GLENDALE MOBILE HOMES LTD. ANNUAL REPORT 1969

The History of Glendale Mobile Homes Ltd.

Your Company, founded in 1950 by R. L. Thorn to manufacture and distribute travel trailers, very quickly became aware of the need of Canadians for a more economic means of housing.

The entry into the Mobile Home field and the resultant product success led to major expansion in the original London, Ontario plant and in 1955 to a second plant in Strathroy, Ontario 22 miles west of London.

In 1956, the London operations were destroyed by fire, and Strathroy was organized as Head Office and the centre of production.

In 1959, under the guidance of W. P. Callaghan, Glendale entered the Western Market with plant and office facilities at Wetaskiwin, Alberta, forty miles south of Edmonton.

The rights to manufacture Mobile Homes under the "McGinness" name were purchased from H. B. McGinness in 1961. Glendale was then able to market two distinctive lines of Mobile Homes and Recreational Vehicles. Research into the Quebec and Maritime markets indicated a strong potential, and in 1962 operations commenced, under the management of John DeWinter, at the newly completed Sussex, New Brunswick factory.

To ease the growing demand on the Sussex factory facilities, Quebec plant and office operations were constructed and your company went into production at St. Joseph de Beauce in 1966.

Further growth in the western market, and the need to expedite product more efficiently, led to the establishing of plant and office operations at Morris, Manitoba in the latter part of 1968.

Under licence to produce and distribute TERRAPIN Modular Buildings, Glendale brought into operation Terrapin plant and offices adjacent to Head Office, Strathroy in the fall of 1969.

Throughout the years Glendale has maintained a progressive policy of market research and operational expansion. All facilities have significantly increased in line with the market growth rate.

This vigorous management policy has established Glendale as a leader in the Mobile Home and Recreational Vehicle Industry. This is the position we intend to maintain.

Board of Directors

REGINALD LEAVER THORN
President and Chief Executive of the Company

JOHN DAVID HARRISON, M.B.E., Q.C.
Secretary and Director

DAVID BLACK WELDON
Director

CHARLES NORMAN CHAPMAN
Director

DONALD MacPHERSON POLLOCK
Director

PERCY ASHWORTH
Director

ALBERT TAMMING
Treasurer

President's Report to the shareholders

On behalf of the Board of Directors, I am pleased to submit the Annual Report of the Company, together with the Audited Consolidated Financial Statements for the year ended January 31, 1970.

For your Company, whilst profits were not as high as had been anticipated at the beginning of the year, 1969 was marked by a successful combining of expansion and consolidation, and it is felt that our overall position within the market place has been substantially strengthened.

Sales in the fiscal year ended January 31, 1970 increased 29.5% over 1969. Net earnings, however, declined from \$566,994.00 to \$544,239.00. This reduced profit resulted mainly from inventory reduction programmes, start-up expenses for the new 1970 models in all plant locations, and expenses incurred in connection with the expansion of facilities.

However, significant achievements were realized during the year. These developments, which include the strengthening of our corporate management team, improved and expanded production facilities, and increased emphasis on marketing programmes, will be more fully examined in the "Year in Review" to follow.

It is most difficult to predict, with reasonable certainty, the course that 1970 will follow. However, your Company anticipates that, given a stabilization of the present economic situation, our strengthened administrative and productive efficiencies will enable us to operate with increased effectiveness.

As we look ahead to the challenge and the promise of 1970 and the years beyond, the competence and dedication of Glendale's employees, and the loyalty and support of our shareholders, customers, and suppliers, are among the factors that give us confidence. For this dedication and support we are sincerely grateful.

R. L. Thorn

R. L. Thorn, President

Year in review

Sales and Earnings

Net sales for the year ended January 31, 1970 amounted to $16,531,497 compared with $12,763,872 for the preceding fiscal year. This represents an increase of 29.5%. Net earnings available to common stock for the fiscal year ended January 31, 1970 amounted to $544,239. This represents 54 cents per share on 1,009,375 average shares outstanding.

Recreational Vehicles

Through the first half of our year, your Company enjoyed buoyant sales of recreational vehicles. However, apparently as a result of anti-inflationary measures taken by the Canadian government, a severe slow-down in sales volume in this division came about in mid-July, which resulted in a rapid build-up of inventory.

This surplus inventory situation necessitated aggressive marketing and required some price reductions and sales incentives, which had a serious effect on the earnings of the last quarter. However, these programmes resulted in the movement of the major portion of the 1969 carry over of stock and your Company will enter the 1970 season in a much improved position in this regard.

In the fall of 1969, it was decided that the Dolphin line should be discontinued; firstly, due to poor dealer acceptance and secondly, in order to simplify the product mix so that we might more effectively strengthen the merchandising of our two major lines, the Golden Falcon and Glendette. Also, it was felt that a complete revamping of these series was both desirable and necessary. Consequently, both lines were extensively remodelled. Also, in the lower priced Glenelle and Flyte models, we introduced new, low profile styling.

These changes proved to be most acceptable to our dealers and subsequently to the retail market and have, we feel, resulted in your Company maintaining its position as the leader in the recreational vehicle field in Canada.

However, it is expected that the total market for recreational vehicles will be lower this year than in 1969, and although we feel that the changes outlined above have enabled us to improve our percentage proportion of the overall market, we are nevertheless anticipating a decrease in our 1970 recreational vehicle sale.

Your Company remains optimistic however, concerning the long term prospects for these products and is taking continuing steps to extend our coverage of this market.

With this in mind, the Maritime Division has acquired approximately 26 acres of picturesque property near Sussex, New Brunswick for the development of a rally trailer park similar to the very successful Company owned and operated Rendezvous Park at Port Franks, Ontario. An additional 26 acres was acquired in 1969 to expand facilities at Port Franks, and, in addition, plans are being developed for extending this park system to other parts of the country.

The National Glendette and Golden Falcon Clubs, conceived several years ago by Glendale as a public relations and sales promotion aid to our dealers, have grown steadily since their inception. The increasing number of rallies and club activities will, we feel, continue to stimulate and encourage sales of your Company's products.

Mobile Homes

Sales of mobile homes on a consolidated basis increased by 53% in 1969, which enabled your Company to retain its approximate 19% share of the market, despite increased competition.

In order to sustain this momentum, and in an effort to establish a closer liaison with our dealer organization, your Company has initiated a policy of regional dealer showings at our different plant locations.

Thus, in December 1969, your Company held its first mobile home show in Western Canada at the Wetaskiwin, Alberta plant. In January 1970, in conjunction with the official opening of their expanded production facilities, a similar first showing was held at Sussex, New Brunswick. Dealer attendance was excellent at both locations and the reaction to the new 1970 models was most encouraging. Of particular significance was the enthusiastic acceptance of the new Economy series, which was introduced at Sussex and which will be produced at our other plant locations during the current year. Your Company feels that these lower priced models will play a significant role in 1970 sales, and will complement the extensive coverage already afforded by the more deluxe series.

The CSA standardization programme, which it is hoped will lead toward Government approval of NHA mortgage financing of mobile homes, is now underway, and your Company, which subscribes to this concept, is now involved in the mechanics of complying with these requirements. It is felt that this, coupled with a positive programme of park development, which we are now also supporting, will substantially aid in the growth of mobile home sales in the 1970's.

During 1970 your Company expects a continuing buoyancy in its mobile home sales despite the influences exerted by inflation, recessionary tendencies and increased competition. We feel that the strategic location of our six plants, situated as they are in the major sales areas in the country, will enable us to provide improved service to our customers and to effectively cope with the pressures exerted on profit margins and we are anticipating an increase in sales for 1970 and a satisfactory profit margin.

Terrapin Modular Building Units

The new 18,000 sq. ft. plant for production of the Terrapin modules was completed in December 1969 and is now producing units.

A separate Sales Division under the direction of the newly appointed Sales Manager, Michael J. Say, was established following Mr. Say's return from an intensive orientation course at Terrapin's U.K. operation.

Terrapin did not contribute to the profit picture in 1969. However, there is an increasing interest in this product and it is felt that the new facilities, improving efficiency, and a determined marketing programme will improve this situation in 1970.

Other Company Products

Relocatable Housing Units

The production of "double-wide" relocatable housing units structured on the same basis as mobile homes, was pioneered by the Wetaskiwin, Alberta plant in early 1969. These homes found ready acceptance in Western Canada which has, for some time, accepted the concept of mobile home living as a natural outcome of the development of this area.

Prototypes of these units were produced at our other plant locations this winter, and the keen interest which resulted in these other markets indicates a good potential for this product. Also, it is felt that the experience gained in this field will assist us in the future development of the modular concept of housing, which, although it is now in its embryonic stages, will be a growing factor in satisfying the future demand for low cost housing.

Industrial and Commercial Units

Your Company has, since its founding, been involved to a varying degree in the production of "special" units such as bookmobiles, mobile banks, motels, etc.

During the last several years, the major effort relative to these units has been generated by our Strathroy, Ontario plant. In 1969 this plant supplied such varied customers as The Department of Supply and Service, Ontario Hydro, The Department of Forestry, etc. In view of the softening of the travel trailer market, increased emphasis will be placed in 1970 on the securing of this industrial and commercial business, and the contacts and experience which we have maintained throughout the years by our continuing involvement in this area should be of great assistance to your Company.

Corporate Organization

In September 1969, your Company added depth to its corporate executive management team with the appointment of several key personnel to newly created positions.

Walter P. Callaghan, General Manager at the Wetaskiwin, Albert plant since 1959, was appointed Executive Vice President and transferred to Head Office, Strathroy.

John DeWinter, General Manager at Sussex, New Brunswick since 1962, was appointed Vice President, Maritime Division.

John Van Berkel, Plant Manager at Strathroy, Ontario, was appointed Vice President Production.

The above mentioned personnel, all of whom have been with the Company since the early 1950's, bring experience and initiative to their new positions, which will enable them to contribute significantly to the Company's performance in the 1970's.

Capital Expenditures

A total of $792,651 (less $72,158 in area development incentive grants) was spent in 1969 on additions to our existing facilities. Included in this amount are:

a) The completion, in May 1969, of our second manufacturing plant of 26,000 sq. ft. in Wetaskiwin, Alberta.
b) The construction of an additional 25,000 sq. ft. extension in Sussex, New Brunswick, completed in January 1970.
c) The construction of a similar addition of 30,000 sq. ft. in St. Joseph de Beauce, Quebec, also completed in January 1970.
d) The construction of a separate 8,000 sq. ft. Finishing Shop in Strathroy, Ontario, completed in November 1969.
e) The construction of the 18,000 sq. ft. Terrapin factory at Strathroy, Ontario, completed in December 1969.

In addition to these expansions, the production lines at Sussex, New Brunswick and St. Joseph de Beauce, Quebec were reorganized in late 1969 to enable maximum benefit to be derived from the increased space made available for our assembly line techniques.

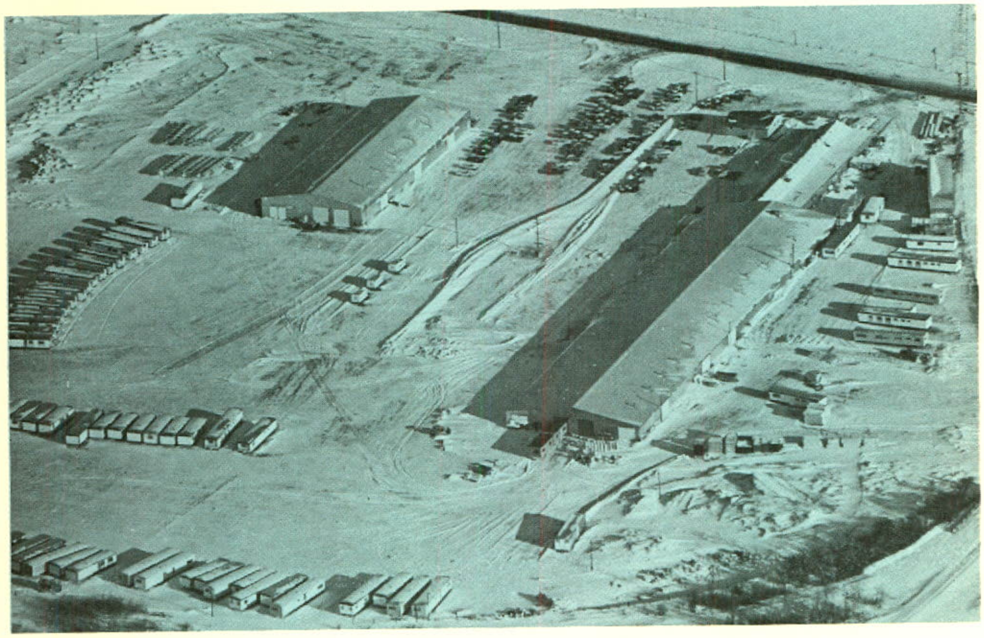
Also during 1969, the Strathroy and Wetaskiwin production lines were automated, with a resultant saving in production hours. It is intended to institute similar installations in our other factories as soon as it becomes feasible in 1970.

In the forthcoming year, a constant policy of upgrading our existing methods and internal efficiencies will be undertaken. This, coupled with a more effective utilization of our present assets will, we feel, achieve the improved and desired results.

Since the year end your Company has expanded by the acquisition of an existing plant in Australia, consisting of 11 acres of land and 63,000 sq. ft. of plant and is presently producing caravans for the Australian market.

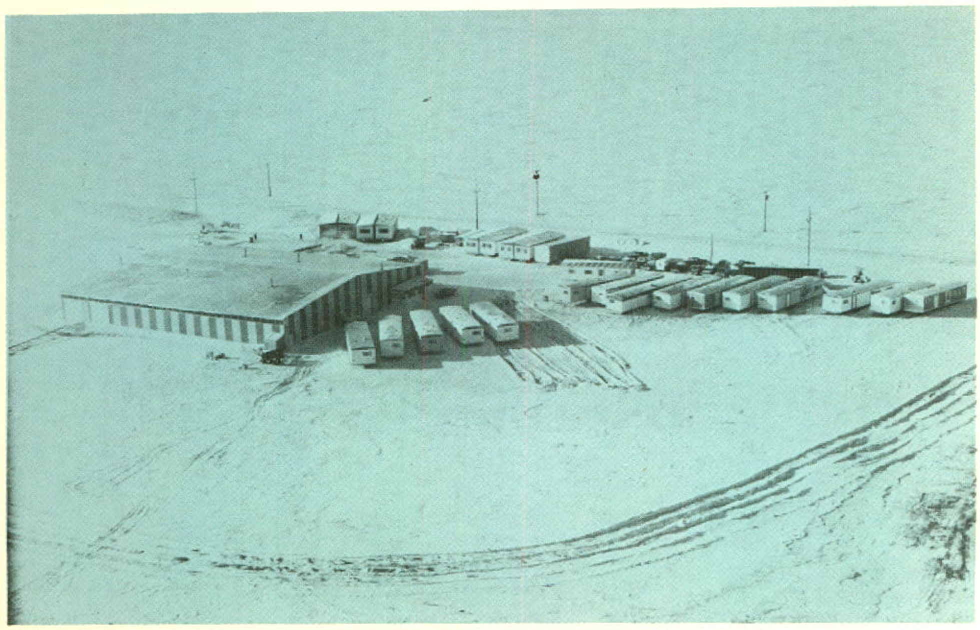
Wetaskiwin, Alberta:

Production of Mobile Homes on 32 acre site with 2,400 sq. ft. of office buildings and two plants with 82,000 sq. ft. and 26,000 sq. ft. respectively.
General Manager: Mr. L. Birtch



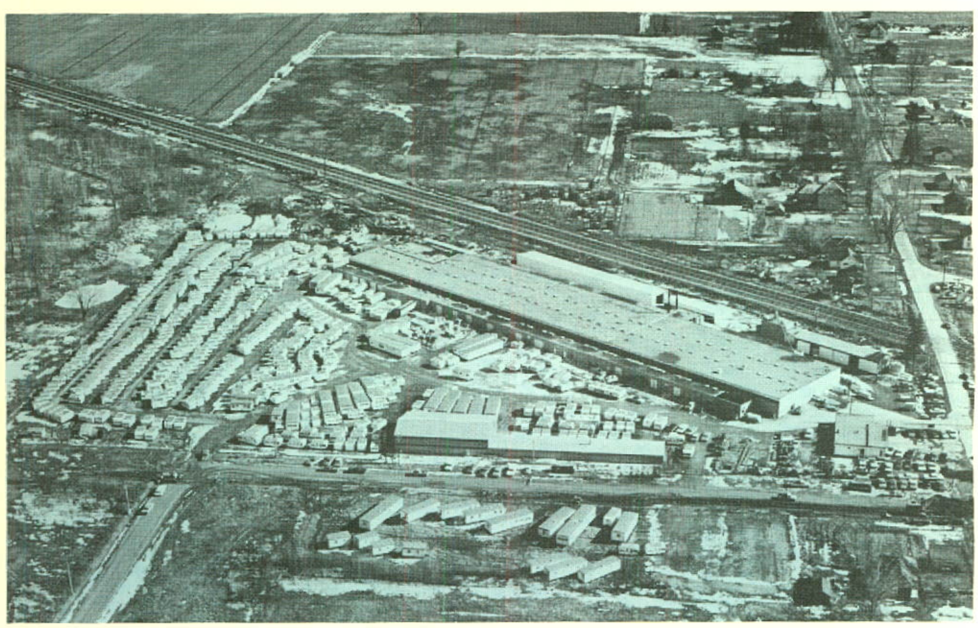
Morris, Manitoba:

Mobile Home production on 14 acre site with 22,000 sq. ft. factory building.
General Manager:
Mr. J. Nienhuis

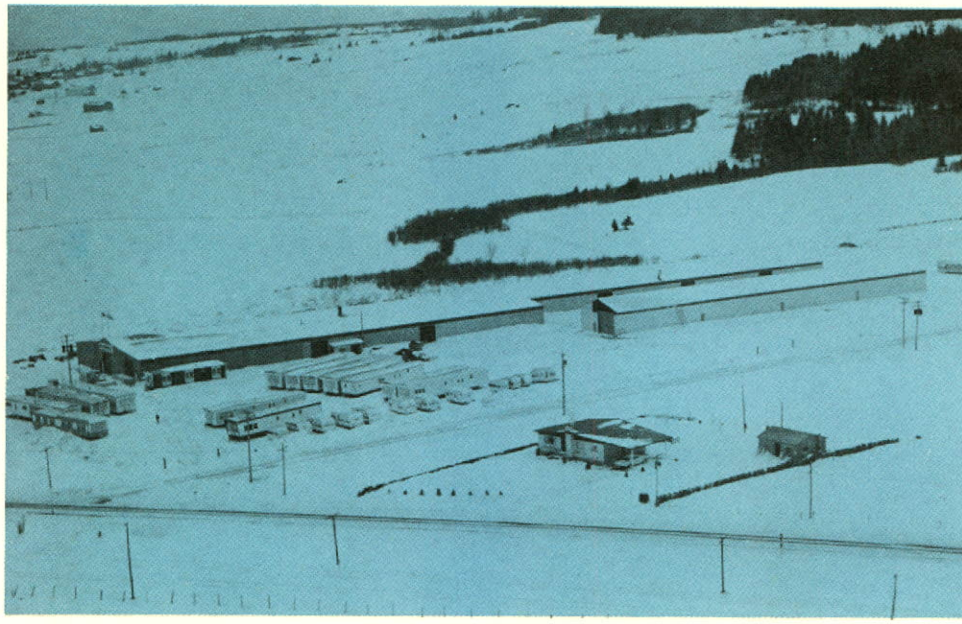


Strathroy, Ontario:

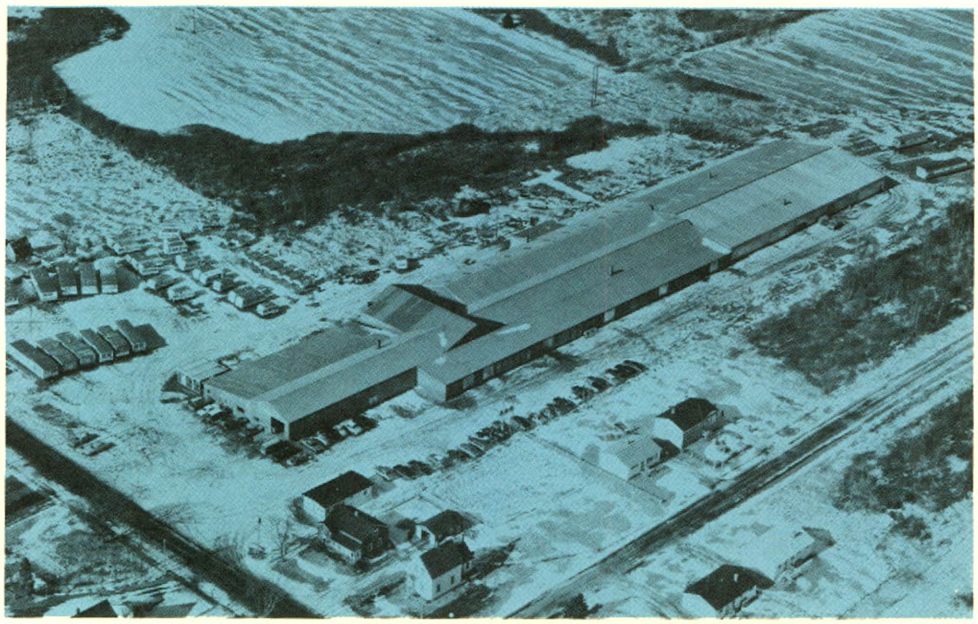
Mobile Home and Recreational Vehicle production on 43 acre site with 4,000 sq. ft. Head Office building. Main factory 98,000 sq. ft., fibreglas & motor home plant 17,000 sq. ft., finishing & shipping facilities 8,000 sq. ft. and additional adjacent storage facilities of approximately 21,000 sq. ft.
Vice-President of Production:
Mr. J. Van Berkel



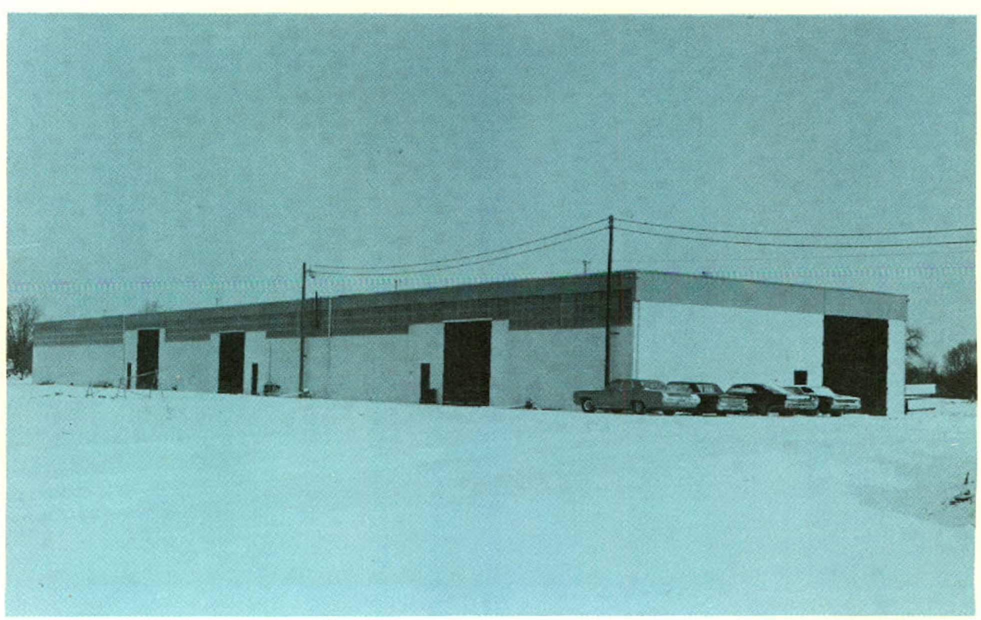
St. Joseph de Beauce, Quebec:
Mobile Home production on 10 acres with factory building of 55,000 sq. ft.
General Manager:
Mr. P. Ypperciel



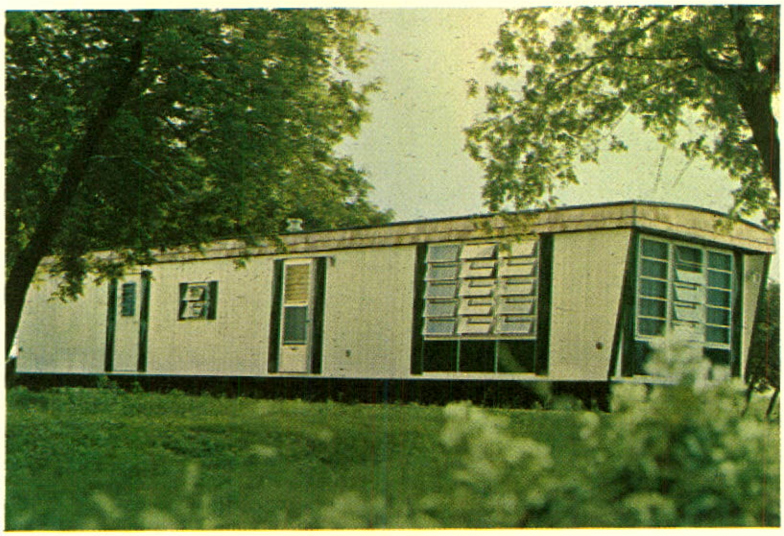
Sussex, New Brunswick:
Mobile Home production on 16 acres with 80,000 sq. ft. of factory buildings.
Vice-President Maritime Division:
Mr. J. DeWinter



Terrapin Plant:
Adjacent to the Strathroy Facilities the plant encompasses 18,000 sq. ft. with 600 sq. ft. of office area.



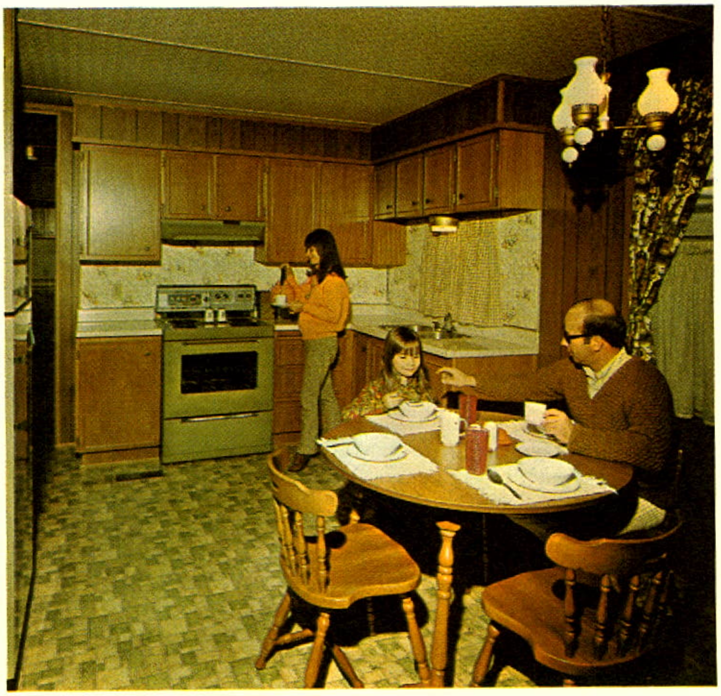
Mobile Homes · Relocatable housing



The Glendale franchise deluxe
60′ x 12′ and the 54′ x 12′ plans
McGinness line. Decor options a
shown above and below.

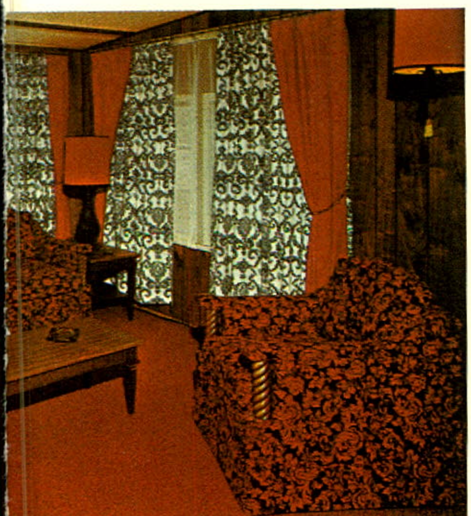
Your Company markets economy, medium, and deluxe range housing in three franchises in the Maritime Division and two franchises in the remainder of the Country. Each plant produces units which have regional appeal, both in structural layout and decor, to assure broader coverage of the growing mobile home and relocatable housing market.

Pictured on these pages are examples of the deluxe series in the two franchises covering the Ontario Market, "The McGinness" and "The Glendale".



nome "The Laurentian" offers both the
with structural layouts differing from the
re "Contemporary" and "Mediterranean"

The McGinness franchise deluxe home "The Palace" offers a 60′ x 12′, three bedroom plan and a 54′ x 12′, two bedroom plan both having a choice of two decors, "Contemporary" and "Colonial" pictured above and below.



Recreational Vehicles

Travel Trailers: "Glendette" and "Golden Falcon", your Company's two lines of travel trailers, set the standard of excellence in the Canadian trailer market.
Designed to provide maximum comfort, ease of towing, and minimum maintenance, each line has it's own characteristics that motivate consumer sales.
Offering both deluxe and economy models in sizes ranging from 12 feet to 26 feet, the lines are designated as Glendette/Glenelle in one franchise and Golden Falcon/Flyte in the other.
Pictured above is the Glendette 19R and at the right the Flyte 14 foot, featuring the new low profile styling.

Truck Campers: Merchandised through our established travel trailer dealers, Glendette and Golden Falcon truck campers offer pickup truck owners three models in each line. An 11 foot side dinette and an 11 foot front dinette are the deluxe models while the 8 foot model is designed for economy. Pictured at the left is the 11 foot front dinette Glendette.

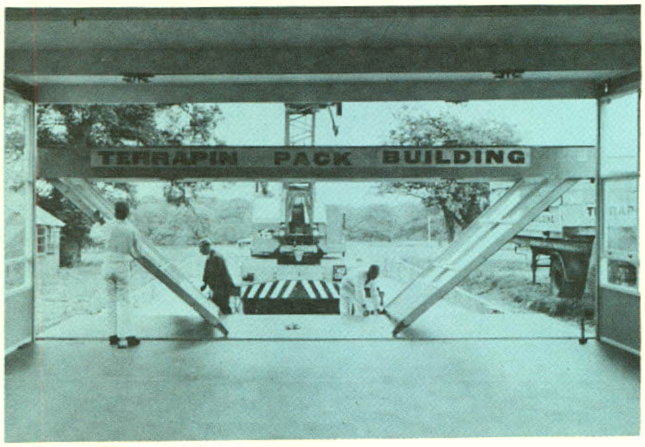
Motor Homes: Self-propelled and fully self-contained, the Glendale Motor Home offers deluxe accommodation to a growing segment of the recreational vehicle market. At present the Glendale Motor Home is a 23 foot unit and, both larger and smaller models are under consideration for future production.

Terrapin Modular Building System

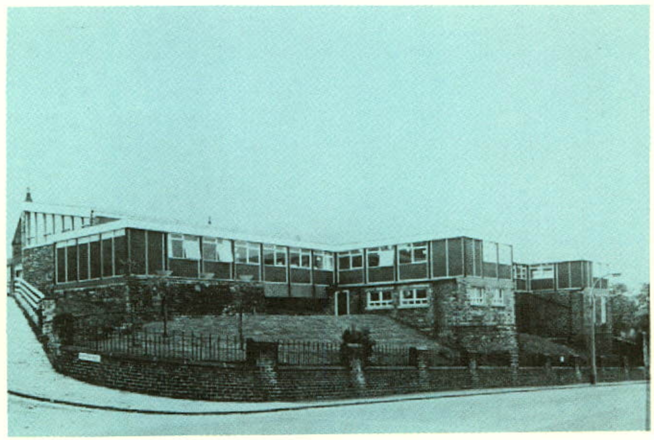
Terrapin buildings are manufactured and marketed in many areas throughout the world including Europe, Australia, Asia, and the Far East.

The Terrapin Modular Building System, conforms to "permanent" standards, and yet the facility of movement allows buildings created from the system to be relocated on different sites and for other purposes.

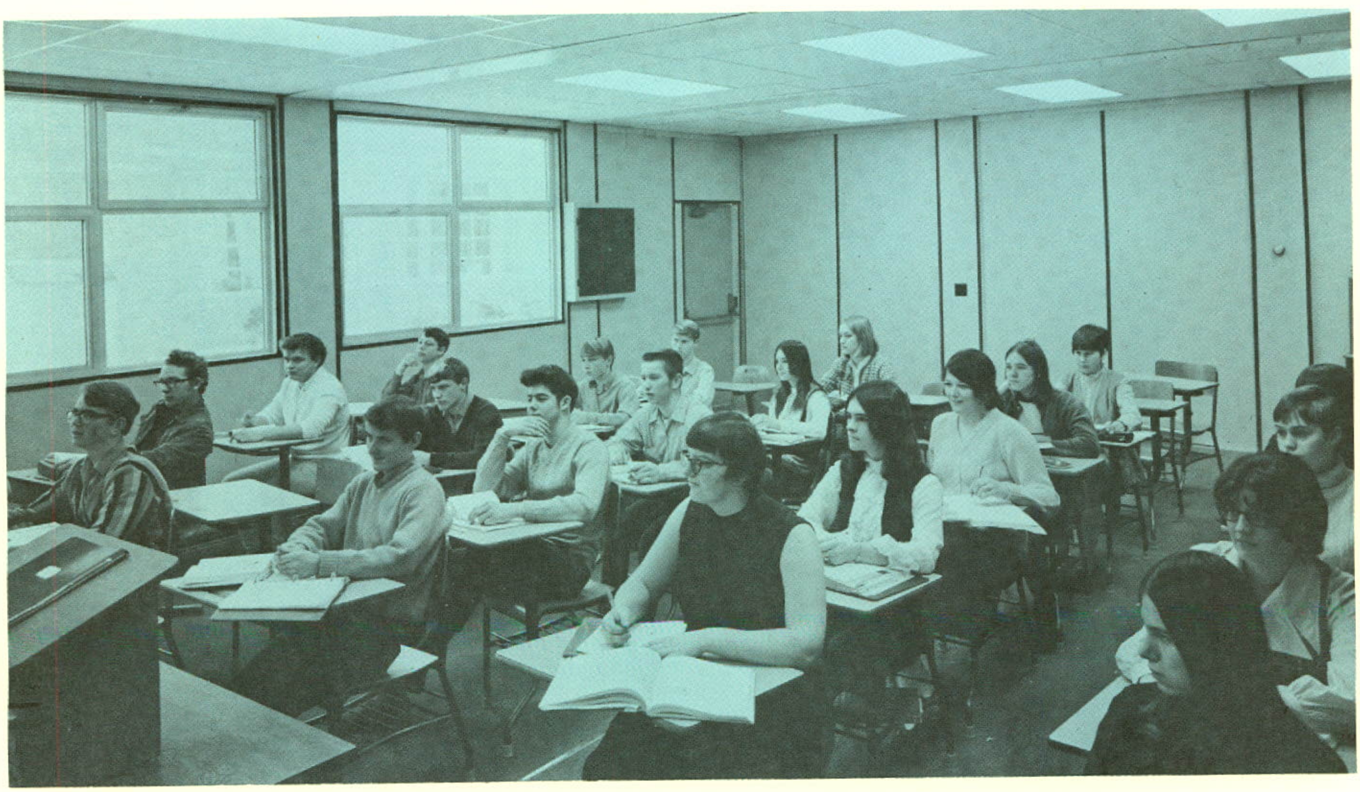
Some examples of other usage are as Churches, Schools, Restaurants, Retail stores and Libraries.



Exterior construction: View from the central interior of a single span Terrapin building under erection. One module is seen in a semi-erected condition.



Exterior finished building: Terrapin Modular Principles enable buildings to be located on sites not normally suitable as exampled by this school almost totally destroyed by fire and replaced by the Terrapin System.



Interior Arva Classroom: Interior illustrating one of several Terrapin classrooms being very satisfactorily utilized by the Middlesex County School Board.

GLENDALE MOBILE HOMES LIMITED and its subsidiaries
(Incorporated under the laws of Ontario)

CONSOLIDATED BALANCE SHEET

JANUARY 31, 1970
(with comparative figures for 1969)

ASSETS

			1970	1969
Current:				
Accounts receivable			$1,683,333	$ 784,709
Inventories — at the lower of cost or net realizable value —				
Finished products		$1,975,201		864,565
Work in process		236,941		145,904
Raw materials and supplies		2,435,200		1,857,777
			4,647,342	2,868,246
Prepaid expenses and sundry assets			68,959	39,622
			6,399,634	3,692,577

	Cost	Accumulated depreciation	1970	1969
Fixed — note 2:				
Land	$ 93,988		$ 93,988	$ 28,805
Parking areas and fences	86,382	$ 12,223	74,159	48,594
Buildings	1,568,342	267,771	1,300,571	913,838
Machinery, equipment, etc.	528,953	224,714	304,239	261,379
Automotive equipment	167,595	107,455	60,140	57,855
	$2,445,260	$ 612,163	$1,833,097	$1,310,471

On behalf of the Board

Director REGINALD LEAVER THORN

Director DONALD MacPHERSON POLLOCK

	1970	1969
	$8,232,731	$5,003,048

(See accompanying notes to the consolidated financial statements)

LIABILITIES

	1970	1969
Current:		
Due to bankers — note 3	$ 951,179	$ 869,842
Accounts payable and accrued charges	2,597,423	1,392,085
Taxes payable	170,691	519,255
Due to shareholders		148,982
Long-term debt repayments due within one year	82,880	81,130
	3,802,173	3,011,294
Deferred income taxes	36,500	45,500
Long-term debt — note 4	228,233	311,113
Shareholders' equity:		
Capital — notes 5 and 6 —		
Preference shares (purchased for cancellation in 1970 — note 5)		95,460
Common shares:		
Authorized — 4,000,000 common shares without par value (850,000 shares in 1969 — note 5)		
Issued — 1,075,000 common shares (850,000 shares in 1969 — note 5)	2,113,750	10,000
Retained earnings	2,052,075	1,529,681
	4,165,825	1,635,141
	$8,232,731	$5,003,048

GLENDALE MOBILE HOMES LIMITED and its subsidiaries
CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED JANUARY 31, 1970
(with comparative figures for 1969)

	1970	1969
Net sales	$16,531,497	$12,763,872
Consolidated income before deducting the following:	$ 1,366,216	$ 1,338,236
Interest on long-term debt	29,110	27,185
Depreciation — note 2	197,867	142,057
	226,977	169,242
Consolidated income before taxes on income	1,139,239	1,168,994
Taxes on income:		
Current	604,000	591,500
Deferred	(9,000)	10,500
	595,000	602,000
Consolidated net income	$ 544,239	$ 566,994

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
YEAR ENDED JANUARY 31, 1970
(with comparative figures for 1969)

	1970	1969
Balance beginning of year	$ 1,529,681	$ 962,687
Add:		
Consolidated net income	544,239	566,994
Proceeds from issue of stock purchase warrants	2,000	
	2,075,920	1,529,681
Deduct share issue expense (net of reduction in income taxes relating thereto of $24,000)	23,845	
Balance end of year	$ 2,052,075	$ 1,529,681

(See accompanying notes to the consolidated financial statements)

Auditors' Report

To the Shareholders,
Glendale Mobile Homes Limited.

We have examined the consolidated balance sheet of Glendale Mobile Homes Limited and its subsidiaries as at January 31, 1970 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. 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 these consolidated financial statements present fairly the financial position of the companies as at January 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.

London, Canada.
March 24, 1970.

Chartered Accountants.

The companies have consistently followed the practice of providing for depreciation on a diminishing balance basis at the following annual rates applied to the net undepreciated value of the respective fixed assets commencing with the period in which such assets came into service.

Parking areas	4%
Fences	10%
Buildings — concrete block	5%
— other	10%
Machinery and equipment	20%
Automotive equipment	30%

3. Due to bankers

The accounts receivable, inventories and life insurance policies held by the company on the life of the president are pledged as security against bank indebtedness.

4. Long-term debt

	1970	1969
8% note repayable $1,320 quarterly due December 6, 1971	$ 10,463	$ 15,743
8½% first mortgage repayable $4,800 per month due March 23, 1973	182,400	240,000
9% first mortgage repayable $1,250 monthly due February 23, 1975	76,250	90,000
6% first mortgage repayable in varying annual instalments due September 1, 1976	42,000	46,500
	311,113	392,243
Repayments due within one year included in current liabilities	82,880	81,130
	$228,233	$311,113

5. Capital

(a) During the year ended January 31, 1970 the company purchased for cancellation all of its issued and outstanding preference shares for $95,460 cash as follows:

	Number of shares		
	Authorized see (b) (i)	Issued and Outstanding	Amount
6% cumulative first preference shares of $100 par value each	104	Nil	
5% non-cumulative second preference shares of $10 par value each	30,000	9,486	$ 94,860
5% non-cumulative third preference shares of $0.20 par value each	30,000	30,000	6,000
			100,860
Less uncalled subscriptions on third preference shares			5,400
			$ 95,460

(b) Subsequently, the company was granted supplementary letters patent (i) reducing the authorized share capital by the cancellation of all of the authorized preference shares (ii) subdividing the 10,000 authorized and issued common shares without par value into 850,000 common shares without par value and (iii) increasing the authorized share capital by the creation of an additional 3,150,000 common shares without par value.

(c) Following the completion of the above in May, 1969, the company issued 225,000 common shares for $2,103,750 cash and in addition issued common share warrants for $2,000 entitling the holders thereof to purchase 20,000 common shares on or before May 15, 1974 at $10.00 per share.

6. Shares reserved for future issue

As at January 31, 1970 the following shares were reserved for issue:

20,000 common shares at $10 per share under common share purchase warrants expiring May 15, 1974.

50,000 common shares to employees of the company and its subsidiaries under such plan or plans as the directors may from time to time determine. The price at which such shares will be issued shall not be less than 90% of the fair market value at the date on which such shares are issued, if issued under a stock purchase plan, or at the date on which the option to purchase is granted, if issued under a stock option plan.

7. Directors' and senior officers' remuneration

Direct remuneration paid or payable to directors and senior officers by the company and its subsidiaries for the year ended January 31, 1970 amounted to $181,561 ($119,400 in 1969).

GLENDALE MOBILE HOMES LIMITED and its subsidiaries

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED JANUARY 31, 1970
(with comparative figures for 1969)

	1970	1969
Source of funds:		
Operations —		
Consisting of:		
Consolidated net income	$ 544,239	$ 566,994
Add or (deduct)		
Depreciation	197,867	142,057
Deferred income taxes	(9,000)	10,500
	733,106	719,551
Issue of common shares	2,103,750	
Issue of share purchase warrants	2,000	
Mortgage loans		90,000
	2,838,856	809,551
Application of funds:		
Purchase of fixed assets	792,651	584,620
Less area development incentive grants	72,158	
	720,493	584,620
Reduction of long-term debt	82,880	81,130
Purchase of preference shares for cancellation	95,460	
Expenses of share issue (net)	23,845	
	922,678	665,750
Increase in working capital	1,916,178	143,801
Working capital beginning of year	681,283	537,482
Working capital end of year	$2,597,461	$ 681,283

(See accompanying notes to the consolidated financial statements)

GLENDALE MOBILE HOMES LIMITED and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JANUARY 31, 1970

1. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries Glendale Mobile Homes (Maritimes) Limited and Glendale Mobile Homes (Quebec) Limited.

2. Fixed assets and depreciation

During the year ended January 31, 1970 the companies received approval for area development incentive grants totalling $72,158 in connection with the expansion of facilities in Manitoba and New Brunswick. These grants have been applied to reduce the carrying value of the respective fixed assets in the books of the companies. As at January 31, 1970, $28,863 remained to be received during the next two years.

Under the terms of the Act under which the grants were received the company may be required to repay these grants if certain conditions are not complied with over the three year period from commencement of production. To January 31, 1970 all such conditions have been met.

GLENDALE MOBILE HOMES LTD.
HEAD OFFICE: STRATHROY ONT. CANADA

PRINTED IN CANADA