call for redemption, purchase, decrease or other payment off;

(i) Subject to the provisions of clause (h) hereof and subject to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Preference Shares of any series, the Corporation may at any time or times purchase (if obtainable) for cancellation all or any part of the Preference Shares of any series outstanding from time to time on the open market (including purchase through or from an investment dealer or firm holding membership on a recognized stock exchange) or by invitation for tenders addressed to all the holders of record of the Preference Shares of such series outstanding at the lowest price or prices at which, in the opinion of the directors, such shares are obtainable but not exceeding the price at which, at the date of purchase, such shares are redeemable as provided in clause (j) hereof and not pursuant to any compulsory retirement obligation imposed upon the Corporation (including accrued and unpaid preferential dividends as provided in the said clause (j)) plus costs of purchase; if upon any invitation for tenders under the provisions of this clause (i) the Corporation shall receive tenders of Preference Shares of such series at the same lowest price which the Corporation may be willing to pay in an aggregate number greater than the number for which the Corporation is prepared to accept tenders, the Preference Shares of such series so tendered which the Corporation determines to purchase at such price shall be purchased as nearly as may be pro rata (disregarding fractions) in proportion to the number of Preference Shares of such series so tendered by each of the holders of Preference Shares of such series who submitted tenders at the said same lowest price;

(j) Subject to the provisions of clause (h) hereof and subject to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Preference Shares of any series, the Corporation may upon giving notice as hereinafter provided redeem at any time the whole or from time to time any part of the then outstanding Preference Shares of any series on payment for each share to be redeemed of the par value thereof together with such premium (if any) as may be provided for in the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Preference Shares of such series and together with all dividends (if any) accrued thereon up to the date fixed for redemption and then remaining unpaid on such shares, whether or not

earned or declared (which dividends, for such purpose, shall be calculated as if such dividends were accruing from day to day);

(k) In any case of redemption of Preference Shares of any series under the provisions of clause (j) hereof, the Corporation shall at least thirty (30) days before the date specified for redemption mail to each person who at the date of mailing is a registered holder of Preference Shares of such series to be redeemed a notice in writing of the intention of the Corporation to redeem such last mentioned shares; such notice shall be mailed in an envelope, with postage prepaid, addressed to each such shareholder at his address as it appears on the books of the Corporation or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder; provided, however, that accidental failure or omission to give any such notice to one (1) or more of such holders shall not affect the validity of such redemption; such notice shall set out the redemption price and the date on which redemption is to take place and if part only of the Preference Shares of such series held by the person to whom it is addressed is to be redeemed the number thereof so to be redeemed; on or after the date so specified for redemption the Corporation shall pay or cause to be paid to or to the order of the registered holders of the Preference Shares of such series to be redeemed the redemption price thereof on presentation and surrender at the head office of the Corporation or any other place within Canada designated in such notice of the certificates representing the Preference Shares of such series so called for redemption; such payment shall be made by cheques payable at par at any branch of the Corporation's bankers for the time being in Canada; if a part only of the Preference Shares of such series represented by any certificate shall be redeemed, a new certificate for the balance shall be issued at the expense of the Corporation; from and after the date specified for redemption in any such notice, the Preference Shares of such series called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected; the Corporation shall have the right at any time after the mailing of notice of its intention to redeem any Preference Shares of any series as aforesaid to deposit the redemption price of the Preference Shares of such series so called for redemption or of such of the said shares represented by certificates as have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption to a special account in any chartered bank or any trust company in Canada named in such notice to be paid without interest to or to the order of the respective holders of the Preference Shares of such series called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same; upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the Preference Shares of such series in respect whereof such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest their proportionate part of the total redemption price so deposited against presentation and surrender of the said certificates held by them respectively; any interest allowed on any such deposit shall belong to the Corporation;

(1) The holders of the Preference Shares shall not be entitled as such (except as hereinafter specifically provided) to attend any meeting of the shareholders of the Corporation or to vote at any such meeting (but shall be entitled to have mailed to them copies of the financial statements and the directors' report thereon submitted to annual meetings of shareholders and notice of shareholders' meetings) unless and until the Corporation from time to time shall fail to pay in the aggregate six (6) quarterly dividends on the Preference Shares of any one (1) series on the dates

on which the same should be paid according to the terms thereof and unless and until six (6) quarterly dividends on such shares shall remain outstanding and be unpaid whether or not consecutive and whether or not such dividends have been declared and whether or not there are any moneys of the Corporation properly applicable to the payment of dividends; thereafter but only as long as any dividends on the Preference Shares of any series remain in arrears the holders of the Preference Shares shall be entitled to attend all annual and general meetings of shareholders of the Corporation and shall be entitled to one (1) vote in respect of each Preference Share held and, in addition, shall be entitled as a class to elect three (3) members of the board of directors of the Corporation; nothing herein contained shall be deemed to limit the right of the Corporation from time to time to increase or decrease the number of its directors;

Notwithstanding anything contained in the by-laws of the Corporation, the term of office of all persons who may be directors of the Corporation at any time when the right to elect directors shall accrue to the holders of Preference Shares as herein provided, or who may be appointed as directors thereafter and before a meeting of shareholders shall have been held, shall terminate upon the election of directors at the next annual meeting of shareholders or at a general meeting of shareholders which may be held for the purpose of electing directors at any time after the accrual of such right to elect directors upon not less than twenty-one (21) days' written notice and which shall be called by the secretary of the Corporation upon the written request of the holders of record of at least one-twentieth ($1/20$) of the outstanding Preference Shares; in default of the calling of such general meeting by the secretary within fifteen (15) days after the making of such request, such meeting may be called by any holder of record of Preference Shares;

Any vacancy or vacancies occurring among members of the board elected by the holders of Preference Shares in accordance with the foregoing provisions may be filled by the board of directors with the consent and approval of the remaining director or directors elected by the holders of Preference Shares, but if there be no such remaining director or directors the board may elect or appoint sufficient holders of Preference Shares to fill the vacancy or vacancies; whether or not such vacancy or vacancies is or are so filled by the board, the holders of record of at least one-twentieth ($1/20$) of the outstanding Preference Shares shall have the right to require the secretary of the Corporation to call a meeting of the holders of Preference Shares for the purpose of filling the vacancy or vacancies or replacing any person or persons elected or appointed to fill such vacancy or vacancies and the provisions of the last preceding paragraph shall apply with respect to the calling of any such meeting;

Notwithstanding anything contained in the by-laws of the Corporation, upon any termination of the voting rights of the holders of Preference Shares as herein provided for the term of office of the directors elected or appointed to represent the holders of Preference Shares shall forthwith terminate; and

(m) The confirmation required by subsection 4 of section 189 of The Business Corporations Act of a resolution to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Preference Shares as a class or to create preference shares ranking in priority to or on a parity with the Preference Shares may be given by at least two-thirds ($2/3$) of the votes cast at a meeting of the holders of the Preference Shares duly called for that purpose and held upon at least twenty-one (21) days' notice at which the holders of at least one-third ($1/3$) of the outstanding Preference Shares are present or represented by proxy; if at any such meeting the

holders of one-third (1/3) of the outstanding Preference Shares are not present or represented by proxy within one-half (1/2) an hour after the time appointed for such meeting, then the meeting shall be adjourned to such date being not less than fifteen (15) days later and to such time and place as may be appointed by the chairman and not less than ten (10) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called; at such adjourned meeting the holders of Preference Shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed thereat by not less than two-thirds (2/3) of the votes cast at such adjourned meeting shall constitute the authorization of the holders of the Preference Shares referred to above; the formalities to be observed in respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed by the by-laws of the Corporation with respect to meetings of shareholders; on every poll taken at every such meeting or adjourned meeting every holder of Preference Shares shall be entitled to one (1) vote in respect to each Preference Share held.

20. The First Series of Preference Shares shall consist of 75,000 Preference Shares which shall be designated 6% Cumulative Redeemable Preference Shares, First Series (hereinafter referred to as "Preference Shares First Series") and in addition to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Preference Shares as a class shall have attached thereto the following preferences, rights, conditions, restrictions, limitations and prohibitions:

(1) The holders of the Preference Shares First Series shall be entitled to receive and the Corporation shall pay thereon as and when declared by the board of directors out of the moneys of the Corporation properly applicable to the payment of dividends fixed cumulative preferential cash dividends at the rate of six per cent (6%) per annum payable quarterly on the fifteenth (15th) days of March, June, September and December in each year on the par value thereof; such dividends shall accrue from the 15th day of June, 1973;

(2) Subject to the preferences, rights, conditions, restrictions, limitations and prohibitions (hereinafter called the "conditions") attaching to the Preference Shares as a class the Corporation may redeem at any time in whole or from time to time any part of the then outstanding Preference Shares First Series on payment for each share to be redeemed of the par value thereof together with a premium of five per cent (5%) of such amount and together with all dividends (if any) accrued thereon up to the date fixed for redemption and then remaining unpaid on such share, whether or not earned or declared (which dividends, for such purpose, shall be calculated as if such dividends were accruing from day to day);

(3) Subject as hereinafter provided, so long as any of the Preference Shares First Series are outstanding the Corporation shall on or before the first (1st) day of May in each year, commencing with the year 1974, set aside as a purchase fund for the purchase of Preference Shares First Series for cancellation the sum of One Hundred Thousand Dollars (\$100,000); provided that if under the foregoing provisions the Corporation would be required to set aside in any year for purchase fund purposes an amount which when added to the amounts theretofore set aside as a purchase fund in respect of the Preference Shares First Series and not used or applied on or before the first (1st) day of April in such year for the purposes hereinafter provided would aggregate an amount in excess of Two Hundred Thousand Dollars (\$200,000) then the Corporation in such year shall only be required to set aside for purchase fund purposes an amount which when added to the other amounts theretofore set aside and not used or applied as aforesaid will equal Two Hundred Thousand Dollars (\$200,000);

Subject to the conditions attaching to the Preference Shares as a class and as hereinafter in this clause provided, the amounts from time to time set aside as a purchase fund in respect of the Preference Shares First Series shall be applied as soon as practicable to the purchase of Preference Shares First Series (if obtainable) on the open market (including purchase through or from an investment dealer or firm holding membership on a recognized stock exchange) at the lowest price or prices at which in the opinion of the directors such shares are obtainable but not exceeding the price provided for in the conditions attaching to the Preference Shares as a class;

To the extent to which Preference Shares First Series cannot be purchased at prices not exceeding the said price the Corporation shall not be obligated to make any application of the purchase fund in the purchase of Preference Shares First Series but shall reserve the same until such shares in the opinion of the directors can be so purchased and so on from time to time so long as any of the Preference Shares First Series shall be outstanding;

Any moneys set aside in the purchase fund in accordance with the foregoing provisions need not be kept separate from the other moneys of the Corporation and, pending the application thereof in the purchase of Preference Shares First Series in accordance with the provisions of this clause, may be employed in the business of the Corporation;

Notwithstanding the foregoing the Corporation may at any time reduce or extinguish the purchase fund or anticipate the whole or any part of its purchase fund obligations by purchasing or redeeming Preference Shares First Series as provided for in the conditions attaching to the Preference Shares as a class and charging or crediting the cost of, or amount required to redeem, such Preference Shares First Series to reduce or extinguish the purchase fund or in reduction of any purchase fund obligations thereafter becoming due;

Notwithstanding anything herein contained the Corporation shall not purchase Preference Shares First Series out of the purchase fund or make any application of the purchase fund in the purchase of Preference Shares First Series if after giving effect to such purchase the Corporation would be rendered insolvent;

4. The confirmation required by subsection 4 of section 189 of The Business Corporations Act of a resolution to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Preference Shares First Series as a series may be given as provided, mutatis mutandis, in clause (m) of the conditions attaching to the Preference Shares as a class as if all references in the said clause (m) to Preference Shares were references to Preference Shares First Series.

21. **The \$1.20 Class A Shares** without par value (hereinafter called "Class A Shares") of the Corporation shall have attached thereto the following preferences, rights, conditions, restrictions, limitations and prohibitions:

(i) The holders of the Class A Shares shall be entitled to receive and the Corporation shall pay thereon as and when declared by the board of directors out of the moneys of the Corporation properly applicable to the payment of dividends fixed cumulative preferential cash dividends at the rate of \$1.20 per share per annum payable quarterly on the first days of January, April, July and October in each year; cheques of the Corporation payable at par at any branch of the Corporation's bankers for the time being in Canada shall be issued in respect of such dividends and payment thereof shall satisfy such dividends; no dividend shall be declared or paid or set aside for payment on the Special Shares, Class D Shares or Common Shares or any other shares

ranking junior to the Class A Shares in any fiscal year unless and until the full preferential cash dividend payable for the current quarter on the Class A Shares shall have been declared and paid or set aside for payment; if on any dividend payment date the dividends payable on such date are not paid in full on all the Class A Shares then issued and outstanding such dividends or the unpaid part thereof shall be paid on a subsequent date or dates determined by the board of directors of the Corporation on which the Corporation shall have sufficient moneys properly applicable to the payment of the same; the holders of the Class A Shares shall not be entitled to any dividends other than or in excess of the cash dividends hereinbefore provided for; the dividends on the Class A Shares shall accrue from the first (1st) day of July, 1973;

(ii) In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Shares shall, subject to the rights of the holders of Preference Shares, be entitled to receive an amount equal to twenty dollars (\$20) per share plus an amount equal to all accrued and unpaid cumulative preferential dividends thereon (which for such purpose shall be calculated as if such dividends were accruing up to the date of distribution) and after payment to the holders of the Class B Shares of the amounts to which they are entitled and after the holders of the Special Shares, the Class D Shares and the Common Shares have received an amount equal to five dollars (\$5) per share for each of any of such shares held by all of such holders the remaining assets of the Corporation shall be distributed among the holders of the Class A Shares, Special Shares, Class D Shares and Common Shares respectively, share and share alike, without preference or distinction;

(iii) The Corporation may at any time or times purchase (if obtainable) for cancellation the whole or any part of the Class A Shares outstanding from time to time in the market (including purchase through or from an investment dealer or a firm holding membership on a recognized stock exchange) or by invitation for tenders addressed to all the holders of record of the Class A Shares outstanding at the lowest price at which in the opinion of the board of directors such shares are obtainable, but not exceeding twenty-five dollars (\$25) per share;

(iv) Subject as hereinafter provided, so long as any of the Class A Shares are outstanding the Corporation shall on or before the first (1st) day of May in each year, commencing with the year 1974, set aside as a purchase fund for the purchase of Class A Shares for cancellation the sum of one hundred thousand dollars (\$100,000); provided that if under the foregoing provisions the Corporation would be required to set aside in any year for purchase fund purposes an amount which when added to the amounts theretofore set aside as a purchase fund in respect of the Class A Shares and not used or applied on or before the first (1st) day of April in such year for the purposes hereinafter provided would aggregate an amount in excess of two hundred thousand dollars (\$200,000) then the Corporation in such year shall only be required to set aside for purchase fund purposes an amount which when added to the other amounts theretofore set aside and not used or applied as aforesaid will equal two hundred thousand dollars (\$200,000);

Subject to the provisions of clause (iii) hereof and as hereinafter in this clause provided, the amounts from time to time set aside as a purchase fund in respect of the Class A Shares shall be applied as soon as practicable to the purchase of Class A Shares (if obtainable) in the market (including purchase through or from an investment dealer or a firm holding membership on a recognized stock exchange) at the lowest price or prices at which in the opinion of the directors such shares are obtainable but not exceeding twenty-five dollars (\$25) per share;

To the extent to which any Class A Shares cannot be so purchased at prices not exceeding the said price the Corporation shall not be obligated to make any application of the purchase fund in the purchase of Class A Shares but shall reserve the same until such shares in the opinion of the directors can be so purchased and so on from time to time so long as any of the Class A Shares shall be outstanding;

Any moneys set aside in the purchase fund in accordance with the foregoing provisions need not be kept separate from the other moneys of the Corporation and, pending the application thereof in the purchase of Class A Shares in accordance with the provisions of this clause, may be employed in the business of the Corporation;

Notwithstanding the foregoing the Corporation may at any time reduce or extinguish the purchase fund or anticipate the whole or any part of its purchase fund obligations by purchasing Class A Shares as provided in clause (iii) hereof and charging or crediting the cost of such Class A Shares to reduce or extinguish the purchase fund or in reduction of any purchase fund obligations thereafter becoming due;

Notwithstanding anything herein contained the Corporation shall not purchase Class A Shares out of the purchase fund or make any application of the purchase fund in the purchase of Class A Shares if after giving effect to such purchase the Corporation would be rendered insolvent;

(v) The holders of Class A Shares shall not be entitled (except as hereinafter specifically provided) to attend any meeting of the shareholders of the Corporation or to vote at any such meeting (but shall be entitled to have mailed to them copies of the financial statements and the directors' report thereon submitted to annual meetings of shareholders and notice of shareholders' meetings) unless and until the Corporation from time to time shall fail to pay in the aggregate eight (8) quarterly dividends on the Class A Shares on the dates on which the same should be paid according to the terms hereof whether or not such dividends have been declared and whether or not there are any moneys of the Corporation properly applicable to the payment of dividends; thereafter so long as any dividends on the Class A Shares remain in arrears the holders of the Class A Shares shall be entitled at all annual and general meetings of shareholders of the Corporation to one (1) vote in respect of each Class A Share held;

(vi) The Class A Shares shall rank junior to the Preference Shares and be subject to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Preference Shares; and the Class B Shares, the Special Shares, the Class D Shares and the Common Shares shall rank junior to the Class A Shares and shall be subject to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Preference Shares and the Class A Shares;

(vii) The confirmation required by subsection 4 of Section 189 of The Business Corporations Act of any resolution to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Class A Shares or to create preference shares ranking in priority to or on a parity with the Class A Shares may be given by at least two-thirds ($\frac{2}{3}$) of the votes cast at a meeting of the holders of the Class A Shares duly called for that purpose and held upon at least twenty-one (21) days' notice at which the holders of at least one-third ($\frac{1}{3}$) of the outstanding Class A Shares are present or represented by proxy; if at any such meeting the holders of one-third ($\frac{1}{3}$) of the outstanding Class A Shares are not present or represented by proxy within one-half ($\frac{1}{2}$) an hour after the time appointed for such meeting, then the meeting shall be adjourned to

such date being not less than fifteen (15) days later and to such time and place as may be appointed by the chairman and not less than ten (10) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called; at such adjourned meeting the holders of Class A Shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed thereat by not less than two-thirds (2/3) of the votes cast at such adjourned meeting shall constitute the authorization of the holders of the Class A Shares referred to above; the formalities to be observed in respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed by the by-laws of the Corporation with respect to meetings of shareholders; on every poll taken at every such meeting or adjourned meeting every holder of Class A Shares shall be entitled to one (1) vote in respect to each Class A Share held.

22. **The 6% Class B Shares** with a par value of \$20 each (hereinafter called "Class B Shares") of the Corporation shall have attached thereto the following preferences, rights, conditions, restrictions, limitations and prohibitions:

(1) The holders of Class B Shares shall be entitled to receive and the Corporation shall pay thereon as and when declared by the board of directors of the Corporation, out of the moneys of the Corporation properly applicable to the payment of dividends, non-cumulative preferential cash dividends at the rate of six per cent (6%) per annum on the par value thereof payable quarterly on such dates as the board of directors shall from time to time determine; cheques of the Corporation payable at par at any branch of the Corporation's bankers for the time being in Canada shall be issued in respect of such dividends and payment thereof shall satisfy such dividends; after the thirty-first (31st) day of December, 1974 no dividend shall be declared or paid in any fiscal year on the Special Shares, the Class D Shares or the Common Shares or any other shares ranking junior to the Class B Shares unless, during the thirteen (13) calendar months immediately preceding the month during which any dividend on the Special Shares, the Class D Shares or the Common Shares or other shares ranking junior to the Class B Shares is declared or paid, as the case may be, dividends as aforesaid of six per cent (6%) of the par value thereof shall have been paid on the Class B Shares at the time outstanding or shall have been declared and the payment thereof authorized; the board of directors shall be entitled from time to time to declare part of the said non-cumulative cash dividend for any fiscal year notwithstanding that such dividend for such fiscal year shall not be declared in full; if within four (4) months following the end of any fiscal year of the Corporation the board of directors in its discretion shall not declare the said dividend or any part thereof on the Class B Shares for such fiscal year then the rights of the holders of the Class B Shares to such dividend or to any undeclared part thereof for such fiscal year shall be forever extinguished; the holders of the Class B Shares shall not be entitled to any dividends other than or in excess of the non-cumulative cash dividends hereinbefore provided for;

(2) In the event of the liquidation, dissolution or winding up of the Corporation or other distribution of assets of the Corporation among shareholders for the purpose of winding up its affairs the holders of the Class B Shares shall be entitled to receive the par value of such shares together with all declared and unpaid preferential dividends before any amount shall be paid or any property or assets of the Corporation distributed to the holders of the Common Shares or shares of any other class ranking junior to the Class B Shares; after payment to the holders of the Class B Shares of the amount so payable to them they shall not be entitled to share any further in the distribution of the property or assets of the Corporation;

(3) The Corporation may at any time or times on or after the fifteenth (15th) day of June, 1980 purchase (if obtainable) for cancellation the whole or any part of the Class B Shares outstanding from time to time in the market (including purchase through or from an investment dealer or a firm holding membership on a recognized stock exchange) or by invitation for tenders addressed to all the holders of record of the Class B Shares outstanding at the lowest price at which in the opinion of the directors such shares are obtainable but not exceeding the par value thereof together with all declared and unpaid preferential dividends and costs of purchase;

(4) The Corporation may on and after the fifteenth (15th) day of June, 1980 upon giving notice as hereinafter provided redeem at any time the whole or from time to time any part of the then outstanding Class B Shares on payment for each share to be redeemed of the par value thereof together with all declared and unpaid preferential dividends; where at any time some but not all of the Class B Shares are to be redeemed, the shares to be redeemed shall be selected by lot in such manner as the board of directors determines and not as nearly as may be in proportion to the number of such shares registered in the name of each shareholder;

(5) In any case of redemption of Class B Shares under clause (4) hereof the Corporation shall at least thirty (30) days before the date specified for redemption mail to each person who at the date of mailing is a registered holder of Class B Shares to be redeemed a notice in writing of the intention of the Corporation to redeem such Class B Shares; such notice shall be mailed in a pre-paid letter addressed to each such shareholder at his address as it appears on the books of the Corporation or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder; provided, however, that accidental failure to give any such notice to one (1) or more of such holders shall not affect the validity of such redemption; such notice shall set out the redemption price and the date on which redemption is to take place and if part only of the shares held by the person to whom such notice is addressed is to be redeemed the number thereof so to be redeemed; on or after the date so specified for redemption the Corporation shall pay or cause to be paid to or to the order of the registered holders of the Class B Shares to be redeemed the redemption price on presentation and surrender at the head office of the Corporation or any other place designated in such notice of the certificates for the Class B Shares called for redemption; if a part only of the shares represented by any certificate be redeemed a new certificate for the balance shall be issued at the expense of the Corporation; from and after the date specified in any such notice the Class B Shares called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be made upon presentation of certificates in accordance with the foregoing provisions in which case the rights of the holders shall remain unaffected; should the holders of any Class B Shares so called for redemption fail to present the certificates representing such shares on the date specified for redemption the Corporation shall have the right to deposit the redemption price of such shares to a special account in any chartered bank or any trust company in Canada, as specified in the notice, to be paid without interest to or to the order of the respective holders of such Class B Shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same and upon such deposit being made the Class B Shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit shall be limited to receiving without interest their proportionate part of the total redemption price so deposited against presentation and surrender of the said certificates held by them respectively;

(6) (a) The holders of Class B Shares shall have the right at any time (subject as hereinafter provided) to convert all or any fully-paid Class B Shares into either fully-paid Special Shares or Class D Shares of the Corporation (as the same shall be constituted at the time of conversion) at the holder's option on the basis of one (1) Special Share or one (1) Class D Share, as the case may be, for each Class B Share converted;

(b) The conversion right herein provided for may be exercised by notice in writing given to any transfer agent of the Corporation for the Class B Shares accompanied by the certificate or certificates representing the Class B Shares in respect of which the holder thereof desires to exercise such right of conversion; such notice shall be signed by the person registered on the books of the Corporation as the holder of the Class B Shares in respect of which such right is being exercised or by his duly authorized attorney and shall specify the number, if any, of Class B Shares which the holder desires to have converted into Special Shares and the number, if any, of Class B Shares which the holder desires to have converted into Class D Shares; upon the said transfer agent receiving such notice, the Corporation shall issue certificates for the appropriate number of Special Shares or Class D Shares, as the case may be, at the rate hereinbefore provided and in accordance with the provisions hereof to the registered holder of the Class B Shares represented by the certificate or certificates accompanying such notice or in such name or names as such registered holder may direct in writing (either in the said notice or otherwise) provided that such registered holder shall pay any applicable transfer taxes; if less than all the Class B Shares represented by any certificate or certificates accompanying any such notice are to be converted, the holder shall be entitled to receive, at the expense of the Corporation, a new certificate representing the Class B Shares comprised in the certificate or certificates surrendered as aforesaid which are not to be converted;

(c) The registered holders of any Class B Shares on the record date for any dividend payable on such shares shall be entitled to such dividend notwithstanding that such shares are converted into Special Shares or Class D Shares after such record date and before the payment date of such dividend and the registered holders of the Special Shares or Class D Shares resulting from such conversion shall be entitled to rank equally with the registered holders of all other Special Shares or Class D Shares in respect of all dividends payable to holders of Special Shares or Class D Shares of record on any date on or after the date of such conversion; subject as aforesaid and subject to the provisions of sub-clause (f) hereof, upon the conversion of any Class B Shares there shall be no adjustment by the Corporation or by any holder of Class B Shares on account of any dividends either on the Class B Shares so converted or on the Special Shares or Class D Shares resulting from such conversion;

(d) In the case of any Class B Shares which may be called for redemption, the right of conversion thereof shall, notwithstanding anything herein contained, cease and terminate at the close of business on the third business day prior to the date fixed for redemption, provided, however, that if the Corporation shall fail to redeem such Class B Shares in accordance with the notice of redemption the right of conversion shall thereupon be restored and shall continue as before;

(e) Subject as hereinafter provided in this sub-clause (e), the right of a holder of Class B Shares to convert the same into Special Shares or Class D Shares shall be deemed to have been exercised, and the registered holders of Class B Shares so converted (or any person or persons in whose name or names any such registered holder of Class B Shares shall have directed certificates representing Special Shares or Class D Shares to be issued as provided in sub-clause (b) hereof) shall be deemed to have become holders of Special Shares or Class D Shares of record of the

Corporation for all purposes on the respective dates of surrender of certificates representing the Class B Shares to be converted accompanied by notice in writing as provided in sub-clause (b) hereof, notwithstanding any delay in the delivery of certificates representing the Special Shares or Class D Shares into which such Class B Shares have been converted, but should any certificates representing Class B Shares be duly surrendered for conversion during a period when the registers of transfers of Special Shares or Class D Shares are properly closed, the registered holders of such Class B Shares (or other person or persons as aforesaid) shall be deemed to become holders of Special Shares or Class D Shares of record immediately upon the re-opening of such registers of transfers;

(f) (i) Neither the number of the outstanding Class B Shares nor the number of the outstanding Special Shares nor the number of the outstanding Class D Shares nor the number of the outstanding Common Shares shall be increased or decreased by reason of being subdivided, consolidated or reclassified unless contemporaneously therewith the number of shares of the other classes of such shares shall be subdivided, consolidated or reclassified in the same proportion and in the same manner; nothing herein contained shall affect or restrict the right of the Corporation to increase from time to time the authorized number of Class B Shares or Special Shares or Class D Shares or Common Shares in accordance with the provisions of The Business Corporations Act or issuing any of such shares from time to time;

(ii) If the holder of any Class B Share shall exercise the conversion right attaching thereto at any time after the payment of any dividend on the Special Shares or Class D Shares payable in shares of the Corporation or payable partly in shares of the Corporation and partly in cash, such holder shall be entitled to the number of shares of the class of the Corporation which he would have been entitled to on the exercise of such right of conversion of such Class B Shares if such dividend had not been paid and, in addition, he shall be entitled to such additional shares of any class of the Corporation as would have been payable on the shares of that class of the Corporation resulting from the exercise of such right of conversion if such shares had been outstanding on the record date for the payment of such dividend; and

(iii) If the Corporation proposes to issue subscription warrants, or other rights, to the holders of its Special Shares or Class D Shares generally to purchase shares of the Corporation, the Corporation shall so notify each registered holder of Class B Shares by written notice given at least thirty (30) days prior to the date fixed by the Corporation as the record date in connection with the issue of such subscription warrants, or other rights, to purchase shares;

(7) The holders of the Class B Shares shall not be entitled as such (except as hereinafter specifically provided) to receive notice or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting but shall be entitled to receive notice of meetings of shareholders of the Corporation called for the purpose of authorizing the dissolution of the Corporation or the sale of its undertaking or a substantial part thereof and shall be entitled to receive copies of the financial statements of the Corporation;

(8) The confirmation required by subsection 4 of Section 189 of The Business Corporations Act of any resolution to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Class B Shares or to create preference shares ranking in priority to or on a parity with the Class B Shares may be given by at least two-thirds ($\frac{2}{3}$) of the votes cast at a meeting of the holders of the Class B Shares duly called for that purpose and held upon at least twenty-one (21) days' notice at which the holders of at least one-third ($\frac{1}{3}$) of the outstanding

Class B Shares are present or represented by proxy; if at any such meeting the holders of one-third (1/3) of the outstanding Class B Shares are not present or represented by proxy within one-half (1/2) an hour after the time appointed for such meeting, then the meeting shall be adjourned to such date being not less than fifteen (15) days later and to such time and place as may be appointed by the chairman and not less than ten (10) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called; at such adjourned meeting the holders of Class B Shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed thereat by not less than two-thirds (2/3) of the votes cast at such adjourned meeting shall constitute the authorization of the holders of the Class B Shares referred to above; the formalities to be observed in respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed by the by-laws of the Corporation with respect to meetings of shareholders; on every poll taken at every such meeting or adjourned meeting every holder of Class B Shares shall be entitled to one (1) vote in respect of each Class B Share held; and

(9) The Class B Shares shall rank junior to the Preference Shares and the Class A Shares and shall be subject to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Preference Shares and Class A Shares; and the Special Shares, the Class D Shares and the Common Shares shall rank junior to the Class B Shares and shall be subject to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Preference Shares, the Class A Shares and the Class B Shares.

23. **The Special Shares** without par value (hereinafter called "Special Shares") and the **Class D Shares** without par value (hereinafter called "Class D Shares") of the Corporation shall have attached thereto respectively the following preferences, rights, conditions, restrictions, limitations and prohibitions:

(1) Subject to clause (2) hereof, the Special Shares, the Class D Shares and the Common Shares shall participate equally as to dividends and all dividends which the directors may determine to declare and pay in any fiscal year of the Corporation shall be declared and paid in equal or equivalent amounts per share on all the Special Shares, all the Class D Shares and all the Common Shares at the time outstanding without preference or distinction; the directors may in declaring any or all such dividends on the Special Shares, the Class D Shares and the Common Shares provide for payment thereof in whole or in part in the manner set out in clause (2) hereof;

(2) In declaring dividends the directors may at any time and from time to time provide (without making any such provision in respect of payment of dividends on the Class D Shares or the Common Shares) for the payment, in whole or in part, of dividends on the Special Shares by way of a cash dividend out of tax-paid undistributed surplus on hand or out of 1971 capital surplus on hand as defined in the Income Tax Act (Canada), as from time to time amended, or as defined in any successor Canadian federal income tax law, provided, however, that no such provision for payment may be made by the directors in respect of any such dividend on the Special Shares unless, forthwith following the making of such provision, the directors declare a cash dividend, payable forthwith following the payment of the said dividend on the Special Shares, on each Class D Share and each Common Share then outstanding equal to the sum of

(i) the cash dividend per share payable at that time on each Special Share then outstanding, plus

(ii) in the case of a dividend on the Special Shares paid out of tax-paid undistributed surplus on hand, an amount (to the nearest one-tenth (1/10) of one cent (1¢)) equal to the tax paid by the Corporation and/or by any one or more of its subsidiary corporations and/or by Atlantic Sugar Refineries Co. Limited under the said Income Tax Act or under any predecessor statute to create tax-paid undistributed surplus on hand equal to the amount of the cash dividend per share payable at that time on each Special Share then outstanding;

(3) Any holder of Special Shares shall be entitled at his option at any time (subject as hereinafter provided) to have all or any of the Special Shares held by him converted into Class D Shares as the same shall be constituted at the time of conversion upon the basis of one (1) Class D Share for each one (1) Special Share in respect of which the conversion right is exercised;

The conversion right herein provided for may be exercised by notice in writing given to a transfer agent for the Special Shares of the Corporation accompanied by the certificate or certificates representing Special Shares in respect of which the holder thereof desires to exercise such right of conversion and such notice shall be signed by the person registered on the books of the Corporation as the holder of the Special Shares in respect of which such right is being exercised or by his duly authorized attorney and shall specify the number of Special Shares which the holder desires to have converted; upon receipt of such notice the Corporation shall issue certificates representing Class D Shares upon the basis above prescribed and in accordance with the provisions hereof to the registered holder of the Special Shares represented by the certificate or certificates accompanying such notice; if less than all the Special Shares represented by any certificate are to be converted the holder shall be entitled to receive a new certificate for the Special Shares representing the shares comprised in the original certificate which are not to be converted;

(4) Any holder of Class D Shares shall be entitled at his option at any time (subject as hereinafter provided) to have all or any of the Class D Shares held by him converted into Special Shares as the same shall be constituted at the time of conversion upon the basis of one (1) Special Share for each one (1) Class D Share in respect of which the conversion right is exercised;

The conversion right herein provided for may be exercised by notice in writing given to a transfer agent for the Class D Shares of the Corporation accompanied by the certificate or certificates representing Class D Shares in respect of which the holder thereof desires to exercise such right of conversion and such notice shall be signed by the person registered on the books of the Corporation as the holder of the Class D Shares in respect of which such right is being exercised or by his duly authorized attorney and shall specify the number of Class D Shares which the holder desires to have converted; upon receipt of such notice the Corporation shall issue certificates representing Special Shares upon the basis above prescribed and in accordance with the provisions hereof to the registered holder of the Class D Shares represented by the certificate or certificates accompanying such notice; if less than all the Class D Shares represented by any certificate are to be converted, the holder shall be entitled to receive a new certificate for the Class D Shares representing the shares comprised in the original certificate which are not to be converted;

(5) Neither the number of the outstanding Class B Shares nor the number of the outstanding Special Shares nor the number of the outstanding Class D Shares nor the number of the outstanding Common Shares shall be increased or decreased by reason of being subdivided, consolidated or reclassified unless contemporaneously therewith the number of shares of the other classes of such shares shall be subdivided, consolidated or reclassified in the same proportion and in the same manner; nothing herein contained shall affect or restrict the right of the Corporation to

increase from time to time the authorized number of Class B Shares or Special Shares or Class D Shares or Common Shares in accordance with the provisions of The Business Corporations Act or issuing any of such shares from time to time;

(6) In the event of the liquidation, dissolution or winding up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, subject to the rights of the holders of the Preference Shares, after the payment to the holders of the Class A Shares of the sum of twenty dollars (\$20) per share, together with all accrued and unpaid dividends thereon (which for such purpose shall be calculated as if such dividends were accruing up to the date of distribution) and to the holders of the Class B Shares of the amounts to which they are entitled, the holders of Special Shares, Class D Shares and Common Shares shall be entitled to be paid the sum of five dollars (\$5) per share out of the remaining property and assets of the Corporation available for distribution; thereafter all the remaining property and assets of the Corporation available for distribution shall be paid or distributed equally share for share to the holders of the Class A Shares, the Special Shares, the Class D Shares and the Common Shares respectively, share and share alike, without preference or distinction;

(7) The confirmation required by subsection 4 of section 189 of The Business Corporations Act of a resolution to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Special Shares or the Class D Shares or creating preference shares ranking in any respect in priority to or on a parity with the Special Shares or the Class D Shares, as the case may be, may be given by at least two-thirds ($2/3$) of the votes cast at a meeting of the holders of the class of shares affected duly called for that purpose and held upon at least twenty-one (21) days' notice at which the holders of at least one-third ($1/3$) of the outstanding shares of the class affected are present or represented by proxy; if at any such meeting the holders of one-third ($1/3$) of the outstanding shares of the class affected are not present or represented by proxy within one-half ($1/2$) an hour after the time appointed for the meeting, then the meeting shall be adjourned to such date not being less than fifteen (15) days later and to such time and place as may be appointed by the chairman and at least ten (10) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called; at such adjourned meeting the holders of shares of the class affected present or represented by proxy may transact the business for which the meeting was originally called and the confirmation of the holders of shares of the class affected referred to above may be given by at least two-thirds ($2/3$) of the votes cast at such adjourned meeting; the formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed by the by-laws of the Corporation with respect to meetings of shareholders; on every poll taken at every such meeting or adjourned meeting every holder of shares of the class affected shall be entitled to one (1) vote in respect of each such share held;

(8) Save as aforesaid, each Special Share, each Class D Share and each Common Share shall have the same preferences, rights, conditions, restrictions, limitations and prohibitions and be the same in all respects and shall entitle the holder thereof to receive notice of and to attend and to one (1) vote in respect of each Special Share, each Class D Share and each Common Share held at all annual and general meetings of the shareholders of the Corporation;

(9) The Special Shares, the Class D Shares and the Common Shares shall rank junior to the Preference Shares, the Class A Shares and the Class B Shares and the Special Shares, the

Class D Shares and the Common Shares shall be subject to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Preference Shares, the Class A Shares and the Class B Shares.

24. Upon this agreement being approved by a special resolution of each of Atlantic and Glengair, this agreement shall become effective and within six months thereafter Atlantic and Glengair shall do all things necessary to cause the amalgamation to become effective.

25. Atlantic and Glengair may by resolution of their respective boards of directors assent to any alteration or modification of this agreement which the shareholders of the respective corporations at meetings called to consider the same may approve.

IN WITNESS WHEREOF this agreement has been executed by the parties hereto under their respective corporate seals.

ATLANTIC SUGAR REFINERIES CO.
LIMITED

By W. J. R. PATON
 President

 R. H. WEIR C.S.
 Secretary

THE GLENGAIR GROUP LIMITED

By J. H. HAWKE
 President

 CYRL H. HOLLINGSHEAD C.S.
 Secretary

ATLANTIC SUGAR REFINERIES CO. LIMITED

Arrangement under Sections 193 and 194 of The Business Corporations Act (Ontario).
BETWEEN:

ATLANTIC SUGAR REFINERIES CO. LIMITED

—and—

The holders of its 5% Cumulative Redeemable Preference Shares with a par value of \$100 each,

The holders of its Class A Shares without par value, and

The holders of its Common Shares without par value.

ARTICLE I

ARRANGEMENT

Upon this Arrangement becoming effective and binding:

(A) The authorized capital of the Corporation shall be increased by the creation of 5,000 Preference Shares with a par value of \$100 each, issuable in series, so that the authorized capital of the Corporation shall be divided into 80,000 Preference Shares with a par value of \$100 each, issuable in series, the first series to consist of and be the presently outstanding 75,000 5% Cumulative Redeemable Preference Shares which are hereby designated as 6% Cumulative Redeemable Preference Shares, First Series, 600,000 Class A Shares without par value of which 435,000 Class A Shares shall be issued and outstanding and 9,000,000 Common Shares without par value of which 5,460,600 Common Shares shall be issued and outstanding, provided that the Class A Shares without par value shall not be issued for an aggregate consideration exceeding in amount or value the sum of \$6,000,000 or such greater amount as the board of directors of the Corporation by resolution determines and provided further that the Common Shares without par value shall not be issued for an aggregate consideration exceeding in amount or value the sum of \$21,500,000 or such greater amount as the board of directors of the Corporation by resolution determines;

(B) **The Preference Shares** with a par value of \$100 each (hereinafter called "Preference Shares") of the Corporation shall have attached thereto, as a class, the following preferences, rights, conditions, restrictions, limitations and prohibitions:

(a) The Preference Shares may at any time and from time to time be issued in one (1) or more series, each series to consist of such number of shares as may, before the issue thereof, be determined by resolution of the board of directors of the Corporation;

(b) The board of directors of the Corporation shall, by resolution duly passed before the issue of any Preference Shares of any series (other than the first series), fix the designation, preferences, rights, conditions, restrictions, limitations and prohibitions to be attached to the Preference Shares of such series, including, but without in any way limiting or restricting the generality of the foregoing, the rate or amount of preferential dividends, the date or dates and place or places

of payment thereof, the consideration and the terms and conditions of any purchase for cancellation or redemption thereof, conversion rights (if any), the terms and conditions of any share purchase plan or sinking fund and the restrictions (if any) respecting payment of dividends on any shares ranking junior to the Preference Shares, the whole subject to the issue of a certificate of filing of a statement containing a certified copy of the said resolution pursuant to section 31 of The Business Corporations Act;

(c) The Preference Shares of each series shall, with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, be entitled to a preference over the Common Shares without par value of the Corporation and over any other shares ranking junior to the Preference Shares and the Preference Shares of each series may also be given such other preferences over the Common Shares and any other shares ranking junior to the Preference Shares as may be determined, by the said resolution fixing the designation, preferences, rights, conditions, restrictions, limitations and prohibitions to be attached to the Preference Shares of such series, as to the respective series authorized to be issued;

(d) The Preference Shares of each series shall rank on a parity with the Preference Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs other than any sinking fund or compulsory retirement obligation applicable to any particular series;

(e) No series of Preference Shares shall be authorized which shall have a dividend rate in excess of ten per cent (10%) per annum on the par value thereof or be entitled to receive upon liquidation, dissolution or winding up or upon redemption or purchase for cancellation a sum in excess of one hundred and ten per cent (110%) of the par value thereof plus a sum equivalent to all unpaid dividends accumulated thereon (which dividends, for such purpose, shall be calculated as if such dividends were accruing from day to day);

(f) Subject to the provisions of clause (e) hereof, the holders of the Preference Shares of each series shall be entitled to receive and the Corporation shall pay thereon as and when declared by the board of directors out of the moneys of the Corporation properly applicable to the payment of dividends fixed cumulative preferential cash dividends at such rate and on such date or dates as may be provided for in the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Preference Shares of such series; such dividends shall, except in the case of the first series, accrue from such date or dates not later than six (6) months after the respective dates of issue as may in the case of each issue be determined by the board of directors of the Corporation or in case no date be so determined then from the date of issue; cheques of the Corporation payable at par at any branch of the Corporation's bankers for the time being in Canada shall be issued in respect of such dividends and payment thereof shall satisfy such dividends; if on any date for the payment of any dividend on the Preference Shares of any series the dividend payable on such date is not paid in full on all the Preference Shares of such series then issued and outstanding such dividend or the unpaid part thereof shall be paid on a subsequent date or dates determined by the board of directors of the Corporation on which the Corporation shall have sufficient moneys properly applicable to the payment of the same; the holders of the Preference

Shares of any series shall not be entitled to any dividends other than or in excess of the cash dividends for such series hereinbefore in this clause (f) referred to;

(g) In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Preference Shares of each series shall be entitled to receive the par value of such shares, together with all dividends (if any) accrued thereon up to the date of distribution and then remaining unpaid on such shares, whether or not earned or declared (which dividends, for such purpose, shall be calculated as if such dividends were accruing from day to day) and an additional amount equal to the premium (if any) which would be payable upon the Preference Shares of such series as part of the redemption price of such shares if such shares were redeemed under the provisions of clause (j) hereof, and not pursuant to any retirement obligation imposed upon the Corporation, before any amount shall be paid or any property or assets of the Corporation distributed to the holders of any Common Shares or shares of any other class ranking junior to the Preference Shares; after payment to the holders of the Preference Shares of each series of the amount so payable to them they shall not be entitled to share in any further distribution of the property or assets of the Corporation;

(h) No dividends (other than stock dividends in shares of the Corporation ranking junior to the Preference Shares) shall at any time be declared or paid on or set apart for payment on any shares of the Corporation ranking junior to the Preference Shares unless all dividends up to and including the dividend payable for the last completed period for which such dividends shall be payable on each series of the Preference Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such declaration or payment or setting apart for payment on such shares of the Corporation ranking junior to the Preference Shares nor shall the Corporation call for redemption or purchase for cancellation or decrease or otherwise pay off any of the Preference Shares (less than the total number of Preference Shares then outstanding) or any shares of the Corporation ranking junior to the Preference Shares unless all dividends up to and including the dividend payable for the last completed period for which such dividends shall be payable on each series of the Preference Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such call for redemption, purchase, decrease or other payment off;

(i) Subject to the provisions of clause (h) hereof and subject to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Preference Shares of any series, the Corporation may at any time or times purchase (if obtainable) for cancellation all or any part of the Preference Shares of any series outstanding from time to time on the open market (including purchase through or from an investment dealer or firm holding membership on a recognized stock exchange) or by invitation for tenders addressed to all the holders of record of the Preference Shares of such series outstanding at the lowest price or prices at which, in the opinion of the directors, such shares are obtainable but not exceeding the price at which, at the date of purchase, such shares are redeemable as provided in clause (j) hereof and not pursuant to any compulsory retirement obligation imposed upon the Corporation (including accrued and unpaid preferential dividends as provided in the said clause (j)) plus costs of purchase; if upon any invitation for tenders under the provisions of this clause (i) the Corporation shall receive tenders of Preference Shares of such series at the same lowest price which the Corporation may be willing to pay in an aggregate number greater than the number for which the Corporation is prepared to

accept tenders, the Preference Shares of such series so tendered which the Corporation determines to purchase at such price shall be purchased as nearly as may be pro rata (disregarding fractions) in proportion to the number of Preference Shares of such series so tendered by each of the holders of Preference Shares of such series who submitted tenders at the said same lowest price;

(j) Subject to the provisions of clause (h) hereof and subject to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Preference Shares of any series, the Corporation may upon giving notice as hereinafter provided redeem at any time the whole or from time to time any part of the then outstanding Preference Shares of any series on payment for each share to be redeemed of the par value thereof together with such premium (if any) as may be provided for in the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Preference Shares of such series and together with all dividends (if any) accrued thereon up to the date fixed for redemption and then remaining unpaid on such shares, whether or not earned or declared (which dividends, for such purpose, shall be calculated as if such dividends were accruing from day to day);

(k) In any case of redemption of Preference Shares of any series under the provisions of clause (j) hereof, the Corporation shall at least thirty (30) days before the date specified for redemption mail to each person who at the date of mailing is a registered holder of Preference Shares of such series to be redeemed a notice in writing of the intention of the Corporation to redeem such last mentioned shares; such notice shall be mailed in an envelope, with postage prepaid, addressed to each such shareholder at his address as it appears on the books of the Corporation or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder; provided, however, that accidental failure or omission to give any such notice to one (1) or more of such holders shall not affect the validity of such redemption; such notice shall set out the redemption price and the date on which redemption is to take place and if part only of the Preference Shares of such series held by the person to whom it is addressed is to be redeemed the number thereof so to be redeemed; on or after the date so specified for redemption the Corporation shall pay or cause to be paid to or to the order of the registered holders of the Preference Shares of such series to be redeemed the redemption price thereof on presentation and surrender at the head office of the Corporation or any other place within Canada designated in such notice of the certificates representing the Preference Shares of such series so called for redemption; such payment shall be made by cheques payable at par at any branch of the Corporation's bankers for the time being in Canada; if a part only of the Preference Shares of such series represented by any certificate shall be redeemed, a new certificate for the balance shall be issued at the expense of the Corporation; from and after the date specified for redemption in any such notice, the Preference Shares of such series called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected; the Corporation shall have the right at any time after the mailing of notice of its intention to redeem any Preference Shares of any series as aforesaid to deposit the redemption price of the Preference Shares of such series so called for redemption or of such of the said shares represented by certificates as have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption to a special account in any chartered bank or any trust company in Canada named in such notice to be paid without interest to or to the order of the respective holders of the Preference Shares of such series called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same; upon such deposit being made or

upon the date specified for redemption in such notice, whichever is the later, the Preference Shares of such series in respect whereof such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest their proportionate part of the total redemption price so deposited against presentation and surrender of the said certificates held by them respectively; any interest allowed on any such deposit shall belong to the Corporation;

(1) The holders of the Preference Shares shall not be entitled as such (except as hereinafter specifically provided) to attend any meeting of the shareholders of the Corporation or to vote at any such meeting (but shall be entitled to have mailed to them copies of the financial statements and the directors' report thereon submitted to annual meetings of shareholders and notice of shareholders' meetings) unless and until the Corporation from time to time shall fail to pay in the aggregate six (6) quarterly dividends on the Preference Shares of any one (1) series on the dates on which the same should be paid according to the terms thereof and unless and until six (6) quarterly dividends on such shares shall remain outstanding and be unpaid whether or not consecutive and whether or not such dividends have been declared and whether or not there are any moneys of the Corporation properly applicable to the payment of dividends; thereafter but only as long as any dividends on the Preference Shares of any series remain in arrears the holders of the Preference Shares shall be entitled to attend all annual and general meetings of shareholders of the Corporation and shall be entitled to one (1) vote in respect of each Preference Share held and, in addition, shall be entitled as a class to elect three (3) members of the board of directors of the Corporation; nothing herein contained shall be deemed to limit the right of the Corporation from time to time to increase or decrease the number of its directors;

Notwithstanding anything contained in the by-laws of the Corporation, the term of office of all persons who may be directors of the Corporation at any time when the right to elect directors shall accrue to the holders of Preference Shares as herein provided, or who may be appointed as directors thereafter and before a meeting of shareholders shall have been held, shall terminate upon the election of directors at the next annual meeting of shareholders or at a general meeting of shareholders which may be held for the purpose of electing directors at any time after the accrual of such right to elect directors upon not less than twenty-one (21) days' written notice and which shall be called by the secretary of the Corporation upon the written request of the holders of record of at least one-twentieth (1/20) of the outstanding Preference Shares; in default of the calling of such general meeting by the secretary within fifteen (15) days after the making of such request, such meeting may be called by any holder of record of Preference Shares;

Any vacancy or vacancies occurring among members of the board elected by the holders of Preference Shares in accordance with the foregoing provisions may be filled by the board of directors with the consent and approval of the remaining director or directors elected by the holders of Preference Shares, but if there be no such remaining director or directors the board may elect or appoint sufficient holders of Preference Shares to fill the vacancy or vacancies; whether or not such vacancy or vacancies is or are so filled by the board, the holders of record of at least one-twentieth (1/20) of the outstanding Preference Shares shall have the right to require the secretary of the Corporation to call a meeting of the holders of Preference Shares for the purpose of filling the vacancy or vacancies or replacing any person or persons elected or appointed to fill such vacancy or vacancies and the provisions of the last preceding paragraph shall apply with respect to the calling of any such meeting;

Notwithstanding anything contained in the by-laws of the Corporation, upon any termination of the voting rights of the holders of Preference Shares as herein provided for the term of office of the directors elected or appointed to represent the holders of Preference Shares shall forthwith terminate; and

(m) The confirmation required by subsection 4 of section 189 of The Business Corporations Act of a resolution to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Preference Shares as a class or to create preference shares ranking in priority to or on a parity with the Preference Shares may be given by at least two-thirds (2/3) of the votes cast at a meeting of the holders of the Preference Shares duly called for that purpose and held upon at least twenty-one (21) days' notice at which the holders of at least one-third (1/3) of the outstanding Preference Shares are present or represented by proxy; if at any such meeting the holders of one-third (1/3) of the outstanding Preference Shares are not present or represented by proxy within one-half (1/2) an hour after the time appointed for such meeting, then the meeting shall be adjourned to such date being not less than fifteen (15) days later and to such time and place as may be appointed by the chairman and not less than ten (10) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called; at such adjourned meeting the holders of Preference Shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed thereat by not less than two-thirds (2/3) of the votes cast at such adjourned meeting shall constitute the authorization of the holders of the Preference Shares referred to above; the formalities to be observed in respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed by the by-laws of the Corporation with respect to meetings of shareholders; on every poll taken at every such meeting or adjourned meeting every holder of Preference Shares shall be entitled to one (1) vote in respect to each Preference Share held.

(C) **The First Series** of Preference Shares shall consist of the 75,000 Preference Shares presently outstanding which have been designated as 6% Cumulative Redeemable Preference Shares, First Series (hereinafter referred to as "Preference Shares First Series") and in addition to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Preference Shares as a class shall have attached thereto the following preferences, rights, conditions, restrictions, limitations and prohibitions:

(1) The holders of the Preference Shares First Series shall be entitled to receive and the Corporation shall pay thereon as and when declared by the board of directors out of the moneys of the Corporation properly applicable to the payment of dividends fixed cumulative preferential cash dividends at the rate of six per cent (6%) per annum payable quarterly on the fifteenth (15th) days of March, June, September and December in each year on the par value thereof; such dividends shall accrue from the 15th day of June, 1973;

(2) Subject to the preferences, rights, conditions, restrictions, limitations and prohibitions (hereinafter called the "conditions") attaching to the Preference Shares as a class the Corporation may redeem at any time in whole or from time to time any part of the then outstanding Preference Shares First Series on payment for each share to be redeemed of the par value thereof together with a premium of five per cent (5%) of such amount and together with all dividends (if any) accrued thereon up to the date fixed for redemption and then remaining unpaid on such share, whether or not earned or declared (which dividends, for such purpose, shall be calculated as if such dividends were accruing from day to day);

(3) Subject as hereinafter provided, so long as any of the Preference Shares First Series are outstanding the Corporation shall on or before the first (1st) day of May in each year, commencing with the year 1974, set aside as a purchase fund for the purchase of Preference Shares First Series for cancellation the sum of One Hundred Thousand Dollars (\$100,000); provided that if under the foregoing provisions the Corporation would be required to set aside in any year for purchase fund purposes an amount which when added to the amounts theretofore set aside as a purchase fund in respect of the Preference Shares First Series and not used or applied on or before the first (1st) day of April in such year for the purposes hereinafter provided would aggregate an amount in excess of Two Hundred Thousand Dollars (\$200,000) then the Corporation in such year shall only be required to set aside for purchase fund purposes an amount which when added to the other amounts theretofore set aside and not used or applied as aforesaid will equal Two Hundred Thousand Dollars (\$200,000);

Subject to the conditions attaching to the Preference Shares as a class and as hereinafter in this clause provided, the amounts from time to time set aside as a purchase fund in respect of the Preference Shares First Series shall be applied as soon as practicable to the purchase of Preference Shares First Series (if obtainable) on the open market (including purchase through or from an investment dealer or firm holding membership on a recognized stock exchange) at the lowest price or prices at which in the opinion of the directors such shares are obtainable but not exceeding the price provided for in the conditions attaching to the Preference Shares as a class;

To the extent to which Preference Shares First Series cannot be purchased at prices not exceeding the said price the Corporation shall not be obligated to make any application of the purchase fund in the purchase of Preference Shares First Series but shall reserve the same until such shares in the opinion of the directors can be so purchased and so on from time to time so long as any of the Preference Shares First Series shall be outstanding;

Any moneys set aside in the purchase fund in accordance with the foregoing provisions need not be kept separate from the other moneys of the Corporation and, pending the application thereof in the purchase of Preference Shares First Series in accordance with the provisions of this clause, may be employed in the business of the Corporation;

Notwithstanding the foregoing the Corporation may at any time reduce or extinguish the purchase fund or anticipate the whole or any part of its purchase fund obligations by purchasing or redeeming Preference Shares First Series as provided for in the conditions attaching to the Preference Shares as a class and charging or crediting the cost of, or amount required to redeem, such Preference Shares First Series to reduce or extinguish the purchase fund or in reduction of any purchase fund obligations thereafter becoming due;

Notwithstanding anything herein contained the Corporation shall not purchase Preference Shares First Series out of the purchase fund or make any application of the purchase fund in the purchase of Preference Shares First Series if after giving effect to such purchase the Corporation would be rendered insolvent;

4. The confirmation required by subsection 4 of section 189 of The Business Corporations Act of a resolution to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Preference Shares First Series as a series may be given as provided, mutatis mutandis, in clause (m) of the conditions attaching to the Preference Shares as a class as if all references in the said clause (m) to Preference Shares were references to Preference Shares First Series.

(D) The rights of the holders of the outstanding Preference Shares First Series shall be limited and restricted to and shall consist solely and exclusively of the preferences, rights, conditions, restrictions, limitations and prohibitions set out above in paragraphs (B) and (C).

(E) The preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the **Class A Shares** (hereinafter called "Class A Shares") shall be as follows:

(i) The holders of the Class A Shares shall be entitled to receive and the Corporation shall pay thereon as and when declared by the board of directors out of the moneys of the Corporation properly applicable to the payment of dividends fixed cumulative preferential cash dividends at the rate of \$1.20 per share per annum payable quarterly on the first days of January, April, July and October in each year; cheques of the Corporation payable at par at any branch of the Corporation's bankers for the time being in Canada shall be issued in respect of such dividends and payment thereof shall satisfy such dividends; no dividend shall be declared or paid or set aside for payment on the Common Shares or any other shares ranking junior to the Class A Shares in any fiscal year unless and until the full preferential cash dividend payable for the current quarter on the Class A Shares shall have been declared and paid or set aside for payment; if on any dividend payment date the dividends payable on such date are not paid in full on all the Class A Shares then issued and outstanding such dividends or the unpaid part thereof shall be paid on a subsequent date or dates determined by the board of directors of the Corporation on which the Corporation shall have sufficient moneys properly applicable to the payment of the same; the holders of the Class A Shares shall not be entitled to any dividends other than or in excess of the cash dividends hereinbefore provided for;

(ii) In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Shares shall, subject to the rights of the holders of Preference Shares, be entitled to receive an amount equal to twenty dollars (\$20) per share plus an amount equal to all accrued and unpaid cumulative preferential dividends thereon (which for such purpose shall be calculated as if such dividends were accruing up to the date of distribution) and after the holders of the Common Shares have received an amount equal to five dollars (\$5) per share for each of any of such shares held by all of such holders the remaining assets of the Corporation shall be distributed among the holders of the Class A Shares and Common Shares respectively, share and share alike, without preference or distinction;

(iii) The Corporation may at any time or times purchase (if obtainable) for cancellation the whole or any part of the Class A Shares outstanding from time to time in the market (including purchase through or from an investment dealer or a firm holding membership on a recognized stock exchange) or by invitation for tenders addressed to all the holders of record of the Class A Shares outstanding at the lowest price at which in the opinion of the board of directors such shares are obtainable, but not exceeding twenty-five dollars (\$25) per share;

(iv) Subject as hereinafter provided, so long as any of the Class A Shares are outstanding the Corporation shall on or before the first (1st) day of May in each year, commencing with the year 1974, set aside as a purchase fund for the purchase of Class A Shares for cancellation the sum of one hundred thousand dollars (\$100,000); provided that if under the foregoing provisions the Corporation would be required to set aside in any year for purchase fund purposes an amount

which when added to the amounts theretofore set aside as a purchase fund in respect of the Class A Shares and not used or applied on or before the first (1st) day of April in such year for the purposes hereinafter provided would aggregate an amount in excess of two hundred thousand dollars (\$200,000) then the Corporation in such year shall only be required to set aside for purchase fund purposes an amount which when added to the other amounts theretofore set aside and not used or applied as aforesaid will equal two hundred thousand dollars (\$200,000);

Subject to the provisions of clause (iii) hereof and as hereinafter in this clause provided, the amounts from time to time set aside as a purchase fund in respect of the Class A Shares shall be applied as soon as practicable to the purchase of Class A Shares (if obtainable) in the market (including purchase through or from an investment dealer or firm holding membership on a recognized stock exchange) at the lowest price or prices at which in the opinion of the directors such shares are obtainable but not exceeding twenty-five dollars (\$25) per share;

To the extent to which any Class A Shares cannot be so purchased at prices not exceeding the said price the Corporation shall not be obligated to make any application of the purchase fund in the purchase of Class A Shares but shall reserve the same until such shares in the opinion of the directors can be so purchased and so on from time to time so long as any of the Class A Shares shall be outstanding;

Any moneys set aside in the purchase fund in accordance with the foregoing provisions need not be kept separate from the other moneys of the Corporation and, pending the application thereof in the purchase of Class A Shares in accordance with the provisions of this clause, may be employed in the business of the Corporation;

Notwithstanding the foregoing the Corporation may at any time reduce or extinguish the purchase fund or anticipate the whole or any part of its purchase fund obligations by purchasing Class A Shares as provided in clause (iii) hereof and charging or crediting the cost of such Class A Shares to reduce or extinguish the purchase fund or in reduction of any purchase fund obligations thereafter becoming due;

Notwithstanding anything herein contained the Corporation shall not purchase Class A Shares out of the purchase fund or make any application of the purchase fund in the purchase of Class A Shares if after giving effect to such purchase the Corporation would be rendered insolvent;

(v) The holders of Class A Shares shall not be entitled (except as hereinafter specifically provided) to attend any meeting of the shareholders of the Corporation or to vote at any such meeting (but shall be entitled to have mailed to them copies of the financial statements and the directors' report thereon submitted to annual meetings of shareholders and notice of shareholders' meetings) unless and until the Corporation from time to time shall fail to pay in the aggregate eight (8) quarterly dividends on the Class A Shares on the dates on which the same should be paid according to the terms hereof whether or not such dividends have been declared and whether or not there are any moneys of the Corporation properly applicable to the payment of dividends; thereafter so long as any dividends on the Class A Shares remain in arrears the holders of the Class A Shares shall be entitled at all annual and general meetings of shareholders of the Corporation to one (1) vote in respect of each Class A Share held;

(vi) The Class A Shares shall rank junior to the Preference Shares and be subject to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Preference

THE GLENGAIR GROUP LIMITED

Amendment to Articles of Incorporation

BE IT RESOLVED THAT

the Articles of Incorporation of the Corporation are amended

1. by redividing the 3,180,592 issued 6% Non-cumulative Convertible Non-voting Class B Preference Shares with a par value of \$5 each of the Corporation into 795,148 6% Non-cumulative Convertible Non-voting Class B Preference Shares with a par value of \$20 each of the Corporation on the basis of each four (4) 6% Non-cumulative Convertible Non-voting Class B Preference Shares with a par value of \$5 each held by each shareholder on the effective date of the Amendment of Articles becoming one (1) 6% Non-cumulative Convertible Non-voting Class B Preference Share with a par value of \$20 each; provided, however, that a shareholder who on the said effective date is the registered holder of a number of 6% Non-cumulative Convertible Non-voting Class B Preference Shares which is not a whole multiple of 4 shall not be entitled to be registered as a shareholder in respect of a fraction of a 6% Non-cumulative Convertible Non-voting Class B Preference Share resulting from such consolidation but in lieu thereof shall be entitled to receive a bearer fractional certificate representing such fraction of a 6% Non-cumulative Convertible Non-voting Class B Preference Share;

2. by cancelling 11,819,331 unissued 6% Non-cumulative Convertible Non-voting Class B Preference Shares with a par value of \$5 each of the Corporation;

3. by consolidating the 11,727,980 issued Common Shares without par value of the Corporation into 2,931,995 Common Shares without par value on the basis of each four (4) Common Shares held by each shareholder on the effective date of the Amendment of Articles becoming one (1) Common Share without par value; provided, however, that a shareholder who on the said effective date is the registered holder of a number of Common Shares which is not a whole multiple of 4 shall not be entitled to be registered as a shareholder in respect of a fraction of a Common Share resulting from such consolidation but in lieu thereof shall be entitled to receive a bearer fractional certificate representing such fraction of a Common Share;

4. by providing that the authorized capital of the Corporation shall consist of 1,000,000 Class A Preference Shares with a par value of \$25 each, issuable in series, 795,148 6% Non-cumulative Convertible Non-voting Class B Preference Shares with a par value of \$20 each and 11,204,148 Common Shares without par value; provided that the Common Shares shall not be issued for an aggregate consideration exceeding in amount or value the sum of \$21,500,000 or such greater amount as the board of directors of the Corporation by resolution determines.