

# THE PAGURIAN CORPORATION

ANNUAL REPORT 1984





## Board of Directors

Christopher Ondaatje,  
President, The Pagurian Corporation Limited, Toronto

Donald C. Webster,  
President, Helix Investments Limited, Toronto

Richard A.N. Bonnycastle,  
Chairman, Cavendish Investing Ltd., Toronto

Michael F.B. Nesbitt,  
President, Montrose Investment Co. Ltd., Winnipeg

Michael L.F. Blair,  
President, The Enfield Corporation Limited, Toronto

## Corporate Information

Corporate Offices/  
13 Hazelton Avenue  
Toronto, Ontario M5R 2E1  
Telephone number: (416) 968-0255

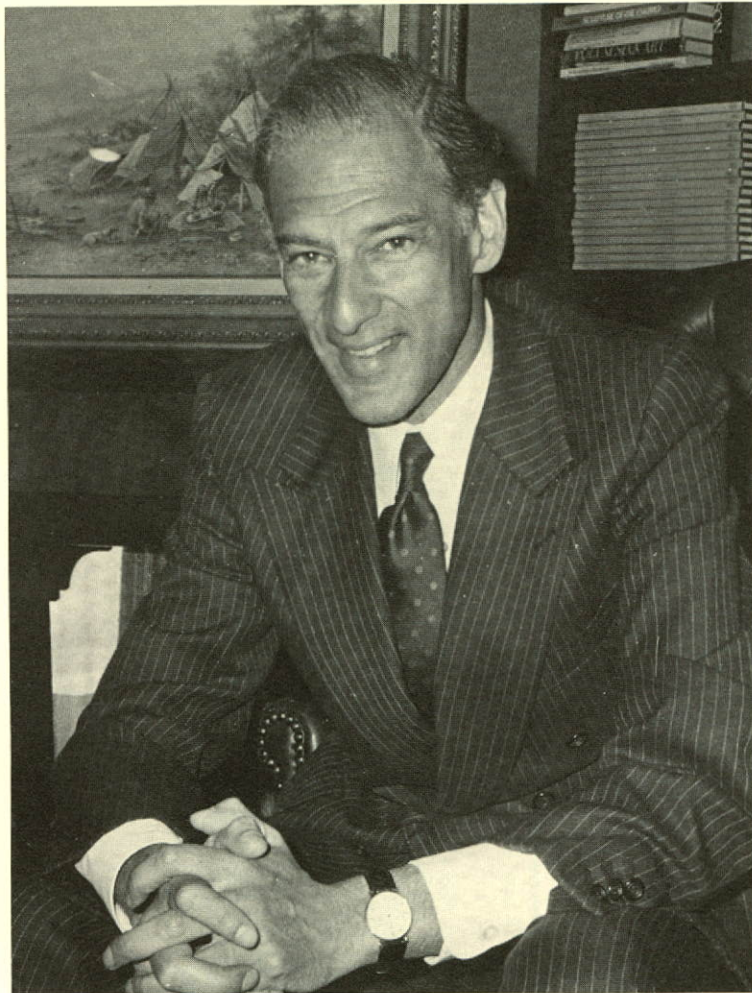
Auditors/  
Smith, Nixon & Co., Toronto

Exchange Listing/  
The Toronto Stock Exchange

Registrar and Transfer Agent/  
Canada Permanent Trust Company,  
20 Eglinton Avenue West,  
Toronto, Ontario M4R 2E2

Annual Meeting/  
11 a.m., May 16th, 1985  
13 Hazelton Avenue  
Toronto, Ontario

About the cover:  
"Lacrosse Game" (detail)  
by Frederic Marlett Bell-Smith  
(1846-1923), from the Pagurian  
Collection.



The Financial Post

## President's Report to Shareholders

**T**he outstanding growth, which has been characteristic of The Pagurian Corporation Limited since it was formed as a small publishing company in 1967, was maintained in 1984. In the fiscal year ended December 31, 1984, Pagurian's gross revenues rose 77.7% to \$29.8 million from \$16.7 million, and its net earnings advanced 73.2% to \$21.8 million from \$12.6 million in the previous year. Earnings per share amounted to \$1.36 in the latest year, up 28.3% from \$1.06 on fewer shares in 1983.



As in previous years, Pagurian successfully expanded its asset base in 1984 so as to both firmly support its current activities and to provide a foundation for superior growth in 1985 and beyond. Pagurian's total assets rose 21.5% in 1984 to \$138.0 million at year end, up from \$113.6 million at the end of the previous year. Shareholders' equity kept pace, rising to \$137.3 million, up from \$102.4 million at the end of 1983. In keeping with your management's established conservative investment philosophy, The Pagurian Corporation was debt free as at December 31, 1984.

Because for accounting purposes historical costs are used in determining reported asset values, the market value of the underlying investments is not fully reflected in the enclosed financial statements. Indeed, the market value of the company's assets as at December 31, 1984, exceeded \$200 million, and is more indicative of the significant growth in value which Pagurian has achieved to date relative to the historical cost base of its total assets.

The growth and success of a financial management company, such as Pagurian, is highly dependent on the ingenuity and creative drive of both its management and directors and the management of its holdings. Your company's most recent performance is indicative of the continued presence of these traits, and a number of steps taken in 1984 should ensure superior growth into the future.

Two important undertakings made in 1984 were further investments in Hees International Corporation and the formation of The Enfield Corporation in which Pagurian has a 50% ownership interest. This latter investment was made to complement Pagurian's already established position in American Resource.

In June of 1984, Pagurian purchased a total of \$50 million of preferred shares of Hees International. In order to maintain a debt-free financial profile, \$35 million of these preferred shares were sold prior to year-end. This high quality investment further enhanced Pagurian's dividend income stream and allowed the company to equity account its interest in this outstanding financial service company. It is also indicative of the constructive working relationship which has developed between the two companies.

Just as the Hees investment is indicative of a successful longer term investment by your company, the formation of The Enfield Corporation last April was designed to give your company a major interest

in a significant operating vehicle. Enfield, in addition to providing merchant banking services, is structured to acquire controlling positions in operating companies. Its first investment, which has turned out to be highly successful, was an 89.7% ownership in The Complax Corporation, a manufacturer of specialized plastic components for the growing automotive markets for polyester-glass composites. Early in 1985, Pagurian purchased \$25 million of 10% participating preferred shares in Enfield which will further enhance Enfield's financial resources and allow it to expand its activities in the current year.

The company's other long-term investment, American Resource Corporation Limited, continues to provide Pagurian with a valuable and profitable relationship with the international capital markets.

During 1984 your company maintained its annualized dividend on its Class A and Class B shares at \$0.30 per share. The provision of a secure and rising level of dividend income, in addition to increasing the underlying net asset value without exposure to excessive financial risks, is a goal to which your company continually addresses itself. Considering the significant growth potential evident in Pagurian's investments, and the conservative financial structure with which they are maintained, it is anticipated that as the potential in earnings growth is realized during this and coming years, dividends will grow accordingly.

## REVIEW OF COMPANY OPERATIONS

In addition to Pagurian's publishing and fine art business, whose inventories should be valued at a figure significantly higher than that itemized on the balance sheet, the company's operations can be viewed as consisting of four major divisions. These include a liquid pool of investments together with significantly larger positions in a number of companies, including Hees International, Enfield Corporation and American Resource Corporation. Brief comments on each of these activities follow.

### *Portfolio Investments (100%)*

Pagurian maintains a portfolio of high quality marketable investments. These investments are heavily weighted in preferred and high yielding common shares which assure security of capital and dividend income, and although the market value of this liquid pool of capital varies from year to year, income from this division has represented a major component of Pagurian's earnings over the past few



years and is expected to do so again in the current fiscal year. The dividends received from the portfolio investments provide an important and increasing source of cash which can be utilized in further investment opportunities, in addition to providing important liquidity for the payment of dividends to Pagurian shareholders.

*Hees International Corporation (13.2%)*

Pagurian has a 13.2% equity interest and a 16.8% voting interest in Hees International. The latter is a leading Canadian financial service company which, in addition to providing corporate finance and management services to other companies, holds long term investment positions in a number of successful corporations. In the fiscal year ended December 31, 1984, Hees' revenues and net earnings rose 65.6% and 113.5%, respectively, to \$82.4 million and \$52.6 million. Over the past five years, Hees' earnings per share have grown at a compound annual rate of 29%, and the return on shareholders' equity averaged 23%. Pagurian's investment in Hees, which consists of 4 million common shares and \$15 million of Class AA Preference shares, has a market value of \$103 million as at December 31, 1984. Pagurian equity in Hees' earnings amounted to \$6.4 million in 1984.

*The Enfield Corporation Limited (50%)*

The Enfield Corporation was formed early in 1984 with Pagurian's assistance to provide merchant banking, merger and acquisition advice, and, if appropriate, perform management buyouts for its own account. Pagurian owns 50% of Enfield with the balance being equally divided between Helix Investments Limited and Enfield's management. Enfield's major investment to date is an 89.7% interest in The Complax Corporation.

The Complax Corporation is Canada's largest producer of thermoset plastic components, primarily serving the rapidly growing automotive markets for polyester-glass composites. With annual sales currently of about \$35 million, Complax is in the midst of an expansion program targetted to achieve \$100 million in sales and \$8 million of net income. In order to assist the financing of these expansion plans, Complax recently issued a \$30,000,000 8% convertible debenture to American Resource Corporation. The debenture is convertible into 1,200,000 common shares of Complax representing a 50% interest in the company.

Early in 1985 Pagurian purchased \$25 million of 10% preferred shares of Enfield, thereby significantly strengthening Enfield's financial structure. It is expected that over time Enfield will become the main operating arm of Pagurian's investments.\*

*American Resource Corporation Limited (29%)*

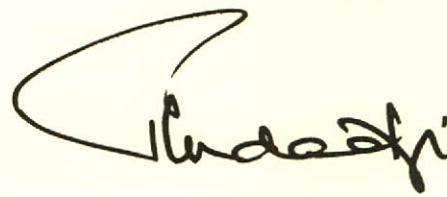
At year end, Pagurian owned 29% of American Resource Corporation Limited through its holdings of 12.8 million Class A preference shares. American Resource was founded in 1981 as an investment and financial management company based in Bermuda. Since inception, the company's assets have grown to \$84 million as at December 31, 1984.

The company's most important investment at year end was represented by a holding of 6.4 million Class A Pagurian shares held indirectly through its investment in AXE Canada Inc.\* In addition, the company had some \$30 million in cash and marketable securities on hand. Subsequent to year end these resources were used to purchase a \$30 million 8% convertible debenture in the Complax Corporation. Over time, it is planned that American Resource Corporation will serve as an invaluable investment window through which Pagurian and its shareholders can profitably participate in investment opportunities both inside and outside Canada.

Plans are currently underway for the restructuring of American Resource's holdings which will capitalize on the significant increase in the value of the company's assets in 1985. Since year end total asset value has increased from \$84,000,000 to approximately \$110,000,000.

Once again, I would like to take this opportunity to thank both the staff and shareholders for their continued loyal support. Without their help and confidence Pagurian's achievements would not have been possible.

On Behalf of the Board,



Christopher Ondaatje  
President

\*On March 11th, 1985 The Enfield Corporation Limited announced that it had purchased 6.4 million Class A shares, and 20,000 Class B special voting shares of The Pagurian Corporation Limited in a transaction valued at \$80,250,000. The purchase price was satisfied by the issue to American Resource Corporation Limited (through AXE Canada Inc.) of \$80,250,000 in Enfield Class C preferred shares, and resulted in Enfield having a 35.2 percent interest in Pagurian, which itself holds a 50.0 percent interest in Enfield.



THE PAGURIAN CORPORATION LIMITED

# Consolidated Balance Sheet

AS AT DECEMBER 31, 1984

## Assets

### Current

Cash

Receivables

Inventories

1984

1983

\$	551,067	\$	1,659,033
	335,646		95,591
	<u>1,959,964</u>		<u>1,917,215</u>
	2,846,677		3,671,839

### Long-Term Investments

—at equity (Note 3)

—at cost (market value: \$40,417,750;

1983 — \$42,085,954)

93,509,722	69,983,274
39,209,652	37,469,060

### Fixed Assets (Note 4)

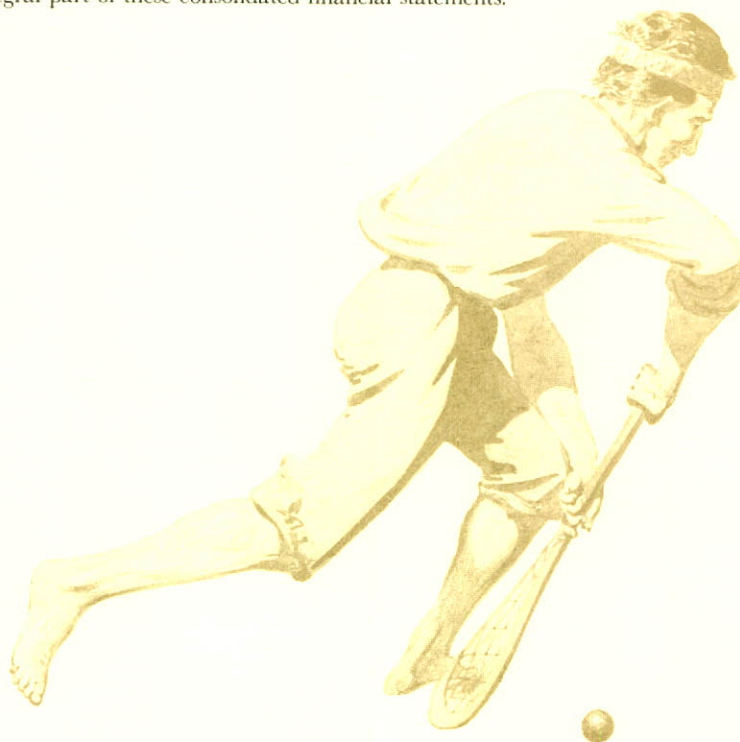
741,191	751,020
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### Goodwill — at cost less accumulated

amortization of \$357,631; 1983 — \$307,791

<u>1,672,569</u>	<u>1,722,409</u>
<u>\$137,979,811</u>	<u>\$113,597,602</u>

The accompanying notes form an integral part of these consolidated financial statements.





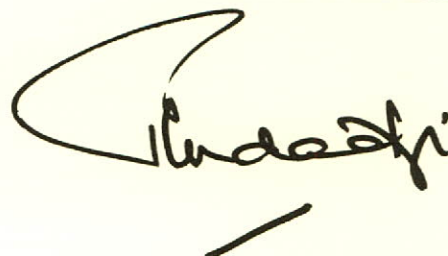
## Liabilities

	1984	1983
Current		
Bank loan	\$ —	\$ 9,954,131
Accounts payable and other liabilities	577,052	569,860
Income taxes payable	50,051	590,680
	<u>627,103</u>	<u>11,114,671</u>
Deferred Income Taxes	<u>48,800</u>	<u>47,500</u>

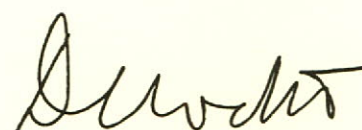
## Shareholders' Equity

Capital Stock (Note 5)	89,860,882	72,010,882
Retained Earnings	<u>47,443,026</u>	<u>30,424,549</u>
	<u>137,303,908</u>	<u>102,435,431</u>
	<u>\$137,979,811</u>	<u>\$113,597,602</u>

On Behalf of the Board



Christopher Ondaatje  
Director



Donald C. Webster  
Director



THE PAGURIAN CORPORATION LIMITED

# Consolidated Statement of Earnings

FOR THE YEAR ENDED DECEMBER 31, 1984

	1984	1983
Income		
Publishing and fine art	\$ 305,592	\$ 184,748
Gain on investments	16,315,717	11,844,053
Dividends, interest and other	6,114,083	3,450,983
Equity in net earnings of other companies	<u>7,025,024</u>	<u>1,269,195</u>
	<u>29,760,416</u>	<u>16,748,979</u>
Expenses		
Costs and expenses exclusive of undernoted items	1,923,855	1,366,151
Depreciation and amortization	84,140	82,180
Interest	<u>3,832,734</u>	<u>189,786</u>
	<u>5,840,729</u>	<u>1,638,117</u>
Earnings before income taxes	<u>23,919,687</u>	<u>15,110,862</u>
Income taxes		
Current	2,121,718	2,496,271
Deferred	<u>1,300</u>	<u>31,000</u>
	<u>2,123,018</u>	<u>2,527,271</u>
Net earnings for the year	<u>\$21,796,669</u>	<u>\$12,583,591</u>
Earnings per class A and class B special share (Note 6)	<u>\$ 1.36</u>	<u>\$ 1.06</u>

The accompanying notes form an integral part of these consolidated financial statements.





THE PAGURIAN CORPORATION LIMITED

# Consolidated Statement of Retained Earnings

FOR THE YEAR ENDED DECEMBER 31, 1984

	1984	1983
Balance — beginning of year	\$30,424,549	\$20,829,255
Add:		
Net earnings for the year	<u>21,796,669</u>	<u>12,583,591</u>
	52,221,218	33,412,846
Deduct:		
Dividends paid	<u>4,778,192</u>	<u>2,988,297</u>
Balance — end of year	<u>\$47,443,026</u>	<u>\$30,424,549</u>

THE PAGURIAN CORPORATION LIMITED

# Consolidated Statement of Changes in Financial Position

FOR THE YEAR ENDED DECEMBER 31, 1984

	1984	1983
Source of funds		
Operations:		
Net earnings for the year	\$ 21,796,669	\$12,583,591
Items not representing a current flow of funds:		
Deferred income taxes	1,300	31,000
Depreciation and amortization	84,140	82,180
Equity earnings, net of dividends received	(3,690,024)	(1,269,195)
Gain on investments	<u>(16,315,717)</u>	<u>(11,844,053)</u>
	1,876,368	(416,477)
Net proceeds from issue of capital stock	17,850,000	33,780,571
Proceeds on disposal of long-term investments	<u>59,128,766</u>	<u>65,311,614</u>
	<u>78,855,134</u>	<u>98,675,708</u>
Use of funds		
Acquisition of long-term marketable securities	46,190,065	55,687,255
Investment in long-term equity investments	18,200,000	48,919,524
Dividends paid	4,778,192	2,988,297
Purchase of fixed assets	<u>24,471</u>	<u>4,499</u>
	<u>69,192,728</u>	<u>107,599,575</u>
Increase (decrease) in working capital	9,662,406	(8,923,867)
Working capital (deficiency) — beginning of year	<u>(7,442,832)</u>	<u>1,481,035</u>
Working capital (deficiency) — end of year	<u>\$ 2,219,574</u>	<u>\$ (7,442,832)</u>

The accompanying notes form an integral part of these consolidated financial statements.

# Notes to Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 1984

## 1. Summary of Significant Accounting Policies

### (a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all subsidiary companies.

### (b) Translation of Foreign Currencies

Foreign currencies are translated into Canadian dollars as follows:

- (i) cash, receivables and payables at year-end exchange rates;
- (ii) purchases and sales of investments, income and expenses at the rates of exchange prevailing on the respective dates of such transactions; and
- (iii) the resulting gains or losses are included in net earnings.

### (c) Inventories

Inventories are valued at the lower of cost and net realizable value with cost determined by specific item.

### (d) Long-Term Investments

Investments in common and participating shares of companies in which the Company has significant influence are accounted for by the equity method.

The Company carries its investment in preferred shares and other long-term marketable securities at cost.

### (e) Fixed Assets

Fixed assets are depreciated on the diminishing balance method at the following annual rates:

Automobile	— 30%
Building	— 5%
Office furnishings	— 20%

### (f) Goodwill

The excess of the purchase price of businesses over the Company's interest in the fair value of the net assets acquired is being amortized on a straight-line basis over 40 years.

### (g) Income Taxes

Deferred income taxes are provided for income and expense items reported for tax purposes in different periods than for financial purposes.

## 2. Investment in Long-Term Investments

### (a) Investment in American Resource Corporation Limited

As at December 31, 1984, the Company owned a 29.1% equity interest in American Resource Corporation Limited and the latter, indirectly through AXE Canada Inc., owned a 35.3% equity interest in the Company resulting in the Company having a pro-rata interest of 10.3% in its own shares.

Accordingly, a pro-rata portion of the dividends paid by the Company during the year had the effect of increasing the Company's investment in American Resource Corporation Limited by the amount of \$699,024.

### (b) Investment in The Enfield Corporation Limited

On April 6, 1984, the Company acquired a 50% equity interest in a new financial services company, The Enfield Corporation Limited, for \$3,200,000 cash. Enfield's 89.7% subsidiary is engaged in the composite moulding business.

## 3. Long-Term Investments

Investments in companies accounted for by the equity method are as follows:

	1984	1983
Hees International Corporation		
— common shares, at equity	\$51,156,000	\$15,000,000
— preferred shares, at cost	15,000,000	—
American Resource Corporation Limited		
— Class A participating shares, at equity	20,451,722	24,983,274
The Enfield Corporation Limited		
— common shares, at equity	602,000	—
— preferred shares, at cost	3,000,000	—
	<u>\$93,509,722</u>	<u>\$69,983,274</u>



#### 4. Fixed Assets

	1984		1983	
	Cost	Accumulated Depreciation	Net	Net
Automobile	\$ 15,831	\$ 4,750	\$ 11,081	\$ —
Building	462,727	83,484	379,243	391,562
Land	312,500	—	312,500	312,500
Office furnishings	99,234	60,867	38,367	46,958
	<u>\$890,292</u>	<u>\$149,101</u>	<u>\$741,191</u>	<u>\$751,020</u>

#### 5. Capital Stock

##### (a) Authorized — Shares

1984	1983	
200,000	200,000	5% Class B non-cumulative, voting, preference shares, redeemable at 1/10¢ each, without par value
24,831,000	24,821,000	Class A non-voting shares, without par value
169,000	179,000	Class B special, voting shares, convertible on a one for one basis into Class A non-voting shares, without par value
100	100	Common shares, without par value

##### (b) The issued capital of the Company changed during the year as follows:

- (i) 1,700,000 Class A non-voting shares were issued under a private placement for cash of \$17,850,000.
- (ii) 10,000 Class B special voting shares were converted into 10,000 Class A non-voting shares.

##### (c) Issued — Shares

1984	1983		1984	Amount 1983
200,000	200,000	5% Class B preference shares	\$ 200	\$ 200
18,078,634	16,368,634	Class A shares	89,844,669	71,993,719
169,000	179,000	Class B special shares	16,013	16,963
			<u>\$89,860,882</u>	<u>\$72,010,882</u>

#### 6. Earnings Per Share

For calculation of earnings per share the number of total shares outstanding is reduced by the Company's proportionate interest in its shares indirectly held by American Resource Corporation Limited through AXE Canada Inc. Earnings per share are based on the weighted average number of Class A and Class B special shares outstanding during the year, which in 1984 was 16,063,577 (1983 — 11,897,272).

#### 7. Additional Information

##### (a) Income Taxes

The income tax expense of \$2,123,018 represents an effective tax rate of 8.9%. This rate differs from the combined federal and provincial tax rate of 51% since reported dividend income is received tax-free, one-half of capital gains are taxable and equity in net earnings of other companies is non-taxable.

##### (b) Related Party Transactions

In the normal course of business, management and consulting fees of \$1,264,900 were paid to directors and companies controlled by directors (1983 — \$801,300).

##### (c) Segmented Information

The Company operates primarily in one business segment, which is the holding of long-term investments and equity accounting those investments in which the Company has significant influence.

THE PAGURIAN CORPORATION LIMITED  
(and Predecessor Companies Including  
Pagurian Press Limited)

# Statistical Review of Operations

AUGUST 17, 1967 TO DECEMBER 31, 1984

	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
Publishing and fine art							
Revenue	\$29,321	\$49,095	\$43,592	\$73,165	\$79,738	\$194,197	\$213,424
Direct expenses	24,820	35,773	22,866	50,043	54,755	126,600	141,277
Gross profit	<u>4,501</u>	<u>13,322</u>	<u>20,726</u>	<u>23,122</u>	<u>24,983</u>	<u>67,597</u>	<u>72,147</u>
Marketable investments							
Realized gains		5,432	11,583	21,965	18,726	12,826	
Dividend and interest income	87	1,034	1,006	4,818	4,844	875	5,139
	87	6,466	12,589	26,783	23,570	13,701	5,139
Interest expense			110	60	133		
	87	6,466	12,479	26,723	23,437	13,701	5,139
	4,588	19,788	33,205	49,845	48,420	81,298	77,286
Administrative expenses	658	2,374	4,949	5,873	7,061	12,504	22,627
	3,930	17,414	28,256	43,972	41,359	68,794	54,659
Income taxes	1,244	4,700	6,700	12,300	8,800	21,777	14,858
	<u>2,686</u>	<u>12,714</u>	<u>21,556</u>	<u>31,672</u>	<u>32,559</u>	<u>47,017</u>	<u>39,801</u>
Equity in net earnings							
Greywood Publishing			17,078	(4,578)	963	(415)	(25,631)
Modern Canadian Library						25,973	39,424
Black Photo Corp.							
Westdale Oil & Gas							
American Resource Corp.							
Hees International							
Enfield Corporation							
Net earnings for the year	<u>\$2,686</u>	<u>\$12,714</u>	<u>\$38,634</u>	<u>\$27,094</u>	<u>\$33,522</u>	<u>\$72,575</u>	<u>\$53,594</u>



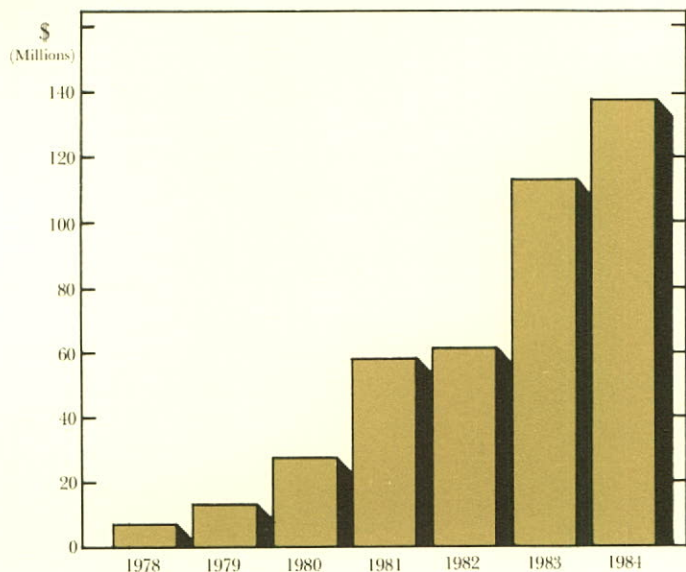


<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
\$420,823	\$472,774	\$788,729	\$771,539	\$838,038	\$399,286	\$225,156	\$568,423	\$306,519	\$184,748	\$305,592
306,323	371,749	551,123	572,749	706,270	250,106	153,152	328,554	214,119	182,552	244,059
114,500	101,025	237,606	198,790	131,768	149,180	72,004	239,869	92,400	2,196	61,533
15,384	60,627	186,869	622,512	934,055	1,725,349	3,959,636	8,789,464	3,714,178	11,844,053	16,315,717
28,348	36,883	143,626	152,202	346,269	165,630	730,763	4,149,513	2,958,066	3,450,983	6,114,083
43,732	97,510	330,495	774,714	1,280,324	1,890,979	4,690,399	12,938,977	6,672,244	15,295,036	22,429,800
		69,548	73,022	130,114	242,940	435,927	1,000,000		189,786	3,832,734
43,732	97,510	260,947	701,692	1,150,210	1,648,039	4,254,472	11,938,977	6,672,244	15,105,250	18,597,066
158,232	198,535	498,553	900,482	1,281,978	1,797,219	4,326,476	12,178,846	6,764,644	15,107,446	18,658,599
70,193	84,177	165,491	239,116	263,713	230,160	219,275	435,055	897,104	1,265,779	1,763,936
88,039	114,358	333,062	661,366	1,018,265	1,567,059	4,107,201	11,743,791	5,867,540	13,841,667	16,894,663
26,606	35,543	75,230	(12,168)	(45,276)	201,646	898,577	3,451,447	1,086,966	2,527,271	2,123,018
61,433	78,815	257,832	673,534	1,063,541	1,365,413	3,208,624	8,292,344	4,780,574	11,314,396	14,771,645
5,583										
673	36,706									
					723,632	1,341,417	152,209			
							135,994	14,995		
							372,972	2,121,335	1,269,195	173,024
										6,400,000
										452,000
<u>\$67,689</u>	<u>\$115,521</u>	<u>\$257,832</u>	<u>\$673,534</u>	<u>\$1,063,541</u>	<u>\$2,089,045</u>	<u>\$4,550,041</u>	<u>\$8,953,519</u>	<u>\$6,916,904</u>	<u>\$12,583,591</u>	<u>\$21,796,669</u>

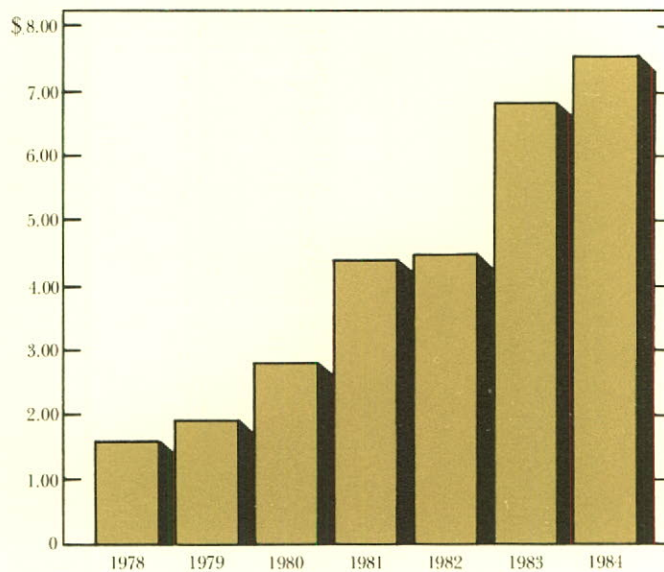
# THE PAGURIAN CORPORATION LIMITED

## Seven-Year Growth Record

### TOTAL ASSETS

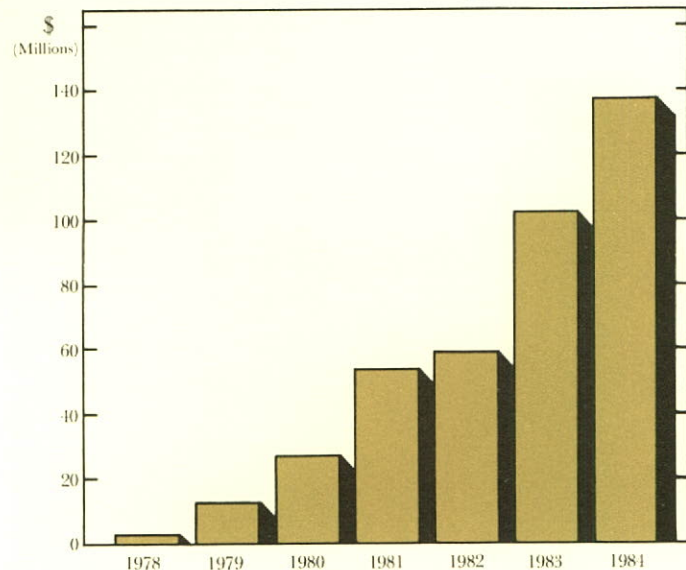


### ASSETS/SHARE\*

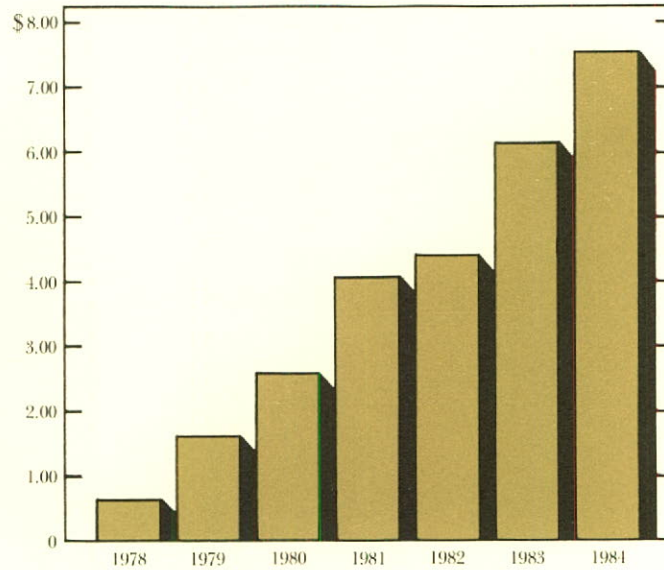


\*Based on outstanding shares.

### SHAREHOLDERS' EQUITY

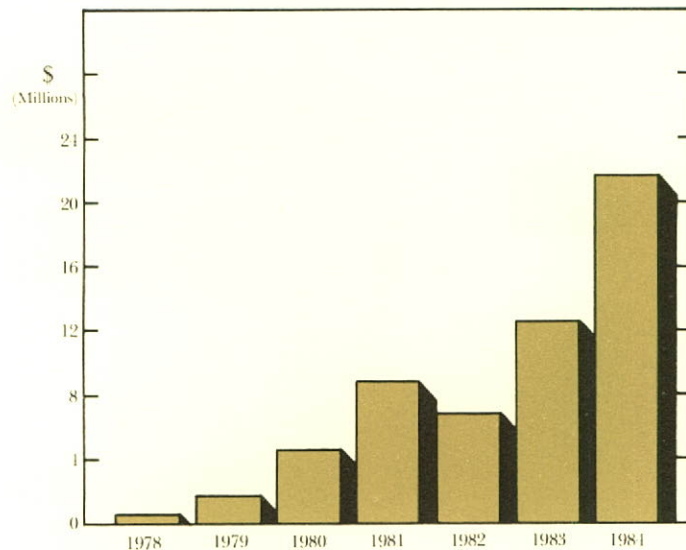


### EQUITY/SHARE\*

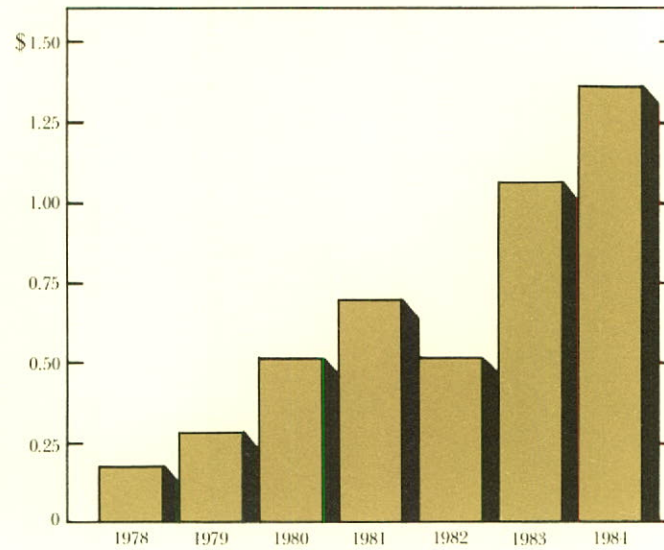


\*Based on outstanding shares.

### NET EARNINGS



### EARNINGS PER SHARE\*\*



\*\* Based on weighted average number of shares.



THE PAGURIAN CORPORATION LIMITED

PROXY SOLICITED BY MANAGEMENT

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

May 16, 1985

The undersigned holder of Class A (non-voting) shares without par value of THE PAGURIAN CORPORATION LIMITED (the "Company") hereby appoints Christopher Ondaatje, of Toronto, Ontario, or failing him John M. Judson, of Toronto, Ontario or instead of either of the foregoing ..... of ..... as the nominee of the undersigned to attend and act for the undersigned and on behalf of the undersigned at the annual and special meeting of the shareholders of the Company to be held on the 16th day of May, 1985 and at any adjournment or adjournments thereof in the same manner, to the same extent as if the undersigned were present at the said meeting or any adjournment or adjournments thereof and without limiting the general power and authority granted hereby the undersigned hereby specifies that such shares registered in the name of the undersigned shall be voted as follows:

\_\_\_\_\_ VOTED FOR or \_\_\_\_\_ VOTED AGAINST or if no choice is specified VOTED FOR confirmation of the special resolution to subdivide the number of issued and unissued Class A (non-voting) shares described in item 2 of the Notice calling the meeting.

The shares represented by this proxy will be voted and where a choice is specified the shares shall be voted in accordance with the specification so made. Where no choice is specified the shares so represented will be voted for the matters referred to above.

If any amendment or variation to the matter on which this proxy is to be voted is proposed at the meeting, this proxy confers discretionary authority to vote on any such amendment or variation according to the best judgment of the person voting the proxy at the meeting.

DATED the \_\_\_\_\_ day of \_\_\_\_\_, 1985.

\_\_\_\_\_  
Signature of Shareholder

\_\_\_\_\_  
Print Name of Shareholder

(See Notes on reverse side)

NOTES:

1. The form of proxy must be dated and signed by the appointor or his attorney authorized in writing or, if the appointor is a body corporate, the form of proxy must be executed under its corporate seal or by an officer or attorney thereof duly authorized.
2. A shareholder has the right to appoint a person, who need not be a shareholder, as his nominee to attend and act for him at the meeting. To exercise such right the shareholder should strike out the names of the persons designated above and insert the name of the nominee in the blank space provided for that purpose.



# THE PAGURIAN CORPORATION LIMITED

## NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

TAKE NOTICE THAT an Annual and Special Meeting of the Shareholders of THE PAGURIAN CORPORATION LIMITED (the "Company") will be held at 13 Hazelton Avenue, Toronto, Ontario, on Thursday, the 16th day of May, 1985 at the hour of 11:00 o'clock in the forenoon (Toronto Time) for the following purposes:

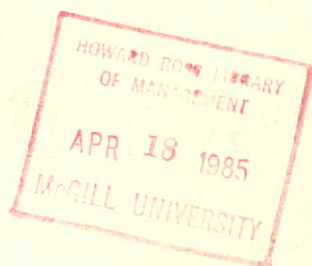
1. To receive and consider the financial statements of the Company for the year ended December 31, 1984;
2. To consider and, if thought fit, pass a special resolution authorizing the amendment of the articles of the Company to subdivide the issued and unissued Class A (non-voting) shares, the issued Class "B" preference shares and the issued Class B special shares of the Company on the basis of 2 such Class A (non-voting) shares, Class "B" preference shares and Class B special shares for each issued and unissued Class A (non-voting) share, issued Class "B" preference share and issued Class B special share;
3. To consider and, if thought fit, pass a special resolution authorizing the amendment of the articles of the Company to provide that the number of directors of the Company shall consist of a minimum of 5 directors and a maximum of 10 directors;
4. To elect directors;
5. To appoint auditors;
6. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

An Information Circular accompanies this notice. Copies of the special resolutions referred to in item 2 and item 3 of this Notice are annexed as Schedule "A" and Schedule "B", respectively, to such Information Circular and are incorporated herein by reference.

The holders of the outstanding Class "B" preference shares and Class B special shares of the Company are entitled to vote on all matters which come before the meeting. Holders of Class A (non-voting) shares are entitled to vote only on the special resolution referred to in item 2 of this notice respecting the subdivision of the Class A (non-voting) shares. Holders of Class A (non-voting shares), Class "B" preference shares and Class B special shares have a right of dissent under the Business Corporations Act, 1982 of Ontario with respect to the special resolution referred to in item 2 of this notice. Such right of dissent is described in the Information Circular which accompanies this notice. Shareholders who are unable to attend the meeting are requested to date, sign and return the enclosed Form of Proxy to the Company at 13 Hazelton Avenue, Toronto, Ontario M5R 2E1.

DATED the 16th day of April, 1985.

By order of the Board  
J.M. Judson, Q.C.  
Secretary







# THE PAGURIAN CORPORATION LIMITED

## INFORMATION CIRCULAR

### SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of proxies by the Management of THE PAGURIAN CORPORATION LIMITED (the "Company") for use at the Annual and Special Meeting of the Shareholders to be held on Thursday, the 16th day of May, 1985, and at any adjournment or adjournments thereof.

The cost of solicitation will be borne by the Company. The solicitation will be primarily by mail, but proxies may also be solicited by regular employees of the Company. No remuneration will be paid to any person for soliciting proxies, but the Company may, upon request, pay to certain brokerage firms, fiduciaries or other persons holding shares in their names for others the charges entailed for sending out Forms of Proxy to the persons for whom they hold shares.

### APPOINTMENT AND REVOCATION OF PROXIES

The persons named as nominees in the enclosed Form of Proxy are Directors and/or Officers of the Company.

A shareholder has the right to appoint a person, who need not be a shareholder, as his nominee to attend and act for him and on his behalf at the meeting other than the persons designated in the enclosed Form of Proxy. Such right may be exercised by striking out the names of the persons designated in the enclosed Form of Proxy and by inserting in the blank space provided for that purpose the name of the desired person or by completing another proper Form of Proxy and, in either case delivering the completed Proxy to the address of the Company set forth in the accompanying notice of meeting, prior to the time of the said meeting or any adjournment thereof.

### EXERCISE OF DISCRETION AND VOTING BY PROXIES

The shares represented by the enclosed Form of Proxy will be voted and where a choice is specified the shares will be voted in accordance with the specification so made.

If any amendment or variation to the matters identified in the notice of meeting is proposed at the meeting, or if any other matters properly come before the meeting, the enclosed Form of Proxy confers discretionary authority to vote on such amendments or variations or such other matters according to the best judgment of the person voting such Proxy at the meeting.

At the time of printing this Circular the Management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.



### VOTING SHARES

The only classes of shares entitled to vote on all matters to come before the meeting are the Class "B" preference shares and the Class B special shares. At the date hereof 200,000 Class "B" preference shares and 169,000 Class B special shares are issued and outstanding. Each such shareholder present in person is entitled to one vote on a show of hands and upon a poll each such shareholder present in person or represented by proxy shall have one vote for each share held by him.

To the knowledge of the Directors and Senior Officers of the Company, the only persons or corporations who or which own voting shares carrying more than 10% of the voting rights attached to all voting shares of the Company are Christopher Ondaatje, the President of the Company, who owns 200,000 (100%) of the outstanding Class "B" preference shares, The South East Asia Plantation Company Limited, a company controlled by Christopher Ondaatje, which owns 112,000 (66%) of the outstanding Class B special shares and The Enfield Corporation Limited, which owns 20,000 (12%) of the outstanding Class B shares. Under applicable legislation Christopher Ondaatje is deemed to be the indirect beneficial owner of the said 112,000 Class B shares owned by The South East Asia Plantation Company Limited.

The holders of the Class A (non-voting) shares without par value are not by their terms generally entitled to any vote at meetings of the shareholders of the Company. The holders of the Class A (non-voting) shares are however entitled to vote as a class on the special resolution amending the articles of the Company to provide that the number of issued and unissued Class A (non-voting) shares be subdivided on the basis of two such Class A (non-voting) shares for each issued and unissued Class A (non-voting) share, which resolution is set forth in full in Schedule "A" to this Information Circular. At the date hereof 19,078,634 Class A (non-voting) shares are issued and outstanding. Each holder of Class A (non-voting) shares present in person is entitled to one vote on a show of hands and upon a poll each such shareholder present in person or represented by proxy shall have one vote for each Class A (non-voting) share held by him.

Under applicable securities legislation in Canada the holders of the Class A (non-voting) shares are not entitled to participate in any take over bid for the Class B special shares.

To the knowledge of the Directors and Senior Officers of the Company, the only person or corporation who or which owns more than 10% of the outstanding Class A (non-voting) shares is The Enfield Corporation Limited which owns 6,400,000 (34%) of the outstanding Class A shares.

### ELECTION OF DIRECTORS

The following are the names of persons for whom it is intended that votes will be cast for their election as directors pursuant to the proxy which is hereby solicited. The term of office for each such person will be until the next annual meeting or until his successor is elected or appointed. In the event that prior



to the meeting any vacancies occur in the slate of nominees submitted below, it is intended that discretionary authority shall be exercised to vote the proxy hereby solicited for the election of any other person or persons as directors. The Management is not now aware that any of such nominees would be unwilling to serve as a director if elected.

<u>Name and present principal occupation</u>	<u>Position with the Company</u>	<u>Period of service as a director</u>	<u>Approximate number of voting shares of the Corporation beneficially owned, directly or indirectly, or controlled or directed</u>
*Christopher Ondaatje Executive, Loewen, Ondaatje, McCutcheon & Company Limited (Securities Dealer)	President and Director	Since October 28, 1975	1,900,000 Class A shares 200,000 Class "B" preference shares 112,000 Class B shares
R.A.N. Bonnycastle Chairman, Cavendish Investing Limited (Investment Company)	Director	Since March 14, 1979	-
*M.F.B. Nesbitt President, Montrose Investment Co. Ltd. (Investment Company)	Director	Since March 14, 1979	177,806 Class A shares 2,000 Class B shares
*D.C. Webster President, Helix Investments Limited (Investment Company)	Director	Since February 28, 1978	600,039 Class A shares 20,000 Class B shares
Michael F. Blair President, The Enfield Corporation Limited (Investment Company)	Director	Since February 15, 1985	-
Pierre L. Moussa Chairman, Pallas Group (Investment Company)	-	-	-

\* Member of the audit committee.

During the past five years each of the directors and officers has held the principal occupation set forth under his name other than Michael F. Blair, who prior

to April 6, 1984 was Vice President Corporate Development, and prior to that Manager Division Strategic Planning Operation, of Canadian General Electric Company Limited (Manufacturing Company), and Pierre L. Moussa, who prior to August, 1983 was Chairman, Finance and Development Inc. (Finance Company), and prior to November, 1982 was Chairman and Chief Executive Officer of Banque de Paribas (Commercial Bank) and Compagnie Financiere Paribas (Finance Company).

### APPOINTMENT OF AUDITORS

It is intended to vote the proxy solicited hereby to appoint the firm of Smith, Nixon & Co. as auditors of the Company to hold office until the next annual meeting of shareholders.

### DIRECTORS' AND OFFICERS' REMUNERATION FROM THE CORPORATION AND ITS SUBSIDIARIES FOR THE YEAR ENDED DECEMBER 31, 1984

	Nature of Remuneration		
	Aggregate Remuneration	Pension Benefits	Other
<b>DIRECTORS (Five)</b>			
(A) From parent and wholly-owned subsidiaries	\$ 6,000.00	Nil	Nil
(B) From partially-owned subsidiaries	Nil	Nil	Nil
<b>FIVE SENIOR OFFICERS</b>			
(A) From parent and wholly-owned subsidiaries	\$110,478.00	Nil	Nil
(B) From partially-owned subsidiaries	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>
<b>TOTALS</b>	<u>\$116,478.00</u>	<u>Nil</u>	<u>Nil</u>

Mr. Christopher Ondaatje, the President and a director of the Corporation, is entitled to receive an annual fee for management and consulting services equal to 5% of the pre-tax profits of the Company with a minimum payment of \$35,000. Such fee was in the amount of \$1,258,900 for the year ended December 31, 1984.



### INTEREST IN MATERIAL TRANSACTIONS

On March 25, 1985, Mr. Christopher Ondaatje purchased by way of private placement from the Company 1,000,000 Class A (non-voting) shares of the Company at the price of \$11.58 per share. Mr. Ondaatje is a director, officer and shareholder of the Company.

Pursuant to an agreement (the "agreement") dated March 8, 1985 between the Company and Pallas Group ("Pallas") the Company sold to Pallas 5,000,000 Class A preference shares of American Resource Corporation Limited ("ARC") for the purchase price of \$15,000,000. In connection with this transaction the Company issued to Pallas a share purchase warrant entitling Pallas to purchase up to 1,000,000 Class A (non-voting) shares of the Company at \$15.00 per share at any time and from time to time until March 31, 1987. Pursuant to the agreement the Company granted to Pallas an option to purchase 3,400,000 Class A preference shares of ARC at a purchase price of \$10,000,000 exercisable until May 31, 1985. If the option is exercised, the Company will issue to Pallas an additional share purchase warrant entitling Pallas to purchase up to 500,000 Class A (non-voting) shares of the Company at \$15.00 per share at any time and from time to time until March 31, 1987. Pursuant to the agreement the Company and Pallas have agreed to form a jointly owned company (the "new company") to carry on investment management activities. The new company will purchase from the Company approximately 4,600,000 Class A preference shares of ARC at \$3.00 per share. On completion of this purchase, the Company has agreed to issue to the new company a share purchase warrant entitling the new company to purchase up to 500,000 Class A (non-voting) shares of the Company at \$15.00 per share at any time and from time to time until March 31, 1987. Mr. Pierre Moussa, a nominee for election as a director of the Company, is a director, officer and shareholder of Pallas.

### SPECIAL BUSINESS OF THE MEETING

Holders of Class A (non-voting) shares, Class "B" preference shares and Class B special shares are being asked to pass a special resolution authorizing the amendment of the articles of the Company to subdivide the issued and unissued Class A (non-voting) shares, the issued Class "B" preference shares and the issued Class B special shares of the Company on the basis of 2 such Class A (non-voting) shares, Class "B" preference shares and Class B special shares of the Company for each Class A (non-voting) share, Class "B" preference share and Class B special share, respectively, outstanding. The purpose of the amendment is to encourage improved market liquidity for the Class A (non-voting) shares.

Holders of Class "B" preference shares and Class B special shares are also being asked to pass a special resolution authorizing the amendment of the articles of the Company to provide that the number of directors of the Company shall consist of a minimum of 5 directors and a maximum of 10 directors. The purpose of the amendment is to permit flexibility in fixing the number of directors of the Company from time to time without necessity of a further special resolution of shareholders or the filing of articles of amendment of the Company. If such special resolution is passed the directors of the Company will be empowered to determine the number of directors from time to time within such minimum and maximum number of directors.



In order to become effective the amendment referred to above to amend the articles of the Company to subdivide the issued and unissued Class A (non-voting) shares, the issued Class "B" preference shares and the issued Class B special shares must be authorized by 66-2/3% of the votes cast at the meeting by the holders of the Class A (non-voting) shares, by 66-2/3% of the votes cast at the meeting by the holders of Class "B" preference shares, by 66-2/3% of the votes cast at the meeting by the holders of the Class B special shares and by 66-2/3% of the combined votes cast at the meeting by the holders of the Class "B" preference shares and the Class B special shares. The amendment referred to above to amend the articles of the Company to provide for a minimum and maximum number of directors must be authorized by 66-2/3% of the combined votes cast at the meeting by the holders of Class "B" preference shares and Class B special shares.

Pursuant to Section 184 of the Business Corporations Act, 1982 of Ontario (the "Act"), a holder of Class A (non-voting) shares, Class "B" preference shares or Class B special shares has a right to dissent in respect of the proposed amendment to the articles of the Company to subdivide the number of such shares issued and outstanding by following the procedures set forth in said Section 184. A dissenting shareholder who complies with these procedures is entitled to be paid the fair value of his shares by the Company if the Company brings the proposed amendment into effect notwithstanding the dissent. A shareholder who wishes to dissent must send the Company a written notice of his dissent to the proposed amendment at or before the meeting. Thereafter the Company is required to notify the dissenting shareholder if the amendment is adopted. After receipt of this notice from the Company the dissenting shareholder must within 20 days send the Company a further written notice of dissent containing certain information specified in the Act and within 30 days surrender his share certificates to the Company or its transfer agent. The foregoing is only a summary of certain provisions of the Act and as a dissenting shareholder must comply strictly with the provisions of the Act, a shareholder who wishes to dissent should obtain legal advice concerning the exercise of his rights.

#### GENERAL

The Management knows of no matters to come before the meeting other than the matters referred to in the notice of the meeting. However, if any other matters which are not now known to the Management should properly come before the meeting, the proxy will be voted on such matters in accordance with the best judgment of the person voting the proxy.

The contents of this Information Circular and its distribution to the shareholders of the Company have been approved by the board of directors of the Company.

DATED: April 16, 1985.

"Christopher Ondaatje"  
President



## SCHEDULE "A"

### THE PAGURIAN CORPORATION LIMITED

#### BE IT RESOLVED THAT:

1. The articles of the Corporation be amended to provide that the issued and outstanding 19,078.634 Class A (non-voting) shares, 200,000 Class "B" preference shares and 169,000 Class B special shares in the capital of the Corporation be subdivided, on the basis of two Class A (non-voting) shares, Class "B" preference shares and Class B special shares, respectively, for each such issued and outstanding Class A (non-voting) share, Class "B" preference share and Class B special share, into 38,157,268 Class A (non-voting) shares, 400,000 Class "B" preference shares and 338,000 Class B special shares, respectively.
2. The articles of the Corporation be amended to provide that the unissued 5,752,366 Class A (non-voting) shares in the capital of the Corporation be subdivided into 11,504,732 unissued Class A (non-voting) shares in the capital of the Corporation.
3. The directors and proper officers of the Corporation and each of them be and are hereby authorized to, for and on behalf and in the name of the Corporation, do or cause to be done all acts and things and make, execute, deliver and/or file or cause to be made, executed, delivered and/or filed all agreements, instruments, applications, share certificates and other documents, including without limitation the making of an application for additional listing to The Toronto Stock Exchange and the filing of articles of amendment with the Ministry of Consumer and Commercial Relations for Ontario, as may be necessary or expedient in connection with the subdivision of shares and amendments of the articles of the Corporation hereby authorized and to effect the intent of this resolution.
4. The directors of the Corporation may revoke this resolution pursuant to subsection 167(2) of the Business Corporations Act, 1982 (the "Act") without further approval of the shareholders of the Corporation at any time prior to the endorsement by the Director under the Act of a certificate of amendment of articles in respect of the amendment authorized by this resolution.





## SCHEDULE "B"

### THE PAGURIAN CORPORATION LIMITED

#### BE IT RESOLVED THAT:

1. The articles of the Corporation be amended to provide that the number of directors of the Corporation shall consist of a minimum of five (5) directors and a maximum of ten (10) directors, and the directors of the Corporation from time to time be and are hereby authorized to determine the number of directors of the Corporation by resolution from time to time within such minimum and maximum number of directors.
2. The articles of the Corporation be further amended to provide that a quorum of the directors at any meeting of directors of the Corporation shall be two-fifths of the number of directors elected to office by the shareholders or, if two-fifths of such number shall not be a whole number, then the next highest whole number of directors elected to office shall constitute a quorum at any meeting of directors.
3. All by-laws of the Corporation in force at the date hereof and inconsistent with this resolution or anything provided herein be and the same are hereby repealed.
4. The directors and proper officers of the Corporation and each of them be and are hereby authorized to, for and on behalf and in the name of the Corporation, do or cause to be done all acts and things and make, execute, deliver and/or file or cause to be made, executed, delivered and/or filed all agreements, instruments, applications, share certificates and other documents, including without limitation the filing of articles of amendment with the Ministry of Consumer and Commercial Relations for Ontario, as may be necessary or expedient in connection with the change of number and quorum of directors and amendments of the articles of the Corporation hereby authorized and to effect the intent of this resolution.
5. The directors of the Corporation may revoke this resolution pursuant to subsection 167(2) of the Business Corporations Act, 1982 without further approval of the shareholders of the Corporation at any time prior to the endorsement by the Director of a certificate of amendment of articles in respect of the amendment authorized by this resolution.





# Auditors' Report

To the Shareholders of  
The Pagurian Corporation Limited

We have examined the consolidated balance sheet of The Pagurian Corporation Limited as at December 31, 1984 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

February 8, 1985  
Toronto, Canada

Smith, Nixon & Co.  
Chartered Accountants





