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Annual Report 1977

Union Acceptance Corporation Ltd.

HOWARD ROSS LIBRARY
DE MANAGEMENT

SEP 4 1979

MCGILL UNIVERSITY

**UNION ACCEPTANCE
CORPORATION LTD.**

*(a wholly owned subsidiary of
Laurentide Financial Corporation Ltd.)*

HEAD OFFICE:

Guardian of Canada Tower, Suite 316
181 University Avenue, Toronto, Ontario
Canada M5H 3M7

EXECUTIVE OFFICES:

1177 West Hastings Street, Vancouver,
British Columbia, Canada V6E 2K3

SENIOR OFFICERS

PETER D. CURRY
Chairman of the Board
CLIFF G. SIMPSON
President and Chief Executive Officer
K.R. BUSFIELD
Vice-President, Real Estate and Mortgage
J.D. HELMCKEN, LL.B.
Vice-President, Secretary and
General Counsel
T.L. HUNT
Vice-President, Industrial Finance
R.R. ROUSSEAU
Vice-President, Consumer Finance

J.A. SEIGNEURET, C.A.
Vice-President, Finance
T.R. WILSON
Vice-President, Personnel
W. ALDRIDGE, C.A.
Vice-President and Controller
H.L. SMITH, C.G.A.
Vice-President and Treasurer
N.T. STOTT
Vice-President and
Assistant Treasurer

DIRECTORS

CLAUDE BRUNEAU

Vice-President, Power Corporation of Canada, Limited

PETER D. CURRY

President, Power Corporation of Canada, Limited

PAUL DESMARAIS

Chairman and Chief Executive Officer, Power Corporation of Canada, Limited

JOHN C. GILMER, F.C.A.

Company Director, formerly President and Chief Executive Officer,
Canadian Pacific Air Lines, Limited

ROBERT H. JONES

President and Chief Executive Officer, The Investors Group

E.M. LINDBERG

Retired, formerly President and Chief Executive Officer,
Laurentide Financial Corporation Ltd.

GORDON F. MACFARLANE

Chairman and Chief Executive Officer, British Columbia Telephone Company

PAUL BRITTON PAINE, Q.C.

Chairman, President and Chief Executive Officer, Montreal Trust Company

EDGAR J. SABA

President, Saba Brothers Limited

G.D. SHERWOOD

President and Chief Executive Officer, Odlum Brown & T.B. Read Ltd.

CLIFF G. SIMPSON

President and Chief Executive Officer, Laurentide Financial Corporation Ltd.

WARREN Y. SOPER

Director and Vice-President, Pitfield Mackay Ross Limited

P.N. THOMSON

Chairman and Chief Executive Officer, TIW Industries Ltd.

WILLIAM I.M. TURNER, JR.

President and Chief Executive Officer, Consolidated-Bathurst Limited

EXECUTIVE COMMITTEE

Peter D. Curry, Chairman

Claude Bruneau

John C. Gilmer, F.C.A.

Robert H. Jones

Paul Britton Paine, Q.C.

Edgar J. Saba

Cliff G. Simpson

AUDIT COMMITTEE

William I.M. Turner, Jr., Chairman

Claude Bruneau

Paul Britton Paine, Q.C.

G.D. Sherwood

Warren Y. Soper

REPORT OF THE DIRECTORS

Your Directors are pleased to submit this report on your Company's activities during 1977.

The Company is an amalgamated corporation resulting from the amalgamation on December 30, 1977 of the predecessor corporations Union Acceptance Corporation Limited and Union Acceptance (Ontario) Corp. Under the provisions of the amalgamation agreement the holders of first preference shares of Union Acceptance Corporation Limited received first preference shares of Union Acceptance Corporation Ltd.; the holders of second preference and common shares of Union Acceptance Corporation Limited received convertible junior preference shares of Union Acceptance Corporation Ltd., and the holders of common shares of Union Acceptance (Ontario) Corp. received common shares of Union Acceptance Corporation Ltd. all of the foregoing being on a share for share basis. Subsequent to the amalgamation, the holders of 892,000 convertible junior preference shares converted these shares into 446 common shares.

The results detailed in the following financial statements were achieved in an economic climate that was once again far from favourable to your Company's principal areas of activity. The fact that we can report positively on the results achieved in so many aspects of our business is a heartening indicator of your Company's stability, its responsiveness to changing economic and market conditions, and the capability of its management and staff.

The consolidated earnings for 1977 were \$1,474,000, an increase of \$95,000 over 1976. On a pre-amalgamation basis, this represents \$1.56 earnings per second preference and common shares compared with \$1.44 in 1976. After giving effect in both years to the amalgamation, the earnings per common share were \$3,102 against \$2,867 in the previous year.

At year-end, consolidated finance receivables, net of unearned finance charges were up \$5 million to \$121 million. Gross income increased by 6% to \$18.6 million from \$17.5 million in 1976.

As a consequence of the poor performance of the Canadian economy and accompanying higher levels of overdue accounts and repossessions, the provision for credit losses was increased by \$361,000 from the previous year. However, accounts overdue and written off remained well within accepted industry standards. The allowance for credit losses of \$1,812,000 at December 31, 1977, has increased to 1.5% of our finance receivables net of unearned finance charges and is considered appropriate in the present circumstances.

Throughout 1977, Union maintained an excellent liquidity position and short term funds were readily available through the commercial paper market. The average amount of commercial paper outstanding during the year was \$45 million.

At year-end, consolidated bank lines of credit were \$60 million with 18 banks and provided 152% coverage of commercial paper borrowings.

In 1977 your Company arranged medium term loans of U.S. \$9 million and U.S. \$3 million due October 31, 1980 - 1982 and November 1, 1980 - 1982 respectively, with two of its U.S. banks.

The Company already enjoys considerable diversification in its portfolio in the types of industries served and their geographic location, but additional programs are now under way - including staff training and staff acquisition programs - to increase the Company's penetration of new markets and types of commerce and industry. Management is expecting positive results from these programs in the coming year and beyond.

The concept of variable-rate lending, which was introduced in 1975, continues to be a marketing tool of growing importance. The portfolio of business written on this basis now accounts for a significant part of the total receivables and can be expected to have a sustained positive effect on future volume and earnings.

For the year ended December 31, 1977, salaries and benefits amounted to \$2.3 million compared with \$2.4 million at year-end 1976.

EXECUTIVE APPOINTMENT

The Directors are pleased to welcome Gordon F. MacFarlane, who was elected a Director of the Company in September. Mr. MacFarlane is Chairman and Chief Executive Officer, British Columbia Telephone Company.

OUTLOOK

The Directors look forward with some encouragement to the year ahead. We anticipate no major deterioration in the economic situation; in fact, some of the current uncertainty may be dispelled by significant regional activity.

We are well established in Quebec, and enjoy a diversified business base. Our staff there is of high calibre, all French speaking. While economic activity in Eastern Canada is not expected to vary greatly in 1978 from that experienced last year, we do not anticipate difficulty in maintaining our market share of business from credit-worthy customers.

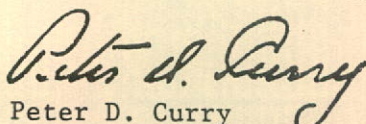
In our view, the central region will show a reasonable resumption of growth and the present indications are that Western Canada will continue its economic expansion, led by Alberta and with some renewed vigor in British Columbia.

These indications, while retaining many of the uncertainties we faced at this time last year, tend to be reassuring and lend a basis for cautious optimism for the outlook in 1978.

The future is a continual challenge. Those who look beyond their day-to-day operations will be best prepared to meet it and profit from it. Your Company has long demonstrated its ability to change, adapt and innovate. We intend to retain that ability.

The Annual General Meeting will be held on April 13, 1978 at 11:00 a.m. at the Hotel Vancouver, Vancouver, B.C.

On behalf of the Board,



Peter D. Curry
Chairman of the Board

Vancouver, Canada
February 8, 1978



Cliff G. Simpson
President & Chief Executive Officer

UNION ACCEPTANCE CORPORATION LTD.

Consolidated Statement of Earnings

Year ended December 31, 1977

	<u>1977</u>	<u>1976</u>
Gross income	\$ 18,643,762	17,451,314
Cost of borrowings:		
Long-term	4,323,461	3,659,889
Short-term	4,054,675	4,589,834
Foreign exchange (gain)	<u>(132,472)</u>	<u>27,993</u>
Total cost of borrowings	<u>8,245,664</u>	<u>8,277,716</u>
Earnings before other expenses	10,398,098	9,173,598
Other expenses:		
Salaries and benefits	2,318,258	2,362,902
Provision for credit losses	1,172,734	812,293
Other operating expenses including depreciation of \$205,797 (1976 - \$200,311)	<u>4,063,189</u>	<u>3,304,765</u>
Total other expenses	<u>7,554,181</u>	<u>6,479,960</u>
Earnings before income taxes	2,843,917	2,693,638
Income taxes	<u>1,369,526</u>	<u>1,314,538</u>
Net earnings	\$ <u><u>1,474,391</u></u>	<u><u>1,379,100</u></u>

Earnings per share (Note 8)

See accompanying notes to consolidated financial statements.

UNION ACCEPTANCE CORPORATION LTD.

Consolidated Statement of Retained Earnings

Year ended December 31, 1977

	<u>1977</u>	<u>1976</u>
Net earnings	\$ 1,474,391	1,379,100
Dividends paid on first preference shares	<u>74,173</u>	<u>84,498</u>
	1,400,218	1,294,602
Gain on first preference shares purchased for cancellation	<u>16,488</u>	<u>20,535</u>
	1,416,706	1,315,137
Retained earnings at beginning of year	<u>11,354,127</u>	<u>10,038,990</u>
Retained earnings at end of year	\$ <u>12,770,833</u>	<u>11,354,127</u>

See accompanying notes to consolidated financial statements.

UNION ACCEPTANCE CORPORATION LTD.

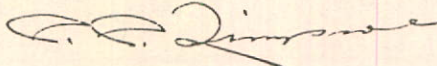
Consolidated Balance Sheet

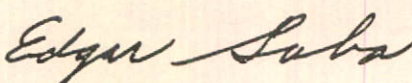
December 31, 1977

	<u>ASSETS</u>	
	<u>1977</u>	<u>1976</u>
Cash and short-term deposits (Note 3)	\$ 4,397,187	2,341,313
Finance receivables (Notes 4, 6 and 9):		
Consumer loans	18,805,619	18,324,643
Consumer sales contracts	4,992,276	4,945,393
Industrial	74,033,772	80,261,780
Leases	31,127,515	29,974,421
Commercial real estate mortgages	6,502,846	-
Wholesale and other	<u>4,786,841</u>	<u>5,769,550</u>
Total finance receivables	140,248,869	139,275,787
Less: unearned finance income	19,435,195	22,815,783
allowance for credit losses	<u>1,812,205</u>	<u>1,536,951</u>
Finance receivables, net	119,001,469	114,923,053
Due from parent company	-	662,819
Repossessions and property held for sale, at lower of cost or estimated net realizable value	338,326	394,819
Prepaid interest and other expenses	344,576	193,883
Premises and equipment, at cost less accumulated depreciation of \$1,145,900 (1976 - \$1,043,207)	618,390	623,826
Unamortized debt discount and financing expenses	249,303	368,884
	<u>\$ 124,949,251</u>	<u>119,508,597</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director 

Director 

LIABILITIES

	<u>1977</u>	<u>1976</u>
Short-term notes (Notes 5 and 6):		
Banks	\$ -	7,812,760
Commercial paper	<u>42,436,764</u>	<u>37,877,000</u>
	42,436,764	45,689,760
Accounts payable and accrued liabilities:		
Parent company	203,098	-
Other	1,814,391	1,711,829
Income taxes	5,518,299	4,582,398
Dealers' balances	204,792	216,776
Secured long-term notes (Schedule A) (Note 6)	46,212,927	41,696,816
Debentures and other long-term unsecured debt (Schedule A) (Note 6)	<u>10,214,703</u>	<u>8,684,237</u>
	106,604,974	102,581,816

SHAREHOLDERS' EQUITY

Capital stock (Schedule B) (Note 1):		
First preference	1,176,700	1,287,750
Second preference	-	2,771,921
Junior preference	21,784	-
Common	<u>4,374,960</u>	<u>1,512,983</u>
	5,573,444	5,572,654
Retained earnings, per accompanying statement (Note 7)	<u>12,770,833</u>	<u>11,354,127</u>
	<u>18,344,277</u>	<u>16,926,781</u>
	\$ <u><u>124,949,251</u></u>	<u><u>119,508,597</u></u>

UNION ACCEPTANCE CORPORATION LTD.

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1977

	<u>1977</u>	<u>1976</u>
Source of funds:		
Operations:		
Net earnings	\$ 1,474,391	1,379,100
Add:		
Depreciation and amortization	325,378	323,738
Deferred income taxes	<u>1,200,000</u>	<u>1,000,000</u>
Total funds from operations	2,999,769	2,702,838
Proceeds from issue of long-term debt	14,988,387	8,090,940
Proceeds from issue of common stock	111,840	-
Decrease (increase) in other net assets	<u>598,196</u>	<u>(769,397)</u>
Total funds provided	<u>18,698,192</u>	<u>10,024,381</u>
Use of funds:		
Redemption of secured long-term notes and debentures	8,941,810	3,927,500
Decrease (increase) in short-term notes	3,252,996	(7,610,704)
Increase (decrease) in cash and short-term deposits	2,055,874	(1,643,270)
Additions to premises and equipment	200,361	209,353
First preference shares purchased for cancellation	94,562	109,715
Dividends on first preference shares	<u>74,173</u>	<u>84,498</u>
Total funds used (provided)	<u>14,619,776</u>	<u>(4,922,908)</u>
Increase in net finance receivables	4,078,416	14,947,289
Net finance receivables, at beginning of year	<u>114,923,053</u>	<u>99,975,764</u>
Net finance receivables, at end of year	\$ <u><u>119,001,469</u></u>	<u><u>114,923,053</u></u>

See accompanying notes to consolidated financial statements.

UNION ACCEPTANCE CORPORATION LTD.

Notes to Consolidated Financial Statements

December 31, 1977

1. CORPORATE REORGANIZATION

The Company was formed as a result of an amalgamation of Union Acceptance Corporation Limited and an affiliated company Union Acceptance (Ontario) Corp. effective December 30, 1977.

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries and the consolidated accounts of its predecessor companies for the period from January 1, 1977 to December 30, 1977. The 1976 accounts, shown for comparative purposes, are the consolidated accounts of its predecessor companies.

Under the provisions of the amalgamation agreement the holders of first preference shares of Union Acceptance Corporation Limited received first preference shares of Union Acceptance Corporation Ltd.; the holders of second preference and common shares of Union Acceptance Corporation Limited received convertible junior preference shares of Union Acceptance Corporation Ltd., and the holders of common shares of Union Acceptance (Ontario) Corp. received common shares of Union Acceptance Corporation Ltd. all of the foregoing being on a share for share basis.

Subsequent to the amalgamation the holder of 892,000 convertible junior preference shares converted these shares into 446 common shares.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation:

The consolidated financial statements include the accounts of the company and all subsidiaries, which are:

Laurentide Financial Canada Ltd.

Union Leasing Company Limited

Union Realty Credit Limited

b) Foreign exchange:

United States currency accounts included in the consolidated financial statements are translated into Canadian dollars at rates of exchange current at the balance sheet date or at forward contract rates, except that (i) non-current debt is at rates prevailing at date of issue, (ii) items of income and expense are at rates prevailing during the year. Foreign exchange gains or losses are included in the consolidated statement of earnings when realized.

c) Unearned finance income and income recognition:

Income is recognized on a limited accrual basis. Income is accrued monthly account-by-account for those accounts which are less than 90 days contractually past due, using the sum of the digits accrual method for precompute charge accounts and simple interest method for interest bearing accounts. Extension fees, late charges and income on accounts 90 days or more past due are recorded only as payments are received.

UNION ACCEPTANCE CORPORATION LTD.

Notes to Consolidated Financial Statements, continued

December 31, 1977

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

d) Allowance for credit losses:

All portfolios are regularly reviewed for collectibility. All known losses are charged to income immediately. Specific loss reserves on account-by-account basis are provided out of income for all anticipated losses. All consumer instalment accounts 180 days past due except to the extent secured by real estate, are charged to income. In addition to specific reserves, the companies maintain general reserves on all categories of finance receivables calculated as a percentage of the net investment therein. Currently the rates are consumer loans, 2-3/4%; consumer sales contracts, 1-1/2%; industrial, commercial real estate mortgages and leases 1%; all other finance receivables, 1/2%. In 1977, in light of the uncertainties in the Canadian economy, an additional allowance for credit losses was provided.

All accounts are considered past due when no payment is received on the due date and are aged as follows:

- (i) Consumer loans are aged using a recency of payment method, and any payment that is less than 50% of the contractual instalment is not considered a payment.
- (ii) Consumer sales contracts are aged in accordance with the contractual schedule of payments, and any instalment that is short more than \$5 from the contractual amount is not considered a payment.
- (iii) Industrial and lease receivables are aged in accordance with the contractual schedule of payments and any instalment that is not at least equal to 90% of the contractual amount is not considered a payment.

e) Income taxes:

Tax allocation procedures are followed in recording charges for income taxes. Taxes deferred, as a result of reporting for tax purposes amounts different from those recorded in the accounts, are charged against current earnings. The timing differences relate mainly to lease income. Income taxes on the consolidated balance sheet include deferred income taxes of \$5,400,000 (1976 - \$4,200,000).

f) Intangible assets:

Amortization of debt discount and financing expenses is computed on a weighted average basis over the terms of the various issues. Where there is provision for prepayment at the option of the holder, the amortization is calculated to the earliest repayment date.

3. CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits include \$4.0 million on deposit with banks in the United States in accordance with agreements for lines of credit.

4. FINANCE RECEIVABLES

Finance receivables are pledged as collateral to secure short and long-term notes. These obligations are further secured by first floating charges upon all other property and assets of these companies.

UNION ACCEPTANCE CORPORATION LTD.

Notes to Consolidated Financial Statements, continued

December 31, 1977

5. SHORT-TERM NOTES

	<u>1977</u>	<u>1976</u>
Bank lines of credit	\$ <u>59,907,000</u>	<u>64,781,000</u>
Bank loans, secured	\$ -	7,812,760
Commercial paper, secured	<u>42,436,764</u>	<u>37,877,000</u>
	\$ <u>42,436,764</u>	<u>45,689,760</u>

Cash and short-term deposits and unused bank lines are at all times equal to at least 100% of commercial paper outstanding.

6. MATURITIES OF GROSS RECEIVABLES AND DEBT

	(In thousands of dollars)		
	<u>Gross receivables</u>	<u>Debt</u>	<u>Excess of receivables (debt)</u>
Due in:			
One year	\$ 73,485	53,772	19,713
Two years	37,007	5,986	31,021
Three years	19,375	14,217	5,158
Four years	7,508	4,064	3,444
Five years	2,092	16,258	(14,166)
Six to ten years	563	4,567	(4,004)
Over ten years	<u>219</u>	<u>-</u>	<u>219</u>
	\$ <u>140,249</u>	<u>98,864</u>	<u>41,385</u>

Debt issues which have retractable option features have been included in the above maturities at the dates of the options.

7. RETAINED EARNINGS

The trust deeds under which the secured notes are issued, the trust indentures under which the debentures are issued and the conditions attaching to the first preference shares contain provisions restricting the payment of dividends. At December 31, 1977 approximately \$10,184,000 (1976 - \$8,292,000) of consolidated retained earnings were unrestricted. Consolidated retained earnings includes \$268,395 (1976 - \$251,907) contributed surplus.

UNION ACCEPTANCE CORPORATION LTD.

Notes to Consolidated Financial Statements, continued

December 31, 1977

8. EARNINGS PER SHARE

Earnings per share, after giving effect in both years to the exchange and conversion of shares referred to in Note 1 are \$3,102.28 (1976 - \$2,867.06).

Earnings per share on second preference and common shares of Union Acceptance Corporation Limited, immediately prior to the amalgamation, were \$1.56 (1976 - \$1.44).

9. OTHER STATUTORY INFORMATION

Remuneration of directors amounted to \$41,846. Remuneration of five senior officers who are not directors amounted to \$147,758.

Lease finance receivables include \$5,207,000 (1976 - \$5,553,000) due from parent and affiliated companies.

Management fees paid to parent and affiliated companies amounted to \$2,115,706 (1976 - \$1,410,897).

Short-term notes include short-term commercial paper of \$3.6 million due to an affiliate.

10. ANTI-INFLATION REGULATIONS

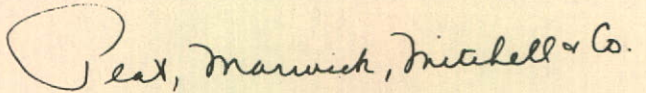
The company is subject to, and believes it has complied with, controls on prices, profits, compensation and dividends under the Canadian Government's Anti-Inflation Programme.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Union Acceptance Corporation Ltd. as at December 31, 1977 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of its predecessor companies for the preceding year.

Vancouver, British Columbia, Canada
February 3, 1978

Peat, Marwick, Mitchell & Co.

Chartered Accountants

UNION ACCEPTANCE CORPORATION LTD.

Details of Long-Term Secured Notes, Debentures and Other Long-Term Unsecured Debt
December 31, 1977

	<u>Year of Issue</u>	<u>Series</u>	<u>Rate %</u>
Long-term secured notes:			
Payable in Canadian funds	1960	D	7-1/4
	1962	F	6
	1964	H	6-1/8
	1964	I	6-1/8
	1965	J	6-1/8
	1965	K	6-1/8
	1974	N	9-1/2 (1) (2)
	1974/1975		(4)
Payable in U.S. funds (3)	1963 1975 to 1977	G	5-3/4 (1) (4)
Debentures:			
Payable in Canadian funds	1961		6-1/4 (1)
	1962		6-1/2 (1)
	1964	H	6-3/4
	1973	K	9-1/4 (1) (2)
Payable in U.S. funds (3)	1963 1965	I	6-1/4 6-1/4
Total debentures			
Long-term unsecured notes	1977		8-1/2 (7)

- (1) These notes and debentures have sinking and/or purchase fund provisions.
- (2) The holders of the Series N notes and the Series K debentures have the right to elect repayment in 1980 and 1979 respectively.
- (3) The carrying value of amounts payable in U.S. funds is less than the liability therefor translated at the current rate of exchange on long-term secured notes by \$809,000 (1976 - Excess \$118,000) and on debentures by \$4,000 (1976 - Excess \$44,000).

<u>Maturity Date</u>		<u>1977</u>	<u>1976</u>
February 15, 1980		\$ 1,000,000	1,000,000
April 1, 1977		-	200,000
June 15, 1978 to 1984		1,400,000	1,600,000
June 15, 1980 to 1984		2,000,000	2,000,000
April 15, 1978 to 1985		800,000	900,000
April 15, 1978 to 1980		3,000,000	4,000,000
April 1, 1990		9,292,000	9,500,000
December 31, 1978		<u>6,000,000</u>	<u>6,000,000</u>
		<u>23,492,000</u>	<u>25,200,000</u>
	<u>Par Value U.S.</u>		
April 1, 1978	\$ 1,500,000	1,641,600	3,105,876
Various from October 31, 1980 to December 31, 1983	<u>20,000,000</u>	<u>21,079,327</u>	<u>13,390,940</u>
	\$ <u>21,500,000</u>	<u>22,720,927</u>	<u>16,496,816</u>
		\$ <u>46,212,927</u> (5)	<u>41,696,816</u> (5)
December 15, 1981		\$ 1,112,500	1,128,000
December 1, 1983		481,500	501,500
July 2, 1980 to 1984		1,400,000	1,400,000
August 1, 1989		<u>4,546,000</u>	<u>4,625,000</u>
		<u>7,540,000</u>	<u>7,654,500</u>
	<u>Par Value U.S.</u>		
August 15, 1978	\$ 230,000	251,712	479,231
May 15, 1978 to 1980	<u>390,000</u>	<u>422,991</u>	<u>550,506</u>
	\$ <u>620,000</u>	<u>674,703</u>	<u>1,029,737</u>
		8,214,703	8,684,237
September 30, 1978		<u>2,000,000</u>	<u>-</u>
		\$ <u>10,214,703</u> (6)	<u>8,684,237</u> (6)

- (4) Interest rates on some of these notes are adjusted periodically, based on certain prime lending rates. The interest rates on these notes were 7-3/4% to 9-3/4% at December 31, 1977 and 7-1/4% to 10-3/4% at December 31, 1976.
- (5) Long-term secured notes maturing within one year amount to \$8,941,600 (1976 - \$2,991,750).
- (6) Debentures and other long-term unsecured notes maturing within one year amount to \$2,393,984 (1976 - \$359,612).
- (7) Held by parent company.

UNION ACCEPTANCE CORPORATION LTD.

Schedule B

Details of Capital Stock

December 31, 1977

	Outstanding			
	1977		1976	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
First preference shares, (1) (2) par value \$50 each, issuable in series. Authorized less redeemed 212,534 (1976 - 214,755) 6½% Series A, cumulative redeemable at \$52.50 per share	10,363	\$ 518,150	11,434	\$ 571,700
6½% Series B, cumulative redeemable at \$52.50 per share	3,790	189,500	4,035	201,750
6% Series C, cumulative redeemable at \$53.00 per share	9,381	<u>469,050</u>	10,286	<u>514,300</u>
Total first preference shares		1,176,700		1,287,750
Second preference shares, participating, non-voting, non-cumulative, of no par value of predecessor company	-	-	422,418	2,771,921
Common shares of no par value of predecessor company	-	-	474,140	1,512,983
\$1.60 cumulative redeemable convertible junior preference shares of no par value. Authorized 4,558 shares	4,558	21,784	-	-
Common shares of no par value. Authorized 10,000 shares	449	<u>4,374,960</u>	-	<u>-</u>
Total second and junior preference and common shares		<u>4,396,744</u>		<u>4,284,904</u>
Total capital stock		\$ <u>5,573,444</u>		\$ <u>5,572,654</u>

(1) Purchased for cancellation during the period:

	<u>Number of shares</u>	<u>Amount</u>
Series A	1,071	\$ 53,550
Series B	245	12,250
Series C	<u>905</u>	<u>45,250</u>
	<u>2,221</u>	\$ <u>111,050</u>

(2) These shares have sinking or purchase fund provisions.

REGISTRAR AND TRANSFER AGENT

The Canada Trust Company

TRUSTEES

National Trust Company, Limited: Secured Notes

The Canada Trust Company: Debentures

AUDITORS

Peat, Marwick, Mitchell & Co.

Chartered Accountants

FIRST PREFERENCE SHARES

The Toronto Stock Exchange

BANKERS**CANADA**

Bank of British Columbia

Bank Canadian National

Bank of Montreal

Canadian Imperial Bank of Commerce

The Mercantile Bank of Canada

The Royal Bank of Canada

The Toronto-Dominion Bank

THE UNITED STATES OF AMERICA

Bank of America, New York

Bankers Trust Company

The Chase Manhattan Bank, N.A.

Chemical Bank

The First National Bank of Chicago

Manufacturers Hanover Trust Company

Morgan Guaranty Trust Company

National Bank of Detroit

Seattle-First National Bank

Security Pacific National Bank

Wells Fargo Bank, N.A.

