

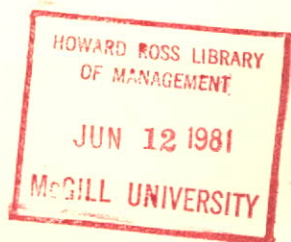


Seaway Multi-Corp Limited

ANNUAL REPORT

For the Year Ended

December 31, 1980



Seaway Multi-Corp Limited

PRESIDENT'S REPORT

To The Shareholders

Seaway Multi-Corp Limited results for 1980 are contained herein.

Net profit for 1980 was \$1,726,222 compared with 1979 net profit of \$1,268,866. 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%.

Payment of quarterly dividends on the preferred shares were maintained in 1980. The company is hopeful of commencing payment of arrears in 1981.

Yours truly,

A handwritten signature in cursive script, appearing to read "Ben Lewis".

President

Toronto, Ontario
May 20, 1981

Seaway Multi-Corp Limited

CONSOLIDATED BALANCE SHEET

December 31, 1980

ASSETS

	<u>1980</u>	<u>1979</u>
Current		
Cash	\$ 40,439	\$ 157,625
Accounts receivable (Note 2)	5,374,536	5,132,207
Inventories	16,473,616	12,131,041
Prepaid expenses and sundry assets	744,700	419,220
Net investment in lease, current portion	45,109	44,891
Note receivable, current portion	99,840	99,840
	<u>22,778,240</u>	<u>17,984,824</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)	596,407	820,943
	<u>\$ 51,564,434</u>	<u>\$ 46,986,251</u>

LIABILITIES



Current		
Bank advances (Note 7)	\$ 7,148,463	\$ 4,685,265
Notes payable	584,000	224,000
Accounts payable and accrued liabilities	3,278,488	4,573,722
Income and other taxes payable	3,081,978	1,736,287
Current portion of long term debt (Note 9)	1,746,245	1,590,740
	<u>15,839,174</u>	<u>12,810,014</u>
Long term debt (Note 9)	11,937,942	10,953,840
Deferred income taxes	36,250	—
Minority interest (Note 10)	2,576,259	3,480,473
	<u>30,389,625</u>	<u>27,244,327</u>

SHAREHOLDERS' EQUITY

Capital and other equity accounts	21,174,809	19,741,924
	<u>\$ 51,564,434</u>	<u>\$ 46,986,251</u>

See accompanying notes

Approved on behalf of the Board

 Director
 Director

Seaway Multi-Corp Limited

CONSOLIDATED STATEMENT OF INCOME Year ended December 31, 1980

	<u>1980</u>	<u>1979</u>
Sales and revenues	\$ 30,372,671	\$ 24,228,711
Costs and expenses		
Cost of products sold	14,956,950	12,386,388
Other operating costs and expenses.....	8,673,988	7,325,948
Interest on long term debt	1,648,560	1,581,136
Bank and other interest.....	1,269,514	1,149,932
Depreciation and amortization	530,902	435,894
	<u>27,079,914</u>	<u>22,879,298</u>
Income from operations before income taxes.....	3,292,757	1,349,413
Income taxes		
Current	1,520,805	658,912
Deferred	137,300	32,421
	<u>1,658,105</u>	<u>691,333</u>
Income from operations	1,634,652	658,080
Net income from discontinued operations	—	773,000
Minority interest in income and losses of subsidiaries	(184,065)	(165,686)
Income before extraordinary items	1,450,587	1,265,394
Extraordinary items (Note 11)	275,635	3,472
Net income (Note 12).....	<u>\$ 1,726,222</u>	<u>\$ 1,268,866</u>

See accompanying notes

Seaway Multi-Corp Limited

CONSOLIDATED STATEMENT OF RETAINED EARNINGS Year ended December 31, 1980

	<u>1980</u>	<u>1979</u>
Balance (deficit), beginning of year	\$ (19,631,525)	\$ (20,987,826)
Net income	1,726,222	1,268,866
Amortization of appraisal excess	196,157	192,958
Dividends paid on Series "A" preference shares	(422,093)	(105,523)
Balance (deficit), end of year	<u>\$ (18,131,239)</u>	<u>\$ (19,631,525)</u>

See accompanying notes

Seaway Multi-Corp Limited

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY December 31, 1980

	1980	1979
Capital stock (Note 15)		
Authorized		
2,145,834 Preference shares, \$15 par value, of which 1,645,834 have been designated as 4 ¹ / ₂ % cumulative, Series "A" preference shares, convertible on the basis of three preference shares for one common share and redeemable at par		
4,357,500 Common shares, without par value		
Issued		
625,323 Series "A" preference shares	\$ 9,379,845	\$ 9,379,845
1,347,358 Common shares	9,878,142	9,878,142
	19,257,987	19,257,987
Excess of appraised value of land and buildings over book value (Note 1)	20,048,061	20,115,462
Retained earnings (deficit)	(18,131,239)	(19,631,525)
	\$ 21,174,809	\$ 19,741,924

See accompanying notes

Seaway Multi-Corp 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	\$ 1,634,652	\$ 658,080
Items not affecting working capital, principally depreciation, amortization and deferred income taxes	736,252	627,821
	<u>2,370,904</u>	<u>1,285,901</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	275,635	130,888
	<u>6,590,654</u>	<u>6,681,767</u>
Funds used for		
Retirement of long term debt	2,860,173	2,981,202
Fixed and other assets	584,609	579,285
Acquisition of minority interest	804,096	533,036
Dividends paid to minority shareholders of subsidiary companies	155,427	165,686
Dividends paid on Series "A" preference shares	422,093	105,523
	<u>4,826,398</u>	<u>4,364,732</u>
Increase in working capital	1,764,256	2,317,035
Working capital, beginning of year	5,174,810	2,857,775
Working capital, end of year	<u>\$ 6,939,066</u>	<u>\$ 5,174,810</u>

See accompanying notes

Seaway Multi-Corp Limited

AUDITORS' REPORT

To the Shareholders of
Seaway Multi-Corp Limited

We have examined the consolidated balance sheet of Seaway Multi-Corp 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

Seaway Multi-Corp Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1980

1. SUMMARY OF ACCOUNTING POLICIES

Consolidation policy

The consolidated financial statements include the accounts of Seaway Multi-Corp 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 9 1/2% 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	3,794,238	3,328,324
	<u>13,217,544</u>	<u>12,598,324</u>
Less accumulated depreciation	3,534,042	3,056,657
	<u>9,683,502</u>	<u>9,541,667</u>
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	\$ 58,941	\$ 182,427
Deferred income taxes	13,800	114,850
Share issue expenses	523,666	523,666
	<u>\$ 596,407</u>	<u>\$ 820,943</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 \$1,050,000 which may be used to reduce taxable income as follows:

\$ 20,000 to 1981
60,000 to 1982
315,000 to 1983
424,000 to 1984
231,000 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

	<u>1980</u>	<u>1979</u>
Seaway Multi-Corp Limited		
Secured debentures, due January 31, 1982	\$ 4,289,343	\$ 4,887,900
Unsecured promissory notes, prime rate, due August 11, 1982	579,000	579,000
7 1/2% convertible, unsecured sinking fund debentures, Series "A", maturing August 23, 1988.....	300,000	300,000
Notes payable, prime rate plus 1 3/4%	336,694	258,119
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 1/4%, maturing August 31, 1990	1,221,550	—
Drive Train 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	—
	<u>13,684,187</u>	<u>12,544,580</u>
Less amounts due within one year	<u>1,746,245</u>	<u>1,590,740</u>
	<u>\$ 11,937,942</u>	<u>\$ 10,953,840</u>

The company has agreed with the holders of the secured debentures to repayment at the rate of \$600,000 per annum. These debentures bear interest at the rate of 6% per annum with a provision for additional interest, based on consolidated income, to a maximum overall rate of bank prime. The company has pledged common shares of Levy Industries Limited as security.

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

1981	\$1,746,000
1982	3,327,000
1983	990,000
1984	1,934,000
1985	910,000

10. MINORITY INTEREST

	<u>1980</u>	<u>1979</u>
Common shares	\$ 146,499	\$ 347,323
Preference shares	2,429,760	3,133,150
	<u>\$ 2,576,259</u>	<u>\$ 3,480,473</u>

11. 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	275,635	130,888
	<u>\$ 275,635</u>	<u>\$ 3,472</u>

12. INCOME PER COMMON SHARE

	<u>1980</u>		<u>1979</u>	
Common shares outstanding	<u>1,347,358</u>		<u>1,347,358</u>	
		<u>Per Share</u>		<u>Per Share</u>
Income before extraordinary items	\$ 1,450,587		\$ 1,265,394	
Preferred dividend requirement	<u>422,093</u>		<u>422,093</u>	
Income for common shareholders before extraordinary items	1,028,494	\$0.76	843,301	\$0.62
Extraordinary gains	<u>275,635</u>	<u>0.21</u>	<u>3,472</u>	<u>0.01</u>
Net income for common shareholders	<u>\$ 1,304,129</u>	<u>\$0.97</u>	<u>\$ 846,773</u>	<u>\$0.63</u>

Seaway Multi-Corp Limited

INFORMATION CIRCULAR

MANAGEMENT SOLICITATION

This information circular is furnished in connection with the solicitation of proxies by the management of SEAWAY MULTI-CORP 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 10:30 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 1st, 1981 the Corporation had outstanding 1,347,358 common shares without par value, each carrying the right to one vote per share. In addition to the above 1,347,358 common shares of the Corporation on June 1, 1981 there were 625,323 Series "A" convertible preference shares, with a par value of \$15.00 each, outstanding in the capital stock of the Corporation which are non-voting but are convertible on the basis of three Series "A" convertible preference shares for one common share. Benlevy Corporation Limited beneficially owned 363,301 common shares of the Corporation or 26.9% of the outstanding common shares of the Corporation, Peplevy Corporation Limited beneficially owned 377,673 common shares of the Corporation or 28% of the outstanding common shares of the Corporation, Edlevy Corporation Limited beneficially owned 144,562 common shares of the Corporation or 10.7% of the outstanding common shares of the Corporation, Happyco Enterprises Limited beneficially owned 119,431 common shares of the Corporation or 8.8% of the outstanding common shares of the Corporation, Empeaco Limited beneficially owned 119,431 common shares of the Corporation or 8.8% of the outstanding common shares of the Corporation, Jaylevy Limited beneficially owned 119,431 common shares of the Corporation or 8.8% of the outstanding common shares of the Corporation. The 1,243,829 common shares owned by the above companies represent 92.3% of the outstanding equity shares of the Corporation entitled to be voted at the meeting.

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 names 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.

Name	Occupation	Period as a Director of the Corporation	Equity Shares beneficially owned directly or indirectly	
			Seaway Multi-Corp Limited	Levy Industries Limited
Mark A. Levy	Chairman of the Board of Directors of the Corporation	From July 17, 1970	13,084	780
Benjamin Levy *	President of the Corporation	From July 17, 1970	3,630	—
Morris P. Levy	Executive Vice-President of the Corporation	From July 17, 1970	20,242	—
Edward Levy	Vice-President and Assistant to the President of the Corporation	From July 17, 1970	2,756	—
Mark Speyer	Vice-President, Purchasing of the Corporation	From July 17, 1970	2,001	—
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	1,144	—
Peter L. Levy	President, Levy Auto Parts Co. Limited	From July 17, 1970	201	—
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 of 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.

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).....	427,000	14,200	13,100
	<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 first appointed as auditor of the Corporation on August 14, 1970, and has served since that date.

MATERIAL TRANSACTIONS

The following persons are the beneficial owners of the principal amount of secured debentures and unsecured promissory notes set opposite their names. By virtue of these holdings, these persons have a material interest in the following transactions:

1. The agreement of all of the holders of \$4,289,343 aggregate principal amount of secured debentures of the Corporation to extend the maturity date of the debentures from January 31, 1981 to January 31, 1982 in consideration of an amendment to the provisions of the secured debentures to provide for additional interest based on consolidated income to a maximum rate not to exceed the prime rate of interest of the Canadian Imperial Bank of Commerce and a payment by the Corporation to the holders of the secured debentures of \$107,234.
2. The agreement of all of the holders of the unsecured promissory notes of the Company to extend the maturity date of such promissory notes from August 11, 1981 to August 11, 1982 in consideration of an amendment to the provisions of the promissory notes to provide for additional interest based on the prime rate of the Canadian Imperial Bank of Commerce and a payment by the Corporation to the holders of the promissory notes of \$14,475.

Mark A. Levy, Benjamin Levy, Morris P. Levy, Edward Levy, Harold Levy, Peter Levy and Howard Levy are directors and officers of the Corporation. Benjamin Levy, Morris P. Levy and Edward Levy have a direct interest in the transaction by reason of their ownership of a portion of the securities described below. Each of these persons has an indirect interest in the transaction by reason of their beneficial ownership of securities of Benlevy Corporation Limited, Peplevy Corporation Limited, Edlevy Corporation Limited or Happyco Enterprises Limited. These four corporations have a direct interest in the transaction by reason of their holding as at December 31, 1980 of a portion of the securities described below. The four corporations are also the owners of the common shares of the Corporation as set out in this circular.

	<u>Debentures</u>	<u>Promissory Notes</u>
Benjamin Levy 1 Benvenuto Place Toronto, Ontario	\$ 10,012	—
Edward Levy 25 Sunnydene Crescent Toronto, Ontario	\$ 19,887	—
Happyco Enterprises Limited Suite 4800 Toronto Dominion Centre Toronto, Ontario	\$ 623,527	\$ 61,500
Benlevy Corporation Limited Suite 1900 65 Queen Street West Toronto, Ontario	\$1,521,845	\$184,500
Peplevy Corporation Limited Suite 1900 65 Queen Street West Toronto, Ontario	—	\$148,500
Edlevy Corporation Limited Suite 1900 65 Queen Street West Toronto, Ontario	\$ 595,527	\$ 61,500

DATED at Toronto the 1st day of June 1981.

13. SEGMENTED INFORMATION
(in thousands of dollars)

	Automotive Parts	Cold Storage and Rentals	Total
Sales and revenues.....	\$ 27,143	\$ 3,230	\$ 30,373
Operating income.....	<u>\$ 5,729</u>	<u>\$ 481</u>	<u>\$ 6,210</u>
Interest expense.....			2,918
Income taxes.....			1,658
Minority interest.....			184
Extraordinary gain.....			<u>(276)</u>
			4,484
Net income.....			<u>\$ 1,726</u>
Identifiable assets.....	<u>\$ 37,637</u>	<u>\$ 13,927</u>	<u>\$ 51,564</u>
Depreciation and amortization.....	<u>\$ 151</u>	<u>\$ 380</u>	<u>\$ 531</u>
Capital expenditure.....	<u>\$ 357</u>	<u>\$ 228</u>	<u>\$ 585</u>
Export sales.....	<u>\$ 20,268</u>	<u>\$ —</u>	<u>\$ 20,268</u>

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.

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. CAPITAL STOCK

(a) Reservations of common shares

- (i) 15,000 common shares are reserved for the conversion privileges of the company's \$300,000 7½% convertible unsecured debentures at the rate of 50 common shares for each \$1,000 of debentures outstanding, exercisable at any time until August 23, 1988.
- (ii) At December 31, 1980 there are 246,407 Series "A" warrants outstanding entitling the holders to acquire one common share of the company at a price of \$38 for each warrant held. The warrant privileges may be exercised at any time until February 28, 1989.

- (b) As at December 31, 1980 dividends on the Series "A" preference shares are \$1,899,414 (eighteen quarters) in arrears.

16. 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.

17. 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.