



Levy Industries Limited

ANNUAL REPORT

For the Year Ended

December 31, 1980

HOWARD ROSS LIBRARY
OF MANAGEMENT

JUN 12 1981

McGILL UNIVERSITY

Levy Industries Limited

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual meeting of the shareholders of LEVY INDUSTRIES LIMITED ("the Corporation") will be held in the Toronto Room of the Hotel Triumph, 2737 Keele Street, Downsview, Ontario, on the 25th day of June, 1981, at the hour of 9:30 o'clock in the forenoon (Toronto time) for the following purposes: —

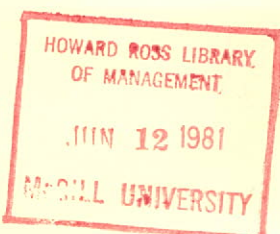
1. To receive and consider the consolidated financial statements of the Corporation and its subsidiaries for the year ended December 31, 1980, together with the report of the auditors thereon;
2. To elect directors;
3. To appoint auditors and authorize the directors to fix their remuneration;
4. To transact such other business as may properly come before the meeting or any adjournment thereof.

DATED at Toronto the 1st day of June, 1981.

By Order of the Board,

W.P. ROSENFELD
Secretary

NOTE: Shareholders who are unable to be present personally at the meeting are requested to sign and return, in the envelope provided for that purpose, the accompanying form of proxy for use at the meeting.



Levy Industries Limited

INFORMATION CIRCULAR

MANAGEMENT SOLICITATION

This information circular is furnished in connection with the solicitation of proxies by the management of LEVY INDUSTRIES LIMITED (the "Corporation") for use at the annual meeting of the shareholders of the Corporation to be held on the 25th day of June, 1981, at 9:30 o'clock in the forenoon (Toronto time) in the Toronto Room of Hotel Triumph, 2737 Keele Street, Downsview, Ontario, for the purposes set out in the foregoing notice of meeting. The cost of solicitation will be borne by the Corporation.

The forms of proxy forwarded to shareholders with the notice of meeting confer discretionary authority upon the proxy nominees with respect to amendments or variations of matters identified in the notice of meeting or other matters which may properly come before the meeting. The shares represented by proxies solicited by management will be voted at the meeting.

The management knows of no matters to come before the meeting other than matters referred to in the notice of meeting. However, if any other matters which are not now known to the management should properly come before the meeting, the shares represented by the proxies solicited by management will be voted on such matters in accordance with the best judgement of the proxy nominees.

Proxies given by shareholders for use at the meeting may be revoked at any time prior to their use.

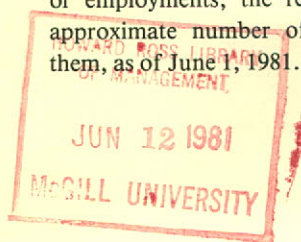
Voting Shares:

On June 1, 1981, the Corporation had outstanding 1,262,962 common shares without par value, each carrying the right to one vote per share. Seaway Multi-Corp Limited ("Seaway") beneficially owned 1,252,065 common shares of the Corporation or 99% of the outstanding equity shares of the Corporation. Registered holders of common shares on the date of the meeting will be entitled to be present and to vote at the meeting in person or by proxy.

Election of Directors:

It is intended that the shares represented by proxies solicited by management will be voted in favour of the election as directors of the Corporation of each of the persons whose name appears hereunder to serve until the next annual meeting of shareholders or until his successor is elected or appointed.

The following tables and the notes thereto state the name of such persons, their principal occupations or employments, the respective periods during which they have served as directors of the Corporation and the approximate number of equity shares of the Corporation, beneficially owned directly or indirectly by each of them, as of June 1, 1981.



| <u>Name</u> | <u>Occupation</u> | <u>Period as a Director of the Corporation</u> | <u>Equity Shares beneficially owned directly or indirectly Levy Industries Limited</u> |
|-----------------------|---|--|--|
| Mark A. Levy | Chairman of the Board of Directors of the Corporation | From July 17, 1970 | 780 |
| Benjamin Levy * | President of the Corporation | From July 17, 1970 | — |
| Morris P. Levy | Executive Vice-President of the Corporation | From July 17, 1970 | — |
| Edward Levy | Vice-President and Assistant to the President of the Corporation | From July 17, 1970 | — |
| Mark Speyer | Vice-President, Purchasing of the Corporation | From July 17, 1970 | — |
| Peter L. Levy | President, Levy Auto Parts Co. Limited | From July 17, 1970 | — |
| Harry A. Malcolmson * | Barrister & Solicitor, Rosenfeld, Malcolmson, Lampkin & Levine | From July 17, 1970 | — |
| William P. Rosenfeld | Barrister & Solicitor, Rosenfeld, Malcolmson, Lampkin & Levine | From July 17, 1970 | — |
| Harold J. Levy | Barrister & Solicitor | From July 17, 1970 | — |
| Howard N. Levy | Senior Officer, Domestic Operations, Levy Auto Parts Company, a division of the Corporation | From August 31, 1972 | — |
| Kenneth P. Foreht | Vice-President of the Corporation, President, Stellar Business Services Limited | From June 8, 1976 | — |
| Terrence G. Godsall | President, Shieldings Investments Limited from 1977 (prior to 1977, was a broker) | New Appointment | — |

* audit committee

The information as to shares beneficially owned, not being within the knowledge of the Corporation, has been furnished by the respective directors individually.

All the issued and outstanding shares of Benlevy Corporation Limited are beneficially owned by the immediate family of Benjamin Levy, all the issued outstanding shares of Peplevy Corporation Limited are beneficially owned by the immediate family of Morris P. Levy, all the issued and outstanding shares of Edlevy Corporation Limited are beneficially owned by the immediate family of Edward Levy, all the issued and outstanding shares of Happyco-Enterprises Limited, Empeaco Limited and Jaylevy Limited are beneficially owned by the immediate family of Mark A. Levy.

Benlevy Corporation Limited, Peplevy Corporation Limited, Edlevy Corporation Limited, Happyco Enterprises Limited, Empeaco Limited and Jaylevy Limited are the controlling shareholders of Seaway Multi-Corp Limited.

Directors and Officers Remuneration:

The following table shows the remuneration paid by the Company, its parent and wholly-owned subsidiaries for the year ended December 31, 1980, to the directors and officers:

| | <u>Aggregate Remuneration</u> | <u>Pension Benefits</u> | <u>Other Benefits</u> |
|----------------------|-----------------------------------|-----------------------------|---------------------------|
| Directors (12) | \$ 15,000 | \$ — | \$ — |
| Officers (8) | <u>427,000</u> | <u>14,200</u> | <u>13,100</u> |
| | <u>\$442,000</u> | <u>\$14,200</u> | <u>\$13,100</u> |

Appointment of Auditors:

Management proposes to nominate Messrs. Laventhol & Horwath as auditors of the Corporation to hold office until the next annual meeting of the shareholders. **It is intended that the shares represented by proxies solicited by management will be voted in favour of the appointment of Messrs. Laventhol & Horwath.** This firm was appointed as auditor of the Corporation on August 14, 1970, and has served since that date.

DATED at Toronto the 1st day of June 1981.

Levy Industries Limited

PRESIDENT'S REPORT

To The Shareholders

Levy Industries Limited results for 1980 are contained herein.

Net profit for 1980 was \$1,723,253 compared with 1979 profit of \$1,365,518. This increase in earnings was due to higher revenues; \$30 million in 1980 compared to \$24 million in 1979.

This trend is anticipated to continue in view of the current orders on hand, and sales to date which exceed sales for the same period in 1980, by 20%.

Yours truly,

A handwritten signature in cursive script that reads "Ben Levy". The signature is written in dark ink and is positioned above the printed name "President".

President

Toronto, Ontario
May 20, 1981

Levy Industries Limited

CONSOLIDATED BALANCE SHEET December 31, 1980

ASSETS

| | 1980 | 1979 |
|---|----------------------|----------------------|
| Current | | |
| Cash | \$ 31,474 | \$ 152,143 |
| Accounts receivable (Note 2) | 5,374,536 | 5,132,207 |
| Inventories | 16,473,616 | 12,131,401 |
| Prepaid expenses and sundry assets..... | 360,933 | 300,502 |
| Note receivable, current portion | 99,840 | 99,480 |
| Net investment in lease, current portion..... | 45,109 | 44,891 |
| Due from parent company | 1,825,469 | 1,673,675 |
| | <u>24,210,977</u> | <u>19,534,299</u> |
| Note receivable (Note 3) | 790,400 | 890,240 |
| Net investment in lease (Note 4) | 305,896 | 351,005 |
| Property, plant and equipment (Note 5) | 27,093,491 | 26,939,239 |
| Other (Note 6)..... | 329,720 | 553,896 |
| | <u>\$ 52,730,484</u> | <u>\$ 48,268,679</u> |

LIABILITIES

| | | |
|--|-------------------|-------------------|
| Current | | |
| Bank advances (Note 7) | \$ 7,148,463 | \$ 4,685,265 |
| Notes payable..... | 584,000 | 224,000 |
| Accounts payable and accrued liabilities | 2,659,474 | 4,021,891 |
| Income and other taxes payable..... | 3,068,868 | 1,724,287 |
| Current portion of long term debt (Note 9) | 966,245 | 810,740 |
| | <u>14,427,050</u> | <u>11,466,183</u> |
| Long term debt (Note 9) | 7,212,905 | 5,708,821 |
| Deferred income taxes | 37,360 | — |
| Minority interest..... | 25,110 | 10,985 |
| | <u>21,702,425</u> | <u>17,185,989</u> |

SHAREHOLDERS' EQUITY

| | | |
|---|----------------------|----------------------|
| Capital and other equity accounts | 31,028,059 | 31,082,690 |
| | <u>\$ 52,730,484</u> | <u>\$ 48,268,679</u> |

See accompanying notes

Approved on behalf of the Board

 Director
 Director

Levy Industries Limited

CONSOLIDATED STATEMENT OF INCOME Year ended December 31, 1980

| | <u>1980</u> | <u>1979</u> |
|--|---------------------|---------------------|
| Sales and revenues | \$ 30,372,671 | \$ 23,943,111 |
| Costs and expenses | | |
| Cost of products sold | 14,956,950 | 12,386,388 |
| Other operating costs and expenses | 9,605,448 | 7,795,776 |
| Interest on long term debt | 891,063 | 892,930 |
| Bank and other interest | 1,268,820 | 1,149,932 |
| Depreciation and amortization | 530,542 | 434,766 |
| | <u>27,252,823</u> | <u>22,659,792</u> |
| Income from operations before income taxes | <u>3,119,848</u> | <u>1,283,319</u> |
| Income taxes | | |
| Current | 1,494,805 | 645,912 |
| Deferred | 137,300 | 32,421 |
| | <u>1,632,105</u> | <u>678,333</u> |
| Income from operations | 1,487,743 | 604,986 |
| Net income from discontinued operations | — | 773,000 |
| Minority interest in income and losses of subsidiaries | 14,125 | (2,940) |
| Income before extraordinary items | 1,473,618 | 1,375,046 |
| Extraordinary items (Note 10) | 249,635 | (9,528) |
| Net income (Note 11) | <u>\$ 1,723,253</u> | <u>\$ 1,365,518</u> |

See accompanying notes

Levy Industries Limited

CONSOLIDATED STATEMENT OF RETAINED EARNINGS Year ended December 31, 1980

| | <u>1980</u> | <u>1979</u> |
|---|-----------------------|-----------------------|
| Balance (deficit), beginning of year | \$ (2,350,097) | \$ (3,594,478) |
| Net income | 1,723,253 | 1,365,518 |
| | <u>(626,844)</u> | <u>(2,228,960)</u> |
| Dividends paid on Class "A" preference shares | (514,922) | (286,080) |
| Dividends paid on common shares | (1,262,962) | — |
| Transfer to purchase fund for Class "A" preference shares | (53,972) | (31,214) |
| Amortization of appraisal excess | 196,157 | 196,157 |
| | <u>(1,635,699)</u> | <u>(121,137)</u> |
| Balance (deficit), end of year | <u>\$ (2,262,543)</u> | <u>\$ (2,350,097)</u> |

See accompanying notes

Levy Industries Limited

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY December 31, 1980

| | 1980 | 1979 |
|--|---------------|---------------|
| Capital stock | | |
| Authorized | | |
| 348,160 6% Cumulative, Class "A" preference shares, \$12 par value, redeemable at \$12.48 | | |
| 1,706,033 Common shares, without par value | | |
| Issued | | |
| 317,870 Class "A" preference shares | \$ 3,814,440 | \$ 3,814,440 |
| 1,262,962 Common shares | 8,435,959 | 8,435,959 |
| | 12,250,399 | 12,250,399 |
| Contributed surplus (Note 13) | 52,731 | 52,731 |
| Purchase fund for Class "A" preference shares | 136,842 | 82,870 |
| Excess of appraised value of land and buildings over book value (Note 1) | 20,850,630 | 21,046,787 |
| Retained earnings (deficit) | (2,262,543) | (2,350,097) |
| | \$ 31,028,059 | \$ 31,082,690 |

See accompanying notes

Levy Industries Limited

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION Year ended December 31, 1980

| | <u>1980</u> | <u>1979</u> |
|---|---------------------|---------------------|
| Funds provided by | | |
| Operations | | |
| Income from operations | \$ 1,487,743 | \$ 604,986 |
| Items not affecting working capital, principally depreciation, amortization and deferred income taxes | 735,892 | 627,803 |
| | <u>2,223,635</u> | <u>1,232,789</u> |
| Issue of long term debt | 3,944,115 | 1,107,998 |
| Sale of subsidiaries (Including net income of \$773,000 to date of sale) | — | 4,156,980 |
| Reduction of income taxes on application of prior years' losses | 249,635 | 117,888 |
| | <u>6,417,385</u> | <u>6,615,655</u> |
| Funds used for | | |
| Retirement of long term debt | 2,340,191 | 2,459,321 |
| Fixed and other assets | 583,499 | 576,395 |
| Dividends | 1,777,884 | 286,080 |
| | <u>4,701,574</u> | <u>3,321,796</u> |
| Increase in working capital | 1,715,811 | 3,293,859 |
| Working capital, beginning of year | 8,068,116 | 4,774,257 |
| Working capital, end of year | <u>\$ 9,783,927</u> | <u>\$ 8,068,116</u> |

See accompanying notes

Levy Industries Limited

AUDITORS' REPORT

To the Shareholders of
Levy Industries Limited

We have examined the consolidated balance sheet of Levy Industries Limited as at December 31, 1980 and the consolidated statements of income, retained earnings (deficit), shareholders' equity 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, 1980 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
May 8, 1981

LAVENTHOL & HORWATH
Chartered Accountants

Levy Industries Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 1980

1. SUMMARY OF ACCOUNTING POLICIES

Consolidation policy

The consolidated financial statements include the accounts of Levy Industries Limited and all its subsidiaries.

Translation of foreign currencies

Amounts in foreign currencies have been translated into Canadian dollars at the rates of exchange in effect at the balance sheet date for current items and at the rates in effect at acquisition dates for noncurrent items. Operating income and expenses are translated at average rates during the year except for depreciation which is on the same basis as fixed assets. Gains or losses arising on translation are included in net income.

Inventories

Certain types of inventories approximating \$11.4 million, for which costs cannot be determined, have been valued on the basis of a percentage of historical selling prices. The other inventories have been valued at the lower of cost and net realizable value. This valuation is consistent with that used in preceding years.

Property, plant and equipment

Certain land and buildings are recorded at appraised values as of December 31, 1977, based on appraisals by General Appraisal of Canada Limited, dated March 8, 1978 and July 1, 1978, and E. Karl Farstad & Associates dated July 20, 1978. The excess of the appraised value over the book value is shown in the Statement of Shareholders' Equity. A portion of the appraisal excess applicable to buildings is being transferred annually to retained earnings in amounts equal to the annual depreciation provided on such appraisal excess. The current year's transfer amounts to \$196,157. Land and buildings acquired subsequent to 1977 and plant and equipment are recorded at cost. Depreciation is provided on the straight-line basis at the following annual rates:

| | |
|-------------------------------|----------|
| Buildings | 2 1/2% |
| Machinery and equipment | 10 - 20% |

Deferred charges

Financing costs are being amortized over the terms of the related debt, over periods not exceeding 5 years.

2. ACCOUNTS RECEIVABLE

Included in accounts receivable is an amount of \$1,500,000 which is the minimum value placed by the insurers on the business interruption claim arising from the fire which occurred at the Canada Cycle and Motor Company Limited (C.C.M.) St. Jean factory on February 17, 1977. Rights to this claim were acquired by the company as part of the consideration for the sale of C.C.M. in 1978. The company has claimed \$2,788,505 and the insurers have paid a portion of the amount receivable into court. The company is in the process of legal action against the insurers and their agents and in the opinion of legal counsel, the company's claim to an amount of at least \$1,500,000 is well founded.

3. NOTE RECEIVABLE

The note is receivable over a period of 9 years with interest thereon at 9¹/₂% per annum and is secured by a standby letter of credit from a Canadian chartered bank. The same chartered bank has loaned this company an amount equal to the balance due on the promissory note on the security of the note and the standby letter of credit. In the event of default on the note or nonrenewal of the letter of credit, the proceeds of the letter of credit will be used to repay the loan in full.

4. NET INVESTMENT IN LEASE

The company's net investment in a lease, which grants an option to the lessee to acquire the building for \$250,000 in 1983, is as follows:

| | <u>1980</u> | <u>1979</u> |
|---|------------------|------------------|
| Minimum lease payments receivable | \$202,500 | \$292,500 |
| Residual value | 250,000 | 250,000 |
| Less unearned income | <u>(101,495)</u> | <u>(146,604)</u> |
| | 351,005 | 395,896 |
| Less current portion | <u>(45,109)</u> | <u>(44,891)</u> |
| | <u>\$305,896</u> | <u>\$351,005</u> |

Minimum future lease payments receivable:

| | |
|------|------------------|
| 1981 | \$ 90,000 |
| 1982 | 90,000 |
| 1983 | <u>22,500</u> |
| | <u>\$202,500</u> |

5. PROPERTY, PLANT AND EQUIPMENT

| | <u>1980</u> | <u>1979</u> |
|--|----------------------|----------------------|
| Buildings, at appraised value | \$ 9,270,000 | \$ 9,270,000 |
| Building additions, at cost | 153,306 | — |
| Machinery and equipment, at cost | 3,783,862 | 3,317,948 |
| | <u>13,207,168</u> | <u>12,587,948</u> |
| Less accumulated depreciation | 3,523,666 | 3,046,281 |
| | 9,683,502 | 9,541,667 |
| Land, at appraised value | 15,070,000 | 15,070,000 |
| Land, at cost | 2,339,989 | 2,327,572 |
| | <u>\$ 27,093,491</u> | <u>\$ 26,939,239</u> |

6. OTHER ASSETS

| | <u>1980</u> | <u>1979</u> |
|---|-------------------|-------------------|
| Deferred financing costs, at cost less amortization | \$ 43,071 | \$ 167,307 |
| Deferred income taxes | 13,800 | 113,740 |
| Share issue expenses | 272,849 | 272,849 |
| | <u>\$ 329,720</u> | <u>\$ 553,896</u> |

7. BANK ADVANCES

Accounts receivable and inventories are pledged as collateral for the bank advances.

8. INCOME TAXES

The company and its subsidiaries have accumulated losses for income tax purposes in current and prior years amounting to approximately \$1,026,000 which may be used to reduce taxable income as follows:

\$ 20,000 to 1981
60,000 to 1982
315,000 to 1983
402,000 to 1984
229,000 to 1985

The benefit from the utilization of these losses to reduce taxable income in future years has not been recognized in the accounts.

9. LONG TERM DEBT

| | 1980 | 1979 |
|--|---------------------|---------------------|
| Levy Industries Limited | | |
| First mortgage loan, prime rate plus 2%, maturing September 24, 1984 | \$ 1,038,000 | \$ 1,050,000 |
| Conditional sales contracts | 6,898 | 25,004 |
| Bank term loan, secured by pledge of note receivable, prime rate plus 7/8%, maturing December 1989..... | 890,240 | — |
| W. & M. Holdings Limited | | |
| 9 1/2% first mortgage loan, maturing December 1, 1983..... | 196,314 | 252,221 |
| Levy-Russell Limited | | |
| 8% sinking fund debentures, Series "A" secured by first mortgage maturing November 15, 1982..... | 800,000 | 1,200,000 |
| 12 3/4% chattel mortgage, due November 1, 1982 | 206,322 | 274,771 |
| Conditional sales contracts | 230,208 | 142,472 |
| Bank loan, secured, prime rate plus 2 1/2%, maturing August 31, 1990 | 1,221,550 | — |
| Drivetrain Remanufacturing Limited | | |
| Obligations under capital leases | 47,284 | 57,998 |
| Russell Industries Limited | | |
| Conditional sales contracts | — | 61,582 |
| 11 1/2% first mortgage loan, maturing February 1, 1982 | 1,710,009 | 1,745,513 |
| Levy Service Industries Limited | | |
| First mortgage loan | — | 1,710,000 |
| First mortgage loan, prime rate plus 2 1/4%, maturing August 31, 1990..... | 1,832,325 | — |
| | 8,179,150 | 6,519,561 |
| Less amounts due within one year | 966,245 | 810,740 |
| | <u>\$ 7,212,905</u> | <u>\$ 5,708,821</u> |

The aggregate amount of principal payments required in each of the next five years is approximately as follows:

| | |
|------|------------|
| 1981 | \$ 966,000 |
| 1982 | 2,570,000 |
| 1983 | 390,000 |
| 1984 | 1,334,000 |
| 1985 | 316,000 |

10. EXTRAORDINARY ITEMS

| | <u>1980</u> | <u>1979</u> |
|---|-------------------|-------------------|
| Loss on sale of subsidiaries | \$ — | \$ (127,416) |
| Reduction of income taxes on application of prior years' losses | <u>249,635</u> | <u>117,888</u> |
| | <u>\$ 249,635</u> | <u>\$ (9,528)</u> |

11. INCOME PER COMMON SHARE

| | <u>1980</u> | | <u>1979</u> | |
|--|---------------------|----------------------|---------------------|----------------------|
| Common shares outstanding | <u>1,262,962</u> | | <u>1,262,962</u> | |
| | | <u>Per Share</u> | | <u>Per Share</u> |
| Income before extraordinary items | \$ 1,473,618 | | \$ 1,375,046 | |
| Preferred dividend requirement | <u>228,866</u> | | <u>228,866</u> | |
| Income for common shareholders before extraordinary items | 1,244,752 | \$0.99 | 1,146,180 | \$0.91 |
| Extraordinary gains (loss) | <u>249,635</u> | <u>0.20</u> | <u>(9,528)</u> | <u>(0.01)</u> |
| Net income for common shareholders | <u>\$ 1,494,387</u> | <u>\$1.19</u> | <u>\$ 1,136,652</u> | <u>\$0.90</u> |

12. SEGMENTED INFORMATION
(in thousands of dollars)

| | Automotive Parts | Cold Storage and Rentals | Total |
|-------------------------------------|---------------------|--------------------------------|-----------|
| Sales and revenues | \$ 27,143 | \$ 3,230 | \$ 30,373 |
| Operating income | \$ 4,798 | \$ 481 | \$ 5,279 |
| Interest expense | | | 2,160 |
| Income taxes | | | 1,632 |
| Minority interest | | | 14 |
| Extraordinary gain | | | (250) |
| | | | 3,556 |
| Net income | | | \$ 1,723 |
| Identifiable assets | \$ 37,637 | \$ 15,093 | \$ 52,730 |
| Depreciation and amortization | \$ 151 | \$ 379 | \$ 530 |
| Capital expenditure | \$ 357 | \$ 226 | \$ 583 |
| Export sales | \$ 20,268 | \$ — | \$ 20,268 |

The company operates two divisions: The automotive parts division includes rebuilding of major components for heavy duty and specialized vehicles, construction of vehicles and general repairs. The cold storage and rentals division provides services for the cold storage of produce and foodstuffs and rentals of certain real estate.

13. CONTRIBUTED SURPLUS

This amount represents the gain on Class "A" preference shares, which were purchased in prior years for cancellation at a cost less than their par value.

14. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid by the company and its subsidiaries to the directors and senior officers of the company amounted to \$442,000 (1979 \$444,000).

15. PENSION PLANS

Certain subsidiaries of the company maintain pension plans covering most of their employees. The total unfunded past service liability which has not been provided for at December 31, 1980 approximates \$410,000 and will be funded in varying amounts over a maximum of 13 years.

16. CONTINGENCIES AND COMMITMENTS

The company, in the agreement for the sale of the shares of Canada Cycle and Motor Company Limited in June 1978 extended to the purchaser certain covenants, representations and warranties. As security for any obligations which may arise under that agreement, the company agreed to provide to a corporate trustee a mortgage of \$1,500,000 on certain of its real estate, until June 24, 1983 (with extensions in specified circumstances). The company has been advised by counsel that arrangements for the settlement of the above claims which have arisen under the above noted agreement, and consequent vacation of above security, have been reached in principle. It is anticipated that they will be concluded on or about May 29, 1981.

