

Russell Motor Car Company, Limited

REPORT OF THE BOARD OF DIRECTORS

ANNUAL MEETING

MARCH 4, 1936

TO THE SHAREHOLDERS:

The Report herewith submitted covers the operations of the Company for the twelve months ended December 31st, 1935.

The year 1935 resulted in a steady improvement in the business and affairs of the two enterprises in which your Company is mainly interested.

Canada Cycle & Motor Company, Limited, increased its sales and earnings over the preceding year and paid regular dividends at the rate of 7% per annum, and in addition, two extra dividends of 1% each.

The year 1935 was an active and important year to Canadian Acme Screw & Gear, Limited. As reported in our last Annual Statement, this Company had decided to move from its previous rented premises at the corner of King and Dufferin Streets and had purchased an important section of the plant formerly occupied by Willys-Overland Limited, West Toronto. The Company took possession of this property on the 1st of May. Actual moving operations began on June 1st and were completed by July 31st. Despite the problems involved in the transportation and installation of over one thousand machines, this work was accomplished without accident and with comparatively no damage to our equipment. The Officers of the Company are pleased with the manner in which the new premises lend themselves to the business of the Company. Certain additions and improvements in plant and equipment have been added to the permanent assets of the Company, but all the actual moving expenses were charged against the operations of the year. As a result, the profit showed only a small improvement over the figures of 1934.

The holdings of your Company in Willys-Overland Limited are now represented by shares in West Toronto Holdings Limited which has taken over the assets of Willys-Overland Limited. Any loss on our investment has been fully provided against, but we are still unable to report what (if any) return will be ultimately received from this asset.

Investments in outside securities show an increase in market value over the figures of December 31st, 1934.

STATEMENT OF PROFIT AND LOSS IS AS FOLLOWS:

Balance brought forward, January 1, 1935.....	\$429,876.96
Net Gain for year ending December 31, 1935.....	111,811.92
Dividend on Preferred Shares for year ending December 31, 1935.....	\$100,000.00
Balance carried forward.....	441,688.88
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	\$541,688.88 \$541,688.88

In addition to the regular dividend of seven per cent on the Preference Shares, a dividend of one per cent has been declared and paid, applicable against arrears. The arrears of dividends on the Preference Shares as of February 1st, 1936, is 4%.

Your Directors submit for your consideration and if thought fit, your confirmation of a By-Law to provide for the reduction of the preference share capital of the Company through the redemption and payment off of preference shares offered by the holders thereof.

The By-Law does not change the cumulative or convertible features of the preference stock but does make it possible under certain conditions for the Company to redeem and pay off certain preference shares whose holders desire to realize on them under the terms approved by the Directors from time to time.

A copy of the By-Law is as follows:

A BY-LAW TO PROVIDE FOR THE REDEMPTION OF PREFERENCE SHARES OF
RUSSELL MOTOR CAR COMPANY LIMITED OFFERED BY THE HOLDERS
THEREOF FOR PAYMENT OFF AND CANCELLATION.

BE IT ENACTED by the Board of Directors of RUSSELL MOTOR CAR COMPANY LIMITED as a By-law of the said Company, as follows:

1. That outstanding preference shares in the capital stock of the Company may be redeemed and paid off from time to time in the discretion of the Board of Directors of the Company by amounts not exceeding in the aggregate the principal sum of One Million Two Hundred Thousand Dollars (\$1,200,000) by the acceptance for redemption and payment off by the Company of all or any of the preference shares held by the respective holders thereof not exceeding in respect of each redemption and payment off the aggregate of the amount fixed with respect thereto by the Board of Directors as hereinafter set out. Whenever in the opinion of the Board of Directors of the Company it is desirable that preference shares should be redeemed and paid off to an amount fixed by such Board notice shall be given to all holders of preference shares of the Company setting out the number of preference shares fixed by the Directors to be redeemed and paid off and the amount of the payment to be made in respect of each such share. Such notice to the preference shareholders shall constitute an offer by the Company to the respective preference shareholders to redeem and pay off the number of their respective preference shares which bears as nearly as may be the same proportion to the total number of preference shares included in such offer as the number of preference shares held by each preference shareholder bears to the total number of such shares outstanding. Such notice shall in each case set forty-five days as the limit at the expiration of which the offer thereby made, if not accepted or earlier declined, will be deemed to be declined and such notice shall state that any of such shareholders who desires to have redeemed and paid off preference shares in excess of his proportion should in his reply state how many of such shares in excess of his proportion he desires to have redeemed and paid off. The said terms in such notice shall be binding on the respective shareholders. If all such shareholders do not desire to accept such offer for their full proportions of shares such offer shall be accepted by the Secretary of the Company on behalf of those shareholders who desire to have redeemed and paid off preference shares in excess of their respective proportions pro rata according to the number of shares offered in excess of their respective proportions as aforesaid and so on indefinitely. If in accordance with the foregoing a fraction of a share to which any such shareholder is entitled would remain unredeemed and paid off by the Company such fraction shall also be deemed to be included in the offer contained in such notice and shall be redeemed and paid off by the Company.

2. The price to be paid in respect of the redemption and payment off of each preference share shall be determined by the Directors and the par value of such shares shall be paid out of the capital of the Company and any balance out of the surplus of the Company.

3. When in accordance with the foregoing the number of preference shares to be redeemed and paid off and the holders thereof shall have been ascertained notice to such holders shall be given setting out the number of preference shares held by the person to whom it is addressed which are to be redeemed and paid off. Such notice shall also set out the date on which redemption and payment off is to take place (which shall not be later than seventy-five (75) days from the date of giving notice under the provisions of paragraph numbered 1 above set out) and on and after the date so specified for redemption and payment off the Company shall pay or cause to be paid to the holders of the preference shares to be redeemed and paid off the redemption price on presentation and surrender at the Head Office of the Company or at any other place or places within the Dominion of Canada designated in such notice of the certificate or certificates for the preference shares so to be redeemed and paid off. Such shares shall thereupon be cancelled and the redemption and payment off thereof completed and the capital of the Company shall thereby be reduced by the par value of the preference shares so redeemed and paid off. If a part only of the preference shares represented by any certificate is to be redeemed and paid off a new certificate for the balance shall be issued. From and after the date specified in such notice the preference shares to be redeemed and paid off shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any conversion rights or any other rights of shareholders in respect thereof unless payment of the amount required on redemption and payment off shall not be duly made by the Company upon presentation and surrender of the certificates in accordance with the foregoing provisions. Should the holders of any preference shares to be redeemed and paid off fail to present the certificate or certificates representing such shares on the dates specified for redemption and payment off the Company shall have the right to deposit the amount payable for redemption and payment off of such shares with any Chartered Bank in Canada to the credit of a special account in trust for the respective holders of such shares to be paid to them respectively upon surrender to such Bank of the certificate or certificates representing the same. Upon such deposit or deposits being made such preference shares shall be deemed to be redeemed and paid off and the capital of the Company shall be reduced by the par value of such preference shares. 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 assets of the Company or to exercise any rights as holders of such shares so redeemed and paid off.

4. Any notice to be given by the Company to a holder of preference shares pursuant to these provisions may be given by posting the same in a postage paid registered letter addressed to such holder at the last address of such holder as it appears on the books of the Company or in the event of the address of any such holder not so appearing then to the last address of such holder known to the Secretary of the Company. Any such notice so given shall be conclusively deemed to have been given on the day after the same was so posted.

5. An application to the Lieutenant-Governor for the issue of Supplementary Letters Patent providing for the matters above set out is hereby authorized.

Statement of Assets and Liabilities as of December 31st, 1935, is submitted herewith.

The accounts of the Company have been duly audited and certified to by Messrs. Edwards, Morgan & Company, Chartered Accountants.

All of which is respectfully submitted.

T. A. RUSSELL, President.

RUSSELL MOTOR CAR COMPANY, LIMITED

(INCORPORATED UNDER THE LAWS OF THE PROVINCE OF ONTARIO)

Balance Sheet, December 31st, 1935

ASSETS

Cash in Bank.....	\$ 46,807.00	
Accounts Receivable.....	28,777.93	\$ 75,584.93
Investments at Book Value:		
Bonds and Preferred Stocks of Industrial Companies	\$249,843.23	
Common Stocks of Industrial Companies	164,611.56	
Common Stocks of Railway and Public Utility Companies.....	26,416.68	
Bank Stocks.....	38,476.21	479,347.68
		\$ 554,932.61
Investments in Allied and Subsidiary Companies..		2,469,162.25
Office Furniture and Fixtures.....		1.00
		\$3,024,095.86

LIABILITIES

Dividends, Declared and Unpaid.....		\$ 26,000.00
Reserves for Investments, Etc.....		556,406.98
Capital Stock—Preferred.....	\$1,200,000.00	
—Common.....	800,000.00	2,000,000.00
		\$2,582,406.98
Profit and Loss Account.....		441,688.88
		\$3,024,095.86

We have audited the books of the Russell Motor Car Company, Limited, for the year ending December 31, 1935, and we certify that our requirements as Auditors have been complied with.

We also certify that the annexed Balance Sheet is in accord with the books, and in our opinion, correctly states the position of the Company on that date.

February 15, 1936.

(Sgd.) EDWARDS, MORGAN & CO.,
Chartered Accountants.

1935

ANNUAL REPORT

RUSSELL MOTOR CAR
COMPANY, Limited

Head Office - - - TORONTO

DIRECTORS:

T. A. RUSSELL, Esq., President
H. R. TUDHOPE, Esq., Vice-President
J. W. GIBSON, Esq.
C. J. HARRIS, Esq.
G. S. BRADEN, Esq.
T. B. RUSSELL, Esq.
B. W. BURSELL, Esq.

Russell Motor Car Company
LIMITED

NOTICE OF ANNUAL MEETING
OF SHAREHOLDERS

TORONTO, FEBRUARY 21st, 1936

Notice is hereby given that the Annual General Meeting of the Shareholders of Russell Motor Car Company, Limited, will be held at the Head Office of the Company, 207 Weston Road South, Toronto, Ontario, on Wednesday, the 4th day of March, 1936, at 11.30 a.m., to receive the Report of the Directors and Financial Statements for the past year; to consider and if thought fit confirm By-Law No. 20, copy of which appears in the accompanying report; to elect Directors; to appoint Auditors for the ensuing year; and generally to transact any other business relating to the Company's affairs which may be brought before the Meeting.

A copy of the Annual Statement is enclosed, also a proxy which, if you are unable to attend the Meeting, kindly sign and return to the undersigned.

By order of the Board,

G. W. SUGGITT,
Secretary.