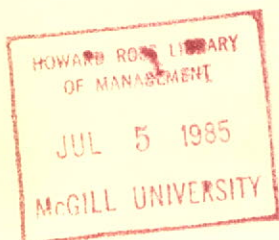




Seaway Multi-Corp Limited

ANNUAL REPORT

For the Year Ended
December 31, 1984



Seaway Multi-Corp Limited

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual and special meeting of the shareholders of SEAWAY MULTI-CORP LIMITED (the "Corporation") will be held in the Convention Hall of the Hotel Triumph, 2737 Keele Street, Downsview, Ontario, on the 18th day of July, 1985, at the hour of 10:00 o'clock in the forenoon (Toronto time) for the following purposes:

- (a) To receive and consider the consolidated financial statements of the Corporation and its subsidiaries for the year ended December 31, 1984 together with the report of the auditors thereon;
- (b) To appoint auditors and authorize the directors to fix their remuneration;
- (c) To consider, and if thought fit, pass a special resolution authorizing the Corporation to file Articles of Amendment providing for a minimum number of seven and a maximum number of twelve directors;
- (d) If the special resolution referred to in item (c) above is passed, to consider, and if thought fit, pass a special resolution initially fixing the number of directors at ten and empowering the directors thereafter to determine by resolution the number of directors from time to time;
- (e) To elect directors;
- (f) To consider, and if thought fit, pass the amendment of the by-laws of the Corporation changing the quorum of directors to a majority of the number of directors;
- (g) To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

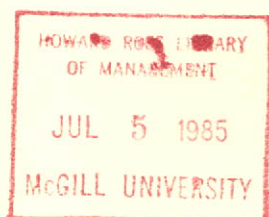
A copy of the annual report and management information circular accompany this notice. If you are not able to be present personally, kindly sign and return the form of proxy accompanying this notice in the envelope provided for that purpose.

DATED at Toronto the 24th day of June, 1985.

By Order of the Board of Directors,



H.R. COHEN
Secretary



Seaway Multi-Corp Limited

MANAGEMENT INFORMATION CIRCULAR

as at June 24, 1985

RELATING TO THE MEETING OF SHAREHOLDERS OF SEAWAY MULTI-CORP LIMITED TO BE HELD ON JULY 18th, 1985

Solicitation of Proxies

This circular is furnished in connection with the solicitation of proxies by management of the Corporation for use at the meeting of shareholders to be held at the time and place and for the purposes set forth in the notice of meeting. The solicitation of proxies will be primarily by mail and the cost of solicitation will be borne by the Corporation.

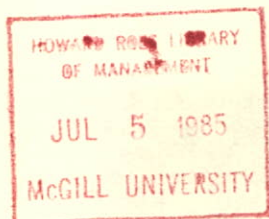
Exercise of Discretion of Proxies

The shares represented by any proxy given to the designated persons will be voted or withheld from voting in accordance with the directions of the shareholder. In the absence of any direction to the contrary, the Common Shares so represented will be voted on any ballot (a) for the appointment of auditors; (b) for the resolution authorizing the Corporation to file Articles of Amendment changing the number of directors as referred to in item (c) of the notice; (c) for the resolution initially fixing the number of directors at ten and empowering the directors thereafter to determine the number of directors to be elected from time to time; (d) for the election as directors of the individuals indicated under the heading "Nominees for Election to Board of Directors"; and (e) for the amendment to the By-laws as referred to in item (f) of the notice. The enclosed form of proxy confers discretionary authority on the persons named therein with respect to matters not specifically mentioned in the notice of meeting but which may properly come before the meeting or any adjournment thereof. Management of the Corporation knows of no such matters other than routine matters incidental to the conduct of the meeting. If any further or other matters are brought before the meeting, it is intended to vote on such other business in such manner as the persons appointed as proxy then consider proper.

Appointment and Revocation of Proxies

The persons specified in the enclosed form of proxy are officers of the Corporation. Each shareholder has the right to appoint a person (who need not be a shareholder) to attend and act for him and on his behalf at the meeting or any adjournment thereof other than the persons specified in the enclosed form of proxy. Such right may be exercised by striking out the names of the specified persons and inserting the names of the shareholders' nominee in the space provided or by completing another appropriate form of proxy and, in either case, delivering the form of proxy to the Corporation prior to the holding of the meeting.

A shareholder executing the enclosed form of proxy may revoke it at any time before it has been exercised. The Business Corporations Act, 1982, (Ontario) sets out a procedure for revoking proxies by depositing an instrument in writing to that effect with the Corporation or the Chairman of the meeting prior to exercise.



Voting Shares and Principal Holders Thereof

The share capital of the Corporation consists of 2 classes of shares, namely, Preference Shares, issuable in series, and Common Shares. On the date hereof there are outstanding 157,719 Convertible Preference Shares, Series A, and 1,347,458 Common Shares.

The only outstanding voting securities of the Corporation are Common Shares. Holders of Common Shares of record at the time of the meeting will be entitled to be present and to vote at the meeting. Holders of Common Shares are entitled to one vote for each Common Share held at such time.

Except as set forth below, the directors and senior officers of the Corporation know of no person beneficially owning, directly or indirectly, or exercising control or direction over, more than 10% of the voting rights attached to any class of voting securities of the Corporation.

<u>Shareholder</u>	<u>Ownership</u>	<u>Number of Common Shares</u>	<u>Percentage</u>
Morris P. Levy*	of record and beneficially	91,704	6.80
Peplevy Corporation Limited*	of record and beneficially	950,642	70.55
Joyce Levy*	of record and beneficially	3,325	.25
		<u>1,045,671</u>	<u>77.60</u>

*Peplevy Corporation Limited is controlled by Morris P. Levy. Joyce Levy is the spouse of Morris P. Levy.

Interest of Insider in Material Transaction

Levy-Russell Limited, a subsidiary of the Corporation, has provided a guarantee in an amount of \$1.6 million to the Corporation's bank which financed the acquisition by Morris P. Levy and Peplevy Corporation Limited of 361,650 common shares of the company from M.A. Levy and companies associated with him.

Change in Number of Directors

Under the new Ontario *Business Corporations Act, 1982*, a corporation may have a fixed number of directors or a minimum and maximum number of directors. In the former case, articles of amendment are required to change the number of directors. In the latter case, the shareholders or the directors (if empowered by special resolution) determine the number of directors within the minimum and maximum number of directors.

To alleviate the need to amend the articles of the Corporation whenever a change in the number of directors is desirable, it is proposed that the articles of the Corporation be amended to provide for a floating number of directors subject to a minimum number of 7 and a maximum number of 12 directors. The special resolution authorizing the Corporation to so amend its articles is set out in Exhibit 1 to this circular. To become effective, the special resolution must be passed by a majority of not less than two-thirds (2 / 3) of the votes cast by the Common shareholders present or represented by proxy at the meeting who vote in respect of the special resolution.

If the proposed special resolution amending the articles of the Corporation to provide for a minimum number of 7 and a maximum number of 12 directors is passed, the number of directors of the Corporation will be such number as is determined by the shareholders by special resolution or as is determined by the directors by resolution if the directors have been empowered by special resolution to make such determination. The shareholders will be asked to consider, and if thought fit, pass a special resolution initially fixing the number of directors at 10 and (in order to provide the Corporation with flexibility in determining the number of directors) empowering the directors of the Corporation thereafter to determine by resolution the number of directors of the Corporation from time to time.

The special resolution authorizing these proposals is set out in Exhibit 2 to this circular. To become effective, the special resolution must be passed by a majority of not less than two-thirds (2 / 3) of the votes cast by Common shareholders present or represented at the meeting who vote in respect of the resolution.

Election of Directors

The persons named in the enclosed form of proxy intend to vote for the nominees whose names are set forth below. If the aforementioned resolution fixing the number of directors at 10 is not passed and the number of directors is fixed at less than 10 directors, the persons named in the enclosed form of proxy intend to vote the proxy for the election as directors of the Corporation of the nominees whose names are set forth below in the same order as their names appear below. Management does not contemplate that any of the proposed nominees will be unable to serve as a director but if that should occur for any reason prior to the meeting the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director will hold office until the next annual election of directors.

The following table sets forth the names of the nominees, all positions and offices with the Corporation presently held by them, their principal occupation, the year they became a director and the approximate number of voting securities of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them as of the date hereof:

NOMINEES FOR ELECTION TO BOARD OF DIRECTORS

<u>Name and Position with the Corporation</u>	<u>Principal Occupation</u>	<u>Year Became Director</u>	<u>Common Shares held in Seaway Multi-Corp Limited (1)</u>
Mark A. Levy Chairman and Director	Chairman of the Board of Directors of the Corporation	1970	18,679
Morris P. Levy President and Director	President of the Corporation	1970	1,042,346
Mark Speyer Senior Executive Vice-President and Director	Senior Executive Vice-President of the Corporation	1970	1,200
Kenneth P. Foreht Vice-President and Director	Vice-President of the Corporation, President of Stellar Business Services Limited	1976	NIL
Dr. Lance D. Levy Director	Physician	1983	NIL
Heeny A. Levy Director	Architect	1984	NIL
Joyce Levy* Director	Investor	1985	3,325
Neil Levy* Director	Writer, Actor	1985	NIL
Sarah Levy* Director	Student	1985	NIL
Lorne Michaels*	Television and Movie Producer	—	100,000

*The principal occupation of each of these proposed nominees for the five preceding years has been as set out above.

Notes

1. The information as to shares beneficially held or controlled, not being within the knowledge of the Corporation, has been furnished by the nominees.

2. For the shareholdings of the Corporation of entities controlled by Morris P. Levy, reference is made to the heading "Voting Shares and Principal Holders Thereof."

Directors and Officers Remuneration

The following table shows the remuneration paid by the Corporation, and its wholly-owned subsidiary for the year ended December 31, 1984 to the directors and officers:

	<u>Aggregate Remuneration</u>	<u>Pension Benefits</u>	<u>Other Benefits</u>
Directors (11)	\$ NIL	\$ NIL	\$ NIL
Five Senior Officers.	491,000	9,000	10,000
	<u>\$491,000</u>	<u>\$ 9,000</u>	<u>\$ 10,000</u>

Indebtedness of Directors and Officers

There are loans outstanding to Mark A. Levy, Morris P. Levy, Peter Levy (resigned October 1984), Kenneth P. Foreht and Howard N. Levy (resigned February 1985) (directors and / or senior officers of the Corporation), all of the Municipality of Metropolitan Toronto, in connection with the acquisition by them of an aggregate of 45,000 Common Shares of the Corporation. Each loan is evidenced by a promissory note, bears no interest and is repayable as to \$7,200 on July 29 in each of the years 1984, 1985 and 1986 and as to the balance of \$43,200 on July 29, 1987. The balance outstanding at December 31, 1984 for each loan is \$64,800, for an aggregate of \$324,000. Cancellation of this loan is being implemented.

Directors' and Officers' Liability Insurance

The Corporation provides liability insurance for directors and officers of the Corporation and its subsidiaries in those capacities. The premium for the year ended December 31, 1984 was \$6,771 which was paid by the Corporation. The policy limit is \$5 million per year with a retention of \$10,000 per loss. The directors and officers of the Corporation and its subsidiaries as individuals are insured for losses arising from claims against them for certain of their acts, errors or omissions as such. The Corporation is insured against any loss arising out of any liability to indemnify a director or an officer.

Appointment of Auditors

Management proposes to nominate Messrs. Laventhol & Horwath as Auditors of the Corporation to hold office until the next annual meeting of the shareholders. **It is intended that the shares represented by proxies solicited by Management will be voted in favour of the appointment of Messrs. Laventhol & Horwath.** This firm was first appointed as Auditor of the Corporation on August 14, 1970, and has served since that date.

Proposed Amendment to By-laws

To conform the by-laws of the Corporation with the floating number of directors that will be effected by the aforementioned resolution, shareholders are being asked to consider and, if thought fit, to pass, with or without variation, the proposed amendment to the by-laws changing the quorum of directors to a majority of the number of directors as attached to this circular as Exhibit 3.

Approval by The Board of Directors

The board of directors of the Corporation has approved the contents and sending of this management information circular.



H.R. COHEN
Secretary

EXHIBIT 1**Resolved that:**

1. the articles of the Corporation be amended to change the number of directors of the Corporation from 12 directors to a minimum of 7 and a maximum number of 12 directors; and
2. any officer or director of the Corporation be and is hereby authorized and directed to deliver articles of amendment and to sign and execute all documents and to do all things necessary or advisable in connection with the foregoing.

EXHIBIT 2**Resolved that:**

1. the number of directors of the Corporation initially be fixed at 10; and
2. the board of directors of the Corporation be empowered thereafter to determine the number of directors of the Corporation from time to time, such determination to be made by resolution of the directors.

EXHIBIT 3**Resolved that:**

1. the By-laws of the Corporation be amended to change the required quorum of directors at any meeting of directors from 7 to a majority of the number of directors.

Seaway Multi-Corp Limited

PRESIDENT'S REPORT

To The Shareholders

In 1984 sales decreased to \$22 million from \$32 million in 1983. Due to severe cost saving programs the loss was contained to \$1.9 million in 1984, or \$1.55 per share before extraordinary items, compared to a loss of \$2.8 million, or \$2.20 per share in 1983.

The final net loss of \$1.6 million or \$1.30 per share in 1984 was a significant drop from a net income of \$324,000, or \$0.16 per share in 1983.

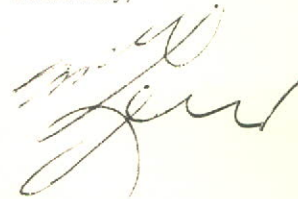
A lengthy strike at major customers of the company's Cold Storage Division reduced the revenue of that division in 1984. Since the settlement of disputes, revenue has increased and the division is now operating at capacity.

Ben Levy, the former president, retired in September 1984, after serving the company for more than 50 years. Since assuming the presidency, I am pleased to report that the company has returned to profitability. The last quarter of 1984 was profitable and sales to date in 1985 are 60% higher than in the corresponding period in 1984.

Management of the company has been reorganized, creating greater efficiency and significant cost savings.

I wish to express my appreciation for the continuing support of the employees and management and look to the future with confidence and optimism.

Yours truly,

A handwritten signature in dark ink, appearing to be 'M. Levy', written in a cursive style.

President

Toronto, Ontario
June 20, 1985

Seaway Multi-Corp Limited

CONSOLIDATED BALANCE SHEET December 31, 1984

ASSETS

	<u>notes</u>	<u>1984</u>	<u>1983</u>
Current			
Cash		\$ 616,367	\$ 35,385
Accounts receivable	2	5,772,635	5,518,088
Income taxes recoverable		703,900	713,869
Inventories		15,385,306	15,587,913
Prepaid expenses and sundry assets		941,022	860,912
		<u>23,419,230</u>	<u>22,716,167</u>
Note receivable	3	391,040	490,880
Property, plant and equipment	4	25,332,213	26,752,951
Other	5	710,630	726,981
		<u>\$49,853,113</u>	<u>\$50,686,979</u>

LIABILITIES


Current			
Bank indebtedness	6	\$10,256,211	\$12,030,908
Notes payable		—	224,000
Accounts payable and accrued liabilities		3,919,810	3,815,697
Income and other taxes payable		391,459	506,101
Current portion of long-term debt	8	2,526,827	2,329,864
Deferred income taxes		—	250,000
		<u>17,094,307</u>	<u>19,156,570</u>
Long-term debt	8	14,148,201	10,884,283
Deferred income taxes		171,274	174,315
Minority interest	9	1,529,350	1,671,458
		<u>32,943,132</u>	<u>31,886,626</u>
Contingencies	13		

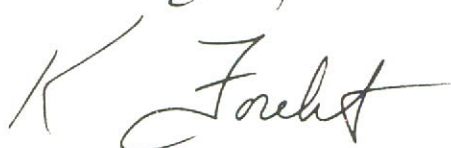
SHAREHOLDERS' EQUITY

Capital and other equity accounts		16,909,981	18,800,353
		<u>\$49,853,113</u>	<u>\$50,686,979</u>

See accompanying notes

On behalf of the Board:


 Morris P. Levy
 Director


 K.P. Foreht
 Director

Seaway Multi-Corp Limited

CONSOLIDATED STATEMENT OF INCOME Year ended December 31, 1984

	<u>note</u>	<u>1984</u>	<u>1983</u>
Sales and revenues		\$22,107,428	\$32,420,884
Costs and expenses			
Cost of products sold		12,162,525	21,257,826
Other operating costs and expenses		7,875,193	11,599,888
Interest on long-term debt		1,514,295	1,514,473
Bank and other interest		1,868,068	1,540,069
Depreciation and amortization		480,785	557,430
		<u>23,900,866</u>	<u>36,469,686</u>
Income (loss) before income taxes		<u>(1,793,438)</u>	<u>(4,048,802)</u>
Income taxes			
Current (recovery)		54,216	(1,300,828)
Deferred (reduction)		(253,041)	(1,440)
		<u>(198,825)</u>	<u>(1,302,268)</u>
Income (loss) before undernoted		(1,594,613)	(2,746,534)
Research and development costs		307,500	—
Minority interest		75,903	120,089
Income (loss) before extraordinary items		(1,978,016)	(2,866,623)
Extraordinary items	10	335,425	3,191,554
Net income (loss)		<u>\$ (1,642,591)</u>	<u>\$ 324,931</u>
Earnings (loss) per common share			
Before extraordinary items		<u>\$ (1.55)</u>	<u>\$ (2.20)</u>
After extraordinary items		<u>\$ (1.30)</u>	<u>\$ 0.16</u>

See accompanying notes

Seaway Multi-Corp Limited

CONSOLIDATED STATEMENT OF DEFICIT Year ended December 31, 1984

	<u>note</u>	<u>1984</u>	<u>1983</u>
Balance, beginning of year		\$15,852,632	\$16,205,817
Dividends paid on Series "A" preference shares		—	159,691
Net loss (income)		1,642,591	(324,931)
Amortization of appraisal excess	1	(176,845)	(187,945)
Unamortized appraisal excess applicable to property sold		<u>(257,466)</u>	<u>—</u>
Balance, end of year		<u>\$17,060,912</u>	<u>\$15,852,632</u>

See accompanying notes

Seaway Multi-Corp Limited

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY December 31, 1984

	<u>notes</u>	<u>1984</u>	<u>1983</u>
Capital stock			
Authorized			
2,145,534 Preference shares, without par value, of which 1,645,834 have been designated as cumulative, Series "A" preference shares, with a dividend rate of \$0.675 per share, convertible on the basis of three preference shares for one common share and redeemable at the issue price of \$15 per share	12		
4,357,500 Common shares, without par value			
Stated capital			
157,719 Series "A" preference shares	12	\$ 2,365,785	\$ 2,365,785
1,347,458 Common shares		9,882,642	9,882,642
		<u>12,248,427</u>	<u>12,248,427</u>
Excess of appraised value of land and buildings over book value	1	18,451,338	19,133,430
Contributed surplus	12	3,271,128	3,271,128
Deficit		<u>(17,060,912)</u>	<u>(15,852,632)</u>
		<u>\$16,909,981</u>	<u>\$18,800,353</u>

See accompanying notes

Seaway Multi-Corp Limited

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION Year ended December 31, 1984

	<u>1984</u>	<u>1983</u>
Funds provided by		
Operations		
Income (loss) before extraordinary items	\$(1,978,016)	\$(2,866,623)
Items not affecting working capital, principally depreciation, amortization and deferred income taxes	553,647	830,165
	<u>(1,424,369)</u>	<u>(2,036,458)</u>
Proceeds on termination of pension plan	—	649,797
Issue of long-term debt	5,000,000	450,000
Net proceeds from sale of land and buildings	1,008,000	2,974,135
Reduction of income taxes on application of prior years' losses	112,400	145,540
	<u>4,696,031</u>	<u>2,183,014</u>
Funds used for		
Retirement of long-term debt	1,636,242	1,909,165
Fixed assets and other (net)	76,452	597,913
Acquisition of minority interest	218,011	22,189
Dividends paid to minority shareholders of subsidiary companies	—	97,098
Dividends paid on Series "A" preference shares	—	159,691
	<u>1,930,705</u>	<u>2,786,056</u>
Increase (decrease) in working capital	2,765,326	(603,042)
Working capital, beginning of year	3,559,597	4,162,639
Working capital, end of year	<u>\$6,324,923</u>	<u>\$3,559,597</u>

See accompanying notes

AUDITORS' REPORT

To the Shareholders of
Seaway Multi-Corp Limited

We have examined the consolidated balance sheet of Seaway Multi-Corp Limited as at December 31, 1984 and the consolidated statements of income, deficit, shareholders' equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1984 and the results of its operations and changes in 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.

Laventhol & Horwath

June 7, 1985

Chartered Accountants

Seaway Multi-Corp Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 1984

1. SUMMARY OF ACCOUNTING POLICIES

Consolidation policy

The consolidated financial statements include the accounts of Seaway Multi-Corp Limited and all its subsidiaries.

Translation of foreign currencies

Assets, liabilities, revenues and expenses arising from foreign currency transactions are recorded in Canadian dollars at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities outstanding at the balance sheet date, which are denominated in a foreign currency, are adjusted to reflect the exchange rate in effect at the balance sheet date. Gains or losses arising from such adjustments are included in net income.

Inventories

Certain types of inventories approximating \$11 million, for which costs cannot be determined, have been valued on the basis of a percentage of historical selling prices. The other inventories have been valued at the lower of cost and net realizable value. This valuation is consistent with that used in preceding years.

Property, plant and equipment

Certain land and buildings are recorded at appraised values as at December 31, 1977. The excess of the appraised value over the book value is shown in the statement of shareholders' equity. A portion of the appraisal excess applicable to buildings is being transferred annually to deficit in amounts equal to the annual depreciation provided on such appraisal excess. The current year's transfer amounts to \$176,845. Land and buildings acquired subsequent to 1977 and plant and equipment are recorded at cost. Depreciation is provided on the straight-line basis at the following annual rates:

Buildings	2½%
Machinery and equipment	10 - 20%

Deferred charges

Financing costs are being amortized over the terms of the related debt, but not to exceed 5 years.

2. ACCOUNTS RECEIVABLE

	1984	1983
Trade	\$ 3,624,610	\$ 2,694,088
Insurance claim (a).....	1,824,025	1,500,000
Promissory notes (b)	324,000	324,000
Balance due on sale of land and buildings.....	—	1,000,000
	<u>\$ 5,772,635</u>	<u>\$ 5,518,088</u>

- (a) A business interruption claim arising from a fire which occurred at the Canada Cycle and Motor Company Limited, St. Jean factory on February 17, 1977, and was received on May 8, 1985.
- (b) The amount of \$324,000 represents promissory notes from five directors, loaned in 1982 for the purchase of 45,000 fully paid common shares of the company. The shares are held as security for the loans.

3. NOTE RECEIVABLE

The note is receivable over a period of 5 years with interest thereon at 9½% per annum and is secured by a standby letter of credit from a Canadian chartered bank. The same bank has loaned this company an amount equal to the balance due on the promissory note on the security of the note and the standby letter of credit. In the event of default on the note or nonrenewal of the letter of credit, the proceeds of the letter of credit will be used to repay the loan in full. The current portion of the note receivable, amounting to \$99,840 (1983 - \$99,840) is included in prepaid expenses and sundry assets.

4. PROPERTY, PLANT AND EQUIPMENT

	<u>1984</u>	<u>1983</u>
Buildings, at appraised value	\$ 7,460,000	\$ 8,810,000
Building additions, at cost	528,921	300,116
Machinery and equipment, at cost	<u>4,995,714</u>	<u>4,901,130</u>
	12,984,635	14,011,246
Less accumulated depreciation	<u>5,307,921</u>	<u>5,061,990</u>
	7,676,714	8,949,256
Land, at appraised value	14,750,000	14,900,000
Land, at cost	<u>2,905,499</u>	<u>2,903,695</u>
	<u>\$ 25,332,213</u>	<u>\$ 26,752,951</u>

5. OTHER

	<u>1984</u>	<u>1983</u>
Net investment in lease, current portion of \$60,603 included in prepaid expenses and sundry assets	\$ 126,583	\$ 187,186
Deferred financing costs, at cost less amortization	1,320	16,129
Share issue expenses	523,666	523,666
Sundry	59,061	—
	<u>\$ 710,630</u>	<u>\$ 726,981</u>

6. BANK INDEBTEDNESS

Accounts receivable and inventories are pledged as collateral for the bank indebtedness and the bank loan of \$7,990,000 included in long-term debt.

7. INCOME TAXES

The company and its subsidiaries have accumulated losses for income tax purposes in current and prior years amounting to approximately \$1,086,000 which may be used to reduce taxable income as follows:

\$ 85,000 to 1986
 \$ 63,000 to 1987
 \$414,000 to 1988
 \$524,000 to 1991

8. LONG-TERM DEBT

	<u>1984</u>	<u>1983</u>
Seaway Multi-Corp Limited:		
Secured debentures, due January 31, 1986	\$ 3,054,874	\$ 3,057,111
Unsecured promissory notes, prime rate plus 1%, due August 11, 1985	7,573	208,573
7½% convertible, unsecured sinking fund debentures, Series "A", maturing August 23, 1988 (Note 12(a) (i))	300,000	300,000
Levy Industries Limited:		
First mortgage loan, prime rate plus 2%, maturing October 30, 1984	—	1,002,000
Bank term loan, secured by pledge of note receivable, prime rate plus 7/8%, maturing November 30, 1989 (Note 3)	490,880	590,720
Levy-Russell Limited:		
Conditional sales contracts	69,558	29,695
Bank loan, secured by real estate, prime rate plus 2%, maturing August 31, 1990	965,540	1,042,620
Bank loan, prime rate plus 3/4%, maturing May 31, 1992 (Note 6)	2,990,000	3,365,000
Bank loan, prime rate plus 1½%, maturing November 30, 1994 (Note 6)	5,000,000	—
Drive Train Remanufacturing Limited:		
Obligations under capital leases	—	6,039
Russell Industries Limited:		
11% first mortgage loan, maturing February 1, 1986	1,540,393	1,598,459
Levy Service Industries Limited:		
First mortgage loan, prime rate plus 2%, maturing August 31, 1990	2,256,210	2,013,930
	16,675,028	13,214,147
Less amounts due within one year	2,526,827	2,329,864
	<u>\$ 14,148,201</u>	<u>\$ 10,884,283</u>

Common shares of Levy Industries Limited have been pledged as collateral for the debentures, which bear interest at bank prime rate plus 1%.

The aggregate amount of principal payments required in each of the next five years is approximately as follows:

1985	—	\$2,527,000
1986	—	\$4,614,000
1987	—	\$1,333,000
1988	—	\$1,357,000
1989	—	\$1,373,000

9. MINORITY INTEREST

	<u>1984</u>	<u>1983</u>
Common shares	\$ 66,541	\$ 74,602
Preference shares	1,462,809	1,596,856
	<u>\$ 1,529,350</u>	<u>\$ 1,671,458</u>

10. EXTRAORDINARY ITEMS

	<u>1984</u>	<u>1983</u>
Gain on sale of real property	\$ —	\$ 2,396,217
Reduction of income taxes on application of prior years' losses	112,400	145,540
Gain on termination of pension plan in subsidiary	—	649,797
Gain on settlement of insurance claim	324,025	—
Loss on sale of shares in subsidiary	(101,000)	—
	<u>\$ 335,425</u>	<u>\$ 3,191,554</u>

11. SEGMENTED INFORMATION (in thousands of dollars)

	<u>1984</u>			<u>1983</u>		
	Automotive Parts	Cold Storage and Property	Total	Automotive Parts	Cold Storage and Property	Total
Sales and revenues	\$ 19,455	\$ 2,652	\$ 22,107	\$ 29,355	\$ 3,066	\$ 32,421
Operating income (loss)	\$ 1,408	\$ (127)	\$ 1,281	\$ (586)	\$ (409)	\$ (995)
Interest expense			3,382			3,054
Income taxes (recovery)			(199)			(1,302)
Minority interest			76			120
Extraordinary items			(335)			(3,192)
			<u>2,924</u>			<u>(1,320)</u>
Net income (loss)			\$ (1,643)			\$ 325
Identifiable assets	\$ 39,270	\$ 10,583	\$ 49,853	\$ 40,641	\$ 10,046	\$ 50,687
Depreciation, amortization	\$ 133	\$ 346	\$ 479	\$ 227	\$ 330	\$ 557
Capital expenditure	\$ 123	\$ 202	\$ 325	\$ 196	\$ 402	\$ 598
Export sales	\$ 12,038	\$ —	\$ 12,038	\$ 20,669	\$ —	\$ 20,669

The company operates two divisions: a plant for the cold storage of produce and foodstuffs and the automotive parts division which sells new parts and major components for heavy duty and specialized vehicles and builds shunter tractors for the moving of large containers in the railroad, shipping, transport, warehousing and other industries.

12. CAPITAL STOCK

(a) Reservations of common shares:

- (i) 15,000 Common shares are reserved for the conversion privileges of the company's \$300,000 7½% convertible unsecured debentures at the rate of 50 common shares for each \$1,000 of debentures outstanding, exercisable at any time until August 23, 1988.
- (ii) At December 31, 1984 there are 246,407 Series "A" warrants outstanding entitling the holders to acquire one common share of the company at a price of \$38 for each warrant held. The warrant privileges may be exercised at any time until February 28, 1989.

(b) As at December 31, 1984 dividends on the Series "A" preference shares are \$319,000 (twelve quarters) in arrears.

(c) Contributed surplus represents the difference between the issue price of preference shares cancelled in June, 1982 and the company's repurchase price.

13. CONTINGENCIES

A United States Attorney is investigating certain shipments of material sold by subsidiaries of the company to the United States Government. The company understands that the concern is that the material may not have been in accordance with contractual requirements and that inspectors may have received gratuities and other benefits which may have influenced their duties. A number of contracts have been terminated since inception of the investigation, and the United States Government has asserted claims under those contracts which are still unresolved. Also, allegations have been made that a subsidiary of the company and certain individuals may have conferred benefits upon employees of the Canadian Department of National Defence while having dealings with that department. Since no specific complaints have yet been received from these agencies and the Department of National Defence, investigations are continuing and management is not in a position to determine what, if any, further developments may occur.

