Holt, Renfrew
& COMPANY LIMITED

NOW ACROSS CANADA

Annual Report

1953

HOLT, RENFREW & COMPANY, LIMITED

HEAD OFFICE • *1300 SHERBROOKE STREET WEST, MONTREAL, P.Q.*

DIRECTORS

G. Harold Aikins, Q.C.
George H. Beeston
George B. Foster, Q.C.
R. Glenn Liddy
Duncan K. MacTavish, Q.C.
John G. McConnell
Paul Nathanson
Alvin J. Walker
R. Howard Webster

OFFICERS

Alvin J. Walker
President and Managing Director

John G. McConnell
Vice-President

R. Glenn Liddy
Secretary-Treasurer

BRANCH STORES

Toronto—*Yonge and Adelaide Streets*
Quebec City—*City Hall Square*
Ottawa—*182 Queen Street*
Hamilton—*28 King Street East*
London—*196 Dundas Street*
Winnipeg—*Portage and Carlton Streets*
Calgary—*227 Seventh Avenue West*
Edmonton—*10336 Jasper Avenue*

FOREIGN OFFICES

U.S.A.—*1440 Broadway, New York, N.Y.*
England—*315-317 Oxford Street, London W.1*
France—*13, rue Royale, Paris*
Belgium and Holland—*19, rue des Chartreux, Brussels*
Germany—*Rathenauplatz 1A, Frankfurt-am-Main*
Italy—*via Tornabuoni 2, Florence*
via Pietro Verri 10, Milan
Austria—*Strauchgasse 1, Vienna*
Ireland—*59, Scottish Temperance Building, Belfast*
Portugal—*Ave. Defensores-de-Chavez 42, Lisbon*
Spain—*Balmes 205, Barcelona*
Sweden—*Drottninggatan 14, Stockholm*
Switzerland—*Bahnhofstrasse 57A, Zurich*

HEAD OFFICE — MONTREAL

HOLT, RENFREW & CO., LIMITED . . founded in 1837 . . now have nine stores across Canada. The store in Quebec City opened in 1837; Toronto in 1889; Montreal and Winnipeg in 1910; Ottawa in 1942; Hamilton in 1945; Edmonton in 1950; Calgary in 1952; and London, Ont., in 1953.

Branch Shops are maintained in the leading hotels in five of Canada's most important cities. And, now nearing completion is a large Branch Shop in the new Dorval Gardens Shopping Centre, adjacent to Montreal. The Company also operates its own Mink Ranch in the Province of Quebec.

HOLT, RENFREW & COMPANY, LIMITED

TO THE SHAREHOLDERS • Your Directors take pleasure in submitting their Annual Report, Audited Balance Sheet, Statement of Profit and Loss, also Statement of Earned Surplus, covering the fiscal year ended January 31, 1954.

NET PROFIT

Net profit of $220,828 after taxes confirms the successful operation and steady progress of your Company.

PROPERTIES

Your properties have been appraised by Canadian Appraisal Company Limited at $2,734,811, which represents the conservative current replacement value of $3,041,810.

During the 1953 fiscal year your Company purchased the business of Ross' Limited in London (Ont.); it now owns and operates 9 stores throughout Canada, and in addition thereto, Hotel Branch Shops in the Sheraton-Mt. Royal (Montreal), the Chateau Frontenac (Quebec City), the Chateau Laurier (Ottawa) and the Macdonald Hotel (Edmonton).

Arrangements have been perfected for a modern shop, to be opened at an early date, in the newly organized Dorval Gardens Shopping Centre at Dorval, for the accommodation of the consumer-public in the thriving communities of the Montreal-Lakeshore Area.

Your Company also has leased the building adjacent to its Montreal Main Store to satisfy the special expansion needs of its business.

Likewise, in harmony with the trend away from downtown Toronto, toward the creation of a new fashionable shopping district on Bloor Street West, your Company has leased there four floors in a building, now being constructed, the last word in store architecture, and to be ready for occupancy in the fall of the current year.

CAPITAL STOCK

With the approval and consent of the shareholders your Company has reorganized its capital stock structure, effective August 1, 1953.

The 7% cumulative preferred shares (10,000 shares of the par value of $100.00 each), heretofore authorized and issued, have been cancelled.

In their place and stead, there have been created A/- 10,000 cumulative redeemable first preferred shares of the par value of $50.00 each, and B/- 10,000 redeemable second preferred shares of the par value of $50.00 each.

The new shares provide for annual dividends at the rate of $5.00 per share, as and when declared by your Board of Directors. The first semi-annual dividend of $2.50 on the first preferred shares already has been paid.

The new capital stock structure also creates a sinking fund for the redemption of the first preferred shares, which, after these have been redeemed, is also applicable to the second preferred shares. There have been no changes in the set-up of the Common Stock.

EMPLOYEES

In appreciation of the conscientious effort and co-operation of the entire personnel of your Company, the Directors take the opportunity here to record thanks to them all.

The good results accomplished in the past year reflect most commendably their loyalty, skill and ability in the performance of the tasks entrusted to them.

Submitted on behalf of the Board of Directors,

Alvin J. Walker

April 2, 1954

President and Managing Director

Holt, Renfrew & COMPANY LIMITED

BALANCE

ASSETS

	1954	1953
CURRENT ASSETS:		
Cash	$ 78,987	$ 84,918
Accounts receivable, less allowance for doubtful accounts	1,641,845	1,470,317
Merchandise valued at the lower of approximate cost or market	1,424,924	1,244,815
Prepaid taxes, insurance, etc., including deposits with insurance underwriters	120,453	104,245
	$3,266,209	$2,904,295
CAPITAL ASSETS (note 1):		
Land and buildings	$1,022,540	$ 935,798
Less: Accumulated depreciation	304,259	272,685
	$ 718,281	$ 663,113
Furniture and fixtures, automobiles, etc.	$ 635,379	$ 576,437
Less: Accumulated depreciation	439,309	399,199
	$ 196,070	$ 177,238
	$ 914,351	$ 840,351
GOODWILL	772,453	772,453
	$1,686,804	$1,612,804
OTHER ASSETS:		
Investment in wholly-owned subsidiary, at cost	$ 24,000	$ 24,000
Securities of Motty Eitingon Inc. stated at written down value	25,000	58,915
Alterations to premises — unamortized balance	29,260	53,617
	$ 78,260	$ 136,532
	$5,031,273	$4,653,631

SIGNED ON BEHALF OF THE BOARD:
ALVIN J. WALKER, *Director*
R. GLENN LIDDY, *Director*

NOTES TO FINAN

1. Canadian Appraisal Company Limited has reported the present value of land, buildings, furniture and furnishings, etc., at January 31 1954 to be $2,734,811.
2. The company obtained supplementary letters patent on June 30 1953 confirming (1) the reduction of its capital stock by $1,000,000 by the cancellation of the authorized and issued 10,000 7% cumulative preferred shares of $100 each, and (2) the increase of its capital stock by $1,000,000 by the creation of 10,000 cumulative redeemable first preferred shares of $50 each and 10,000 redeemable second preferred shares of $50 each.

In accordance with an arrangement ratified at a special general meeting of shareholders on June 18 1953 the 10,000 7% cumulative preferred shares of $100 each were surrendered for cancellation in consideration of cash payments of $10.25 per share, aggregating $102,500, and the issue on August 1 1953 of 10,000 cumulative redeemable first preferred shares of $50 each and 10,000 redeemable second preferred shares of $50 each.

The cumulative redeemable first preferred shares carry the right to fixed preferential cumulative dividends at the rate of $5 per share per annum and are redeemable, after thirty days' notice, on the first day of February or August in any year, at a price of $100 per share. The shares have a value on liquidation of $100 per share.

SHEET AS AT JANUARY 31 1954

LIABILITIES

	1954	1953
CURRENT LIABILITIES:		
Demand loans from bank	$ 670,000	$ 395,000
Accounts payable and accrued liabilities	702,359	630,304
Dividend payable on first preferred shares	25,000	—
Instalment due within one year on first mortgage bonds	10,000	10,000
Prepaid storage and interest and sundry credit balances	110,232	114,054
Income and other taxes	137,924	208,626
	$1,655,515	$1,357,984
5% FIRST MORTGAGE BONDS — due in annual instalments of $10,000 with balance due July 1 1967	$ 364,000	$ 374,000
CAPITAL STOCK, RESERVE AND SURPLUS:		
Capital stock (note 2) —		
7% Cumulative preferred —		
Authorized and issued at January 31 1953 — 10,000 shares of $100 each	$ —	$1,000,000
Cumulative redeemable first preferred —		
Authorized and issued — 10,000 shares of $50 each	500,000	—
Redeemable second preferred —		
Authorized and issued — 10,000 shares of $50 each	500,000	—
Common —		
Authorized and issued — 10,000 shares of $100 each	1,000,000	1,000,000
Reserve for redemption of first preferred shares	65,276	—
Earned surplus, per statement attached	946,482	921,647
	$3,011,758	$2,921,647
	$5,031,273	$4,653,631

SUBMITTED WITH OUR REPORT TO THE SHAREHOLDERS DATED APRIL 2 1954

PRICE WATERHOUSE & CO.
Chartered Accountants.

CIAL STATEMENTS

On or before May 1 in each year the company is required to set aside an amount, equal to one-third of the balance of net profits of the preceding fiscal year remaining after deducting dividends on the first preferred shares, as a sinking fund for the redemption of the first preferred shares. The company may at its option from time to time increase the payments to be made to the sinking fund. The amount of the minimum payment which the company is required to make to the sinking fund on or before May 1 1954, is $65,276.

The redeemable second preferred shares are entitled, as and when declared by the Directors, to preferential dividends (which shall be non-cumulative whether or not earned) at the rate of $5 per share per annum until such time as all of the first preferred shares have been redeemed at which time the second preferred shares shall become cumulative. After all of the first preferred shares have been redeemed the second preferred shares may be redeemed at any time, on thirty days' notice, at a price of $100 per share. The second preferred shares have a value on liquidation of $100 per share.

Provisions for a sinking fund in respect of the second preferred shares, which are similar to the sinking fund provisions relating to the first preferred shares, become operative only after the retirement of all of the first preferred shares.

Holt, Renfrew & COMPANY LIMITED

STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED JANUARY 31 1954

	1954	1953
Profit from operations after deducting selling and general expenses and providing for doubtful debts, but before deducting the undernoted items	$ 659,266	$591,718
Deduct:		
Executive remuneration	$ 73,500	$ 71,400
Directors' fees	4,700	4,200
Interest on first mortgage bonds	18,908	19,409
Interest on bank loans	40,448	30,442
Depreciation —		
Buildings	31,573	27,963
Furniture and fixtures, automobiles, etc.	51,761	43,252
Amount written off alterations to premises	24,548	24,433
	$ 245,438	$221,099
Profit before providing for income taxes	$ 413,828	$370,619
Provision for income taxes	193,000	154,000
Net profit for the year transferred to earned surplus	$ 220,828	$216,619

STATEMENT OF EARNED SURPLUS
FOR THE YEAR ENDED JANUARY 31 1954

	1954	1953
Balance at beginning of year	$ 921,647	$732,658
Adjustment of prior years' income taxes (net)	24,346	(27,630)
Net profit for the year, as above	220,828	216,619
	$1,166,821	$921,647
Deduct:		
Payment of $10.25 per share to holders of 7% cumulative preferred shares (note 2)	$ 102,500	$ —
Dividend of $2.50 per share on first preferred shares for the half-year ended January 31 1954	25,000	—
Amount written off investment in securities of Motty Eitingon Inc.	27,563	—
Transfer to reserve for redemption of first preferred shares (note 2)	65,276	—
	$ 220,339	$ —
Balance at end of year	$ 946,482	$921,647

AUDITORS' REPORT

April 2 1954

To The Shareholders,

Holt, Renfrew & Co., Limited:

We have examined the balance sheet of Holt, Renfrew & Co., Limited as at January 31 1954 and the statements of profit and loss and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. With the exception of the Quebec, London and Edmonton branches whose accounts have been examined and reported upon by other auditors, our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and the related statements of profit and loss and earned surplus, supplemented by the notes appended thereto, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of Holt, Renfrew & Co., Limited as at January 31 1954 and the result of its operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the branches which we examined and the audited statements of the branches which we did not examine.

Price Waterhouse & Co.

Chartered Accountants.

Holt, Renfrew & COMPANY LIMITED

CANADA'S LEADING FURRIERS AND SPECIALTY SHOPS
FOR MORE THAN 117 YEARS

H.R. BRANCH SHOPS
IN CANADA'S LEADING HOTELS

CHATEAU FRONTENAC . . *Quebec City*

SHERATON-MT. ROYAL HOTEL . . *Montreal*

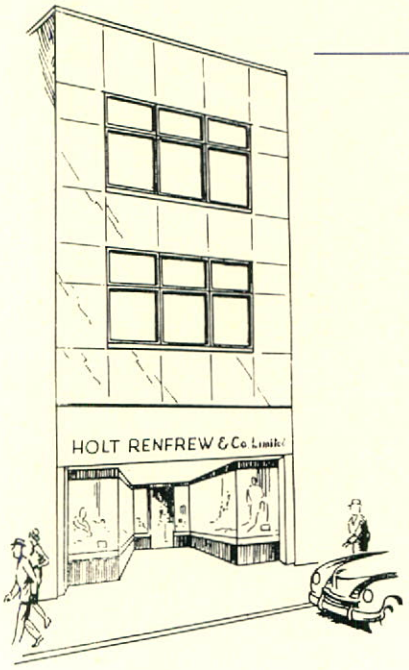
CHATEAU LAURIER . . *Ottawa*

ROYAL YORK HOTEL . . *Toronto*

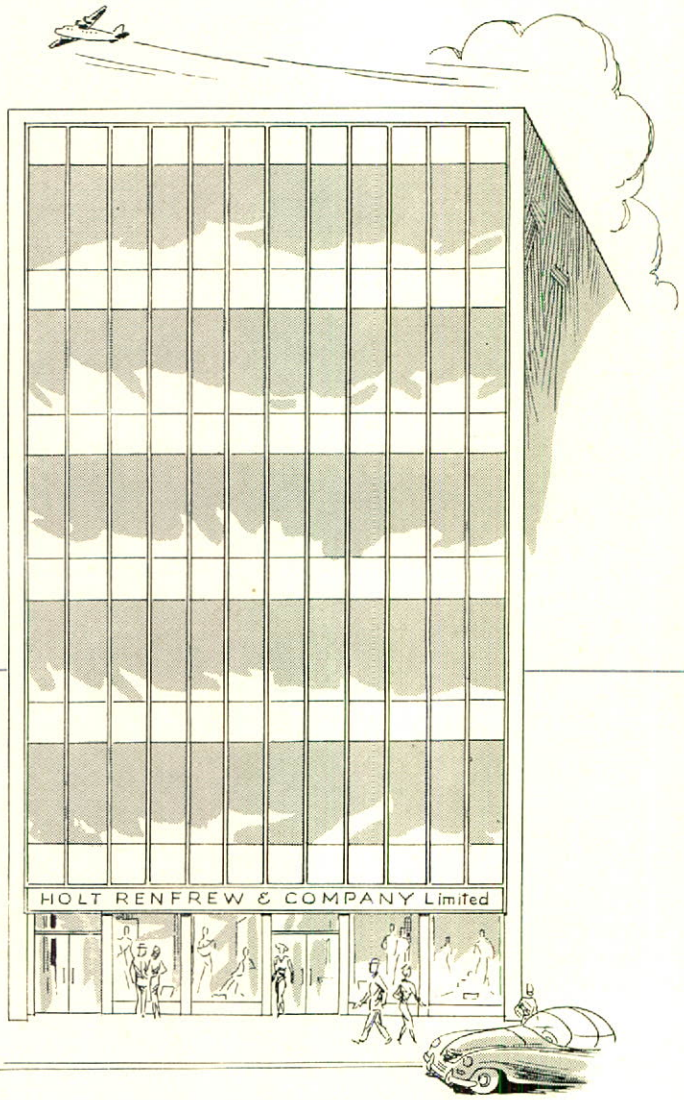
MACDONALD HOTEL . . *Edmonton*

* * *

And . . . now nearing completion,
a large shop in the new
Dorval Gardens Shopping Centre



LONDON, ONT.



TORONTO, ONT. — HOLT RENFREW plan to move next September to 146 Bloor Street West. The building now under construction will be the first in Canada with an exterior of stainless steel and blue glass.

HOLT, RENFREW & CO. LIMITED

HEAD OFFICE, MONTREAL, QUEBEC

June 3, 1953

To the Shareholders:

We have pleasure in enclosing a proposed capital reorganization plan in the form of a Compromise or Arrangement between the Company and its shareholders which is being submitted for your consideration and concurrence at meetings to be held at the times and place and date indicated in the notice(s) accompanying this letter.

The proposed plan, including By-Law "B" which forms part thereof, was unanimously approved by your Directors on the 7th day of May, 1953, and your Directors feel that a capital reorganization in the form proposed in the attached Compromise or Arrangement is necessary in order to remedy the onerous situation created by the non-redeemable cumulative provisions attaching to the Company's 10,000 issued and fully paid 7% preferred shares of the par value of $100.00 each. The accumulated arrears of dividends due on the 7% preferred shares as of January 31, 1953, amounted to $1,067,500.00. Dividends on the said preferred shares are declared half-yearly on the 1st days of February and August so that as of August 1, 1953, the accumulated arrears of dividends due on the preferred shares will be in the amount of $1,102,500.00. The earning ability of the Company is such that it is impossible in the foreseeable future to pay off the accumulated arrears of dividends on the preferred shares and future accruals thereof. The essential features of the proposed Compromise or Arrangement are summarized hereunder:

1. The holders of the 7% cumulative preferred shares of the par value of $100.00 each are asked to waive and forego all right to claim from and be paid by the Company all arrears of dividends on the said 7% preferred shares now due or hereafter to become due, to agree to the cancellation of all of the 10,000 7% preferred shares and to the termination of all rights to which they might be entitled as holders thereof.

2. In consideration of the abandonment of the rights referred to in 1. above the holders of the 7% cumulative preferred shares of the par value of $100.00 each are asked to accept in exchange the following from the Company in respect of each 7% cumulative preferred share held by them:

   (a) a cash payment of $10.25;

   (b) one fully paid and non-assessable cumulative redeemable first preferred share of the par value of $50.00 each to be created;

   (c) one fully paid and non-assessable redeemable second preferred share of the par value of $50.00 each to be created.

It will be observed that the proposed reorganization calls for:

(a) a reduction of the authorized capital of the Company by $1,000,000.00 by the cancellation of the 10,000 authorized issued and fully paid 7% cumulative preferred shares of the par value of $100.00.

(b) an increase in the authorized capital of the Company by $1,000,000.00 by the creation of:

   (i) 10,000 cumulative redeemable first preferred shares of the par value of $50.00 each;

   (ii) 10,000 redeemable second preferred shares of the par value of $50.00 each.

The purpose of By-Law "B" which was enacted by the Directors on May 7, 1953, and which will be submitted for your approval at the meeting(s) referred to in the enclosed notice(s), is to effect the said reduction and subsequent increase in the authorized capital of the Company.

The principal features attaching to the proposed new first and second preferred shares are summarized hereunder:

1. **First Preferred Shares.** These shares would be of the par value of $50.00 each and would be entitled to a cumulative preferential dividend of $5.00 per share per annum payable in half yearly installments on the 1st days of February and August of each year commencing with the first half-yearly installment payment to be made February 1, 1954. They would be subject to redemption either by purchase by the Company or upon giving notice of redemption and payment of $100.00 per share plus accrued dividends in the manner set forth in Article II paragraph 3(a) subsections (ii) (iii) and (iv) of the attached Compromise or Arrangement. They would not entitle the holders thereof to receive notice of or attend meetings of shareholders unless the Company should fail to pay four half-yearly dividends on the first preferred shares and/or until the Company should be in default in paying into the sinking fund to be created two annual installments, whereupon the holders of the first preferred shares would be entitled to receive notice of and to attend shareholders' meetings and would be entitled to one vote for each first preferred share held until the Company shall have remedied the default that gave rise to the voting rights. The Company would be required to set aside 33 1/3% of its net profits on or before the 1st day of May in each year as a sinking fund for the redemption of the first preferred shares.

2. **Second Preferred Shares.** These shares would be of the par value of $50.00 each and would be entitled to a non-cumulative dividend, as and when declared by the Directors, of $5.00 per share per annum. After all of the first preferred shares have been redeemed the second preferred shares would then be subject to redemption either by purchase by the Company or upon giving notice of redemption and payment of $100.00 per

share plus all dividends declared and unpaid in the manner set forth in Article II paragraph 3(b) subsections (ii) (iii) and (iv) of the attached Compromise or Arrangement. The holders of the second preferred shares would be entitled to receive notice of and to attend all meetings of shareholders and would have one vote for each second preferred share held. After the redemption of all of the first preferred shares the second preferred shares would thereupon become cumulative and would thereafter be entitled to fixed preferential cumulative dividends at the rate of $5.00 per share per annum. After the redemption of all of the first preferred shares the Company would set aside 33 1/3% of its net profits on or before the 1st day of May in each year as a sinking fund for the redemption of second preferred shares.

If you wish to follow the arithmetic mechanics of the plan, it will be noted that the holders of the 7% preferred shares of the Company are asked to agree to the cancellation of the 10,000 authorized, issued and fully paid 7% preferred shares of the par value of $100.00 each and to agree to the cancellation of the $1,102,500.00 arrears of dividends (as of August 1, 1953). The holders of the 7% preferred shares would thus relinquish their right and title to the following amounts for each 7% preferred share.

(a)	$100.00 par value
(b)	$110.25 arrears of dividends
	$210.25

Compensation for the $210.25 per share relinquished by the holders of the 7% preferred shares would be made as follows:

(a)	One fully paid first preferred share — par value	$50.00
(b)	One fully paid second preferred share — par value	50.00
(c)	Premium on redemption of first preferred shares	50.00
(d)	Premium on redemption of second preferred shares	50.00
(e)	Cash payment on the plan becoming effective	10.25
		$210.25

If the Compromise or Arrangement is agreed to and By-Law "B" approved by the requisite vote of the preferred and common shareholders, sanctioned by a Judge of the Superior Court for the District of Montreal and confirmed by supplementary letters patent according to law the authorized capital stock of the Company will then be two million dollars consisting of:

10,000 cumulative redeemable first preferred shares of the par value of $50.00 each,
10,000 redeemable second preferred shares of the par value of $50.00 each,
10,000 common shares of the par value of $100.00 each.

It is to be noted that the proposed Compromise or Arrangement does not become effective until the date of issuance of supplementary letters patent confirming the plan and By-Law "B".

Counsel have advised that by a recent amendment to the Income Tax Act the premium of $50.00 per share payable on the redemption of the first preferred shares and the premium of $50.00 per share payable on the redemption of the second preferred shares would be tax free in the hands of the recipient first and second preferred shareholders respectively, provided the Company pays the 20% tax on the amount of the premiums payable on the redemption of its preferred shares in accordance with the provisions of the said amendment.

The foregoing has explained the essential features of the proposed capital reorganization and its probable benefit to the holders of the Company's preferred shares. It is considered that the holders of the Company's common shares will benefit if the Compromise or Arrangement becomes effective as they would be eligible to participate in the profits of the Company by way of dividends, as and when declared by the Directors, and upon retirement of the new first and second preferred shares, in the manner contemplated in the plan they would then be the sole recipients of all future dividends and sole owners of the Company.

You are requested to read the enclosed material carefully and to sign and return the enclosed proxy(s) in accordance with the instructions therein contained. If you are a holder of both preferred and common shares, you will find two proxies enclosed, one for each class of shares. Proxy(s) should be completed and returned in the envelope provided for that purpose. Even if you now plan to attend the meeting(s) you are requested to complete and mail your proxy(s) as it is desired to have as large a number of shareholders represented at the meetings as possible. In the event that you are present at the meeting(s) in person your proxy(s) will not be used and you will be entitled to vote on all matters personally.

Yours very truly,

Albin J. Walker

President.

HOLT, RENFREW & CO. LIMITED

COMPROMISE OR ARRANGEMENT between the Company and its preferred and common stockholders pursuant to Section 46 of the Quebec Companies' Act, dated as of the 1st day of May, 1953.

BY AND BETWEEN:

HOLT, RENFREW & CO. LIMITED, a Company incorporated by letters patent under the Quebec Companies' Act, said letters patent being dated the 16th day of May, 1919,

and

THE HOLDERS of the seven per cent (7%) cumulative preferred shares of the par value of one hundred dollars ($100.00) each of the capital stock of the said Company,

and

THE HOLDERS of the common shares of the par value of one hundred dollars ($100.00) each of the capital stock of the said Company.

WHEREAS Holt, Renfrew & Co. Limited (hereinafter called "the Company") was incorporated by letters patent issued pursuant to the Quebec Companies' Act, said letters patent being dated the 16th day of May, 1919, and recorded the 17th day of May, 1919, in Libro 98 Folio 212; and

WHEREAS pursuant to the said letters patent the capital stock of the Company was fixed at twenty thousand (20,000) shares of one hundred dollars ($100.00) each; and

WHEREAS by virtue of By-law XX of the Company duly enacted by the Board of Directors at their meeting held on the 26th day of May, 1919, and subsequently unanimously sanctioned at a special general meeting of shareholders held on the 26th day of May, 1919, at which all the shareholders of the Company were present, ten thousand (10,000) shares of the unsubscribed and unissued stock of the Company of a par value of one hundred dollars ($100.00) each were created preferred shares of a par value of one hundred dollars ($100.00) each with the right to a fixed cumulative preferential dividend at the rate of seven per cent (7%) per annum and subject to such other privileges and restrictions as specified in the said By-Law; and

WHEREAS the present capital stock of the Company is two million dollars ($2,000,000.00) composed of ten thousand (10,000) seven per cent (7%) cumulative preferred shares of the par value of one hundred dollars ($100.00) each and ten thousand (10,000) common shares of the par value of one hundred dollars ($100.00) each; and

WHEREAS all of the said seven per cent (7%) cumulative preferred shares and all of the said common shares of the Company are issued and are fully paid up and non-assessable; and

WHEREAS the arrears of dividends due on the said preferred shares as of January 31st, 1953, were in the amount of one million sixty-seven thousand five hundred dollars ($1,067,500.00); and

WHEREAS the Company has not sufficient liquid assets to pay off the said arrears of dividends on the preferred shares; and

WHEREAS it is considered desirable and in the best interest of the Company and its shareholders to enter upon the present Compromise or Arrangement whereby the preferred shareholders agree to waive their right to receive their respective portions of the said arrears of dividends on the preferred shares, agree to the cancellation of the said preferred shares and in consideration thereof agree to accept in exchange as of August 1st, 1953:

(a) Ten dollars and twenty-five cents ($10.25) in cash,

(b) One fully paid and non-assessable share of the new cumulative redeemable first preferred shares of a par value of fifty dollars ($50.00) each to be created,

(c) One fully paid and non-assessable share of the new redeemable second preferred shares of the par value of fifty dollars ($50.00) each to be created; and

WHEREAS in order to give effect to the foregoing it is necessary:

(a) For the Directors to enact a by-law to reduce the capital stock of the Company by one million dollars ($1,000,000.00) by the cancellation of the ten thousand (10,000) seven per cent (7%) cumulative preferred shares of the par value of one hundred dollars ($100.00) each and to increase the capital stock of the Company by one million dollars ($1,000,000.00) by the creation of:

(i) Ten thousand (10,000) cumulative redeemable first preferred shares of the par value of fifty dollars ($50.00) each,

(ii) Ten thousand (10,000) redeemable second preferred shares of the par value of fifty dollars ($50.00) each.

(b) For the said by-law to be approved by the vote of at least two-thirds in value of the shares represented by the shareholders present at a special general meeting of the Company.

(c) For the said by-law to be confirmed by supplementary letters patent.

NOW THEREFORE IT IS PROPOSED AS FOLLOWS:

ARTICLE I

THAT the holders of the seven per cent (7%) cumulative preferred shares of the par value of one hundred dollars ($100.00) each of the Company do hereby waive and forever relinquish and forego all title and right to claim from and to be paid by the Company any and all arrears of dividends on the said preferred shares now due or hereafter to become due and do agree to the cancellation of the said preferred shares, and to the termination of all rights to which they were formerly entitled as holders of the said preferred shares.

ARTICLE II

THAT a by-law, to be known as By-law "B" of the Company, be enacted to reduce the capital stock of the Company by one million dollars ($1,000,000.00) by the cancellation of the ten thousand (10,000) issued and outstanding seven per cent (7%) cumulative preferred shares of a par value of one hundred dollars ($100.00) each and to increase the capital stock of the Company by one million dollars ($1,000,000.00) by the creation of:

(a) Ten thousand (10,000) cumulative redeemable first preferred shares of the par value of fifty dollars ($50.00) each; and

(b) Ten thousand (10,000) redeemable second preferred shares of the par value of fifty dollars ($50.00) each,

said by-law to be in the following terms:

BY-LAW "B"

being a by-law authorizing an application for supplementary letters patent reducing and increasing the capital stock of the Company.

WHEREAS the capital of the Company is two million dollars ($2,000,000.00) divided into ten thousand (10,000) seven per cent (7%) cumulative preferred shares of the par value of one hundred dollars ($100.00) each and ten thousand (10,000) common shares of the par value of one hundred dollars ($100.00) each; and

WHEREAS all of the said preferred and common shares are issued and fully paid up; and

WHEREAS the arrears of dividends due on the said preferred shares as of January 31, 1953, were in the amount of one million sixty-seven thousand five hundred dollars ($1,067,500.00); and

WHEREAS it is considered advisable and in the best interests of the Company and its shareholders to effect a capital reorganisation in the form of a Compromise or Arrangement between the Company and its said preferred and common shareholders; and

WHEREAS in order to give effect to the said proposed Compromise or Arrangement it is necessary first to reduce the authorized capital of the Company by one million ($1,000,000.00) dollars by the cancellation of all of the aforesaid preferred shares and then to increase the authorized capital of the Company by one million dollars ($1,000,000.00) by the creation of ten thousand (10,000) cumulative redeemable first preferred shares of the par value of fifty dollars ($50.00) each and ten thousand (10,000) redeemable second preferred shares of the par value of fifty dollars ($50.00) each; and

WHEREAS the said ten thousand (10,000) seven per cent (7%) cumulative preferred shares of the par value of one hundred dollars ($100.00) each were created pursuant to the terms of By-Law XX of the Company duly enacted by the Board of Directors and sanctioned by the shareholders of the Company on the 26th day of May, 1919; and

WHEREAS to effect the reduction of the authorized capital of the Company by one million dollars ($1,000,000.00) by the cancellation of all of the said seven per cent (7%) cumulative preferred shares of the par value of one hundred dollars ($100.00) each it is necessary and fitting that the said By-Law XX be rescinded;

NOW THEREFORE be it enacted and it is hereby enacted as By-Law "B" of Holt, Renfrew & Co. Limited (hereinafter called "the Company") THAT:

1. By Law XX of the Company be and the same is hereby rescinded;

2. The capital stock of the Company be reduced by one million dollars ($1,000,000.00) by the cancellation of the ten thousand (10,000) authorized issued and fully paid seven per cent (7%) cumulative preferred shares of the par value of one hundred dollars ($100.00) each;

3. The capital stock of the Company be increased by one million dollars ($1,000,000.00) by the creation of:

(a) Ten thousand (10,000) cumulative redeemable first preferred shares of the par value of fifty dollars ($50.00) each.

The said cumulative redeemable first preferred shares of the par value of fifty dollars ($50.00) each (hereinafter sometimes referred to as "the first preferred shares") shall rank in priority to all other shares of the Company and shall have attached thereto the following rights, privileges, priorities, restrictions, limitations and provisions:

(i) The holders of the first preferred shares shall be entitled to receive as and when declared by the Directors out of the moneys of the Company properly applicable to the payment of dividends fixed preferential cumulative cash dividends at the rate of five dollars ($5.00) per share per annum and no more on the amount for the time being paid up on the first preferred shares. Such dividends shall accrue in respect of each such first preferred share issued and outstanding from the 1st day of August, 1953, and shall be payable in half-yearly installments payable on the first days of February and August in each year, the first installment to be due and payable on the 1st day of February, 1954, for the six month period ended January 31, 1954. Such dividends shall be cumulative so that if the dividend in respect of any period at the rate of five dollars ($5.00) per share per annum as aforesaid shall not have been paid upon or declared or set apart for the first preferred shares issued and outstanding, the deficiency shall be fully paid or declared and set apart before any dividend shall be paid upon or declared or set apart for any other shares of the capital stock of the Company. Cheques on the Company's bankers payable at par at any branch thereof in Canada shall be issued in respect of such dividends and payment thereof shall satisfy such dividends. If on any dividend payment date the dividend payable on such date is not paid in full on all of the first preferred shares then issued and outstanding, such dividend or the unpaid part thereof shall be paid at a subsequent date or dates as and when declared by the Board of Directors.

(ii) The Company may at any time or times redeem all or any of the first preferred shares by purchasing any of such first preferred shares with such moneys as may be available therefor from time to time in the sinking fund hereinafter referred to in paragraph 3(a) (vii) by purchasing any of such first preferred shares in the open market, by tender, by private contract or upon some recognized stock exchange if the said shares are listed or dealt in by the members thereof, at the lowest price at which in the opinion of the Board of Directors of the Company such shares are obtainable, but such price shall not in any case exceed one hundred dollars ($100.00) per share and the costs of purchase together with an amount calculated as if the preferential dividends on such first preferred shares were accruing for the period from the expiration of the last period for which dividends have been paid down to the date of such purchase. From and after the date of purchase of any first preferred shares under the provisions of this paragraph contained, the first preferred shares so purchased shall be deemed to be redeemed and shall not be reissued.

(iii) Upon giving notice as hereinafter provided, the Company may redeem on the first day of February or August in any year, all or any part of the first preferred shares then outstanding on payment of one hundred dollars ($100.00) per share together with all dividends accrued thereon and unpaid calculated up to and including the date of redemption. In case a part only of the then outstanding first preferred shares is at any time to be redeemed, the shares so to be redeemed shall be selected by lot in such manner as the Directors in their discretion shall decide, or, if the Directors so determine, may be redeemed pro rata, disregarding fractions.

(iv) The Company shall give at least thirty (30) days' notice in writing to each person who at the date of giving of such notice is the registered holder of first preferred shares to be redeemed, of the intention of the Company to redeem such first preferred shares. Such notice shall be given by posting the same in a postpaid registered letter addressed to each such registered holder of first preferred shares to be redeemed at the last address of such shareholder as it appears on the books of the Company, or in the event of the address of any such shareholder

not so appearing then to the last known address of such shareholder. Such notice shall set out the number of first preferred shares held by the person to whom it is addressed which are to be redeemed and the redemption price. Such notice shall also set out the date on which redemption is to take place and on and after the date so specified for redemption the Company shall pay or cause to be paid to the registered holders of the first preferred shares to be redeemed, the redemption price on presentation and surrender at the head office of the Company or at any other place designated in such notice of the certificate or certificates for such first preferred shares so called for redemption. The certificate or certificates for such shares shall thereupon be cancelled and the redemption of the shares thereby represented shall thereupon be completed. If a part only of the first preferred shares represented by any certificate be redeemed, a new certificate for the balance shall be be issued. From and after the date specified in any such notice the first preferred shares called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be made by the Company upon presentation and surrender of the certificates in accordance with the foregoing provisions. Should the holders of any first preferred shares so called for redemption fail to present the certificate or certificates representing such shares within fifteen (15) days after the date specified for redemption, the Company shall have the right to deposit the redemption price of such shares with any chartered bank or banks or trust company or trust companies in Canada, to the credit of a special account or accounts in trust for the respective holders of such shares to be paid to them respectively, upon surrender to such bank or banks or trust company or trust companies of the certificate or certificates representing the same, and upon such deposit or deposits such shares shall, so far as liability of the Company is concerned, be deemed to be redeemed and shall not be reissued. After the Company has made a deposit as aforesaid with respect to any shares, the rights of the holders of such shares as against the Company shall be limited to receiving the amount so deposited and such holders shall not be entitled to any further participation in the profits or assets of the Company or to exercise any rights as holders of such shares so redeemed.

(v) In the event of the liquidation, dissolution or winding up of the Company for reorganization or otherwise, or on any distribution of assets of the Company otherwise than by payment of dividends, the holders of record of the first preferred shares shall be entitled before any of the assets of the Company shall be distributed among or paid over to the holders of any other class of stock of the Company, to be paid an amount equal to one hundred dollars ($100.00) per share together with all unpaid accrued dividends whether or not earned or declared; and save as aforesaid the holders of the first preferred shares shall not be entitled to any other or further participation in the assets of the Company. If upon such liquidation, dissolution, winding-up or distribution of the assets of the Company distributable as aforesaid amongst the holders of the first preferred shares, such assets be insufficient to permit of payment in full to such holders of the amounts as hereinbefore provided, then the entire distributable assets of the Company shall be distributed rateably among the holders of record of the first preferred shares.

(vi) The holders of the first preferred shares shall not as such have any voting rights for the election of Directors or for any other purpose nor shall they be entitled to receive notice of or to attend shareholders' meetings unless and until the Company shall fail to pay four half-yearly dividends on the first preferred shares and/or until the Company shall be in default in paying into the sinking fund reserve hereinafter provided for to the extent of two annual installments thereof (whether for consecutive periods or not) then from and after the due date of the fourth half-yearly dividend which, in addition to the three other half-yearly dividends, is not paid and/or from the date on which the second annual installment of such sinking fund reserve should have been paid into the sinking fund, whereupon and whenever the same shall occur, the holders of the first preferred shares shall be entitled to receive notice of and to attend all shareholders' meetings and shall have one vote thereat for each first preferred share then held by them respectively, provided that whenever the Company shall have remedied the default which gave rise to the voting rights of the first preferred shareholders the said voting rights shall thereupon cease and shall not be revived until the Company shall again be in default for the reason or reasons aforesaid, whereupon the voting rights of the first preferred shareholders shall revive until the said default or defaults be remedied by the Company and so on from time to time.

(vii) On or before the first day of May in each year commencing with the year 1954, the Company shall set aside thirty-three and one-third per cent (33 1/3%) of the net profits of the preceding fiscal year, after all taxes and after dividends on the first preferred shares have either been

paid or set apart for payment, as a sinking fund for the redemption of the first preferred shares. The sinking fund so established shall be used by the Company for the sole purpose of purchasing or redeeming the first preferred shares in accordance with the foregoing provisions and in the manner herein provided for; the Company may at its option from time to time increase the payments to be made to such sinking fund in which event the amount of such increase shall be added to the sinking fund and applied therewith and as part thereof, provided, however, that the Company shall not be required to use sinking fund moneys for the purchase or redemption of the first preferred shares unless the total amount of moneys then in the sinking fund is at least five thousand dollars ($5,000.00).

(b) Ten thousand (10,000) redeemable second preferred shares of the par value of fifty dollars ($50.00) each.

The said redeemable second preferred shares of the par value of fifty dollars ($50.00) each (hereinafter sometimes referred to as "the second preferred shares") shall rank after the first preferred shares but before the common shares of the Company and shall have attached thereto the following rights, privileges, priorities, restrictions, limitations and provisions:

(i) The holders of the second preferred shares shall be entitled to receive as and when declared by the Directors out of the moneys of the Company properly applicable to the payment of dividends preferential non-cumulative cash dividends at the rate of five dollars ($5.00) per share per annum and no more on the amount for the time being paid up on the second preferred shares. Such dividends shall rank and be payable after the payment of the cumulative preferential dividends with respect to the first preferred shares referred to above. The said dividends on the second preferred shares at the rate of five dollars ($5.00) per share per annum shall be non-cumulative whether or not earned and if in any fiscal year the Board of Directors in its discretion shall not declare the said dividends or any part thereof on the said second preferred shares then the right of the holders of the second preferred shares to such dividends or any greater dividends than the dividends actually declared for such fiscal year with respect to the said second preferred shares shall be forever extinguished.

(ii) Upon and after the redemption of all of the first preferred shares in any of the way or ways provided in paragraphs 3(a) (ii), (iii) and (iv) above and only upon and after such redemption the Company may at any time or times redeem all or any of the second preferred shares with such moneys as may be available therefor from time to time in the sinking fund hereinafter referred to in paragraph 3(b) (viii) by purchasing any of such second preferred shares in the open market, by tender, by private contract or upon some recognized stock exchange if the said shares are listed or dealt in by the members thereof, at the lowest price at which in the opinion of the Board of Directors of the Company such shares are obtainable, but such price shall not in any case exceed one hundred dollars ($100.00) per share and the costs of purchase together with an amount calculated as if the preferential dividends on such second preferred shares were accruing for the period from the expiration of the last period for which dividends have been paid down to the date of such purchase. From and after the date of purchase of any second preferred shares under the provisions of this paragraph contained, the second preferred shares so purchased shall be deemed to be redeemed and shall not be reissued.

(iii) Upon and after the redemption of all of the first preferred shares in any of the way or ways provided in paragraphs 3(a) (ii), (iii) and (iv) above and only upon and after such redemption the Company may upon giving notice as hereinafter provided redeem all or any part of the second preferred shares on payment for each such share to be redeemed the sum of one hundred dollars ($100.00) together with all dividends declared thereon and unpaid. In case a part only of the then outstanding second preferred shares is at any time to be redeemed, the shares so to be redeemed shall be selected by lot in such manner as the Directors in their discretion shall decide, or, if the Directors so determine, may be redeemed pro rata, disregarding fractions.

(iv) The Company shall give at least thirty (30) days' notice in writing to each person who at the date of giving such notice is the registered holder of second preferred shares to be redeemed, of the intention of the Company to redeem such second preferred shares. Such notice shall be given by posting the same in a postpaid registered letter addressed to each such registered holder of second preferred shares to be redeemed at the last address of such shareholder as it appears on the books of the Company, or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder. Such notice shall set out the number of second preferred shares held by the person to whom it is addressed which are to be redeemed and the redemption price. Such notice shall also set out the date on which re-

demption is to take place, and on and after the date so specified for redemption the Company shall pay or cause to be paid to the registered holders of the second preferred shares to be redeemed, the redemption price on presentation and surrender at the head office of the Company or at any other place designated in such notice, of the certificate or certificates for such second preferred shares so called for redemption. The certificate or certificates for such shares shall thereupon be cancelled and the redemption of the shares thereby represented shall thereupon be completed. If a part only of the second preferred shares represented by any certificate be redeemed, a new certificate for the balance shall be issued. From and after the date specified in any such notice the second preferred shares called for redemption shall cease to be entitled to dividends, and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be made by the Company upon presentation and surrender of the certificates in accordance with the foregoing provisions. Should the holders of any second preferred shares so called for redemption fail to present the certificate or certificates representing such shares within fifteen (15) days after the date specified for redemption, the Company shall have the right to deposit the redemption price of such shares with any chartered bank or banks or trust company or trust companies in Canada, to the credit of a special account or accounts in trust for the respective holders of such shares to be paid to them respectively, upon surrender to such bank or banks or trust company or trust companies of the certificate or certificates representing the same, and upon such deposit or deposits such shares shall, so far as liability of the Company is concerned, be deemed to be redeemed and shall not be reissued. After the Company has made a deposit as aforesaid with respect to any shares, the rights of the holders of such shares as against the Company shall be limited to receiving the amount so deposited and such holders shall not be entitled to any further participation in the profits or assets of the Company or to exercise any rights as holders of such shares so redeemed.

(v) In the event of the liquidation, dissolution or winding-up of the Company for reorganization or otherwise, or on any distribution of assets of the Company otherwise than by payment of dividends, the holders of record of the second preferred shares shall be entitled after the payment due to the holders of the first preferred shares by virtue of the provisions of paragraph 3(a) (v) above, to be paid an amount equal to one hundred dollars ($100.00) per share together with any dividends declared thereon and unpaid, and save as aforesaid the holders of the second preferred shares shall not be entitled to any or further participation in the assets of the Company.

(vi) The holders of the second preferred shares shall be entitled to receive notice of and to attend all meetings of the shareholders of the Company and shall be entitled to one vote for each second preferred share held.

(vii) Upon and after the redemption of all of the first preferred shares in any of the way or ways provided in paragraphs 3(a) (ii), (iii) and (iv) above and only upon and after such redemption the second preferred shares shall thereupon become cumulative and the holders of the second preferred shares shall thereupon and thereafter be entitled to receive as and when declared by the Directors out of the moneys of the Company properly applicable to the payment of dividends fixed preferential cumulative cash dividends at the rate of five dollars ($5.00) per share per annum and no more on the amount for the time being paid up on the said second preferred shares. Such dividends shall accrue in respect of each of such second preferred shares issued and outstanding reckoning from the date of the redemption of the last of the first preferred shares to be redeemed and shall be payable at half-yearly intervals thereafter reckoning from the said date. Such dividends shall be cumulative so that if the dividend in respect of any period at the rate of five dollars ($5.00) per share per annum as aforesaid shall not have been paid upon or declared or set apart for the second preferred shares issued and outstanding, the deficiency shall be fully paid or declared and set apart before any dividend shall be paid upon or declared or set apart for any other shares of the capital stock of the Company. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary after the redemption of all of the first preferred shares the holders of record of the second preferred shares shall be entitled before any of the assets of the Company shall be distributed among or paid over to the holders of any other class of stock of the Company, to be paid an amount equal to one hundred dollars ($100.00) per share together with all unpaid accrued dividends whether or not earned or declared; and save as aforesaid the holders of the second preferred shares shall not be entitled to any other or further participation in the assets of the Company. If upon such liquidation, dissolution, winding-up or distribution of the assets of the Company distributable as aforesaid amongst the holders of the second preferred shares, such assets be insufficient to permit of payment in full

to such holders of the amounts as hereinbefore provided, then the entire distributable assets of the Company shall be distributed rateably among the holders of record of the second preferred shares.

(viii) After the redemption of all of the first preferred shares in any of the way or ways provided in paragraphs 3(a) (ii), (iii) and (iv) above the Company shall, on or before the first day of May commencing with the first day of May immediately following the redemption of the last of the first preferred shares and on or before the first day of May in each year thereafter, set aside thirty-three and one-third per cent (33 1/3%) of the net profits of the preceding fiscal year after all taxes and after dividends on the second preferred shares have either been paid or set aside for payment as a sinking fund for the redemption of the second preferred shares. The sinking fund so established shall be used by the Company for the sole purpose of purchasing or redeeming the second preferred shares in accordance with the foregoing provisions and in the manner herein provided for; the Company may at its option from time to time increase the payments to be made to such sinking fund in which event the amount of such increase shall be added to the sinking fund and applied therewith and as part thereof, provided, however, that the Company shall not be required to use sinking fund moneys for the purchase or redemption of the second preferred shares unless the total amount of moneys then in the sinking fund is at least five thousand dollars ($5,000.00).

4. As a result of the foregoing and upon approval by the requisite vote of the shareholders at a special general meeting and confirmation by supplementary letters patent the authorized capital stock of the Company shall be two million dollars ($2,000,000.00) composed of:

(a) ten thousand (10,000) cumulative redeemable first preferred shares of the par value of fifty dollars ($50.00) each;

(b) ten thousand (10,000) redeemable second preferred shares of the par value of fifty dollars ($50.00) each;

(c) ten thousand (10,000) common shares of the par value of one hundred dollars ($100.00) each.

5. The Company is hereby authorized to make application to the Lieutenant-Governor of the Province of Quebec for supplementary letters patent to confirm this by-law.

6. Any one or more of the Directors or officers of the Company be and he or they are hereby authorized to do whatever acts and sign whatever documents may be required or as they may deem necessary or as counsel may advise in the name of the Company or otherwise to give effect to this by-law.

7. The Company may by resolution of its Directors assent to any alteration or modification of this by-law which one of the Honourable Judges of the Superior Court for the District of Montreal, Province of Quebec, or the shareholders of the Company at a meeting or meetings called for considering the same or the Attorney General of the Province of Quebec may approve or direct and whenever the words "this by-law" appear herein they shall be read and construed to mean and include this by-law as so altered or modified.

ARTICLE III

THAT in consideration of the agreement by the holders of the seven per cent (7%) cumulative preferred shares of the par value of one hundred dollars ($100.00) each of the Company to waive all their rights to receive and be paid by the Company all the arrears of dividends with respect to said preferred shares and in further consideration of the agreement by the said preferred shareholders to the cancellation of the said seven per cent (7%) cumulative preferred shares of the par value of one hundred dollars ($100.00) each and to the termination of all rights to which they were formerly entitled as holders of the said preferred shares the whole as set forth in Article I above, the said preferred shareholders shall receive, in the manner indicated in Article IV hereunder, the following from the Company in respect of each seven per cent (7%) cumulative preferred share held by them:

(a) A cash payment of ten dollars and twenty-five cents ($10.25) for each seven per cent (7%) cumulative preferred share held;

(b) One fully paid and non-assessable cumulative redeemable first preferred share of the par value of fifty dollars ($50.00) each to be created pursuant to By-Law "B" referred to above;

(c) One fully paid and non-assessable redeemable second preferred share of the par value of fifty dollars ($50.00) each to be created pursuant to By-Law "B" referred to above.

ARTICLE IV

THAT upon this Compromise or Arrangement becoming effective by issuance of supplementary letters patent confirming the same each holder of seven per cent (7%) cumulative preferred shares shall be entitled to receive, when ready in interim or definitive form, certificates representing the appropriate number of first preferred and second preferred shares referred to in Article III(b) and (c) above, to which he is entitled as well as the cash payment referred to in Article III(a) above, against surrender for cancellation to the Company's transfer agent, The Montreal Trust Company, at its head office located at 511 Place d'Armes, Montreal, P.Q., the certificate or certificates representing the said seven per cent (7%) cumulative preferred shares held by each such holder.

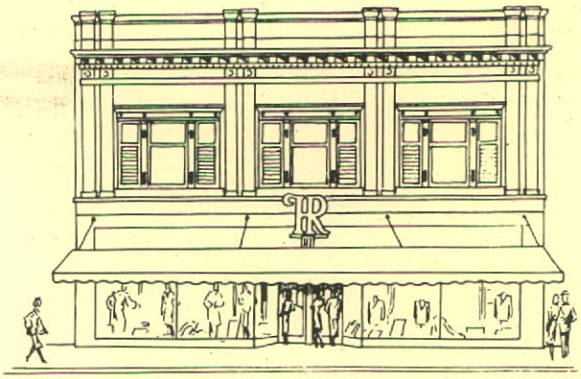
ARTICLE V

THAT the Company may by resolution of its Directors assent to any alteration or modification of this Compromise or Arrangement which one of the Honourable Judges of the Superior Court for the District of Montreal, Province of Quebec, or the shareholders of the Company at a meeting or meetings called for considering the same, or the Attorney General of the Province of Quebec may direct or approve and whenever the words "Compromise or Arrangement" appear herein they shall be read and construed to mean and include this Compromise or Arrangement as so altered or modified.

ARTICLE VI

THAT this Compromise or Arrangement may be referred to as being dated as of the first day of May, 1953, and shall become effective upon the date of the issuance of supplementary letters patent confirming the same.

CALGARY, ALTA.

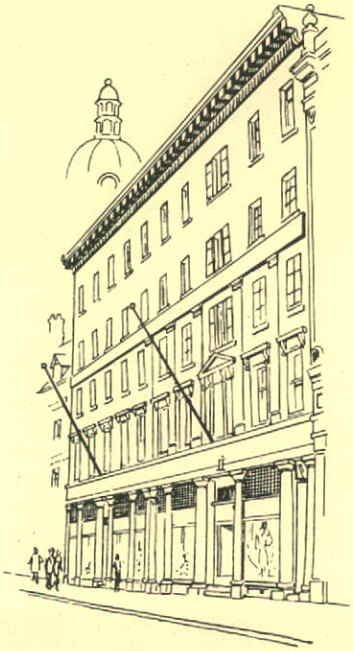


EDMONTON, ALTA.

HAMILTON, ONT.

OTTAWA, ONT.

WINNIPEG, MAN.



QUEBEC CITY, P.Q.

HR