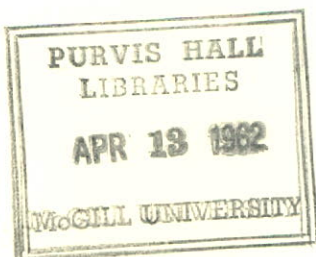


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# BRITISH COLUMBIA POWER CORPORATION, LIMITED

Annual Report 1961



## DIRECTORS

A. B. CHRISTOPHER  
G. T. CUNNINGHAM  
H. S. FOLEY, LL.D.  
SEVERE GODIN  
C. L. GUNDY  
R. H. B. KER  
W. EARLE McLAUGHLIN  
W. G. MURRIN, LL.D.  
A. DEANE NESBITT, O.B.E.  
THE LORD PLOWDEN, K.C.B., K.B.E.  
A. BRUCE ROBERTSON, Q.C., *Chairman of the Board*  
J. L. TRUMBULL, C.B.E.  
COL. THE HONOURABLE CLARENCE WALLACE, C.B.E.  
J. B. WOODYATT

## OFFICERS

*Chairman of the Board and President*

A. BRUCE ROBERTSON, Q.C.

*Vice-President and Treasurer*

LORN McLEAN, F.C.A.

*Secretary*

D. M. M. GOLDIE

*Assistant Treasurer*

W. F. MARTIN, F.C.A.

*Assistant Secretary*

MISS MARJORIE BLYTH

*Bankers: THE ROYAL BANK OF CANADA Transfer Agent: MONTREAL TRUST COMPANY*  
*Fiscal Agent in London, England: THE BRITISH EMPIRE TRUST COMPANY, LIMITED*  
*Registrar: THE ROYAL TRUST COMPANY Auditors: PRICE WATERHOUSE & CO.*  
*Head Office of the Power Corporation: 626 WEST PENDER STREET, VANCOUVER 2, B.C.*

# **REPORT OF THE DIRECTORS FOR 1961**

**of British Columbia Power Corporation, Limited (the "Power Corporation") to be received by the 34th Annual General Meeting of Shareholders on 30 April 1962.**

*Since the event of 1 August 1961 referred to below, the Chairman has kept the shareholders informed of developments through a series of letters at roughly monthly intervals, including one of 12 January 1962 with which was enclosed a copy of the comprehensive speech he made at the Special General Meeting of shareholders on 18 December 1961.*

## **LEGISLATION AND LITIGATION**

As of 1 August 1961, the Power Corporation's chief asset, all the outstanding common shares of British Columbia Electric Company Limited (the "Electric Company"), was, by the Power Development Act, 1961 of British Columbia (the "Act"), expropriated. The Electric Company was directed by the Act to pay and did pay the Power Corporation "by way of compensation therefor" the sum of \$110,985,045 described in the Act as "*the paid-up value*" of the common shares of the Electric Company. This sum was accepted under protest. "*Paid-up value*" is a meaningless term. The sum tendered represented the amount paid up on the common shares of the Electric Company as those shares had been issued from time to time over the preceding thirty-five years; it disregarded other elements of book equity, let alone current fair value.

The Power Corporation commissioned Ebasco Services Incorporated ("Ebasco"), experts on valuation and appraisal, to make a preliminary valuation of the common shares of the Electric Company. It was Ebasco's finding that the minimum fair value of the common shares of the Electric Company at the date of expropriation was not less than \$225 million.

Armed with the preliminary valuation of Ebasco, it was the Directors' plain duty to seek better compensation for the taking of the common shares of the Electric Company. Accordingly, on 21 September 1961 the Power Corporation lodged with the Province of British Columbia a Petition of Right seeking additional compensation from the Crown. On 27 November 1961, the Power Corporation was advised that a fiat (which in British Columbia is needed before the Crown may be sued for money) would not be granted.

In the meantime, on 19 October 1961 the Power Corporation wrote to the Premier of the Province enclosing a copy of Ebasco's preliminary valuation and referring to the problem presented by the existence of the Series B debentures of the Electric Company, which were by their terms convertible into common shares of the Power Corporation. This letter concluded with the suggestion that this problem and the question of compensation be discussed. No reply has been received.

Having failed for over seven weeks to obtain a fiat upon the Petition of Right, an alternative means of redress was undertaken: action was begun on 13 November 1961 in the Supreme Court of British Columbia to test, amongst other things, the validity of the Act and whether additional compensation is payable by the Electric Company under the Act. The form of the action was described in the Chairman's speech to the Special General Meeting of shareholders, of which speech all shareholders were sent copies, and its status will be referred to by the Chairman at the Annual General Meeting on 30 April 1962.

## **DIVIDEND POLICY AND INTERIM DISTRIBUTION**

For each of the first two quarters of 1961, dividends at the rate of 40¢ a share were declared.

Before 1 August 1961, when the Power Corporation's holding of all the outstanding common shares in the Electric Company was expropriated, the Electric Company had been to all intents and purposes the sole source of income of the Power Corporation and that income, being in the form of dividends received by a tax-paying Canadian corporation from another such corporation, was not subject to income tax in the Power Corporation's hands. Earnings of the Power Corporation since 1 August 1961 have been at a drastically reduced scale, because (a) the amount received for the Electric Company's common shares was so inadequate, (b) the rates of interest were low on the short-term investments in which the amount was placed, so as to be readily realizable for distribution, and (c) the interest income is subject to 50% income tax.

For these reasons no dividend was declared for the third or fourth quarter, nor is there likelihood of a dividend in the near future.

The loss of dividends by the shareholders made it urgent that, as soon as possible, they be provided with capital funds for investment in other, revenue-producing sources. On 30 December 1961, an interim distribution of \$18.70 a share was made by way of reduction of capital, calling for the repayment of a total of \$89,236,606. The amount of the distribution was less than it might otherwise have been by reason of the following set of circumstances: In 1959 the Electric Company issued \$40 million of Series B debentures convertible into common shares of the Power Corporation; in the action begun on 13 November 1961 the Power Corporation has asked the Supreme Court of British Columbia, if it finds the Act valid, to declare amongst other things that the Series B debentures are no longer convertible; in the meantime, until that question is determined the Power Corporation is, in accordance with an order of the Court, to retain in readily available form sufficient funds to pay \$18.70 a share on the maximum number of shares into which the Series B debentures could be converted.

## **FINANCIAL STATEMENTS**

The Consolidated Balance Sheet, the Consolidated Statement of Income and the Consolidated Statement of Earnings Employed in the Business of the Power Corporation and subsidiary companies are attached. The statements have been examined by the shareholders' auditors, whose report upon them is attached.

The balance sheet gives also the corresponding figures for the previous year. The comparison shows the shrinkage in the Power Corporation consequent upon its loss of the common shares of the Electric Company and thereby its control of that company's properties.

The statement of income shows separately the results of the first seven months and those of the last five months. The event of 1 August 1961 divides the two periods and dictates their sharply different characteristics. For the first seven months of the year, the Power Corporation controlled a large-scale, multiple, public utility operation; for the last five months of the year, it had income only from temporary investments.

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## British Columbia Power Corporation, Limited

Dear Shareholder:

B.C. Power's long fight to get fair compensation for the common shares in the B.C. Electric has been brought to a satisfactory conclusion.

In my letter to you of 29th July, 1963 I reported upon the judgment which had been delivered that day by Chief Justice Sherwood Lett in our action in the Supreme Court of British Columbia arising out of the purported taking from British Columbia Power Corporation, Limited ("B.C. Power") of the common shares in British Columbia Electric Company Limited ("the Electric Company"). I told you that I had sent to the Premier of British Columbia a telegram which reiterated the policy of our Board of Directors to achieve fair treatment by negotiation, if possible. I told you that, nevertheless, we would not await a reply to my telegram before proceeding to assert the full legal rights of B.C. Power under the judgment.

Much has happened since then. On 5th August there came on for hearing in the Court (1) applications on behalf of British Columbia Hydro and Power Authority ("the Authority") and the Attorney-General of British Columbia for orders that all proceedings to give effect to the judgment of 29th July, 1963 be stayed pending determination of appeals therefrom to the Court of Appeal, and (2) an application on behalf of B.C. Power for an order that the Receiver appointed by the Court in the action be directed to deliver and restore possession of the undertaking, property and interests of the Electric Company to it acting through its pre-August, 1961 officers. The applications were heard further on 6th and 8th August and then adjourned to 13th August. On 13th August the hearings were adjourned indefinitely, because negotiations between ourselves and the Government had commenced. Those negotiations were protracted. They culminated in an arrangement settling our differences with the Government over the expropriation.

Under this arrangement the parties agreed to submit to the Honourable Sherwood Lett in his private capacity the question what amount, within certain specified limits, would be a fair amount to be paid as at 16th September, 1963 for the common shares in the Electric Company. On 27th September \$197,114,358 was fixed as the amount. Against this amount credit was given for the payment of \$110,985,045 made in August, 1961 and for the payment of \$60,848,007 made in March, 1962. Payment of the remaining \$25,281,306 was completed on 27th September, 1963.

On the same day documents giving effect to the settlement were delivered. The gist of their principal terms is as follows:

- (a) B.C. Power releases to the Province of British Columbia all its right, title and interest to and in the common shares in the capital of the Electric Company.

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- (b) The Authority and the Electric Company covenant that they will not present for conversion into common shares in the capital of B.C. Power any of the Series B Debentures of the Electric Company received by The Royal Trust Company pursuant to the call for redemption made by the Authority in May, 1962. These total at the moment all but \$102,000 principal amount of the original issue of \$40,000,000.
- (c) If any Series B Debentures are presented for conversion, B.C. Power will, after issuing the appropriate number of shares in its capital, deliver the Debentures to the Authority, which will pay B.C. Power \$1,064.89 for each \$1,000 principal amount of such Debentures and have them cancelled.

Your Directors' main objective now is to distribute the assets of B.C. Power (after satisfaction of its debts and liabilities) among its shareholders as soon as practicable. Their plan is to put B.C. Power into liquidation under the Winding-up Act of Canada. This will require a general meeting of shareholders, and I expect that the meeting will be held during the first week of November. Notice will be sent you in due course.

We estimate that the net distribution per share, after making what we consider to be adequate provision for contingencies and expenses, should be not less than \$25.38. This sum includes our estimate of the realizable value of B.C. Power's assets other than the proceeds of the settlement. The figure of \$25.38 could be affected to a comparatively minor degree, if the Court were to decide in an action recently commenced or in the winding-up proceedings that the holders of Series B Debentures who have converted or convert them after December, 1961 into common shares in the capital stock of B.C. Power are entitled to participate in the reduction of its capital made in December, 1961, under which \$18.70 per share was distributed to the then shareholders.

You will want to know when you may expect B.C. Power's moneys to be distributed. Among the matters which will affect this timing are the making by the Court of a winding-up order, the appointment of a liquidator, the proof of debts, the obtaining of an income tax clearance, and the disposal of the problems created by the Electric Company's Series B Debentures. The best forecast that I can make - and it is really only an informed guess - is that the distribution by the official liquidator will be made in two installments; that the first installment should comprise the bulk of the moneys and will be paid about the end of this year; and that the final installment will be paid during 1964.

My present understanding is that a small part of the first installment will be deemed a dividend under the Income Tax Act of Canada.

I consider it appropriate here to acknowledge the hard work of B.C. Power's Directors and staff, its counsel and their advisers, all of whom made it possible for B.C. Power to establish that, under the law of the land, the purported expropriation of the Electric Company's common shares was illegal. Without this finding of invalidity we could not have brought the Government to make a settlement.

Yours very truly,

*A. Thomas Robertson*

Chairman.

Vancouver, B.C.  
1st October, 1963.

The statement of earnings employed in the business brings out strikingly the substantial amount of some \$74 million by which the compensation tendered for the expropriation of the Power Corporation's holding of the common shares of the Electric Company fell short of the book equity of those shares. (The figure of some \$74 million disregards any increase in retained earnings or deferred taxes for the first seven months of 1961, since the Power Corporation has been refused information on these matters by the Electric Company.) Furthermore, of course, book equity and fair value are different measures, and, as shown by the preliminary valuation made by Ebasco earlier referred to, the fair value of those shares was not less than \$225 million, which exceeds the book equity by some \$40 million, or in summary a fair value which exceeds the compensation tendered by not less than \$114 million.

### **ALBERT EDWARD GRAUER, B.A., Ph.D., LL.D.**

Albert Edward (Dal) Grauer died on 28 July 1961 at the age of 55. He had been the chief executive officer of the Power Corporation and its controlled enterprises since April 1946. His time in that office was the Power Corporation's period of greatest expansion and it was no coincidence that this was so. Dal Grauer's energy, ability and affection were not devoted solely to his business and family life, but he applied copious time and great effort to better and embellish the community in which he lived.

### **DIRECTORATE**

On 5 August 1961 the Board of Directors agreed with Mr. H. L. Purdy that, as between the Power Corporation and the Electric Company, his talents and experience would be more useful to the latter, and they appreciated his deep sense of loyalty to its staff and his desire to do what he could to maintain a well-run, efficient utility operation. Therefore, when Mr. Purdy tendered his resignations from the Board and as President of the Power Corporation, the Board accepted them; but they did so with great regret.

As a director and to take the places of the Chairman (Mr. Grauer) and the President (Mr. Purdy), Mr. A. Bruce Robertson was appointed.

### **STAFF**

The staff numbers fourteen. It is working, guided by the Board of Directors, with the main objective of obtaining fair compensation for the expropriation of the common shares of the Electric Company as well as dealing with the immediate business matters of the Power Corporation and subsidiary companies.

### **SHAREHOLDERS**

The directors and staff have been supported in their course of action by the many letters of encouragement they have received from individual shareholders. They have received further support from the Shareholders Committee which has formed local chapters in some dozen communities in the Province.

*On behalf of the Board of Directors,*

*Vancouver, B.C.  
As of 13 March 1962.*

A. BRUCE ROBERTSON,  
*Chairman.*

## CONSOLIDATED BALANCE SHEET

(see notes)

(with corresponding figures as at 31 December 1960 which  
British Columbia Electric Company Limited)

	1961	1960
<b>CURRENT AND WORKING ASSETS:</b>		
Cash.....	\$ 3,202,356	\$ 1,145,222
Temporary investments (Note 3).....	29,000,000	24,023,254
Accounts receivable.....	124,944	14,271,143
Funds withdrawable from Trustee for bondholders.....	—	9,600,900
Materials and supplies at average cost.....	—	5,562,894
Prepaid expenses.....	23,755	292,222
	<u>32,351,055</u>	<u>54,895,635</u>
<b>MORTGAGES AND OTHER DEFERRED ACCOUNTS RECEIVABLE.....</b>	<u>20,000</u>	<u>2,095,170</u>
<b>INVESTMENTS (Note 4).....</b>	<u>1,228,176</u>	<u>2,471,433</u>
<b>DEFERRED CHARGES:</b>		
Unamortized transportation franchise payments, etc.....	—	202,608
Unamortized discount and expense on long term debt.....	—	12,879,544
	<u>—</u>	<u>13,082,152</u>
<b>PROPERTY ACCOUNT:</b>		
Land, leases and related exploration and survey expenses, etc. (including in 1960 franchises, water rights, plants for the generation, transmission and distribution of electricity and gas, trolley coaches, motor buses, freight railway and rolling stock, etc.), at cost.....	1,247,984	716,401,958
Unfinished construction.....	—	45,000,000
	<u>1,247,984</u>	<u>761,401,958</u>
<i>Less -</i>		
Accumulated depreciation.....	1,914	102,542,453
	<u>1,246,070</u>	<u>658,859,505</u>
	<u>\$34,845,301</u>	<u>\$731,403,895</u>

**TO THE SHAREHOLDERS,  
BRITISH COLUMBIA POWER CORPORATION, LIMITED:**

We have examined the consolidated balance sheet of British Columbia Power Corporation, Limited and subsidiary companies as at 31 December 1961 and the consolidated statements of income and earnings employed in the business for the year ended on that date, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, except for the possible effect of the final determination of matters referred to in Note 1 and the exclusion of earnings of British Columbia Electric Company Limited and its subsidiaries as described in Note 2, the accompanying consolidated balance sheet and related consolidated statements of income and earnings employed

in the business are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the consolidated companies as at 31 December 1961 and the results of their operations for the year ended on that date in accordance with generally accepted accounting principles, according to the best of our information and the explanations given to us and (except as referred to in the following paragraph) as shown by the books of the companies.

The transfer to consolidated earnings employed in the business of the estimated amount of deferred taxes on income provided in prior years from consolidated earnings, although reflected in the accompanying consolidated accounts, was not recorded in the books of British Columbia Electric Company Limited prior to expropriation.

Vancouver, B.C.  
13 March 1962.

PRICE WATERHOUSE & CO.  
Chartered Accountants  
Auditors.



NET AS AT 31 DECEMBER 1961

(attached)

included the accounts of the then wholly-owned subsidiary  
limited and its subsidiary companies)

	1961	1960
<b>CURRENT AND ACCRUED LIABILITIES:</b>		
Bank overdraft.....	\$ —	\$ 1,269,906
Accounts payable.....	222,133	15,602,841
Taxes payable —		
On income.....	695,180	3,146,467
Other.....	—	1,921,205
Interest accrued on long term debt.....	—	6,118,600
Dividends declared, since paid.....	—	3,127,923
Sinking fund payments due within one year.....	—	4,839,213
Provision for costs of accidents.....	—	348,618
	<u>917,313</u>	<u>36,374,773</u>
<b>DEFERRED CREDIT:</b>		
Estimated amount of deferred taxes on income, arising from claiming capital cost allowances in excess of depreciation recorded.....	—	44,456,009
<b>LONG TERM DEBT.....</b>	<u>—</u>	<u>394,123,914</u>
<b>SHARES OF SUBSIDIARY COMPANIES OWNED BY THE PUBLIC.....</b>	<u>35,005</u>	<u>104,448,405</u>
<b>CONTRIBUTIONS IN AID OF CONSTRUCTION.....</b>	<u>—</u>	<u>1,241,945</u>
<b>CAPITAL AND EARNINGS EMPLOYED IN THE BUSINESS:</b>		
Share capital (Notes 5 and 6) —		
Authorized:		
10,000,000 common shares without nominal or par value		
Issued:		
4,772,011 common shares (50,650 issued in 1961) representing a total cash consideration of.....	122,413,138	120,893,850
Less —		
Repayment as of 30 December 1961 of part of the paid-up capital, calculated to be in excess of the wants of the Corporation, pursuant to by-law XXXVIII.....	89,236,606	—
	<u>33,176,532</u>	<u>120,893,850</u>
Earnings employed in the business — per statement attached.....	716,451	29,864,999
	<u>33,892,983</u>	<u>150,758,849</u>
	<u>\$34,845,301</u>	<u>\$731,403,895</u>

CONTINGENT LIABILITIES AND COMMITMENTS (Notes 4 and 7)

APPROVED ON BEHALF OF THE BOARD:

*Naren Bony*  
Director.

*Geo. R. Cummings Kay*  
Director.

**BRITISH COLUMBIA POWER CORPORATION, LIMITED**  
and subsidiary companies

**CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 1961**

*(Earnings of British Columbia Electric Company Limited from 1 January 1961 to 31 July 1961  
are not included, except as to dividends received therefrom – see Notes 1 and 2)*

	<i>Seven months ended 31 July 1961</i>	<i>Five months ended 31 December 1961</i>	<i>Year ended 31 December 1961</i>
Income:			
Interest on investments.....	\$ 23,606	\$1,434,754	\$1,458,360
Miscellaneous income.....	65,576	3,696	69,272
Dividends received from British Columbia Electric Company Limited.....	3,786,000	—	3,786,000
	3,875,182	1,438,450	5,313,632
<i>Deduct –</i>			
Bond discount and refunding expenses.....	45,747	—	45,747
Directors' fees.....	17,645	—	17,645
Trustees' fees and expenses.....	31,778	24,029	55,807
General and administrative expenses.....	13,333	134,313	147,646
Legal fees and executive remuneration.....	—	80,420	80,420
Provision for depreciation.....	—	1,914	1,914
	108,503	240,676	349,179
Balance before provision for taxes on income.....	3,766,679	1,197,774	4,964,453
Provision for taxes on income.....	38,531	665,371	703,902
Net income.....	\$3,728,148	\$ 532,403	\$4,260,551

**BRITISH COLUMBIA POWER CORPORATION, LIMITED**  
and subsidiary companies

**CONSOLIDATED STATEMENT OF EARNINGS EMPLOYED IN THE BUSINESS  
FOR THE YEAR ENDED 31 DECEMBER 1961**

Balance as at beginning of the year including \$986,204 previously shown as capital surplus.....	\$29,864,999
<i>Add -</i>	
Estimated amount of deferred taxes on income provided in prior years from consolidated earnings. (Since expropriation of British Columbia Electric Company Limited and its subsidiaries, as referred to in Note 1, the provision for deferred income taxes is no longer appropriate and has therefore been transferred back to consolidated earnings employed in the business.).....	44,456,009
	74,321,008
<i>Deduct -</i>	
Amount by which \$110,985,045 received by way of compensation for shares in British Columbia Electric Company Limited is below underlying book value of such shares.....	74,084,699
(The deficiency of \$74,084,699 does not reflect retained earnings, if any, of British Columbia Electric Company Limited and its subsidiaries from 1 January 1961 up to the time of expropriation - see Note 2.)	
	236,309
<i>Add -</i>	
Net income for the year per consolidated statement of income.....	4,260,551
	4,496,860
<i>Deduct -</i>	
Dividends on common shares.....	3,780,409
Balance as at end of the year.....	\$ 716,451

**NOTES TO 1961 FINANCIAL STATEMENTS**

**Note 1 - Expropriation of British Columbia Electric Company Limited and its subsidiaries:**

One of the provisions of the Power Development Act, 1961 (the "Act") which was deemed to have come into force and effect on 1 August 1961, vested in Her Majesty the Queen in right of the Province of British Columbia all the shares held by British Columbia Power Corporation, Limited (the "Power Corporation") in its principal subsidiary, British Columbia Electric Company Limited (the "Electric Company"), that is to say, all the common shares of that company. Pursuant to section 7 of the Act, the Power Corporation received "by way of compensation" an amount of \$110,985,045 for such shares on 4 August 1961.

Under section 9(1) of the Act, the Power Corporation may request or demand that the Electric Company purchase all the undertaking and property of the Power Corporation existing immediately after the coming into force of the Act, for a consideration which would amount to \$68,612,873. The Power Corporation has not yet made any request or demand under section 9(1) of the Act.

**BRITISH COLUMBIA POWER CORPORATION, LIMITED**  
and subsidiary companies

**NOTES TO 1961 FINANCIAL STATEMENTS—cont'd**

**Note 1 - Cont'd:**

Section 9(2) of the Act provides for the payment of interest by the Electric Company to the Power Corporation "at the rate of five per centum per annum on the amount remaining unpaid under subsection (1) from the first day of August, 1961, to and including the date of final payment thereunder or the thirty-first day of July, 1963, whichever is earlier". In view of the position described in the preceding paragraph, no accrual of interest is reflected in the attached financial statements.

On 21 September 1961, the Power Corporation filed a Petition of Right seeking additional compensation under the Act from Her Majesty the Queen. Before the petition could be considered by the Supreme Court of British Columbia a fiat was necessary. On 27 November 1961 the Power Corporation was advised that a fiat would not be granted.

On 13 November 1961, the Power Corporation commenced an action in the Supreme Court of British Columbia, naming as defendants, the Attorney-General of British Columbia, the Electric Company, C. James Copithorne (a holder of Series B debentures of the Electric Company - see Note 5) and The Royal Trust Company (the trustee under the trust agreement establishing the Series B debentures) seeking declarations in respect of

- (a) the validity of the Act and
- (b) the Power Corporation's rights to additional compensation for the taking of the shares in the Electric Company and
- (c) the rights of conversion of Series B debentures, as set out in Note 5.

The trial of this action is expected to begin some time in the spring of 1962.

**Note 2 - Earnings of British Columbia Electric Company Limited and its subsidiaries from 1 January 1961 to 31 July 1961:**

On 15 February 1962, the Power Corporation made a request of the Electric Company for copies of audited accounts of that Company for the seven months ended 31 July 1961 for the purpose of incorporating its earnings for that period in the Power Corporation's consolidated financial statements. The request was refused and therefore (except for dividends in the amount of \$3,786,000) the earnings of the Electric Company for the seven months ended 31 July 1961 are not reflected in the attached accounts.

**Note 3 - Temporary investments:**

Term deposits with The Royal Bank of Canada.....	\$21,500,000
Term deposits with Montreal Trust Company.....	2,500,000
Loblaws Groceries Co. Ltd. promissory note.....	5,000,000
	<u>\$29,000,000</u>

**Note 4 - Investments:**

	1961	1960
Shares and debentures, at cost, less repayment of capital of \$1,243,257 in 1961.....	\$3,228,176	\$4,471,433
Less -		
Provision against possible loss.....	2,000,000	2,000,000
	<u>\$1,228,176</u>	<u>\$2,471,433</u>

The amount of \$3,228,176 represents investments in Van-Tor Oils and Explorations Limited, Western Copper Mills Ltd., Peace River Power Development Company Ltd., and International Power and Engineering Consultants Limited. These investments were all made prior to 1 January 1961 for purposes of the development, present and future, of the

**BRITISH COLUMBIA POWER CORPORATION, LIMITED**  
*and subsidiary companies*

**NOTES TO 1961 FINANCIAL STATEMENTS—cont'd**

business of the Power Corporation and its then subsidiary companies, in particular the Electric Company. Provisions totalling \$2,000,000 were made in prior years from earnings employed in the business, against any loss that might result from any of these investments as such.

Contingent obligations on this account amounted to \$90,000 as at 31 December 1961.

**Note 5 - Share capital:**

(a) The \$40,000,000 principal amount of Convertible Sinking Fund Debentures, 6% Series B, of the Electric Company were issued as convertible (see (c) below) on or before 3 November 1969 at the holder's option into Common Shares of the Power Corporation as follows:

On or before 2 November 1963 - 27 Common Shares for each \$1,000 of Debentures

Thereafter and on or before 1 November 1966 - 25 Common Shares for each \$1,000 of Debentures

Thereafter and on or before 3 November 1969 - 23 Common Shares for each \$1,000 of Debentures

Against the possible conversion of these debentures the Power Corporation covenanted to reserve 1,080,000 of its unissued Common Shares, which is the maximum number that may be required to be issued on such conversion. As required by an order of the Supreme Court of British Columbia, the Power Corporation is retaining in readily available form, sufficient funds to pay \$18.70 a share on the maximum number of shares into which the debentures could be converted.

(b) The Power Corporation covenanted to deliver to the Electric Company such of the said debentures as might be presented to the Power Corporation for conversion, and the Electric Company covenanted to issue 34 of its Common Shares to the Power Corporation for each \$1,000 principal amount of debentures so delivered and to reserve sufficient (1,360,000) of the Electric Company's unissued Common Shares to enable it so to do.

(c) The effect of the Act on the rights of conversion and on the covenants referred to in parts (a) and (b) of this note, are an issue in the litigation referred to in Note 1.

**Note 6 - Share options:**

On 31 March 1960, the Directors earmarked 100,000 of the unissued Common Shares of the Power Corporation for the purpose of granting options to officials of the B.C. Electric group of companies, such options to be granted at a price per share substantially equal to the market price or issue price (if any) of the Common Shares current at the time of the grant of the option. Options exercisable on or before varying dates up to 29 December 1970 were granted during 1960 for 74,000 shares, leaving 26,000 of the earmarked shares available for granting of options as at 31 December 1960. Of the options for 74,000 shares granted, and options for 10,105 shares granted but not taken up prior to 31 December 1959, options for 21,605 shares were taken up and options for 8,500 shares were surrendered and cancelled during 1960, leaving options for 54,000 shares granted but not taken up as at 31 December 1960.

During the year ended 31 December 1961, options for 50,650 shares were taken up and options for 1,900 shares were surrendered and cancelled, leaving options for 1,450 shares at prices ranging from \$34.75 per share to \$44.25 per share granted but not taken up. Effective 31 December 1961, the earmarking of the 26,000 shares for which options had not been granted was cancelled.

**Note 7:**

The Power Corporation has given guarantees embodied in an agreement dated 20 July 1961 between the Electric Company, the Power Corporation and nine individuals relating to certain incentive agreements; in respect of those guarantees the Power Corporation is protected, pursuant to a funding agreement dated 31 July 1961 between the Electric Company, the Power Corporation and Montreal Trust Company.

## **THE ANNUAL GENERAL MEETING**

Your directors appreciate the interest shown by shareholders who are present at the General Meetings and participate in the discussions of the Company's affairs. This year the Annual General Meeting will be held on Monday, 30 April, at 10:30 a.m. in the Bay Theatre, 935 Denman Street, Vancouver, B.C. and all shareholders who find it possible to attend are urged to do so.

The address of the Chairman on this occasion will be printed and copies sent to all shareholders.

