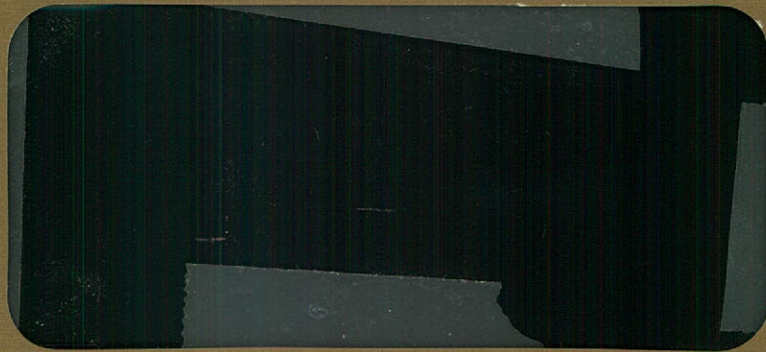
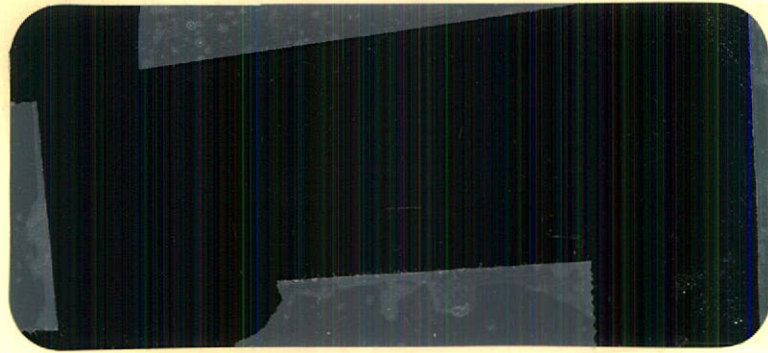


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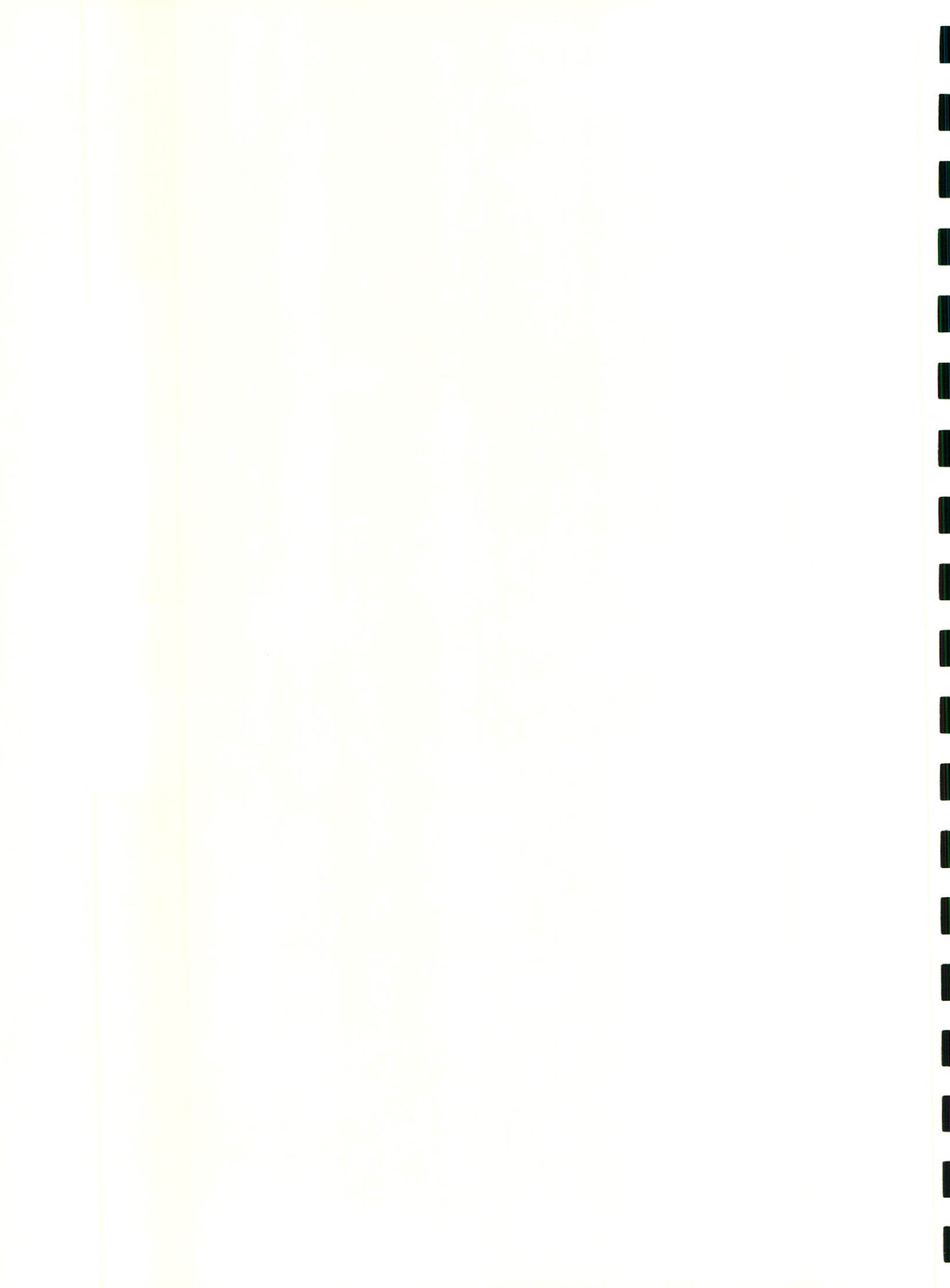


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LAURENTIDE FINANCIAL CORPORATION LTD.

Auditors' Report

Financial Statements - October 31, 1982



Raymond, Chabot,  
Martin, Paré & Associés

Price Waterhouse

AUDITORS' REPORT TO THE SHAREHOLDERS

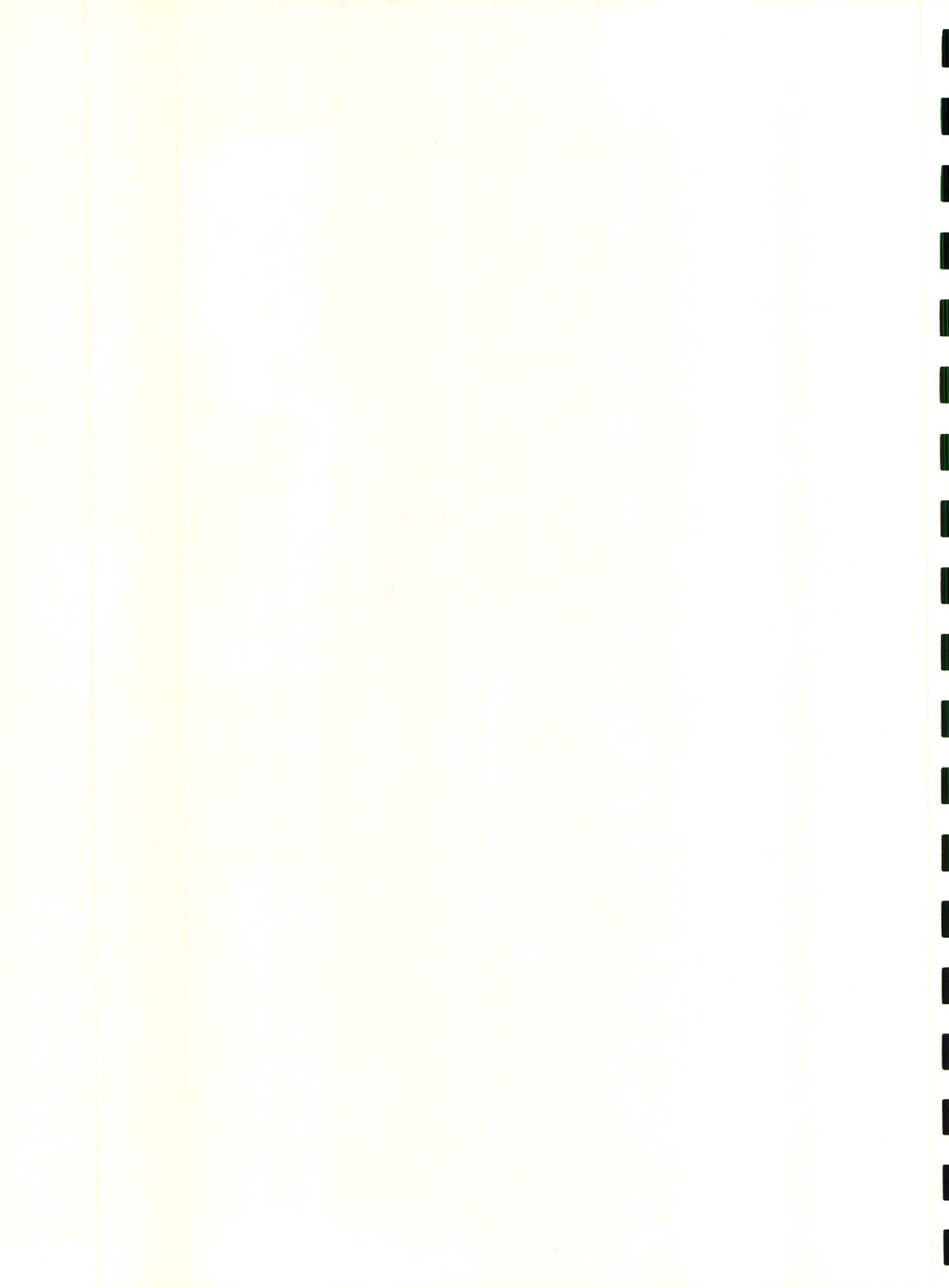
We have examined the balance sheet of Laurentide Financial Corporation Ltd. as at October 31, 1982 and the statements of earnings, retained earnings, contributed surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at October 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Raymond, Chabot,  
Martin, Paré & Associés*  
Chartered Accountants

*Price Waterhouse*  
Chartered Accountants

Montréal, Québec  
November 17, 1982



LAURENTIDE FINANCIAL CORPORATION LTD.

(Incorporated under the Canada Business Corporations Act)

Balance Sheet

October 31, 1982

ASSETS

LIABILITIES

	<u>1982</u>	<u>1981</u>		<u>1982</u>	<u>1981</u>
Cash and short-term deposits	\$ 2,281,562	29,474,629	Accounts payable and accrued liabilities	\$ 4,255,571	5,082,662
Canada bonds, at cost, plus accrued interest	-	7,560,270	Income taxes (Note 2(d))	17,091,725	14,315,459
Finance receivables: (Note 3)			Secured long-term notes (Schedule A) (Note 4)	76,053,525	101,969,850
Leases	243,979,706	154,333,203	Debentures and unsecured notes (Schedule B) (Note 4)	41,707,331	46,225,969
Conditional sales contracts	30,781,574	81,771,624		139,108,152	167,593,940
Other	1,728,994	2,615,730			
Total finance receivables	276,490,274	238,720,557			
Less: unearned finance income allowance for credit losses	73,848,506	45,151,731			
	4,668,191	2,714,481			
Net finance receivables	197,973,577	190,854,345			
Accounts receivable	122,162	243,596			
Repossessions held for sale, at lower of cost or estimated realizable value	757,977	549,385			
Premises and equipment, at cost less accumulated depreciation of \$1,016,953 (1981 - \$917,860)	355,905	150,518			
	\$ 201,491,183	228,832,743			
	<u>201,491,183</u>	<u>228,832,743</u>			

SHAREHOLDERS' EQUITY

Capital stock (Note 5):		
New Preferred	23,121,080	23,988,836
Common	25,000,010	25,000,010
	48,121,090	48,988,846
Contributed surplus, per accompanying statement	12,264,356	12,004,382
Retained earnings, per accompanying statement (Note 6)	1,997,585	245,575
	62,383,031	61,238,803
	\$ 201,491,183	228,832,743
	<u>201,491,183</u>	<u>228,832,743</u>

See accompanying notes and schedules to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director \_\_\_\_\_ Director

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## LAURENTIDE FINANCIAL CORPORATION LTD.

## Retained Earnings

Year Ended October 31, 1982

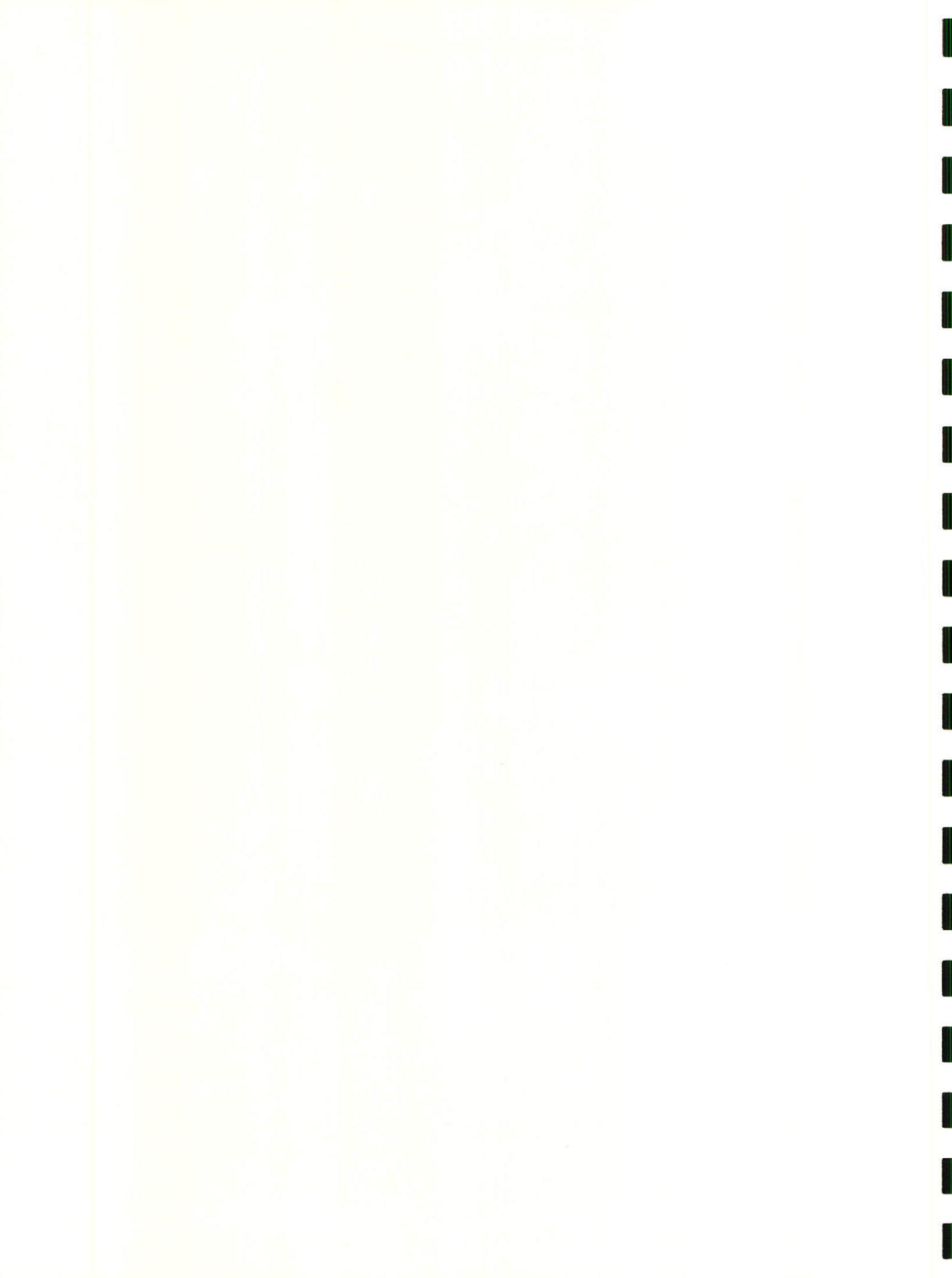
	<u>1982</u>	<u>1981</u>
Balance at beginning of year	\$ 245,575	1,897,961
Net earnings	5,652,628	8,749,676
Transfer from contributed surplus	<u>-</u>	<u>2,000,000</u>
	<u>5,898,203</u>	<u>12,647,637</u>
Dividends paid:		
New preferred shares	900,618	3,602,062
Common shares	<u>3,000,000</u>	<u>8,800,000</u>
	<u>3,900,618</u>	<u>12,402,062</u>
Balance at end of year	\$ <u><u>1,997,585</u></u>	<u><u>245,575</u></u>

## Contributed Surplus

Year Ended October 31, 1982

	<u>1982</u>	<u>1981</u>
Balance at beginning of year	\$ 12,004,382	14,004,086
Gain on redemption of new preferred shares	<u>259,974</u>	<u>296</u>
	12,264,356	14,004,382
Transfer to retained earnings	<u>-</u>	<u>2,000,000</u>
Balance at end of year	\$ <u><u>12,264,356</u></u>	<u><u>12,004,382</u></u>

See accompanying notes and schedules to financial statements.



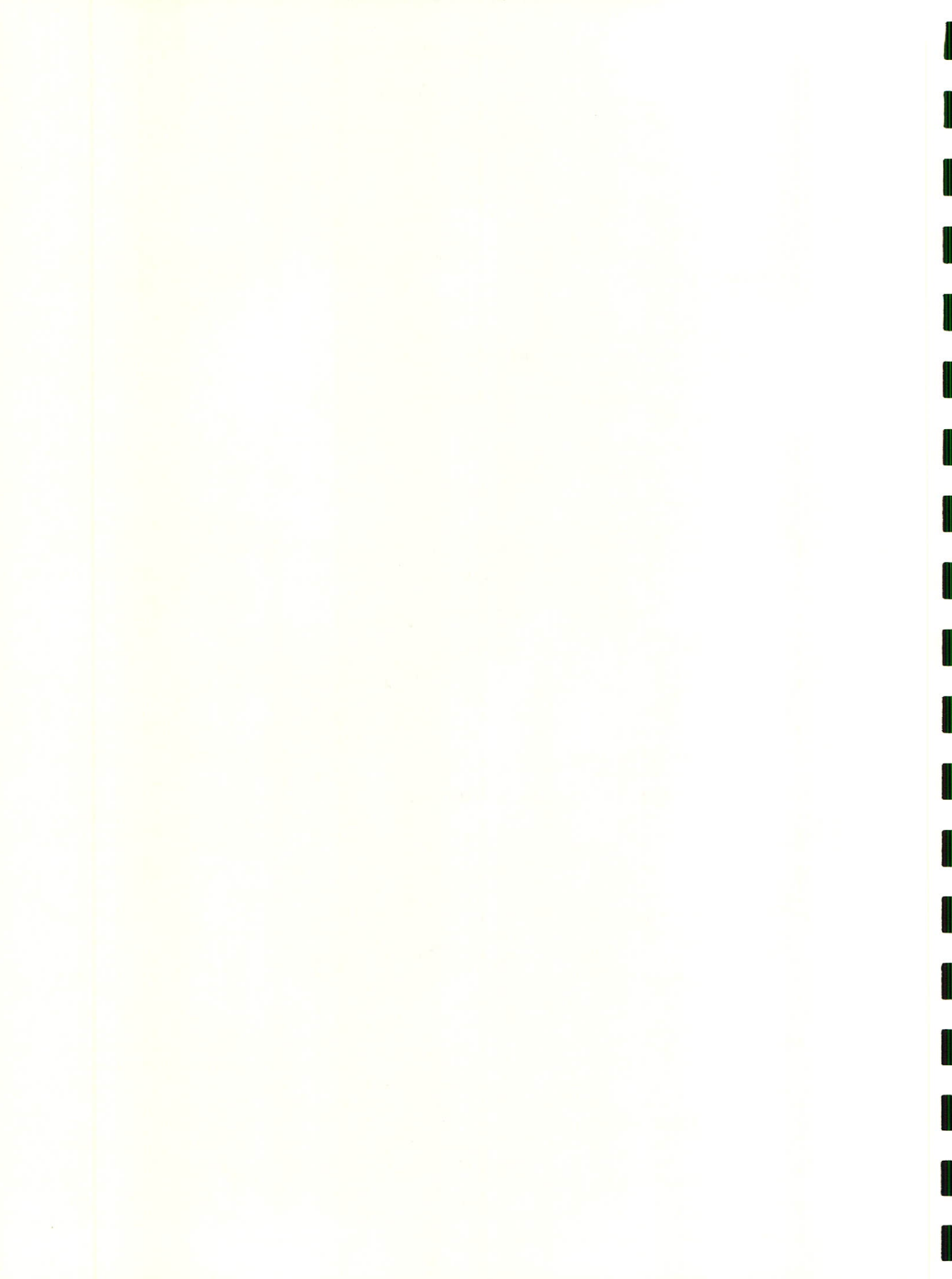
LAURENTIDE FINANCIAL CORPORATION LTD.

Earnings

Year Ended October 31, 1982

	<u>1982</u>	<u>1981</u>
Gross income:		
Finance	\$ 30,154,222	29,284,658
Investment	<u>4,473,141</u>	<u>6,585,892</u>
	34,627,363	35,870,550
Cost of borrowings including interest of \$13,750,900 (1981 - \$14,749,963) on long-term debt	14,449,624	15,509,324
Less: charged to previous subsidiary companies	<u>-</u>	<u>425,625</u>
	<u>14,449,624</u>	<u>15,083,699</u>
Earnings before other expenses	<u>20,177,739</u>	<u>20,786,851</u>
Other expenses:		
Salaries and benefits	2,228,980	2,007,674
Provision for credit losses	3,664,233	2,267,815
Other operating expenses including depreciation of \$99,093 (1981 - \$44,184)	<u>3,394,400</u>	<u>2,956,721</u>
	<u>9,287,613</u>	<u>7,232,210</u>
Earnings before income taxes	10,890,126	13,554,641
Income taxes	<u>5,237,498</u>	<u>6,655,925</u>
Earnings from operations	5,652,628	6,898,716
Equity in earnings of previous subsidiary companies	<u>-</u>	<u>239,080</u>
Earnings before extraordinary items	<u>5,652,628</u>	<u>7,137,796</u>
Extraordinary Items:		
Gain on sale of subsidiaries and other investments	-	2,043,554
Loss on sale of finance receivables net of income taxes of \$440,000	<u>-</u>	<u>431,674</u>
	<u>-</u>	<u>1,611,880</u>
Net earnings	<u>\$ 5,652,628</u>	<u>8,749,676</u>
Earnings per common share:		
Before extraordinary items	<u>\$ .19</u>	<u>.14</u>
After extraordinary items	<u>\$ .19</u>	<u>.21</u>

See accompanying notes and schedules to financial statements.



LAURENTIDE FINANCIAL CORPORATION LTD.

Changes in Financial Position

Year Ended October 31, 1982

	<u>1982</u>	<u>1981</u>
Source of funds:		
Funds from operations (Note 9)	\$ 9,756,721	11,018,900
Sale of subsidiary companies and other investments	-	17,547,142
Dividends from previous subsidiary companies and affiliated subsidiaries	-	2,576,959
Decrease in advances to previous subsidiaries	-	33,053,025
Decrease in cash and short-term deposits	27,193,067	-
Increase in unsecured notes	-	6,462,898
Decrease in other net assets	<u>5,417,287</u>	<u>-</u>
Total funds provided	<u>42,367,075</u>	<u>70,658,924</u>
Use of funds:		
Loss on sale of finance receivables, net of income taxes	-	431,674
Increase in cash and short-term deposits	-	11,169,614
Increase in premises and equipment, net	304,480	16,971
Redemption of debentures, secured and unsecured long-term notes	30,434,963	17,792,739
Decrease in short-term notes	-	44,758,400
Redemption of new preferred shares, net	607,782	-
Dividends	3,900,618	12,402,062
Increase in other net assets	<u>-</u>	<u>9,613,276</u>
Total funds used	<u>35,247,843</u>	<u>96,184,736</u>
Increase (decrease) in net finance receivables	7,119,232	( 25,525,812)
Net finance receivables, at beginning of year	<u>190,854,345</u>	<u>216,380,157</u>
Net finance receivables, at end of year	<u>\$ 197,973,577</u>	<u>190,854,345</u>

See accompanying notes and schedules to financial statements.



Notes to Financial Statements

October 31, 1982

1. CORPORATE ORGANIZATION

The Corporation was formed as a result of an amalgamation of Laurentide Financial Corporation Ltd. and its wholly owned subsidiary, Procan Financial Services Ltd., on February 16, 1981, under the name of Laurentide Financial Corporation Ltd.

The financial statements for the year ended October 31, 1981 include the accounts of the Corporation for the period from February 16, 1981 to October 31, 1981 and the consolidated accounts of its two amalgamating companies for the period from November 1, 1980 to February 15, 1981.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Unearned finance income and income recognition:

Income is accrued monthly account-by-account for those accounts which are less than 90 days past due, generally using the actuarial method. Extension fees, late charges and income on accounts 90 days or more past due are recorded only as payments are received.

(b) Allowance for credit losses:

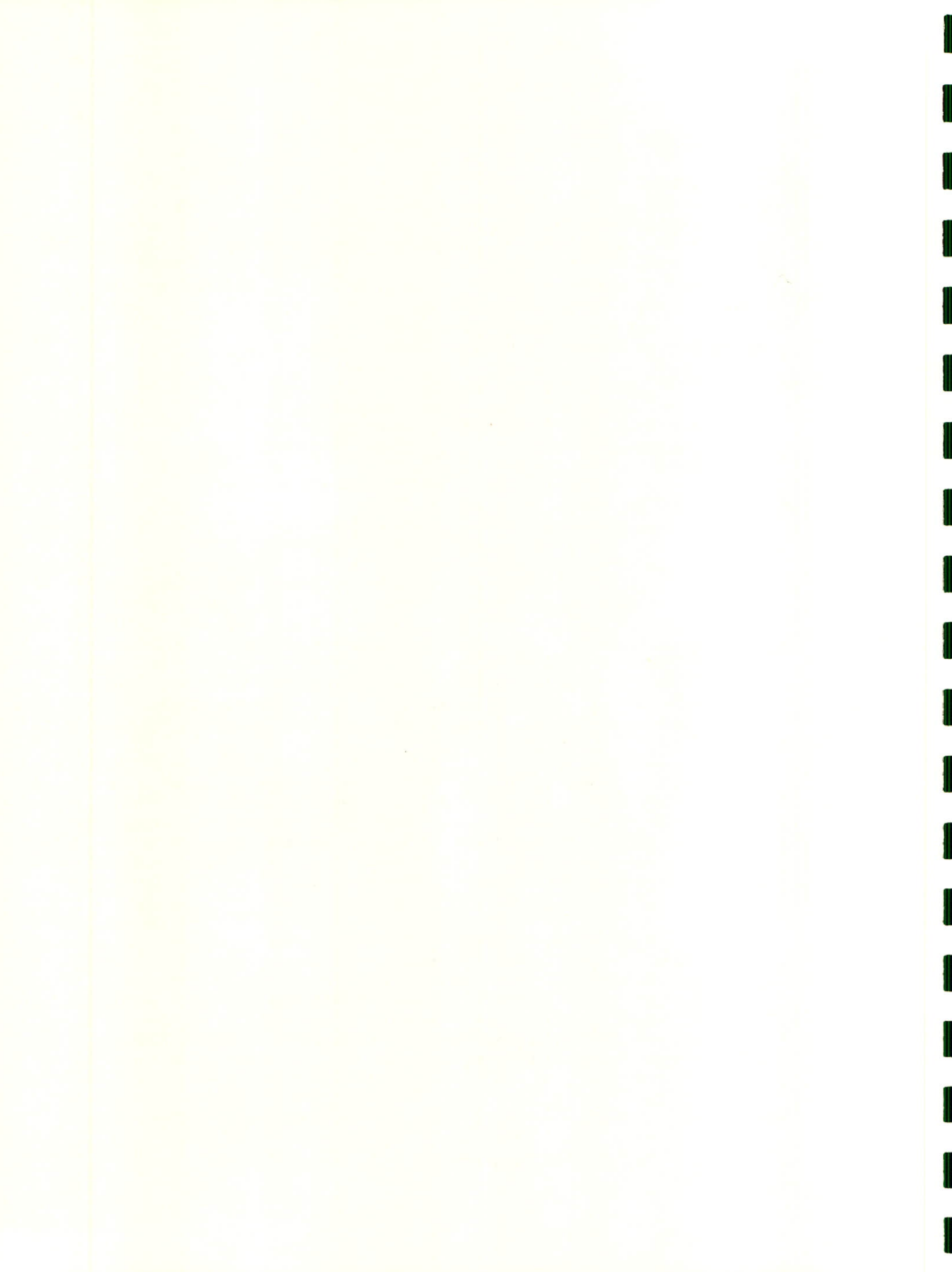
All finance receivables are regularly reviewed for collectibility. All known losses are charged to income immediately. Specific loss reserves on an account-by-account basis are provided out of income for all anticipated losses. In addition to specific reserves, the Corporation maintains general reserves for all categories of finance receivables, calculated as a percentage of net investment therein except for certain conditional sales contracts having a net investment of \$14,695,400 (1981 - \$43,316,000), on which no allowance for credit losses has been provided as these accounts were purchased from the National Bank of Canada as of November 28, 1980 and the Corporation has recourse against the Bank for all credit losses on these accounts.

(c) Foreign exchange:

United States and other foreign currency accounts included in the financial statements are translated into Canadian dollars at rates of exchange current at the balance sheet date, except that items of income and expenses are translated at monthly average rates prevailing during the year. Foreign exchange gains or losses resulting from the above translations are included in the statement of earnings.

(d) 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 and foreign exchange. Income taxes on the balance sheet comprise deferred income taxes of \$17,626,000 (1981 - \$13,621,000) and current income taxes recoverable of \$534,275 (1981 payable - \$694,459).





LAURENTIDE FINANCIAL CORPORATION LTD.

Notes to Financial Statements

October 31, 1982

3. FINANCE RECEIVABLES

Certain finance receivables of the Corporation are pledged as collateral to secure certain long-term notes. These notes are further secured by first floating charges upon all other property and assets of the Corporation.

4. MATURITIES OF DEBT

Due in	
One year	\$ 26,587,500
Two years	28,651,400
Three years	27,980,000
Four years	3,835,000
Five years	3,642,000
Six to ten years	19,562,000
Over ten years	<u>7,502,956</u>
	<u>\$ 117,760,856</u>

Debt issues which have retractable option features have been included in the above maturities at the earlier payment date.

5. CAPITAL STOCK

The Corporation is authorized to issue an unlimited number of common shares and preferred shares. Details of the issued and outstanding capital stock are as follows:

	1982		1981	
	Number of shares	Amount	Number of shares	Amount
New Preferred Shares	2,893,471	\$ 23,121,080	3,002,060	\$ 23,988,836
Common Shares	25,000,001	<u>25,000,010</u>	25,000,001	<u>25,000,010</u>
		<u>\$ 48,121,090</u>		<u>\$ 48,988,846</u>

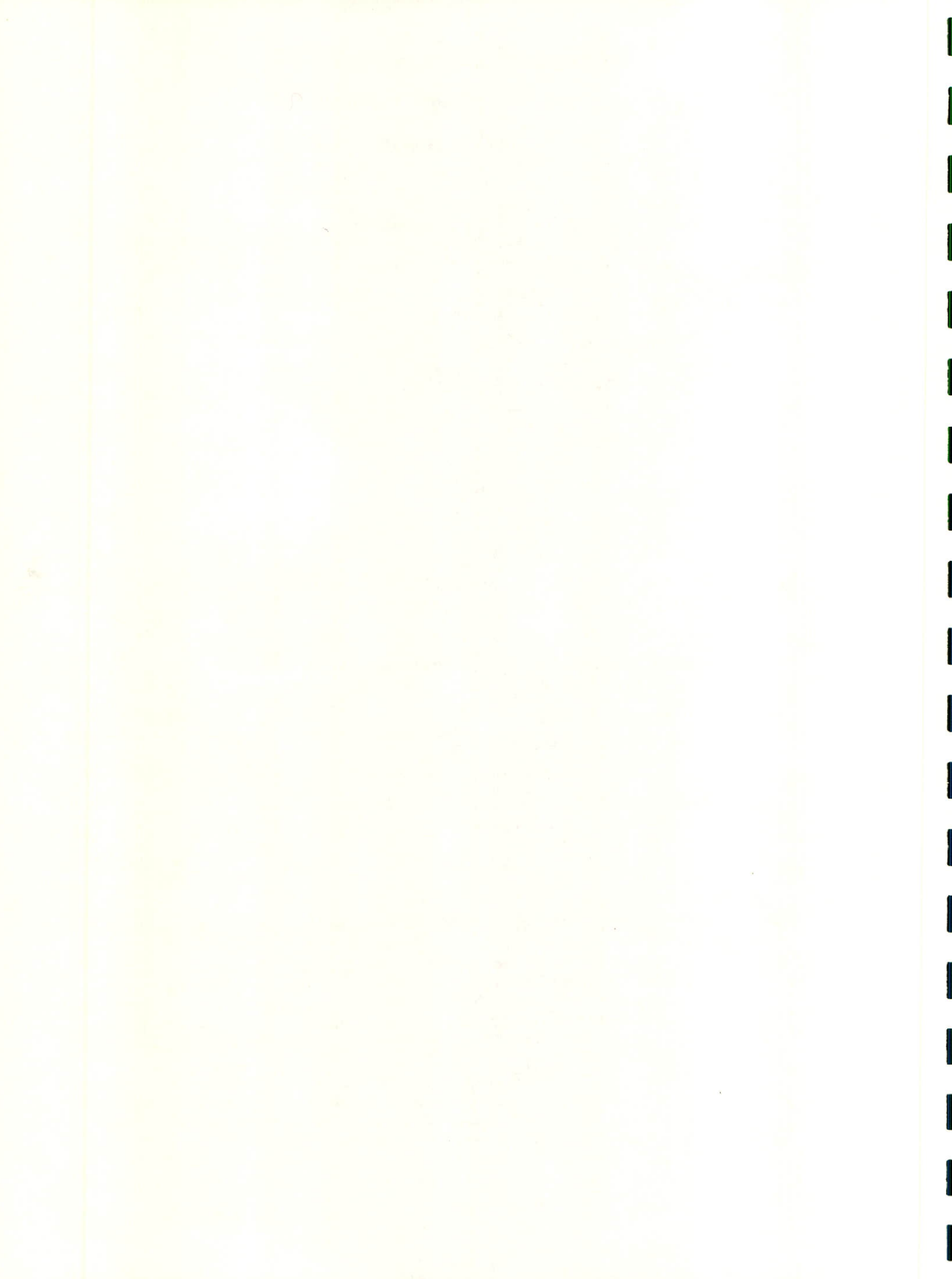
The following rights, privileges, restrictions and conditions are attached to the New Preferred Shares ("Preferred Shares").

(a) Preference of Preferred Shares:

Preferred Shares shall be entitled to a preference over the Corporation Common Shares with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding up of the Corporation.

(b) Dividends:

Holder of the Preferred Shares shall be entitled to receive cumulative preferential cash dividends equal to the dividends declared by the Board of Directors of the Bank to be payable on each Common Share of the National Bank of Canada.



LAURENTIDE FINANCIAL CORPORATION LTD.

Notes to Financial Statements

October 31, 1982

5. CAPITAL STOCK (Continued)

(c) Redemption:

Preferred Shares are redeemable under certain terms and conditions at a price per share based on the market value of one Bank common share, at the time of redemption. During the year, the Corporation redeemed 108,589 Preferred Shares for an amount of \$607,782 paid cash.

6. RETAINED EARNINGS

The Articles of the Corporation pertaining to the New Preferred Shares and trust agreements and indentures pertaining to collateral trust notes and debentures of the Corporation contain various provisions restricting the payment of dividends. At October 31, 1982, \$13,574,000 in retained earnings and contributed surplus are available for the payment of dividends.

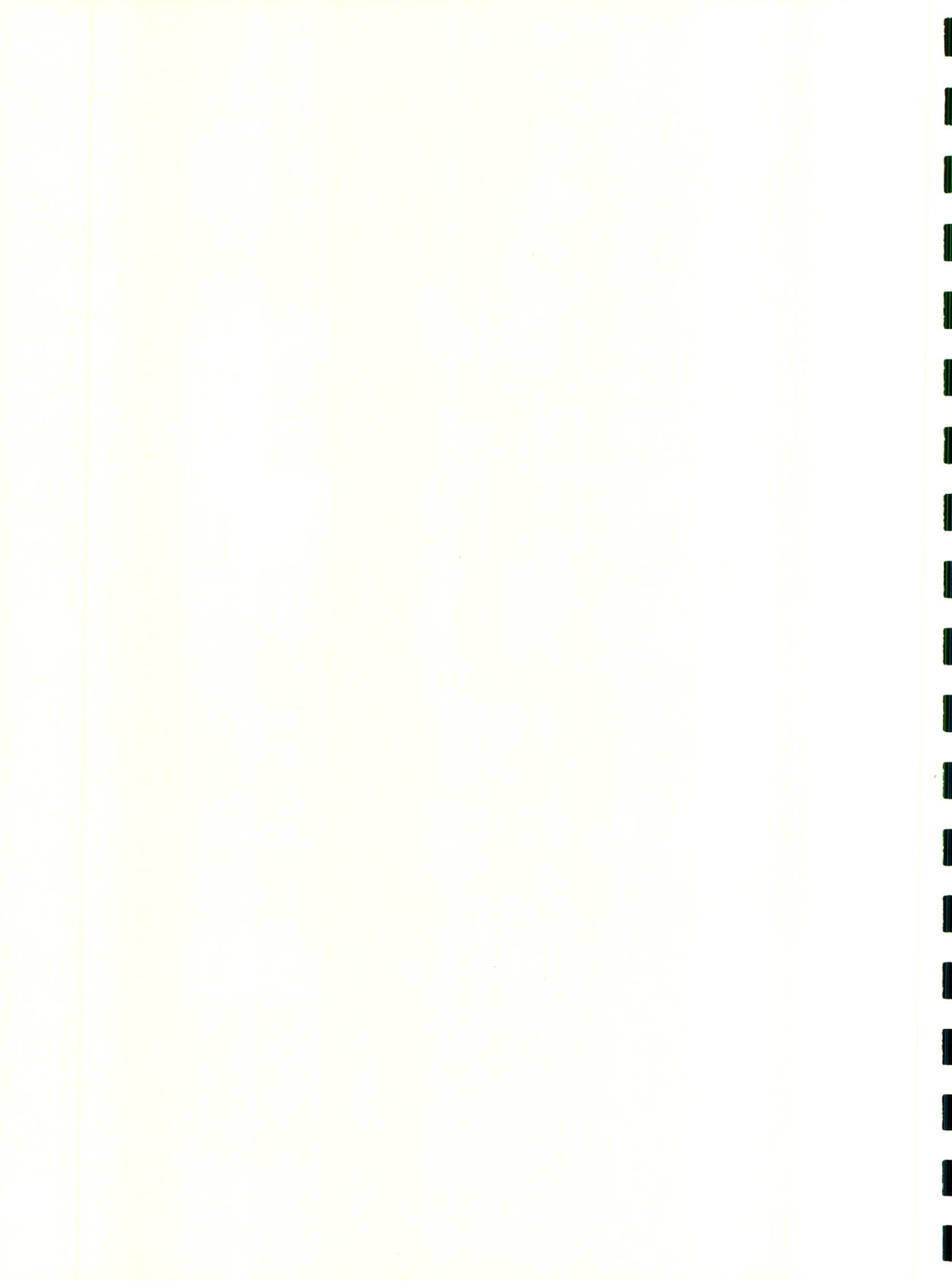
7. RELATED PARTY TRANSACTIONS

The Corporation is a subsidiary of the National Bank of Canada and when practicable the Corporation conducts its banking transactions through branches of the Bank and also maintains lines of credit with the Bank. All banking transactions with the Bank are transacted under normal commercial terms. Certain of the Corporation's branch offices and the security instruments relating to finance receivables administered therein are located on the Bank's premises. Routine administrative functions required in connection with such accounts are supplied by the Bank to the Corporation for a fee. The aggregated amount of fees paid to the Bank under such agreement for the year was \$669,000 (1981 - \$691,000).

All persons engaged in administering the affairs of the Corporation are employees of the Bank and the Bank charges the Corporation for the salaries paid plus benefits incurred for any employees working for the Corporation. The amount of \$2,229,000 (1981 - \$2,008,000) paid under this arrangement has been charged to salaries and benefits.

8. CONTINGENT LIABILITIES

During the 1980 fiscal year, Revenue Canada re-assessed a merged corporation for additional income taxes in the amount of \$566,000 as a result of not allowing the deduction of certain expenses in 1976 and 1977. The Corporation has filed Notices of Objection to these re-assessments and as it believes these re-assessments will be reversed and the income taxes paid thereon will be recovered, the amount paid has been netted with income taxes payable. If the Corporation is unsuccessful in its appeal, the amount of \$566,000 paid in income taxes will be charged to the contributed surplus arising on the purchase of the corporation. Although the Corporation has not, to date, received re-assessments for 1978 and subsequent years, similar expenses have been incurred in those years and the income taxes thereon could amount to a further \$475,000.



LAURENTIDE FINANCIAL CORPORATION LTD.

Notes to Financial Statements

October 31, 1982

9. FUNDS FROM OPERATIONS:

	<u>1982</u>	<u>1981</u>
Earnings from operations	\$ 5,652,628	6,898,716
Add:		
Depreciation	99,093	44,184
Deferred income taxes	<u>4,005,000</u>	<u>4,076,000</u>
	<u>\$ 9,756,721</u>	<u>11,018,900</u>



## LAURENTIDE FINANCIAL CORPORATION LTD.

## Details of Secured Long-Term Notes

October 31, 1982

	<u>Year of Issue</u>	<u>Series</u>	<u>Rate %</u>	<u>Maturity Date</u>		<u>1982</u>	<u>1981</u>
Payable in Canadian Funds:							
Collateral Trust Notes	1969	I	9-3/4	December 15, 1984	\$	3,275,000	3,275,000
	1974	L	9-5/8 (1)	February 1, 1994		11,008,000	11,657,000
	1977		9-1/2			-	20,000,000
	1978	O	10 (1) (2)	February 22, 1993		12,113,000	12,829,000
	1964	UH	6-1/8	June 15, 1983 to 1984		400,000	600,000
	1964	UI	6-1/8	June 15, 1983 to 1984		800,000	1,200,000
	1965	UJ	6-1/8	April 15, 1983 to 1985		300,000	400,000
	1974	UN	9-1/2 (1)	April 15, 1990		2,140,000	2,213,000
						<u>30,036,000</u>	<u>52,174,000</u>
Payable in U.S. funds:							
Collateral Trust Notes	1964 to 1978	E	5-1/8 to 8.95	Various from November 20, 1982 to November 20, 1984	\$12,000,000	14,706,000	15,958,670
	1971	J	9 (1)	September 1, 1986	4,000,000	4,902,000	5,999,500
	1972	K	8-1/2 (1)	December 1, 1992	8,800,000	10,784,400	11,519,040
	1976	M	10-3/4 (1)	April 15, 1991	12,750,000	15,625,125	16,318,640
					<u>\$37,550,000</u>	<u>46,017,525</u>	<u>49,795,850</u>
						\$ <u>76,053,525</u>	<u>101,969,850</u> (3)

(1) These notes have sinking and/or purchase fund provisions.

(2) The holders of Series O notes have the right to elect repayment in 1984.

(3) Secured long-term notes maturing within one year amount to \$17,324,325 (1981 - \$25,531,605).

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4. State

5. Zip

6. Telephone

7. Birth date

8. Sex

9. Race

10. Education

11. Occupation

12. Marital status

13. Number of children

14. Date of last visit

15. Date of next visit

16. Date of death

17. Cause of death

18. Place of death

19. Burial place

20. Date of burial

21. Name of funeral home

22. Name of cemetery

23. Name of pastor

24. Name of minister

25. Name of priest

26. Name of rabbi

27. Name of imam

28. Name of spiritual leader

29. Name of religious leader

30. Name of religious figure

31. Name of religious authority



## LAURENTIDE FINANCIAL CORPORATION LTD.

## Details of Debentures and Unsecured Notes

October 31, 1982

	<u>Year of Issue</u>	<u>Series</u>	<u>Rate %</u>	<u>Maturity Date</u>	<u>1982</u>	<u>1981</u>
Debentures:						
Laurentide Financial Corporation Ltd.	1973	8	8-1/2 (1) (2)	April 15, 1993	\$ 7,831,000	8,008,000
	1975	9	11-3/4 (1)	October 31, 1985	4,196,000	4,389,000
	1976	10	11-3/4 (1) (2)	May 15, 1991	<u>10,691,000</u>	<u>11,170,000</u>
					<u>22,718,000</u>	<u>23,567,000</u>
Assumed from Union Acceptance Corporation Ltd. (3)						
	1961		6-1/4 (1)		-	970,000
	1962		6-1/2 (1)	December 1, 1983	389,500	417,500
	1964	H	6-3/4	July 2, 1983 to 1984	560,000	840,000
	1973	K	9-1/4 (1)	August 1, 1989	<u>1,535,000</u>	<u>1,582,000</u>
					<u>2,484,500</u>	<u>3,809,500</u>
					25,202,500	27,376,500
Unsecured notes:						
Payable in Canadian funds:	1980		12-3/4	February 4, 1985	15,000,000	15,000,000
	1975		10 to 5½	Various to May 1986	<u>1,504,831</u>	<u>3,849,469</u>
					<u>\$ 41,707,331</u>	<u>46,225,969 (4)</u>

(1) These debentures have sinking and/or purchase fund provisions.

(2) The holders of Series 8 and Series 10 debentures have the right to elect repayment in 1983, and 1984 respectively.

(3) On September 1, 1978, the liabilities of Union Acceptance Corporation Ltd. were assumed by a predecessor corporation as a step in the winding up of that subsidiary.

(4) Debentures and unsecured notes maturing within one year amount to \$9,263,155 (1981 - \$2,529,560).

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