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S. B. McLAUGHLIN ASSOCIATES LIMITED

Offer

to the holders of outstanding shares without par value, share purchase warrants
and 7½% Unsecured Convertible Sinking Fund Debentures of

The Caledon Mountain Estates Limited

This Offer is not conditional upon McLaughlin obtaining any specified number of
the securities which are the subject of this Offer.

The formal Offer is set forth on pages 1 and 2 herein. Copies hereof and transmittal forms may be obtained from the principal office of Canada Permanent Trust Company in the Cities of Montreal, Toronto, Winnipeg, Calgary and Vancouver.

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S. B. McLAUGHLIN ASSOCIATES LIMITED

77 City Centre Drive
Mississauga, Ontario

June 9, 1972.

TO: THE HOLDERS OF OUTSTANDING SHARES WITHOUT PAR VALUE, SHARE PURCHASE WARRANTS AND
7½% UNSECURED CONVERTIBLE SINKING FUND DEBENTURES
OF THE CALEDON MOUNTAIN ESTATES LIMITED

S. B. McLaughlin Associates Limited ("McLaughlin") hereby offers to purchase, subject to the terms and conditions hereinafter set forth, from the holders thereof all the outstanding securities of The Caledon Mountain Estates Limited ("Caledon") not presently held by McLaughlin, such securities being shares without par value (the "Caledon Shares"), share purchase warrants entitling the holders thereof to purchase Caledon Shares at the price of \$5.40 per share (the "Caledon Warrants"), and 7½% Unsecured Convertible Sinking Fund Debentures (the "Caledon Debentures"), for the following consideration:

- (i) for the Caledon Shares, fully paid and non-assessable common shares without par value in the capital of McLaughlin (the "McLaughlin Shares") on the basis of 28 McLaughlin Shares for every 100 Caledon Shares;
- (ii) for the Caledon Warrants, \$1 payable in cash for every Caledon Warrant; and
- (iii) for the Caledon Debentures, 7% Convertible Subordinated Debentures (1972) due January 15, 1989 of McLaughlin (the "McLaughlin Debentures") on the basis of \$500 principal amount of McLaughlin Debentures for each \$500 principal amount of Caledon Debentures.

This Offer may be accepted by completing the enclosed Letter of Transmittal and forwarding it together with your securities to any of the addresses shown in the Letter of Transmittal.

The outstanding securities of Caledon consist of 377,060 Caledon Shares, 73,000 Caledon Warrants and \$885,500 principal amount of Caledon Debentures. As a result of recent purchases, McLaughlin presently holds 97,258 or 25.8% of the outstanding Caledon Shares and 59,500 or 81.5% of the outstanding Caledon Warrants, and now wishes by this Offer to acquire the Caledon Debentures and the remaining Caledon Shares and Caledon Warrants. By letter agreement dated May 12, 1972, an institutional investor has agreed to accept this Offer with respect to 97,259 or 25.8% of the outstanding Caledon Shares and \$345,000 principal amount or approximately 39% of the outstanding Caledon Debentures.

This Offer is subject to the following terms and conditions:

1. This Offer may be accepted by delivery to Canada Permanent Trust Company (the "Exchange Agent") at its principal office in the Cities of Halifax, Montreal, Toronto, Winnipeg, Calgary and Vancouver, of the certificate or certificates representing the Caledon Shares, Caledon Warrants or Caledon Debentures in respect of which the Offer is accepted and a Letter of Transmittal, substantially in the form accompanying this Offer, duly executed and with signature duly guaranteed as required by the instructions on the reverse side thereof.
2. This Offer shall remain open for acceptance until the close of business of the Exchange Agent on August 1, 1972, provided that McLaughlin may in its discretion extend the time for acceptance of this Offer.

3. Subject to the statutory right of withdrawal referred to in the accompanying Offering Circular McLaughlin will take up and pay for all Caledon Shares, Caledon Warrants and Caledon Debentures deposited before the termination of this Offer not later than fifteen days after the deposit thereof with the Exchange Agent with the Letter of Transmittal referred to in paragraph 1 hereof.

4. Certificates representing the McLaughlin Shares and McLaughlin Debentures to be issued in exchange for Caledon Shares and Caledon Debentures deposited hereunder shall be delivered to holders accepting this Offer or, at the option of McLaughlin, shall be forwarded by registered mail to holders accepting this Offer at their respective addresses specified in the Letters of Transmittal, or in the event that no such address is so specified, at the respective addresses of such holders as the same appear in the books of Caledon kept by its transfer agent. In the case of certificates so mailed delivery of such certificates shall be deemed to have been made to the holder concerned as soon as the letter containing the same has been mailed. Such certificates may, at the discretion of McLaughlin, be interim certificates exchangeable without cost for definitive certificates when available. The Exchange Agent will deliver to McLaughlin concurrently with the above deliveries the deposited certificates for Caledon Shares and Caledon Debentures together with the accompanying Letters of Transmittal.

5. No fractional McLaughlin Shares will be issued. If a fractional interest in a McLaughlin Share arises as a result of the acceptance of this Offer, such fractional interest will be settled by payment by cheque for such fractional interest, of an amount based upon the value of \$16.50 for each McLaughlin Share. The attributes of the McLaughlin Shares and McLaughlin Debentures are more fully described under the heading "Attributes of Securities Offered" on page 3.

6. All Ontario transfer taxes payable by reason of the acceptance of this Offer shall be paid by McLaughlin; provided that if the delivery of McLaughlin Shares or McLaughlin Debentures is to be made to an assignee of the holder of Caledon Shares or Caledon Debentures, the amount of any transfer taxes applicable to the transfer to such assignee will accompany the Letter of Transmittal.

7. This Offer and all contracts resulting from the acceptance hereof shall be interpreted in accordance with the laws of the Province of Ontario.

S. B. McLAUGHLIN ASSOCIATES LIMITED

(Signed) S. B. McLAUGHLIN
President

OFFERING CIRCULAR

ATTRIBUTES OF SECURITIES OFFERED

McLaughlin Shares

The holders of McLaughlin Shares are entitled to receive pro rata such dividends as may from time to time be declared by the board of directors of McLaughlin; are entitled to one vote per share; and are entitled upon liquidation to receive such assets of McLaughlin as are distributable to the common shareholders.

McLaughlin has not paid any dividends on any of its shares since its incorporation, and it is expected that in the foreseeable future earnings available for the payment of dividends will be retained to finance the development and expansion of McLaughlin's business, including its Mississauga City project. The payment of dividends will ultimately be determined by the board of directors of McLaughlin on the basis of earnings, financial requirements and other relevant facts.

Notwithstanding the foregoing, the Trust Indenture pursuant to which McLaughlin's 7% Convertible Subordinated Debentures due January 15, 1989 (the "7% Convertible Subordinated Debentures") were issued provides that, as long as any of such Debentures remain outstanding, McLaughlin will not pay any dividends except stock dividends. The Trust Indentures pursuant to which McLaughlin's 9½% First Mortgage Sinking Fund Bonds due April 1, 1990 and McLaughlin's 8½% Secured Debentures due April 15, 1984 were issued provide that so long as any of such Bonds or Debentures remain outstanding McLaughlin will not pay any dividends unless, after giving effect to any such action, Consolidated Shareholders' Equity would not be less than \$10,000,000. The Trust Indenture for the McLaughlin Debentures will contain a restriction on the payment of dividends as indicated on page 5 of this Offering Circular.

McLaughlin Debentures

The McLaughlin Debentures will be issued under a trust indenture (the "Trust Indenture") to be dated as of April 1, 1972 and to be entered into between McLaughlin and Canada Permanent Trust Company, as Trustee (the "Trustee"). The following is a brief summary of the material attributes and characteristics of the McLaughlin Debentures, which does not purport to be complete and is qualified in its entirety by reference to the Trust Indenture.

General

The aggregate principal amount of McLaughlin Debentures that may be issued under the Trust Indenture is limited to \$885,500. The McLaughlin Debentures will be dated April 1, 1972; will mature on January 15, 1989; and will bear interest from April 1, 1972 at the rate of 7% per annum payable half-yearly on January 15 and July 15 in each year commencing January 15, 1973. The McLaughlin Debentures will be available in fully registered form in denominations of \$500 and authorized multiples thereof and in coupon form registrable as to principal only in the denomination of \$500.

The McLaughlin Debentures will be direct obligations of McLaughlin but will not be secured by any mortgage, pledge or other charge.

Redemption and Purchase

The McLaughlin Debentures will be redeemable at the option of McLaughlin for other than sinking fund purposes in whole at any time or in part from time to time on not less than 30 days' notice at prices equal to the following percentages of the principal amount thereof together, in each case, with accrued and unpaid interest to the date fixed for redemption:

<u>If redeemed in the twelve-month period beginning January 15</u>	<u>Percentage</u>	<u>If redeemed in the twelve-month period beginning January 15</u>	<u>Percentage</u>
1972	105.80	1981	102.20
1973	105.40	1982	101.80
1974	105.00	1983	101.50
1975	104.60	1984	101.20
1976	104.20	1985	100.90
1977	103.80	1986	100.60
1978	103.40	1987	100.30
1979	103.00	1988	100.00
1980	102.60		

McLaughlin will have the right, at any time and from time to time, to purchase McLaughlin Debentures in the open market or by tender or private contract at prices not exceeding the foregoing redemption price thereof applicable at the time of purchase, plus costs of purchase.

Sinking Fund

McLaughlin will covenant in the Trust Indenture to pay to the Trustee, as and by way of a sinking fund for the McLaughlin Debentures, an amount sufficient to retire on January 15 in each of the years 1980 to 1988 inclusive, 10% of the principal amount of McLaughlin Debentures outstanding at the close of business on January 15, 1973. The McLaughlin Debentures will be redeemable out of sinking fund moneys at the principal amount thereof plus accrued and unpaid interest to the date fixed for redemption. McLaughlin Debentures redeemed for other than sinking fund purposes or purchased by McLaughlin and converted McLaughlin Debentures will establish a sinking fund credit equal to the principal amount thereof which may be applied to the satisfaction in whole or in part of future sinking fund obligations.

Conversion Privilege

Each McLaughlin Debenture will be convertible at the holder's option at any time up to the close of business on January 15, 1979 or the business day immediately preceding the date fixed for redemption of such McLaughlin Debenture, whichever is earlier, into fully paid and non-assessable McLaughlin Shares as presently constituted (without adjustment for interest accrued on such McLaughlin Debenture or dividends on common shares issuable upon conversion) on the basis of 50 common shares for each \$1,000 principal amount of McLaughlin Debentures, being equivalent to a conversion price of \$20 per common share.

The Trust Indenture will contain provisions to the effect that the conversion rate will be subject to adjustment in the event of subdivision, consolidation, reclassification or change of the common shares into a different number or kind of shares and provisions to protect the right of conversion in the event of any capital reorganization of McLaughlin, or the consolidation, merger or amalgamation of McLaughlin with or into another corporation or the sale of substantially all the assets of McLaughlin. McLaughlin will covenant in the Trust Indenture that it will at all times reserve a sufficient number of its unissued shares to satisfy the exercise of the right of conversion attaching to the McLaughlin Debentures.

Subordination

The payment of the principal of and interest and premium, if any, on the McLaughlin Debentures will be subordinated in right of payment to the prior payment in full of all Senior Indebtedness, whether outstanding on the date of the Indenture or thereafter incurred.

Senior Indebtedness will comprise the principal of and interest and premium, if any, on (a) indebtedness (other than indebtedness evidenced by the McLaughlin Debentures and the 7% Convertible Subordinated Debentures) for money borrowed by McLaughlin or for money borrowed by others for the payment of which McLaughlin is responsible or liable, (b) indebtedness created, incurred, assumed or guaranteed by McLaughlin in connection with the acquisition by it or by others of any businesses, properties or other assets, and (c) renewals, extensions and refundings of any such indebtedness, unless in any of the cases specified in (a), (b) or (c) above it is provided by the terms of the instrument creating or evidencing such indebtedness that

such indebtedness or such incurring, assumption or guarantee thereof ranks pari passu with or is subordinate in right of payment to the McLaughlin Debentures.

Upon any distribution of the assets of McLaughlin on or in connection with any partial or total liquidation or any reorganization or insolvency of McLaughlin, the holders of all Senior Indebtedness will be entitled to receive payment in full before the holders of the McLaughlin Debentures are entitled to receive any payment. Notwithstanding the subordination provisions (a) McLaughlin may at any time, except during the pendency of any such liquidation, reorganization or insolvency and except when any Senior Indebtedness is in default (subject, however, to the right to complete purchases or redemption of McLaughlin Debentures initiated before such default), make payments of principal and interest and premium, if any, on the McLaughlin Debentures, and (b) the Trustee may apply any moneys deposited with it to the payment of the principal of and interest and premium, if any, on the McLaughlin Debentures.

Dividend Restriction

McLaughlin will covenant in the Trust Indenture that, so long as any McLaughlin Debentures remain outstanding, it will not make any payment or distribution to its shareholders or any of them by way of dividend in cash or in specie or by way of purchase, redemption or reduction of capital or by payment of tax on undistributed surplus under Section 196 of the Income Tax Act (Canada) or any section or provision amending the said Section 196 or substituted therefor; provided that the prohibition of this covenant will not apply to (i) the declaration, payment or distribution of stock dividends, or (ii) any payment or distribution by way of purchase, redemption or reduction of capital if made out of the proceeds of an issue of shares by McLaughlin made concurrently with or prior to such purchase, redemption or reduction.

Modification

The rights of the McLaughlin Debentureholders under the Trust Indenture may be modified. For that purpose, among others, the Trust Indenture will contain provisions for the holding of meetings of McLaughlin Debentureholders and for rendering resolutions passed at such meetings, and instruments in writing signed, by the holders of 66 $\frac{2}{3}$ % or more of the principal amount of the McLaughlin Debentures binding upon all McLaughlin Debentureholders, subject to the provisions of the Trust Indenture.

HOLDINGS OF CALEDON SECURITIES

At the date hereof, McLaughlin beneficially owns 97,258 Caledon Shares and 59,500 Caledon Warrants. These securities were purchased by McLaughlin directly and through nominees on the dates and for the purchase prices indicated below:

<u>Number and Class of Securities</u>	<u>Purchase Dates</u>	<u>Purchase Prices</u>
24,183 Caledon Shares	December 30, 1971	\$3.81 per share
27,350 Caledon Shares	February 8, 1972	\$5.06 per share
35,000 Caledon Shares	March 1, 1972	\$3.74 per share
6,825 Caledon Shares	April 14, 1972	\$5.06 per share
3,900 Caledon Shares	May 8, 1972	\$4.84 per share
59,500 Caledon Warrants	May 10, 1972	\$1.00 per warrant

Except as referred to above, to the knowledge of McLaughlin and its directors and senior officers, (a) at the date hereof, no Caledon Shares, Caledon Warrants or Caledon Debentures are beneficially owned, directly or indirectly, by McLaughlin, by any associate of McLaughlin, by any director or senior officer of McLaughlin or by any of their associates, or by any person or company who beneficially owns, directly or indirectly, McLaughlin Shares carrying more than 10% of the voting rights attached to all the McLaughlin Shares for the time being outstanding, and (b) in the seven month period preceding the date hereof, no Caledon Shares, Caledon Warrants or Caledon Debentures were traded by any of the persons referred to in (a) above.

MARKET PRICE RANGE AND VOLUME OF TRADING

The following is a summary of the market price range in dollars per share of the aggregate volume of trading of McLaughlin Shares on The Toronto Stock Exchange and of Caledon Shares in the Ontario over the counter market (OTC) in each of the seven months preceding the date of the Offer:

	McLaughlin Shares			Caledon Shares		
	High	Low	Volume	High	Low	Volume (1)
November.....	13½	11⅜	57,300	3½	3¼	16,854
December.....	11	9¼	7,700	5⅛	3½	416,260
January.....	15¼	13¾	82,200	5¼	4¾	101,751
February.....	16¾	15½	59,100	5⅛	4¾	28,678
March.....	17¾	15½	56,500	4½	4	2,500
April.....	17¾	15	36,300	5	4½	19,050
May.....	17½	15⅜	47,704	5	4½	6,125

(1) OTC Volume Definition—The volume consists of all client transactions (buys and sells) plus one-half of inter-dealer trades as reported by the Investment Dealers' Association of Canada.

MARKET PURCHASES

McLaughlin reserves the right to purchase Caledon Shares, Caledon Warrants or Caledon Debentures in the market.

ARRANGEMENTS BETWEEN McLAUGHLIN AND CALEDON

No arrangement or agreement has been made or is proposed to be made between McLaughlin and any of the directors or senior officers of Caledon, nor is any payment or any other benefit proposed to be made or given by way of compensating for loss of office or as to their remaining in or retiring from office.

MATERIAL CHANGES

There is no other information known or available to McLaughlin that indicates any material change in the financial position or prospects of Caledon or of McLaughlin since the respective dates of the last published interim or annual financial statements of Caledon or McLaughlin.

INFORMATION REGARDING McLAUGHLIN

McLaughlin was incorporated under the laws of the Province of Ontario by letters patent dated September 23, 1957, and was converted to a public company by supplementary letters patent dated October 28, 1968. McLaughlin's head office and principal place of business is located at 77 City Centre Drive, Mississauga, Ontario.

McLaughlin conducts its real estate business directly and through 13 wholly owned and two partially owned subsidiaries, and has an interest in an associated company engaged in the business referred to under the subheading "Other Interests". Unless the context otherwise requires, references to "McLaughlin" or the "McLaughlin Group" include McLaughlin and its subsidiaries.

Business of McLaughlin

Land Development

The McLaughlin Group is engaged in a range of real estate activities which include the development of residential, commercial and industrial properties for sale or to be retained by McLaughlin in its portfolio of rental properties.

McLaughlin commenced business by acquiring property in the Town of Mississauga in 1957. Since that time, the McLaughlin Group has extended its property holdings in that municipality so that it presently owns approximately 2,900 acres and has the right to acquire through agreements or options to purchase approximately 450 acres. In 1966, the McLaughlin Group acquired a land assembly in the Town of Georgetown. Although the development of this property has been substantially completed, McLaughlin retains approximately 398 acres and a 50% interest in approximately 628 acres of land in and about the Town of Georgetown held for future development.

The principal activities of McLaughlin during the next few years will be directed towards the development of its Mississauga and Georgetown properties. It is anticipated, however, that with the continuing development of Mississauga City Centre, the portfolio of rental properties held by McLaughlin will become a more significant part of the activities of the McLaughlin Group.

McLaughlin's business of land development initially involves the assembly of a block of land suitable for development. Once the assembly has been completed, plans are prepared to subdivide the land wholly or in varying combinations into residential lots, apartment sites, industrial areas and commercial areas. Generally a development agreement is entered into with the local municipality setting forth the basis for development. Such plans are then submitted to bodies such as The Ontario Water Resources Commission and The Ontario Department of Highways, following which they are presented to the Department of Municipal Affairs and the Ontario Municipal Board for approval within the framework of development for the Province and the municipality or planning area concerned. Prior to the registration of a plan of subdivision, McLaughlin will prepare specifications for services and facilities such as watermains, storm and sanitary sewers, paved roads and sidewalks. The installation of these services generally commences immediately after registration of the plan of subdivision at McLaughlin's expense.

Once the plan has been processed to the stage where it appears that the necessary approvals will be granted, the McLaughlin Group develops plans for the sale of lots, the construction of residential units, and the development of rental properties.

McLaughlin commences to sell registered residential lots to builders and other developers as soon as the plan of subdivision has been registered. Under land sale agreements, McLaughlin typically receives not less than 15% cash down payment upon entering into the agreement with the balance payable as construction by builders on individual lots reaches specified stages of completion, but in any event not later than within two years. In addition, McLaughlin operates a construction division which builds residential dwelling units on some of these lots. The building plans are prepared in accordance with local building codes, mortgage lenders' requirements and market demand. Dwelling units are normally sold to individual buyers with a cash down payment and the assumption of a mortgage loan arranged by McLaughlin with a financial institution. Under mortgage loan arrangements made by McLaughlin, it is entitled to draw certain amounts on commitments as construction of the individual units reaches specified stages of completion.

Certain registered subdivision plans contain parcels designated for industrial and commercial use. McLaughlin may sell these parcels to other builders and developers or retain such properties for future development.

Other Interests

McLaughlin owns 49% of the outstanding common shares of Mississauga City Real Estate Limited, a real estate brokerage firm established to sell and lease the Company's properties, including residential dwelling units constructed by McLaughlin.

Mississauga City Development

Town of Mississauga

The substantial portion of the land holdings of the McLaughlin Group are located in the Town of Mississauga.

The Town of Mississauga comprises an area of 70,634 acres in Peel County extending north from Lake Ontario to the Town of Brampton and adjacent to the western boundary of Metropolitan Toronto. The

population of Mississauga is currently estimated at 155,000 persons and it is one of the fastest growing urban areas in Canada.

The Town of Mississauga is served by four major highways. In addition, Ontario's highway expansion program includes a major expressway link between Hamilton and Toronto, to be known as Highway 403, which will cross the town between existing east-west highways. The Toronto International Airport is located in the northeast section of the Town. Two main railway lines link Mississauga with other communities in southwestern Ontario and provide track facilities for the GO Transit system.

On May 8, 1972 the Canada Post Office announced detailed plans for a multi-million dollar Bulk-Mail Facility and Letter Processing Plant to be built in Mississauga near Toronto International Airport on lands purchased from McLaughlin. Construction of this facility is due to commence in the summer of 1972.

The Town, in conjunction with the Ontario Water Resources Commission, has developed and planned extensions to its water and sewerage systems in anticipation of the rapid population growth expected to take place in future years.

Under the Ontario Government's regional development plan, "Design for Development: The Toronto-Centred Region", Mississauga was designated as one of three future major regional urban centres along the lakeshore urbanized area extending from Hamilton to Oshawa along Lake Ontario.

Development Plan

On November 25, 1968, McLaughlin and the Town of Mississauga entered into a development agreement setting out the basis of the development of the properties of McLaughlin in the Town of Mississauga in accordance with land use plans for the area. Under the agreement, McLaughlin may develop 400 acres of land assessed for residential purposes for each 120 acres of land assessed for industrial and commercial use, and McLaughlin has undertaken to compensate the municipality for five years after the respective dates for registration of residential subdivision plans for the educational tax deficit, if any, resulting from the use of such lands, and to construct at the expense of McLaughlin certain recreational and social amenities. The land use plans of the Town of Mississauga contemplate the comprehensive development of McLaughlin's properties for residential, commercial, and industrial uses and provide for the creation of a city centre.

The Ontario Department of Municipal Affairs has designated noise sensitivity zones around Toronto International Airport within which it has restricted kinds of developments that may occur within the sensitivity zones. A small proportion of McLaughlin lands in the northern part of the town fall within noise sensitivity zones but management does not expect this will adversely affect their economic development.

McLaughlin's lands south of the proposed Highway 403 are serviced with trunk water mains and trunk sewers which are capable of being extended into the northern sections in the Town of Mississauga.

Mississauga Valleys Community

In the southeast quadrant of the intersection of Highway 10 and City Centre Drive, McLaughlin has under development a 725 acre subdivision plan known as Mississauga Valleys Community. The comprehensive plans for this community call for an eventual population of approximately 30,000 persons in approximately 9,600 dwelling units, and provides for a system of parks, schools and local shopping facilities.

The following table presents a break-down of proposed land uses in the Mississauga Valleys Community:

	<u>Permitted by Zoning</u>	<u>Covered by Plans Registered</u>
Single family	784 units	784 units
Semi-detached	864 units	864 units
Townhouse	1,366 units	1,317 units
Apartment	6,619 suites	1,270 suites
Commercial	13.4 acres	4.2 acres
Schools	61.4 acres	38.2 acres

McLaughlin obtained draft plan approval from the Department of Municipal Affairs on April 17, 1970 for the Mississauga Valleys Community. Since that date, McLaughlin has registered plans of subdivision covering approximately 525 acres and expects to register additional plans during 1972. The Mississauga Valleys Community is serviced by a trunk sewer line and by trunk water lines. McLaughlin commenced the installation of roads, sidewalks, sewer extensions and water services in the southern portion of the Mississauga Valleys Community plan and is proceeding to service the balance of the area as subdivision plans are registered.

Mississauga City Centre

The new city centre contemplated by the development agreement with the Town will be located in the northwest quadrant of the intersection of Highway 10 and City Centre Drive (the "City Centre") and will cover an area of approximately 250 acres. The City Centre is planned to become the core area of the Town of Mississauga and will contain a regional shopping centre and business, commercial, entertainment and recreational facilities.

In February 1970, construction was completed of a six-floor steel and pre-cast concrete office building, known as the McLaughlin Building, with a total rentable area of 59,000 square feet on a 5.4 acre site in the City Centre. McLaughlin occupies one floor of this building as its general offices and the balance of the building is virtually fully leased to a number of other tenants. The total annual lease revenues from other tenants are estimated at \$230,000 per year.

In September 1971, the McLaughlin Group completed the civic administration centre for the Town of Mississauga containing approximately 57,000 square feet on a ten acre site. The centre, known as the Robert Speck Civic Square, was transferred to the Town in exchange for the Town's former administration facilities covering seven acres on Dundas Street.

Univac Division Sperry Rand Canada Limited has agreed to lease up to approximately 130,000 square feet in an eleven-storey steel and pre-cast concrete office building constructed by McLaughlin and containing approximately 189,000 square feet of rentable area. The construction of the building has been completed and the Univac Division commenced to occupy the premises in December, 1971. When fully leased, total annual lease rentals are estimated at \$1,300,000 per year. The long-term financing for this project will be arranged at a later date.

In October, 1971, McLaughlin commenced construction of the "Mississauga Shopping Concourse", an enclosed air-conditioned shopping mall which, when completed, will contain approximately 1,100,000 square feet of rentable area divided among approximately 160 stores and shops, including a Woolco Department Store, a Simpsons-Sears Department Store, a Hudson's Bay Company Department Store (to be constructed by Hudson's Bay Company on lands leased from McLaughlin) and a Dominion Store. McLaughlin is currently negotiating the financing for this project. The Mississauga Shopping Concourse is scheduled for completion in late 1973 at an estimated total cost of approximately \$35,000,000 (excluding the cost of land) of which approximately \$2,850,000 has been spent to May 26, 1972.

On August 27, 1971, McLaughlin sold a three acre site in the City Centre project to United Co-Operatives of Ontario. United Co-Operatives of Ontario has commenced to construct a nine storey steel and pre-cast concrete office building on this site for completion in August, 1972.

Land held for development

In addition to McLaughlin's land holdings in the Town of Mississauga referred to above, McLaughlin owns or controls approximately 2,810 other acres which will form part of the Mississauga City development in future years. Included in this acreage is approximately 180 acres of land which has been zoned for industrial use and is available for immediate development by McLaughlin.

Georgetown and Other Developments

While a substantial part of the lands owned by the McLaughlin Group in the Town of Georgetown have been developed and sold, McLaughlin beneficially owns an undivided 50% interest in 628 acres of agricultural land to be developed by way of a joint venture between McLaughlin and George Wimpey

Canada Limited. Plans subdividing this acreage into 1,419 residential building lots and 22.2 acres of multiple family dwellings have been submitted to the Town and other appropriate public bodies for their approval. Under the joint venture terms, McLaughlin is obliged to pay all expenses relating to the registration of these plans. In addition, the Company owns 93 acres of industrial and commercial land in the Town of Georgetown and a parcel of approximately 305 acres of agricultural land in the Township of Esquesing which is contiguous to the land under the joint venture referred to above. During 1971, McLaughlin developed and sold a shopping centre and sold other parcels of land in the Town of Georgetown.

McLaughlin holds approximately 7.5 acres of lakeshore land in the Borough of Etobicoke under a lease expiring in 2065. Annual lease payments are \$40,000 and income from the property currently is \$15,000 per annum. McLaughlin has an option to purchase this property for \$600,000 at any time during the term of the lease. McLaughlin also owns approximately 4.75 acres adjacent to this property. These properties are presently zoned for single family dwellings and McLaughlin has applied for rezoning to permit the construction of an apartment building on the site. There is, however, no assurance that this application will be granted.

McLaughlin also owns other properties in Canada, including a 50% interest in a proposed shopping centre site in the Town of Burlington acquired under an agreement dated August 31, 1971.

Method of Accounting

The accounting policies followed by McLaughlin and its disclosure of financial information are substantially in accordance with the recommendations of the Canadian Institute of Chartered Accountants and the Canadian Institute of Public Real Estate Companies.

Income from land or house sales is recorded on the earlier of the date on which title thereto passes on closing of the sale or when McLaughlin has fulfilled or provided for fulfilment of all conditions required of it to consummate the sale. In any event, income is recognized only when McLaughlin has received a cash down payment of not less than 15%. Although the balance may be paid earlier as construction by builders on individual lots reaches specified stages of completion, land sale receivables are normally payable in any event within two years.

Completed income properties are depreciated according to the sinking fund method on a 5 per cent, forty year basis.

McLaughlin capitalizes mortgage interest, realty taxes, a portion of interest on general borrowings and a portion of administrative overhead as part of the cost of land held for development and the cost of income properties under construction.

Further particulars of McLaughlin's accounting policies are set forth in the Notes to Consolidated Financial Statements on page 19.

Consolidated Capitalization

	Authorized or to be Authorized	Outstanding at December 31, 1971	Outstanding at May 26, 1972	To be outstanding at May 26, 1972 after giving effect to the Offer(1)
DEBT—McLAUGHLIN				
Secured bank loans (2)	—	\$ 3,858,000	nil	nil
Mortgages payable (3)	—	7,844,463	\$ 5,848,404	\$ 5,848,404
Special Agreements (notes 10, 11, 12) . . .	\$30,000,000	13,518,363	13,339,253	13,339,253
9½% First Mortgage Sinking Fund				
Bonds due April 1, 1990 (4)	6,000,000	6,000,000	6,000,000	6,000,000

	Authorized or to be Authorized	Outstanding at December 31, 1971	Outstanding at May 26, 1972	To be outstanding at May 26, 1972 after giving effect to the Offer(1)
8½% Secured Debentures due April 15, 1984 (5)	\$8,000,000	—	\$8,000,000	\$8,000,000
7% Convertible Subordinated Deben- tures due January 15, 1989 (6)	3,000,000	\$3,000,000	3,000,000	3,000,000
7% Convertible Subordinated Deben- tures (1972) due January 15, 1989 (1,7)	885,500	—	—	885,500
DEBT—WHOLLY OWNED SUBSIDIARIES				
Secured bank loans (2)	—	3,000,000	1,570,000	1,570,000
Mortgages payable (3)	—	21,990,894	22,629,253	22,629,253
7½% Convertible Debentures due February 28, 1974 (8)	4,000,000	3,802,000	nil	nil
MINORITY INTEREST in Common Shares and Surplus of Subsidiaries				
	—	26,500	26,500	26,500
SHARE CAPITAL:				
Common shares without par value (1,9)	5,000,000 shs.	2,488,000 shs. (\$5,573,403)	2,488,060 shs. (\$5,574,003)	2,566,404 shs. (\$6,866,679)

- (1) Assuming full acceptance of the Offer.
- (2) Bank loans of McLaughlin are secured by assignments of book debts, and by guarantees of the wholly owned subsidiaries. Bank loans of McLaughlin's subsidiaries are guaranteed by McLaughlin and are secured by assignments of book debts. As at December 31, 1971, letters of credit were outstanding in the amount of \$4,548,418 for McLaughlin and its subsidiaries relating to the performance of agreements for the installation of services; if any monies are advanced under such letters of credit, they will become part of bank loans secured as aforesaid.
- (3) Particulars of the mortgages payable are set forth in notes 2 and 3 to the Consolidated Financial Statements on page 19. Additional mortgages may be created or assumed from time to time to finance acquisitions of land in the ordinary course of business and other operations of the McLaughlin Group.
- (4) The 9½% First Mortgage Sinking Fund Bonds were issued under and are secured by a Deed of Trust and Mortgage dated as of April 1, 1970 between McLaughlin and National Trust Company, Limited as Trustee. Such Bonds are secured by a first, fixed and specific mortgage, pledge and charge of and on certain real property of McLaughlin and by a floating charge on all its undertaking, property and assets for the time being, both present and future. The floating charges securing the First Mortgage Bonds and the 8½% Secured Debentures rank pari passu.
- (5) The 8½% Secured Debentures were issued under and are secured by a Deed of Trust and Mortgage dated as of February 1, 1972 between McLaughlin and Montreal Trust Company as Trustee. Such Debentures are secured by a fixed and specific mortgage, pledge and charge of and on certain real property of McLaughlin and by a floating charge on all its undertaking, property and assets for the time being, both present and future. The floating charges securing such Debentures and the First Mortgage Bonds rank pari passu.
- (6) The 7% Convertible Subordinated Debentures were issued under a Trust Indenture dated as of January 22, 1969, made between McLaughlin and Canada Permanent Trust Company as Trustee. Such Convertible Subordinated Debentures are subordinated in right of payment to the claim of the holders of Senior Indebtedness (as referred to in note 7 below).
- (7) The 7% Convertible Subordinated Debentures (1972) will be issued pursuant to the Offer under a Trust Indenture dated as of April 1, 1972, to be made between McLaughlin and Canada Permanent Trust Company as Trustee. Such Debentures will be subordinated in right of payment to the claim of the holders of Senior Indebtedness as more fully described under the sub-heading "Subordination" on page 4.
- (8) The 7½% Convertible Debentures were secured by a specific mortgage and charge on all present and future lands of Focal Properties Limited, a wholly owned subsidiary of McLaughlin, and by a first floating charge on its undertaking and all its other property and assets. McLaughlin purchased all of the outstanding Convertible Debentures on or before December 28, 1971. All of these debentures were cancelled on April 17, 1972.
- (9) 430,000 common shares of McLaughlin are reserved for issuance as follows: 150,000 shares for the conversion of the 7% Convertible Subordinated Debentures of McLaughlin; 44,275 shares for the conversion of the 7% Convertible Subordinated Debentures (1972); 100,000 shares under McLaughlin's Incentive Stock Option Plan for key employees under which options to purchase 70,000 shares have been granted; and 170,940 shares for the exercise of the Common Share Purchase Warrants issued in connection with the 9½% First Mortgage Sinking Fund Bonds. Reference is made to note 6 to the Consolidated Financial Statements on page 20.

- (10) On March 17, 1970, Imperial Oil Limited agreed for a period of three years to lend McLaughlin, on demand from time to time, up to \$10,000,000 provided that the average principal amount of the loan in any year will not exceed \$7,000,000. Any such loan will be secured by collateral mortgages on land in an amount up to a limit of 75% of appraised value less prior mortgages, and said prior mortgages are not to exceed \$7,000,000 or 35% of appraised value. In addition, Imperial Oil Limited will be provided with the first opportunity of supplying heating equipment, fuel oil and building materials in connection with the development of part of the Group's lands in the Town of Mississauga. As at May 26, 1972, McLaughlin owed \$5,355,863 bearing interest at an effective rate of 10.13% per annum under this agreement.
- (11) On April 27, 1970, Canadian General Electric Company Limited agreed for a period of five years to cause its subsidiary, Canadian General Electric Credit Limited, to advance up to \$10,000,000 to McLaughlin subject to certain conditions including a requirement that McLaughlin purchase specified amounts of electrical equipment from Canadian General Electric Company Limited. The loan bears interest at the rate of 13.5% annually and funds drawn down under the agreement are secured by mortgages owned by McLaughlin and pledged as security therefor. As at May 26, 1972, McLaughlin owed nothing under this agreement.
- (12) On October 26, 1971, a Canadian chartered bank agreed to lend McLaughlin, on demand from time to time, up to \$10,000,000, such loan to bear interest at varying rates but in no case to be less than $9\frac{1}{2}\%$ per annum. Any such loan will be secured by collateral mortgages on lands within the boundaries of the Mississauga Valleys Community having an appraised value equivalent to 200% of all outstanding loans together with specific assignments of accounts receivable arising from the sales of land within such community, equal to the amount advanced. Such assignments are excluded from the assignments referred to in note 2 to this table. As at May 26, 1972, McLaughlin owed \$7,983,390 under this agreement.
- (13) McLaughlin is engaged in certain joint ventures. McLaughlin is contingently liable on account of the liabilities of its co-owners in such joint ventures, but against such contingent liabilities, McLaughlin would have a claim upon the joint venture assets of its co-owners.
- (14) Reference is made to note 7(b) to the Consolidated Financial Statements on page 20 for information regarding lease obligations.

Principal Shareholders

As at June 6, 1972, to the knowledge of McLaughlin, the following were the holdings of common shares of McLaughlin by any person or company owning of record or beneficially, directly or indirectly, more than 10% of such outstanding shares:

<u>Name and Address</u>	<u>Type of Ownership</u>	<u>Number of Shares</u>	<u>Percentage of Class</u>
S. B. McLaughlin 1574 Lochlin Trail, Mississauga, Ontario.....	Beneficial	1,030,331	41.4%

As at June 6, 1972, the directors and senior officers of McLaughlin, as a group, beneficially owned, directly or indirectly, 46% of the outstanding common shares of McLaughlin.

Directors and Officers

The names, principal occupations and home addresses of the directors and officers of McLaughlin are:

<u>Name and Address</u>	<u>Positions and Offices with McLaughlin</u>	<u>Principal Occupation</u>
STUART BRUCE McLAUGHLIN 1574 Lochlin Trail, Mississauga, Ontario.	President and Director	President of McLaughlin
FREDERICK HALBURD FALKINER 1487 Larchview Trail, Mississauga, Ontario.	Director, Vice-President and Assistant Secretary	Vice-President and Assistant Secretary of McLaughlin
DONALD REID FRASER 2305 Mississauga Road, Mississauga, Ontario.	Director and Secretary	Partner, Fraser & McLaughlin, Solicitors, and Secretary of McLaughlin
EDWARD ALEXANDER KIRK 1601 Watersedge Road, Mississauga, Ontario.	Director, Vice-President Finance and Treasurer	Vice-President Finance and Treasurer of McLaughlin

<u>Name and Address</u>	<u>Positions and Offices with McLaughlin</u>	<u>Principal Occupation</u>
RONALD EUGENE WINTER 96 Betty Ann Drive, Willowdale, Ontario.	Director and Vice-President	President, R. E. Winter & Associates Ltd., Consulting Engineers, and Vice-President of McLaughlin
RONALD ALEXANDER GUNN 60 Pleasant Boulevard, P.H. 2, Toronto, Ontario.	Director	Vice-President and Director, A. E. Ames & Co. Limited
GEORGE LESLIE JENNISON 243 Warren Road, Toronto, Ontario.	Director	Financial Consultant
MARSHAL STEARNS, M.B.E. 91 Glen Edyth Drive, Toronto, Ontario.	Director	President, T. A. Richardson & Co. Limited
JAMES MARSHALL TORY, Q.C. 11 Dinnick Crescent, Toronto, Ontario.	Director	Partner, Tory, Tory, DesLauriers & Binnington, Solicitors

During the last five years all of the directors and officers have been employed in various capacities by the companies or firms indicated opposite their names except:

Mr. McLaughlin is President of S. B. McLaughlin & Company Limited, which until July 1, 1968 was the manager of the Company. Mr. McLaughlin has entered into a contract to serve the McLaughlin Group as its chief executive officer for a period of five years commencing on July 1, 1968.

Mr. Falkiner was until March 31, 1969, Assistant General Manager of Gilbarco Canada Ltd.

Mr. Kirk was until June 30, 1968, Comptroller of S. B. McLaughlin & Company Limited, the former manager of the Company.

Mr. Jennison was until April 1, 1968, an investment dealer and Chairman of the Board of Wills, Bickle & Co. Limited.

Remuneration

The aggregate direct remuneration paid or payable by McLaughlin and its subsidiaries to the directors and senior officers of McLaughlin, as a group, during the financial year ended December 31, 1971 was \$191,774, and \$89,221 for the five month period ended May 31, 1972.

Management Interests

Messrs. Fraser and McLaughlin, directors and senior officers of McLaughlin, are partners of Fraser & McLaughlin who act as general counsel to McLaughlin; however, Mr. McLaughlin receives no remuneration from this firm. Mr. McLaughlin is also a party to the employment contract referred to under "Directors and Officers" above.

Mr. Tory, a director of McLaughlin, is a partner of Tory, Tory, DesLauriers & Binnington who act as corporate counsel to McLaughlin.

Mr. Winter, a director and senior officer of McLaughlin, is President of R. E. Winter & Associates Ltd., 77 City Centre Drive, Mississauga, the consulting engineers for McLaughlin.

Mr. Falkiner, a director and senior officer of McLaughlin, is President of Halburd Business Services Limited which provides management services to McLaughlin.

Mr. Gunn, a director of McLaughlin, is a director, vice-president, and shareholder of A. E. Ames & Co. Limited, which received an underwriting discount of \$240,000 in connection with the distribution of an issue of \$6,000,000 aggregate principal amount of 9½% First Mortgage Sinking Fund Bonds carrying the right to receive Common Share Purchase Warrants under an agreement dated March 16, 1970, which received a commission of \$77,000 in connection with the sale of 275,000 common shares under an agency agreement dated March 29, 1971, which received an underwriting discount of \$240,000 in connection with the distribution of an issue of \$8,000,000 aggregate principal amount of 8½% Secured Debentures under an agreement dated March 14, 1972, and which is a party to the agreement referred to under the heading "Expenses of Acquisition" on page 15.

Stock Option Plan

McLaughlin established in 1968 an Incentive Stock Option Plan for key employees of McLaughlin pursuant to which 100,000 common shares have been reserved for allotment. The Plan provides that the term of an option may not exceed five years and that the option price in any option granted thereafter shall not be less than 90% of the last price at which common shares were traded on The Toronto Stock Exchange on the last business day prior to the date on which such option is granted, or if common shares were not traded on such day, then not less than 90% of the mean between the bid and ask quotations for the common shares at the close of business on such day.

As at May 26, 1972, McLaughlin had granted options under this Plan for a total of 70,000 shares as follows:

Held by directors and senior officers of McLaughlin	Held by other employees of McLaughlin	Date of Grant	Market Price at Date of Grant	Exercise Price per Share	Expiry Date
55,000	5,000	January 20, 1969	(1)	\$15	January 20, 1974
—	10,000	April 5, 1972	\$16⅝	\$15	April 5, 1977

(1) There was no public market for the common shares of McLaughlin at the date of grant of these options.

The closing price for the common shares of McLaughlin on The Toronto Stock Exchange on May 26, 1972 was \$16⅝.

Material Contracts

During the past two years, McLaughlin or its subsidiaries have entered into the following contracts in addition to contracts in the ordinary course of business:

1. the agreement dated October 26, 1971, between McLaughlin and a Canadian chartered bank referred to in note 12 on page 12;
2. the agency agreement dated March 29, 1971 and the underwriting agreement dated March 14, 1972 referred to under the heading "Management Interests";
3. the Trust Deed dated as of February 1, 1972 made between McLaughlin and Montreal Trust Company, as trustee, providing for the issue of the 8½% Secured Debentures;
4. the Indentures of Guarantee dated as of February 1, 1972 made between wholly owned subsidiaries of McLaughlin and Montreal Trust Company, as trustee, securing the issue of the 8½% Secured Debentures;
5. the agreement dated May 12, 1972 made between McLaughlin and an institutional investor referred to on page 1 of the Offer, and under which McLaughlin agreed to make an offer in the terms of this Offer, and the institutional investor agreed to accept such an offer and to transfer all voting rights in respect of the securities of Caledon held by it to McLaughlin in the interim;
6. the agreement dated June 9, 1972 referred to under the heading "Expenses of Acquisition" on page 15;
7. the Trust Indenture referred to under the heading "McLaughlin Debentures" on page 3.

Copies of the foregoing agreements (excluding item 5) may be examined at the head office of McLaughlin, 77 City Centre Drive, Mississauga, Ontario during ordinary business hours.

Auditors, Transfer Agents and Registrars

The auditors of McLaughlin are Messrs. Harbinson, Glover & Co., Chartered Accountants, 101 Richmond Street West, Toronto, Ontario.

Registers for the registration and transfer of the 8½% Secured Debentures due April 15, 1984 are kept at the principal transfer offices of Montreal Trust Company in the cities of Montreal, Toronto, Winnipeg, Calgary and Vancouver.

Registers for the registration and transfer of the 7% Convertible Subordinated Debentures due January 15, 1989 of McLaughlin are kept at the principal transfer offices of Canada Permanent Trust Company in the cities of Halifax, Montreal, Toronto, Winnipeg, Calgary and Vancouver.

Registers for the registration and transfer of the 9½% First Mortgage Sinking Fund Bonds due April 1, 1990 are kept at the principal transfer offices of National Trust Company, Limited in the cities of Montreal, Toronto, Winnipeg and Vancouver.

Registers for the registration and transfer of the 7% Convertible Subordinated Debentures (1972) due January 15, 1989 will be kept at the principal transfer offices of the Canada Permanent Trust Company in the cities of Halifax, Montreal, Toronto, Winnipeg, Calgary and Vancouver.

The Transfer Agent and Registrar for the common shares of McLaughlin is Canada Permanent Trust Company at its principal transfer offices in the cities of Halifax, Montreal, Toronto, Winnipeg, Calgary and Vancouver.

EXPENSES OF ACQUISITION

Legal, auditing, printing and miscellaneous expenses (including the charges and expenses of the Exchange Agent under the Offer and of stock transfer taxes arising thereunder) relating to the Offer, estimated to be approximately \$20,000, are to be borne by McLaughlin.

McLaughlin has entered into an agreement dated June 9, 1972 with A. E. Ames & Co. Limited to form and manage a Soliciting Dealer Group to procure acceptances of the Offer. The agreement provides that McLaughlin will pay to the manager of the Soliciting Dealer Group a fee of \$10,000 plus 15¢ per Caledon Share and \$2.50 per \$100 principal amount of Caledon Debentures deposited by the Soliciting Dealer Group. The manager of the Soliciting Dealer Group will pay to any securities dealer who is a member of the Investment Dealers' Association of Canada or The Toronto, Montreal, Canadian or Vancouver Stock Exchanges, whose name appears on the Letter of Transmittal as the soliciting dealer, a commission of 12¢ per Caledon Share and \$2.00 per \$100 principal amount of Caledon Debentures, registered in the name of a holder, solicited by such dealer and purchased by McLaughlin (except securities held by the institutional investor referred to in the Offer).

DIRECTORS' APPROVAL

The directors of McLaughlin have approved the contents hereof and have duly authorized the delivery of this Offering Circular.

CONSENT OF AUDITORS

TO: S. B. McLAUGHLIN ASSOCIATES LIMITED,
TORONTO, CANADA.

We hereby consent to the use of our report dated June 8, 1972 on the consolidated balance sheet of S. B. McLaughlin Associates Limited and subsidiary companies as at December 31, 1971 and the consolidated statements of earnings and retained earnings for the 5 years then ended in the Offering Circular relating to the Offer dated June 9, 1972 by S. B. McLaughlin Associates Limited to the holders of the shares without par value, the share purchase warrants and the 7½% Unsecured Convertible Sinking Fund Debentures of The Caledon Mountain Estates Limited.

Toronto, Canada
June 8, 1972

(Signed) HARBINSON, GLOVER & CO.
Chartered Accountants

AUDITORS' REPORT

TO THE DIRECTORS OF
S. B. McLAUGHLIN ASSOCIATES LIMITED.

We have examined the consolidated balance sheet of S. B. McLaughlin Associates Limited and subsidiary companies as at December 31, 1971, and the statements of consolidated earnings and consolidated retained earnings for the five years ended December 31, 1971. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971, and the results of their operations for the five years ended December 31, 1971, in accordance with generally accepted accounting principles applied on a consistent basis, except for the changes in accounting policies described in note 1(c) with which we concur.

Toronto, Canada
June 8, 1972

(Signed) HARBINSON, GLOVER & CO.
Chartered Accountants

**S. B. McLaughlin Associates Limited
and Subsidiary Companies**

CONSOLIDATED BALANCE SHEETS

	December 31, 1971	March 31, 1972 (unaudited)
Assets		
Cash.....	\$ 357,206	\$ 982,025
Investment certificates, at cost plus accrued interest.....	270,407	270,407
Accounts receivable (note 2).....	16,975,857	19,314,771
Land held for development, at cost (note 1(c)).....	52,000,535	50,477,380
Deposits on land purchase agreements (note 7(a)).....	1,302,000	1,362,000
Income properties, at cost (note 1(c))		
Land, buildings and equipment less accumulated depreciation of \$130,674 (\$118,237 for 1971).....	11,312,789	11,296,057
Construction in progress.....	4,041,902	4,952,606
Investments in other companies, at cost.....	141,840	96,835
Unamortized debenture discount, organization and financing expenses.....	604,511	612,763
	<u>\$87,007,047</u>	<u>\$89,364,844</u>
Liabilities		
Bank indebtedness, secured.....	\$ 6,858,000	\$ 6,858,000
Accounts payable and accrued liabilities.....	5,204,493	3,049,759
Provision to complete subdivision servicing.....	3,114,384	2,720,529
Notes payable.....	959,168	895,326
Deposits received under land sale agreements.....	466,301	508,501
Mortgages payable (note 3).....	43,353,720	46,123,865
Debentures (note 4).....	3,000,000	3,000,000
First mortgage bonds (note 4).....	6,000,000	6,000,000
	<u>68,956,066</u>	<u>69,155,980</u>
Minority interest in subsidiaries.....	26,250	26,250
Deferred income taxes (note 5).....	6,480,358	7,505,352
Shareholders' Equity		
Capital Stock (notes 6 and 7)		
Authorized		
5,000,000 Common shares, without par value		
Issued		
2,488,000 Common shares (2,488,000 for 1971).....	5,573,403	5,573,403
Retained earnings.....	5,970,970	7,103,859
	<u>\$87,007,047</u>	<u>\$89,364,844</u>

On behalf of the Board

(Signed) S. B. McLAUGHLIN, Director

(Signed) E. A. KIRK, Director

The accompanying "Notes to Consolidated Financial Statements" are an integral part of these statements.

**S. B. McLaughlin Associates Limited
and Subsidiary Companies**

**Statement of Consolidated Earnings
for the Five Years and Three Months Ended March 31, 1972**

	Three Months ended March 31						
	1972	1971	1971	1970	1969	1968	1967
	(unaudited)	(unaudited)					
INCOME							
Land and house sales.....	\$5,442,650	\$2,498,198	\$20,553,611	\$1,643,700	\$3,327,456	\$3,052,900	\$4,955,464
Rentals—commercial properties	90,747	59,871	401,556	230,171	145,872	110,855	106,902
Interest and sundry.....	148,704	18,455	419,789	208,912	438,514	139,843	34,647
	<u>5,682,101</u>	<u>2,576,524</u>	<u>21,374,956</u>	<u>2,082,783</u>	<u>3,911,842</u>	<u>3,303,598</u>	<u>5,097,013</u>
EXPENSES							
Cost of land and houses sold...	3,241,046	1,528,471	12,691,657	947,799	1,607,517	528,069	2,788,703
Operating costs—commercial properties.....	58,074	39,327	379,272	136,705	131,829	85,218	96,199
Interest (note 1(c)).....	74,590	11,759	114,064	25,573	558,274	102,840	50,925
Depreciation.....	11,938	11,618	53,211	38,245	15,904	16,400	22,547
Administrative and general (note 1(c)).....	121,591	92,795	528,170	418,526	341,712	208,342	153,615
Amortization of deferred charges	16,979	17,315	74,396	62,487	80,864	—	—
	<u>3,524,218</u>	<u>1,701,285</u>	<u>13,840,770</u>	<u>1,629,335</u>	<u>2,736,100</u>	<u>940,869</u>	<u>3,111,989</u>
Earnings from operations.....	<u>2,157,883</u>	<u>875,239</u>	<u>7,534,186</u>	<u>453,448</u>	<u>1,175,742</u>	<u>2,362,729</u>	<u>1,985,024</u>
Income taxes							
Current.....	—	—	—	3,100	11,334	3,571	9,997
Deferred (note 5).....	1,024,994	437,620	3,557,630	237,866	620,034	1,195,000	977,000
	<u>1,024,994</u>	<u>437,620</u>	<u>3,557,630</u>	<u>240,966</u>	<u>631,368</u>	<u>1,198,571</u>	<u>986,997</u>
Net earnings before under noted item.....	<u>1,132,889</u>	<u>437,619</u>	<u>3,976,556</u>	<u>212,482</u>	<u>544,374</u>	<u>1,164,158</u>	<u>998,027</u>
Pre-acquisition earnings of Focal Properties Limited (note 1(d)) ..	—	—	—	—	(18,257)	(760,039)	(410,803)
Net earnings.....	<u>\$1,132,889</u>	<u>\$ 437,619</u>	<u>\$3,976,556</u>	<u>\$ 212,482</u>	<u>\$ 526,117</u>	<u>\$ 404,119</u>	<u>\$ 587,224</u>

**Statement of Consolidated Retained Earnings
for the Five Years and Three Months Ended March 31, 1972**

	Three Months ended March 31						
	1972	1971	1971	1970	1969	1968	1967
	(unaudited)	(unaudited)					
Retained earnings beginning of period.....	\$5,970,970	\$1,994,414	\$ 1,994,414	\$1,781,932	\$1,312,485	\$ 820,635	\$ 215,520
Net earnings.....	1,132,889	437,619	3,976,556	212,482	526,117	404,119	587,224
Premium on redemption of first preference shares.....					(56,670)		
Net interest in other equity of Focal Properties Limited.....						87,731	17,891
Retained earnings end of period..	<u>\$7,103,859</u>	<u>\$2,432,033</u>	<u>\$5,970,970</u>	<u>\$1,994,414</u>	<u>\$1,781,932</u>	<u>\$1,312,485</u>	<u>\$ 820,635</u>

Notes to Consolidated Financial Statements

1. ACCOUNTING POLICIES

The Company's accounting policies follow the recommendations of the Canadian Institute of Chartered Accountants and the Canadian Institute of Public Real Estate Companies.

(a) Income recognition:

Income from land sales is recorded when the Company has fulfilled or provided for the fulfillment of all conditions required of it to consummate the sale.

(b) Depreciation:

Depreciation on buildings is calculated on a 5%, forty year sinking fund basis.

(c) Capitalization of costs:

The Company capitalizes mortgage interest, realty taxes, interest on general borrowings and a portion of administrative overhead as part of the cost of land held for development and the construction cost of income properties. In 1970 the Company changed its accounting policies with respect to the capitalization of interest on general borrowings and a portion of administrative overhead to conform with the recommendations of the above bodies. The comparative figures for 1969 were not restated to reflect these changes in accounting policy; had they been restated net earnings for 1969 would have increased by approximately \$250,000.

(d) Prior to 1970 the statement of consolidated earnings has been prepared to give effect to the recording on an equity basis of the Company's share of the net earnings and retained earnings of Focal Properties Limited and its predecessor companies. Thirteen other subsidiaries, wholly-owned by the Company since their incorporation (except Weaver Concrete Products Limited acquired in 1970), are included in the consolidation.

2. ACCOUNTS RECEIVABLE

Substantially all receivables arise from land sales and are receivable under mortgages and land sale agreements carrying interest at varying rates up to 8.5%. Although such land sale receivables may be paid earlier upon the occurrence of certain stated events, they are included in the following table on the basis of their maximum term and are due approximately as follows:

	December 31, 1971	March 31, 1972
1972.....	\$ 9,789,518	\$ 8,880,966
1973.....	5,705,709	8,929,723
1974.....	8,400	8,400
1975.....	9,600	9,600
1976 and thereafter.....	1,462,630	1,486,082
	<u>\$16,975,857</u>	<u>\$19,314,771</u>

Accounts receivable include an amount of \$2,133,250 due March 15, 1973 pursuant to a purchase agreement dated February 28, 1968 with George Wimpey Canada Limited, under which the latter acquired an undivided 50% interest in approximately 628 acres of land in Georgetown. The time of payment of the \$2,133,250 is in question and the parties have entered into negotiations to restructure the arrangements between them. The Company anticipates that these negotiations will lead to a satisfactory result for the Company.

3. MORTGAGES PAYABLE

Mortgages payable bear interest at an average rate of 8.8% (8.7% at December 31, 1971) per annum. The principal payments are due as follows:

	December 31, 1971	March 31, 1972			
	Total	Income Properties	Land Under Development	Other	Total
1972.....	\$ 8,527,329	\$ 2,026,905	\$ 6,249,335	\$ 1,197,221	\$ 9,473,461
1973.....	15,839,703	7,001,000	8,077,599	2,151,175	17,229,774
1974.....	4,919,181	636,000	1,231,825	2,672,965	4,540,790
1975.....	3,426,509	1,258,129	188,324	1,990,561	3,437,014
1976 and thereafter.....	10,640,998	—	2,471,106	8,971,720	11,442,826
	<u>\$43,353,720</u>	<u>\$10,922,034</u>	<u>\$18,218,189</u>	<u>\$16,983,642</u>	<u>\$46,123,865</u>

4. DEBENTURES

(a) Company

- (i) \$3,000,000 7% Convertible Subordinated Debentures due January 15, 1989 are redeemable at the option of the Company at a premium of 5.8% in 1972 decreasing to par in 1988, and are convertible into common shares prior to January 15, 1979 at the rate of 50 shares for each \$1,000 principal amount of debentures, and are subject to a mandatory sinking fund commencing on January 15, 1980. Dividends are restricted.

- (ii) \$6,000,000 9½% First Mortgage Sinking Fund Bonds are due April 1, 1990. These Bonds are secured by a first, fixed and specific mortgage on certain lands and a first floating charge on the undertaking and other assets of the Company. The holder of any bond may elect that the Company prepay the principal on April 1, 1975. The bonds are redeemable at the option of the Company after April 2, 1975, and are subject to a mandatory sinking fund commencing April 1, 1976. Dividends are restricted.
- (iii) The Company has entered into an agreement dated March 14, 1972 for the sale to A. E. Ames & Co. Limited of \$8,000,000 principal amount of 8½% Secured Debentures due April 15, 1984 for a consideration of \$7,760,000. These debentures will be secured by a fixed and specific charge, subject to permitted prior charges, on certain assets of the Company and by a floating charge on all its undertaking and other property and assets which will rank pari passu with the floating charge securing the First Mortgage Bonds. These Debentures were issued on April 17, 1972.

(b) Focal Properties Limited

All of the 7½% Convertible Debentures, due February 28, 1974, outstanding on December 31, 1971 were owned by the Company. These Debentures were subsequently cancelled on April 17, 1972.

5. DEFERRED INCOME TAXES

The Company has availed itself of certain provisions of the Income Tax Act to defer taxes otherwise payable in the amount of \$7,505,352 (\$6,480,358 at December 31, 1971) as shown on the consolidated balance sheet and \$1,024,994 (\$3,557,630 at December 31, 1971) as shown on the statement of consolidated earnings.

6. CAPITAL STOCK

(a) On March 30, 1971 the Company issued 275,000 common shares as fully paid and non-assessable at \$7 per share.

(b) Reservation of common shares:

150,000 common shares have been reserved for the conversion of the 7% convertible debentures.

180,000 common shares have been reserved for the exercise of common share purchase warrants issued with the 9½% First Mortgage Sinking Fund Bonds. These share purchase warrants entitle the holders thereof to purchase common shares of the company at \$10 per share at any time up to the close of business on April 1, 1975.

100,000 common shares have been reserved for stock options granted or to be granted to officers and employees. Options to purchase 70,000 common shares at \$15 per share have been granted, of which 60,000 must be exercised by January 15, 1974 and 10,000 by April 5, 1977.

122,619 common shares will be reserved for issuance as indicated in note 7 (c) below.

7. SUBSEQUENT EVENTS AND COMMITMENTS

(a) The Company has entered into purchase agreements for the acquisition of additional properties under the following terms:

	December 31, 1971	March 31, 1972
Deposits.....	\$1,302,000	\$1,362,000
Future cash payments.....	642,600	500,000
Mortgages on closing.....	5,308,401	4,900,000
Total cost.....	<u>\$7,253,001</u>	<u>\$6,762,000</u>

Except for the deposits, the cost of these additional properties has not been recorded in the financial statements.

(b) A subsidiary of the Company is the lessee under a ground lease for lands in The Borough of Etobicoke fronting on Lake Ontario, having an unexpired term of 94 years with annual ground rent of \$40,000. The lease contains an irrevocable option to purchase the property for \$600,000.

(c) On June 9, 1972 the Company will offer to purchase, subject to the terms and conditions set forth in the offer, all the issued and outstanding shares without par value (the Caledon Shares) in the capital of The Caledon Mountain Estates Limited (Caledon), all of the issued and outstanding share purchase warrants of Caledon (the Caledon Warrants) entitling the holders thereof to purchase Caledon Shares at a price of \$5.40 per share, and all the outstanding 7½% Unsecured Convertible Sinking Fund Debentures of Caledon (the Caledon Debentures), for the following consideration:

(i) for the Caledon Shares, fully paid and non-assessable common shares without par value in the capital of S. B. McLaughlin Associates Limited (the McLaughlin Shares) on the basis of 28 McLaughlin Shares for every 100 Caledon Shares;

(ii) for the Caledon Warrants, \$1 payable in cash for every Caledon Warrant; and

(iii) for the Caledon Debentures, 7% Convertible Subordinated Debentures (1972) due January 15, 1989 of McLaughlin (the McLaughlin Debentures) on the basis of \$500 principal amount of McLaughlin Debentures for each \$500 principal amount of Caledon Debentures.

The issued capital of Caledon consists of 377,060 Caledon Shares; and there are outstanding \$885,500 of the Caledon Debentures, convertible into approximately 147,583 Caledon Shares and 73,000 Caledon Warrants entitling the holders thereof to purchase an aggregate of 73,000 Caledon Shares. This offer extends to all such Caledon securities, except those already owned by McLaughlin.

The McLaughlin Debentures referred to above will be issued under a trust indenture to be dated April 1, 1972. The aggregate principal amount of the Debentures that may be issued will be limited to \$885,500 and the terms thereof will be the same as the \$3,000,000 7% Convertible Subordinated Debentures referred to in Note 4 (a) (i) above. McLaughlin will reserve 44,275 common shares for the conversion of the McLaughlin Debentures, and 78,344 common shares for issuance in exchange for Caledon Shares, assuming full acceptance of this offer.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

The certificates representing any Caledon Shares delivered pursuant to the Offer may be withdrawn by or on behalf of the persons delivering the same at any time until the expiration of seven days from the date of the Offer.

The Securities Act (Ontario) provides in effect that any person who accepts the Offer for Caledon Shares has a right to rescind the contract resulting from such acceptance if this Offering Circular, as of the date of receipt by such person, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained herein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced after the expiration of ninety days from the later of the date of receipt of this Circular or any amended circular or the date of such contract. Reference is made to Section 100a of The Securities Act (Ontario) for the complete text of the provisions under which the foregoing rights are conferred.

CERTIFICATE

Dated June 9, 1972.

The foregoing constitutes full, true and plain disclosure of all material facts relating to the take-over bid made by the Offer and this Circular as required by Part IX of The Securities Act (Ontario) and the regulations thereunder.

(Signed) S. B. McLAUGHLIN
President

(Signed) E. A. KIRK
Vice-President Finance

On behalf of the Board of Directors

(Signed) F. H. FALKINER
Director

(Signed) R. E. WINTER
Director

