

**CHURCHILL FALLS (LABRADOR)  
CORPORATION LIMITED**

and

*Twin Falls Power Corporation Limited*

**Financial Statements**

for the year ended  
December 31, 1979

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**CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED**

## OFFICERS

Chairman and Chief Executive Officer  
VICTOR L. YOUNG, B. Comm., M.B.A.

President  
BRIAN C. McGRATH, P. Eng.

Corporate Secretary  
SIDNEY W. BUTLER

Controller and Chief Financial Officer  
R. ANDREW GRANT, C.A.

Treasurer  
GEORGE N. GRAY, F.I.C.B.

## DIRECTORS

ROBERT A. BOYD, Eng.  
Montreal, Quebec  
President  
Hydro-Quebec

ROLAND GIROUX  
Montreal, Quebec  
Chairman of the Board  
Consolidated Bathurst Inc.

JAMES J. GREENE, Q.C.  
St. John's, Newfoundland  
Partner  
O'Dea, Greene, & Puddester

DAVID W. MERCER, B.A., M.A.  
St. John's, Newfoundland  
Vice-President, Corporate Planning  
Newfoundland and Labrador Hydro

BRIAN C. McGRATH, P. Eng.  
St. John's, Newfoundland  
President  
Churchill Falls (Labrador) Corporation Limited

VICTOR L. YOUNG, B. Comm., M.B.A.  
St. John's, Newfoundland  
Chairman and Chief Executive Officer  
Churchill Falls (Labrador) Corporation Limited  
Newfoundland and Labrador Hydro  
Chairman  
Lower Churchill Development Corporation Limited

HEAD AND CORPORATE OFFICE  
50 Elizabeth Avenue  
St. John's, Newfoundland  
A1A 2X9



Peat, Marwick, Mitchell & Co.

Chartered Accountants

Viking Building  
Crosbie Road  
St. John's, Newfoundland A1B 3K3  
(709) 722-5593

### Auditors' Report to the Shareholders

We have examined the balance sheet of Churchill Falls (Labrador) Corporation Limited as at December 31, 1979 and the statements of income and 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 financial statements present fairly the financial position of the company as at December 31, 1979 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.

*Peat, Marwick, Mitchell & Co*  
Chartered Accountants

St. John's, Newfoundland  
Canada

February 8, 1980



# CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED

## Balance Sheet December 31, 1979 with comparative figures for 1978

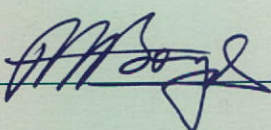
Assets	1979 (000)	1978 (000)
Fixed assets (Note 2)		
Property, plant and equipment .....	\$800,160	808,415
Current assets		
Cash and short-term deposits .....	31,185	32,483
Receivables and accrued interest .....	16,187	14,254
Due from affiliates .....	338	3,535
Supplies and prepaid expenses .....	<u>4,613</u>	<u>4,562</u>
	52,323	54,834
Investment in Twin Falls Power Corporation Limited (Note 3) .....	2,948	2,869
Unamortized debt discount and financing expenses .....	6,028	6,303
	<u>\$861,459</u>	<u>872,421</u>

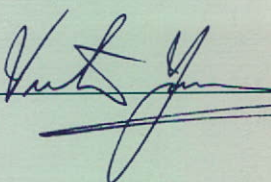
**Liabilities and Shareholders' Equity**

	1979 (000)	1978 (000)
Long-term debt (Note 4) .....	\$614,909	629,160
Current liabilities		
Accounts payable and accrued liabilities .....	5,771	5,195
Royalty and rental due to the Province of Newfoundland (Note 9 (d)) .....	5,549	5,741
Long-term debt due within one year .....	<u>16,000</u>	<u>16,000</u>
	27,320	26,936
Shareholders' equity		
Share capital (Note 5) .....	82,900	82,900
Retained earnings (Note 6) .....	<u>136,330</u>	<u>133,425</u>
	219,230	216,325
	<u>\$861,459</u>	<u>872,421</u>

*See accompanying notes*

On behalf of the Board:

Signed  \_\_\_\_\_ Director

Signed  \_\_\_\_\_ Director



# CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED

## Statement of Income and Retained Earnings Year ended December 31, 1979

with comparative figures for 1978

	1979 (000)	1978 (000)
Revenue		
Sales of power (Note 7) .....	\$ 97,278	98,982
Rental of rights and facilities to Twin Falls Power Corporation Limited .....	735	735
Equity in net income of Twin Falls Power Corporation Limited for the year (Note 3) .....	<u>991</u>	<u>941</u>
Total revenue .....	<u>99,004</u>	<u>100,658</u>
Expenses		
Operation and corporate .....	13,250	12,617
Horsepower royalty and Newfoundland rental (Note 9 (d)) .....	5,549	5,780
Interest (Note 8) .....	32,072	34,147
Depreciation .....	<u>13,156</u>	<u>13,079</u>
Total expenses .....	<u>64,027</u>	<u>65,623</u>
Net income for the year .....	34,977	35,035
Retained earnings at beginning of year .....	133,425	125,376
Transfer of provision for insurance .....	<u>—</u>	<u>2,360</u>
	168,402	162,771
Dividends (Note 6) .....	<u>32,072</u>	<u>29,346</u>
Retained earnings at end of year .....	<u>\$136,330</u>	<u>133,425</u>

See accompanying notes





# CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED

## Statement of Changes in Financial Position Year ended December 31, 1979

with comparative figures for 1978

	1979 (000)	1978 (000)
Funds provided		
From operations		
Net income .....	\$ 34,977	35,035
Add (deduct) items not requiring (providing) working capital		
Amortization of debt discount and financing expenses .....	275	273
Depreciation .....	13,156	12,657
Equity in net income of Twin Falls Power Corporation Limited for the year .....	<u>(991)</u>	<u>(941)</u>
Funds provided from operations .....	47,417	47,024
Dividends from Twin Falls Power Corporation Limited .....	<u>912</u>	<u>1,015</u>
Total funds provided .....	<u>48,329</u>	<u>48,039</u>
Funds applied		
Additions to fixed assets .....	4,901	5,042
Long-term debt becoming current .....	14,251	13,117
Dividends .....	32,072	29,346
Financing expenses .....	<u>—</u>	<u>64</u>
Total funds applied .....	<u>51,224</u>	<u>47,569</u>
(Decrease) increase in working capital .....	(2,895)	470
Working capital at beginning of year .....	<u>27,898</u>	<u>27,428</u>
Working capital at end of year .....	<u>\$ 25,003</u>	<u>27,898</u>

See accompanying notes



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# CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED

## Notes to Financial Statements December 31, 1979

Churchill Falls (Labrador) Corporation Limited ("Churchill Falls") incorporated under the laws of Canada has completed and commissioned a hydro-electric generating plant and related transmission facilities situated in Labrador and having a rated capacity of 5,225 megawatts ("Project"). A power contract with Quebec Hydro-Electric Commission dated May 12, 1969 ("Power Contract") provides for the sale of substantially all of the power from the Project for an initial period expiring in the year 2016 with an option of renewal for a further period of 25 years. Churchill Falls qualifies for exemption from payment of income taxes under Section 149(1)(d) of the Income Tax Act.

### 1. Summary of Significant Accounting Policies

The accounting policies followed by Churchill Falls are in accordance with generally accepted accounting principles in Canada.

#### Investment in Shares of Twin Falls Power Corporation Limited

Churchill Falls owns voting control (66 2/3%) of Twin Falls Power Corporation Limited ("Twin Falls"). However, such shares represent only a 33 1/3% interest in the equity of Twin Falls.

In view of the fact that the equity interest in Twin Falls is 33 1/3% and as the principal assets and the credit resources of Twin Falls cannot be transferred to Churchill Falls, consolidation is not considered appropriate and the investment is carried on an equity basis.

#### Depreciation and Amortization

- (a) Churchill Falls provides depreciation at a rate of 1 1/2% per annum on a straight-line basis on property, plant and equipment.
- (b) Debt discount and financing expenses are being amortized on a straight-line basis over the estimated term of the First Mortgage Bonds.

#### Foreign Currencies

The accounts in foreign currencies are stated in Canadian dollars on the following bases:

- (a) Current assets and current liabilities, exclusive of current portions of long-term debt, at the rate of exchange prevailing at the balance sheet date.
- (b) Long-term debt at the proceeds realized in Canadian dollars. No recognition is given in the accounts to unrealized gains or losses.
- (c) All other assets and any related depreciation at rates in effect at the time of each transaction.
- (d) Gains or losses arising on the translation or conversion to foreign currencies are included with interest in the statement of income.

#### Insurance

Churchill Falls has adopted the policy of appropriating a portion of retained earnings as a reserve for self insurance of risks for direct damage to assets and related loss of revenue with respect to deductibles stipulated in its insurance policies.

## 2. Fixed Assets

	1979 (000)	1978 (000)
Property, plant and equipment, at cost .....	\$879,944	875,452
Less accumulated depreciation .....	<u>79,784</u>	<u>67,037</u>
	<u>\$800,160</u>	<u>808,415</u>

These assets of Churchill Falls are pledged as security for long-term debt.

## 3. Investment in Twin Falls

	1979 (000)	1978 (000)
Shares, at cost .....	\$ 2,500	2,500
Equity in retained earnings at beginning of year .....	\$ 369	443
Equity in net income for the year .....	<u>991</u>	<u>941</u>
	<u>1,360</u>	<u>1,384</u>
Dividends for the year .....	<u>912</u>	<u>1,015</u>
	<u>\$ 2,948</u>	<u>369</u>
		<u>2,869</u>

## 4. Long-Term Debt

Details of long-term debt at December 31 after deduction of amounts due within one year are as follows:

	1979 (000)	1978 (000)
First Mortgage Bonds		
7¼% Series A due December 15, 2007		
\$458,800,000 U.S. (1978 - \$469,700,000 U.S.) .....	\$471,006	482,178
7½% Series B due December 15, 2007 .....	45,903	46,982
General Mortgage Bonds		
7½% due three years after latest maturity of any First Mortgage Bonds .....	<u>98,000</u>	<u>100,000</u>
	<u>\$614,909</u>	<u>629,160</u>

### First Mortgage Bonds

The First Mortgage Bonds Series A are carried in the accounts at the proceeds realized in Canadian dollars. The Series A and Series B bonds are repayable in fixed semi-annual and in contingent annual sinking fund instalments which commenced June 1978.

### General Mortgage Bonds

The Deed of Trust and Mortgage securing the General Mortgage Bonds provides for semi-annual sinking fund payments which commence in June 1980. Each payment will be an amount equal to 1% of the aggregate principal amount outstanding on January 1 preceding each payment date. These bonds are subordinate to the First Mortgage Bonds.

### Repayment of Long-Term Debt

Due to the contingent nature of the amounts of certain of the sinking fund instalments it is not possible to be precise concerning long-term debt repayments over the next five years, but these, if made in accordance with sinking fund provisions applicable to Churchill Falls as a taxable corporation, are estimated to be \$16,000,000 in 1980 and \$17,000,000 in each of the years 1981 to 1984 inclusive.

Based on the exchange rates in effect at December 31, 1979 the approximate amount required to discharge U.S. dollar debt obligations recorded in the accounts in Canadian dollars as \$483,800,000 after giving effect to foreign exchange cost sharing arrangements provided for in the Power Contract, would be \$499,000,000.

### 5. Share Capital

The share capital of Churchill Falls as at December 31, 1979 and 1978 is summarized below:

	Shares	Amount (000)
Common shares without nominal or par value		
Authorized .....	10,000,000	
Issued and fully paid .....	8,759,999	\$82,900
Preferred shares with a par value of \$1 each		
Authorized, issued and fully paid .....	3	—

There are restrictions on the issue of additional shares without the approval of the holders of at least 75% of the outstanding common shares.

The preferred shares are divided into three classes and the dividends thereon, which rank *pari passu* but ahead of dividends on common shares are as follows:

The Class A Cumulative Preferred Shareholder is entitled to dividend payments to August 31, 2016, calculated as the amount equal to the income taxes which would have been received by the Province of Newfoundland should Churchill Falls become exigible for income taxes.

The Class B Redeemable Cumulative Preferred Shareholder is entitled to dividends equal to the Additional Quebec Interest Subsidy Payment, as defined, during the life of the First Mortgage Bonds.

The Class C Redeemable Cumulative Preferred Shareholder is entitled to dividends equal to the Additional Newfoundland Interest Subsidy Payment, as defined, during the life of the First Mortgage Bonds.

### 6. Retained Earnings

Under the terms of the long-term debt instruments, Churchill Falls may pay cash dividends only out of earnings, as defined, accumulated from September 1, 1976. At December 31, 1979 the amount of retained earnings available for cash dividends was \$3,494,000 (1978 - \$11,180,000). Subsequent to December 31, 1979 the Directors declared a dividend on the common shares amounting to \$3,241,000.

In the event that Churchill Falls was to no longer qualify for income tax exemption, deferred income taxes would have to be reinstated. At December 31, 1979 such deferred income taxes amounted to approximately \$17,900,000 (1978 - \$21,000,000).

At December 31, 1979 \$1,300,000 (1978 - \$1,400,000) of the retained earnings has been appropriated as a reserve for self insurance.

## 7. Sales of Power

Sales of power under the Power Contract have been recorded at mill rates based on an estimate of the Final Capital Cost of the Project, as defined, and are subject to adjustment when such cost is determined. It is not anticipated that such adjustment will result in a decrease in recorded sales.

## 8. Interest

An analysis of interest and amortization of debt discount and financing expenses is as follows:

	1979 (000)	1978 (000)
Gross interest .....	\$ <u>55,807</u>	<u>56,960</u>
Less: Interest income .....	4,647	3,744
Recovered from power customers (a) .....	<u>19,363</u>	<u>19,342</u>
	<u>24,010</u>	<u>23,086</u>
Net interest expense .....	31,797	33,874
Amortization of debt discount and financing expenses .....	<u>275</u>	<u>273</u>
	\$ <u>32,072</u>	<u>34,147</u>

- (a) Churchill Falls recovers the difference between interest calculated at the rates prescribed in the Power Contract and interest paid on its long-term debt together with a portion of the difference between actual exchange rates prevailing at the time of the interest payments and the Weighted Average Exchange Rate as defined in the Power Contract.

## 9. Commitments and Contingencies

- (a) Proceedings have been instituted by Churchill Falls against contractors for damages resulting from the reduction in revenue due to premature failure of certain generating units. Settlement of this matter is currently under negotiation.
- (b) Churchill Falls is defending a legal action in connection with a request by the Government of Newfoundland for the supply by Churchill Falls of 800 megawatts of power commencing in 1983. It is not possible at this time to indicate the outcome of this legal proceeding.
- (c) Proceedings have been instituted by Churchill Falls against its Insurers for damages to the Lobstick Control Structure. It is not possible at this time to indicate the outcome of these legal proceedings.
- (d) Under the terms of the Churchill Falls (Labrador) Corporation Limited (Lease) Act, 1961, and amendments thereto Churchill Falls has entered into a 99-year lease covering the water power potential of the Upper Churchill watershed and is required to pay an annual rental of 8% of the consolidated net profits before income taxes, as defined, and an annual royalty of 50 cents per horsepower year generated, as defined.
- (e) Under the terms of a sublease with Twin Falls, expiring on December 31, 1989, with a 25-year renewal option under certain conditions, Churchill Falls is required to deliver to Twin Falls, at an agreed price, horsepower equivalent to the installed horsepower of the Twin Falls plant and to maintain in good working order Twin Falls plant and equipment.

10. *Remuneration of Directors and Officers*

The aggregate remuneration to persons who served as directors and officers of Churchill Falls at any time during the year was as follows:

	<b>Number</b>	<b>Aggregate Remuneration</b>
Directors - 1979	7	\$ 8,000
- 1978	12	49,000
Officers - 1979	7 (Directors - 3)	184,000
- 1978	6 (Directors - 3)	160,000

In 1979 one officer and three directors of Churchill Falls served without remuneration. At December 31, 1979 there were six directors and five officers.

Twin Falls Power Corporation Limited

# Twin Falls Power Corporation Limited

## OFFICERS

President

BRIAN C. McGRATH, P. Eng.

Vice-President, Finance

R. ANDREW GRANT, C.A.

Secretary

FRANK A. WRIGHT, LL.B., F.C.I.S.

Treasurer

GEORGE N. GRAY, F.I.C.B.

## DIRECTORS

FRANK H. CARTER

Montreal, Quebec

General Solicitor

Pickands, Mather & Company

RICHARD GEREN

Sept Iles, Quebec

Executive Vice-President

Iron Ore Company of Canada

R. ANDREW GRANT, C.A.

St. John's, Newfoundland

Controller and Chief Financial Officer

Churchill Falls (Labrador) Corporation Limited

MAUREEN P. GREENE, B.A., LL.B., LL.M.

St. John's, Newfoundland

Legal Counsel

Churchill Falls (Labrador) Corporation Limited

LAWRENCE A. HALSEY

Montreal, Quebec

Assistant Secretary

Iron Ore Company of Canada

GARLAND JENNINGS

Churchill Falls, Labrador

Newfoundland

Manager of Operations

Churchill Falls (Labrador) Corporation Limited

BRIAN C. McGRATH, P. Eng.

St. John's, Newfoundland

President

Churchill Falls (Labrador) Corporation Limited

WALTER PASCHER

Churchill Falls, Labrador

Newfoundland

Plant Manager

Churchill Falls (Labrador) Corporation Limited

HENRY P. WHALEY

Cleveland, Ohio, U.S.A.

Vice-President, Operations

Pickands, Mather & Company

HEAD OFFICE

50 Elizabeth Avenue

St. John's, Newfoundland

A1A 2X9





Peat, Marwick, Mitchell & Co.

Chartered Accountants

Viking Building  
Crosbie Road  
St. John's, Newfoundland A1B 3K3  
(709) 722-5593

### Auditors' Report to the Shareholders

We have examined the balance sheet of Twin Falls Power Corporation Limited as at December 31, 1979 and the statements of income and 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 financial statements present fairly the financial position of the company as at December 31, 1979, 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.

*Peat, Marwick, Mitchell & Co.*

Chartered Accountants

St. John's, Newfoundland  
Canada

February 8, 1980

# Twin Falls Power Corporation Limited

## Balance Sheet December 31, 1979

with comparative figures for 1978

Assets	1979 (000)	1978 (000)
Fixed assets (Note 2)		
Plant and equipment .....	\$ 35,741	37,608
Current assets		
Cash and short-term deposits .....	13,231	13,508
Receivables - trade .....	535	1,007
Due from affiliate .....	<u>—</u>	<u>1,000</u>
	13,766	15,515
	<u>\$ 49,507</u>	<u>53,123</u>



# Twin Falls Power Corporation Limited

## Statement of Income and Retained Earnings Year ended December 31, 1979

with comparative figures for 1978

	1979 (000)	1978 (000)
Revenue		
Sales of power .....	\$ <u>9,414</u>	<u>9,385</u>
Expenses		
Cost of power (Note 5) .....	1,872	1,846
Interest on long-term debt .....	1,417	1,558
Depreciation .....	<u>1,939</u>	<u>1,937</u>
Total expenses .....	<u>5,228</u>	<u>5,341</u>
	4,186	4,044
Interest income .....	<u>1,562</u>	<u>1,325</u>
Income before income taxes .....	<u>5,748</u>	<u>5,369</u>
Income taxes - Current .....	3,385	3,017
- Deferred .....	<u>(609)</u>	<u>(473)</u>
	<u>2,776</u>	<u>2,544</u>
Net income for the year .....	2,972	2,825
Retained earnings at beginning of year .....	<u>1,109</u>	<u>1,329</u>
	4,081	4,154
Dividends (Note 3) .....	<u>2,738</u>	<u>3,045</u>
Retained earnings at end of year .....	\$ <u><u>1,343</u></u>	<u><u>1,109</u></u>

See accompanying notes

# Twin Falls Power Corporation Limited

## Statement of Changes in Financial Position Year ended December 31, 1979

with comparative figures for 1978

	1979 (000)	1978 (000)
Funds provided		
Net income .....	\$ 2,972	2,825
Add (deduct) items not requiring (providing) working capital		
Depreciation .....	1,939	1,937
Deferred income taxes .....	(609)	(473)
Total funds provided .....	<u>4,302</u>	<u>4,289</u>
Funds applied		
Long-term debt becoming current .....	2,782	2,633
Additions to fixed assets .....	72	22
Dividends .....	<u>2,738</u>	<u>3,045</u>
Total funds applied .....	<u>5,592</u>	<u>5,700</u>
Decrease in working capital .....	(1,290)	(1,411)
Working capital at beginning of year .....	<u>11,757</u>	<u>13,168</u>
Working capital at end of year .....	<u>\$ 10,467</u>	<u>11,757</u>

*See accompanying notes*

# Twin Falls Power Corporation Limited

## Notes to Financial Statements December 31, 1979

Twin Falls Power Corporation Limited ("Twin Falls") is incorporated under the laws of Canada and has developed a 225 megawatt hydro-electric generating plant on the Unknown River in Labrador. The plant has been inoperative since 1974 (refer to Note 5).

### 1. Summary of Significant Accounting Policies

The accounting policies followed by Twin Falls are in accordance with generally accepted accounting principles in Canada.

#### Depreciation

- (a) Plant and related equipment is depreciated using the straight-line method at a rate of 3% per annum.
- (b) Other furniture and equipment is depreciated using the straight-line method at a rate of 10% per annum.

#### Foreign Currencies

All accounts in foreign currencies are stated in Canadian dollars at the exchange rate in effect at the balance sheet dates except for those accounts relating to the First Mortgage Bonds which are carried in the accounts at the proceeds realized in Canadian dollars.

### 2. Fixed Assets

	1979 (000)	1978 (000)
Plant and equipment, at cost .....	\$ 64,876	64,804
Less accumulated depreciation .....	<u>29,135</u>	<u>27,196</u>
	<u>\$ 35,741</u>	<u>37,608</u>

### 3. Long-Term Debt

The following amounts of 5½% First Mortgage Bonds Series A due June 30, 1986, and 6¼% First Mortgage Bonds Series B due June 30, 1989, have been authorized, issued and retired by Twin Falls pursuant to the terms of the Deed of Trust and Mortgage ("Trust Deed") as amended:

	1979		1978	
	(000)	(U.S. \$000)	(000)	(U.S. \$000)
<b>Series A</b>				
Authorized .....	\$ <u>45,256</u>	<u>42,500</u>	<u>45,256</u>	<u>42,500</u>
Issued .....	<u>42,061</u>	<u>39,500</u>	<u>42,061</u>	<u>39,500</u>
Retired .....	<u>23,980</u>	<u>22,520</u>	<u>21,721</u>	<u>20,399</u>
Outstanding at December 31 .....	<u>18,081</u>	<u>16,980</u>	<u>20,340</u>	<u>19,101</u>
Due within one year .....	<u>2,384</u>	<u>2,239</u>	<u>2,259</u>	<u>2,121</u>
Long-term debt .....	<u>15,697</u>	<u>14,741</u>	<u>18,081</u>	<u>16,980</u>
<b>Series B</b>				
Authorized .....	\$ <u>10,783</u>	<u>10,000</u>	<u>10,783</u>	<u>10,000</u>
Issued .....	<u>8,626</u>	<u>8,000</u>	<u>8,626</u>	<u>8,000</u>
Retired .....	<u>3,650</u>	<u>3,385</u>	<u>3,276</u>	<u>3,038</u>
Outstanding at December 31 .....	<u>4,976</u>	<u>4,615</u>	<u>5,350</u>	<u>4,962</u>
Due within one year .....	<u>398</u>	<u>369</u>	<u>374</u>	<u>347</u>
Long-term debt .....	<u>4,578</u>	<u>4,246</u>	<u>4,976</u>	<u>4,615</u>
Total long-term debt .....	\$ <u>20,275</u>	<u>18,987</u>	<u>23,057</u>	<u>21,595</u>

The funds required to service this debt are made available in U.S. dollars under long-term power contracts without loss or gain on exchange to Twin Falls.

Estimated repayments, in U.S. dollars, of First Mortgage Bonds over the next five years are:

1980 .....	\$2,608,000
1981 .....	2,756,000
1982 .....	2,912,000
1983 .....	3,078,000
1984 .....	3,254,000

The Bonds are repayable in equal semi-annual instalments of principal and interest. The Bonds are secured by a first fixed and specific mortgage, pledge and charge on plant and equipment and long-term power and other contracts and a first floating charge on all other assets of Twin Falls. Certain restrictions are placed by the Trust Deed on the payment of dividends other than stock dividends.

#### 4. Share Capital

##### Authorized

500,000 Class A shares of the par value of \$10 each.

1,000,000 Class B shares of the par value of \$10 each.

##### Issued and fully paid

250,000 Class A shares .....	\$2,500,000
------------------------------	-------------

500,000 Class B shares .....	<u>5,000,000</u>
------------------------------	------------------

	<u>\$7,500,000</u>
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The issued Class A shares are owned by Churchill Falls (Labrador) Corporation Limited ("Churchill Falls") and the issued Class B shares are owned by the present long-term customers of Twin Falls. The Class A shares are entitled to four votes per share and the Class B shares are entitled to one vote per share but rank *pari passu* in all other respects.

#### 5. Commitments

Twin Falls has a sublease from Churchill Falls giving Twin Falls the right to develop the hydro-electric power potential of the Unknown River, a tributary of the Churchill River, at the site of the Twin Falls plant. The sublease expires December 31, 1989, but may be renewed for a term of 25 years under certain conditions, if Twin Falls so requests. Certain rights under the sublease were suspended by Churchill Falls with effect from June 30, 1974 with the result that Churchill Falls is diverting the flow of water from the Twin Falls plant and using the facilities of Twin Falls as required. In consideration for this suspension of rights, Churchill Falls is required to deliver to Twin Falls, during the unexpired term of the sublease or any renewal thereof, horsepower equivalent to the installed horsepower of the Twin Falls plant. Twin Falls is obliged to purchase this power for an amount equal to the average annual cost of operating the Twin Falls plant for the five-year period ended March 31, 1974. In addition, Twin Falls is required to pay annually to Churchill Falls a rental amounting to \$305,000 and \$1.40 per installed horsepower. Twin Falls also pays to Churchill Falls an annual royalty of 50 cents per horsepower year generated, as defined, all calculated as though the power delivered by Churchill Falls to Twin Falls had been generated in the Twin Falls plant.

#### 6. Directors and Officers

During the year Twin Falls had twelve directors and six officers including four who were both directors and officers. In 1979 and 1978 no remuneration was paid by Twin Falls to its directors and officers. At December 31, 1979 there were nine directors and four officers.









