

Trust in your Credit Union



1979 ANNUAL REPORT

HOWARD ROSS LIBRARY
OF MANAGEMENT



CO-OPERATIVE TRUST
COMPANY OF CANADA



McGILL UNIVERSITY

A significant change in corporate identity was undertaken in 1979 with the revision of the company logo to include the credit union symbol.

As the provider of long-term financial services to the credit union system, the company is intrinsically bound to its co-operative shareholders. The future success of the company will, in large part, be measured by the co-operation between the company and its shareholders.

The inclusion of the credit union symbol in the company logo visually demonstrates these bonds and serves as a constant reminder that Co-operative Trust products and services are provided to and through credit unions for the benefit of credit union members and all Canadians.

Each year, Co-operative Trust holds Regional Annual Meetings of shareholders in each operating area to permit an open discussion of the company and its operations. Shareholders are encouraged to participate and question operating decisions. The schedule of 1980 meetings is:

- Ontario — March 26 (Toronto)
- Alberta — April 9 (Calgary)
- Manitoba — April 10 (Winnipeg)
- Saskatchewan — April 14 (Saskatoon)
- British Columbia — April 24 (Richmond)
- Atlantic — May 20 (Sydney, N.S.)

The Annual General Meeting of shareholders will be held Monday, June 16, 1980, at Saskatoon.

President's Report

Your company devoted much of its energy in 1979 to strengthening and clarifying its unique relationship with credit unions.

Future success for both company and shareholders will be determined by effective co-operation in the face of stiffening competition, tighter profit margins and an unclear economic environment in the future. Co-operative Trust's commitment to its shareholders is that continuing growth will best be achieved by improving and expanding services available to Canadians through credit unions. Thus, "Trust in your credit union" is the theme chosen for this report.

As a system, we must never lose sight of our co-operative edge. We must continue to provide clear-cut alternatives to chartered banks and other financial institutions while expanding our services to surpass those of our competition. Credit unions have the opportunity to provide, in-branch, affiliated services such as insurance and trust products. That is a capacity that chartered banks cannot match.

Co-operative Trust has positioned itself as a wholesaler of long-term financial services by providing its products to and through credit unions.

I believe this philosophy provides credit unions and their trust company with an attractive competitive edge as we work together to meet the challenges of the '80s.

The Board of Directors declared 1979 shareholder dividends of five per cent on common shares and four per cent on preferred shares, equal to those of 1978.

In an effort to assist shareholders caught in the grips of liquidity problems, dividends were available in cash. However, because Co-operative Trust is facing a similar financial squeeze and there is a continuing need to expand the company's borrowing base, shareholders were asked to re-invest their dividends in the company.

I would like to thank the board for its guidance through this past year, with special thanks to executive committee member Les Tendler of Regina, and directors Leon Davey of Oshawa and Gib Wesson of Regina who, due to pressure of business, will not be standing for re-election. Directorship terms also expired this year for Brian Downey of Calgary and Gordon Sinclair of Saskatoon, both of whom are eligible for re-election at their respective Regional Annual Meetings.

In closing, let me again stress that, co-operatively, we have the resources and the dedication to realize a breadth of financial services for our members that will not be duplicated by any other Canadian financial institution. Let us capitalize that potential.

*Paul Rivière
President and Chairman
of the Board*

Board of Directors' Report

The year past saw interest rates rise to unprecedented heights while profit margins continued to decrease in an unsettled business climate. Despite current economic conditions, the board acknowledges the careful management provided in 1979, particularly the continuing commitment to cost control. The board is also pleased to report a gross margin equivalent to, or better than, other Canadian trust operations.

Improved performance in trust services is, however, negated in our consolidated financial statements by unsatisfactory results in real estate and property development. But, with what it considers to be well-placed confidence in a brighter long-term future, the board dedicated much of 1979 to preparing for the 1980s and '90s.

During the year a total of 55 applications for membership in the company were approved by the board. This brought to 993 the total number of shareholders in the company.

Many of our owners are, of course, shareholders of other co-operative organizations. In fact, all co-operatives are closely connected through their second- and third-level affiliates.



As a member of both Co-operative Union of Canada (CUC) and Canadian Co-operative Credit Society (CCCS) — and recognized as a mature national co-operative in its own right — the company has a responsibility to foster the growth of co-operation at local, national and global levels.

It is also incumbent upon elected officials to collaborate in determining appropriate roles for all organizations within the system.

The depth of experience and affiliations of Directors, outlined in following sections, strengthens the company's ability to further co-operative/credit union development. This co-operation has, in turn, resulted in a better-informed board that, because of the necessity to view its operations on a national level, is moving carefully and cautiously in its determination to build a company responsive to the needs of its shareholders and innovative in its contributions to the co-operative/credit union system.

Acquisitions

The board approved the purchase of a new building for the Co-operative Trust home office and Saskatoon branch. At the same time, the sale of our existing property was approved. The new building will provide needed space for Co-operative Trust, with the capacity to expand, and also provide space for lease to other co-operatives.

Also approved was participation in Cablecom, a unique consortium of three interest groups who gathered together to provide a cable television network for three Saskatchewan cities. The interest groups are: private business, co-operatives, and government. The co-operatives, including Co-operative Trust Company of Canada, Saskatchewan Credit Union Central, The Co-operators and Federated Co-operatives Ltd., have acquired a 30 per cent interest in Cablecom. Co-operative Trust has a five per cent share of the company.

Cable television may develop the capacity to provide a wide range of in-home financial services. For that reason, and recognizing that the company must contribute to the system's search for improved services to shareholders and members, Co-operative Trust became involved with the Cablecom operation.

The board also approved the company's involvement in Canfarm, a computerized farm management service that should prove beneficial to the co-operative and credit union system. Association with Canfarm should result in new business development for the co-operative financial sector.

Decisions for the Future

To improve the company's share capital position, the board approved the concept of subordinated shareholder loans and passed a resolution to expand capital from \$30 to \$50 million, if required.

In accordance with performance objective #9, "To review our control structure to ensure that it is consistent with the objectives of the organization", a study will be undertaken by the Co-operative College of Canada with the assistance of the Co-operative Future Directions Committee. Shareholder input will be sought during the review.

Long-range planning is moving steadily through its various stages. In the past year, we have seen the development of "strategies" to meet the various performance objectives. Decisions and strategies implemented through long-range planning will be expanded upon elsewhere in this report.

Board training and development was given considerable attention this year, resulting in a position description for board members and a brief, entitled "On Being a Director".

Directors Responsibilities

Directors of the company are required to represent their region on the board, to promote the interests of the company, to lend judgement to board discussions and decisions, and to give leadership in co-operative organization and development in their region.

To serve the company effectively, a director must be thoroughly familiar with co-operative principles and the development of the movement.

Directors of the Co-operative Trust Company of Canada come from all regions of the country. They live and work in varying climates, both economic and physical. They represent varying cultures and environments, but they all share a common spirit of co-operation.

BRITISH COLUMBIA

Peter Podovnikoff

Formerly Chief Executive Officer of British Columbia Central Credit Union. Now General Manager of Delta Credit Union, he has been associated with credit unions since 1955. His acknowledged expertise has led him to board and committee positions on various national co-operative financial organizations, including the Canadian Co-operative Credit Society, the Co-operative Union of Canada and Co-operative Trust.

Jean Aussant

Member of the Board of Directors of B.C. Central Credit Union and General Manager of Caisse Populaire de Maillardville Credit Union. He is also a director of the Conseil de la Co-operation du Canada, is Vice-President of the B.C. French Federation, and is active in many community organizations.

THE PRAIRIES

Paul Rivière — President & Chairman

Well known for his excellent work with co-operatives. In addition to his extensive duties with Co-operative Trust, Mr. Rivière is a director of the Saskatchewan Credit Union Central, The Co-operative Union of Canada and Co-operative College of Canada.

Les Tendler

General Manager of Sherwood Credit Union in Regina, guiding Canada's third largest credit union, with more than \$280 million in assets. Mr. Tendler is also a director of the Canadian Co-operative Credit Society, a member of the Co-operative Securities Board and a member of the Saskatchewan Regional Advisory Committee of The Co-operators.

Gordon Sinclair

A vigorous force within the co-operative system. He is past-president of the Co-operative Superannuation Society, providing the company with a direct link to a significant pension funds source. In addition, he is President of The Co-operators, a director of Federated Co-operatives Ltd., and manages a farming operation near Strathclair, Manitoba. His affiliations strengthen company ties with other organizations in the system.

Brian Downey

A Registered Industrial Accountant, he joined Federated Co-operatives in 1961 and commenced his credit union career in 1964. He is now Director of Finance and Administration for the Alberta Credit Union Central. In addition to his extensive co-operative/credit union activities he has worked as an auditor and examiner for the Government of Manitoba.

Allen Nessel

Chief Executive Officer of Edmonton Union Centre Credit Union, one of Canada's largest credit unions. A Registered Industrial Accountant, he is a district chairman for The Co-operators.

Ted Morgan

A Saskatchewan farmer who has been associated with co-operatives since 1954. He is President of Turtleford Credit Union. His co-operative background includes service as chairman of his district Wheat Pool organization, as a delegate to Saskatchewan Credit Union Central and on the boards of two retail co-operatives.

Gib Wesson

Chairman of the Saskatchewan Land Bank Commission. He is a member of various credit unions and co-operatives and is a past employee of both Co-operative Trust and the Saskatchewan Wheat Pool.

Arthur Allsen

Has devoted much of his life to helping co-operatives grow. He joined the Tisdale Co-op as an employee in 1938. He currently retains membership in two credit unions and five co-operatives. He also serves as Mayor of Cabri, Saskatchewan.

Gabriel Dufault

Formerly General Manager of Portage Credit Union in Manitoba. Among his many accomplishments, he served as President of the Credit Union Managers Association of Manitoba for two years.

Rhéal Teffaine

A member of the Manitoba bar, he was appointed Queen's Counsel in 1975. He is a member of the Board of Directors of La Centrale des Caisses Populaires du Manitoba, and has served on the boards of the Manitoba Health Services Commission, Le Cercle Moliere, Presse Ouest Limitee, and the St. Boniface General Hospital Research Foundation.

ONTARIO**Allan McIntosh – Vice-chairman**

Formerly President of the United Co-operatives of Ontario. He has been a director of the trust company since 1974 and is also a member of the Co-operative Future Directions Committee. Currently enrolled in the Master's degree program in co-operative management at York University, his strong ties with Ontario co-operatives benefit the company's eastern marketing efforts.

Leon Davey

Treasurer-Manager of the Oshawa Auto Workers Credit Union, one of Ontario's largest credit unions, Mr. Davey is also a director of Ontario Credit Union Central, The Co-operators and Landmark Savings & Loan Association, a major company affiliated with Ontario's credit unions.

ATLANTIC**Al Buchanan**

General Manager of Trico Credit Union Ltd., in Moncton and New Brunswick district chairman for The Co-operators. In addition to continued co-operative service, Mr. Buchanan has also served as a member of the New Brunswick Central's Legislative Committee.

Lloyd Coombs

Treasurer-Manager of the Nova Scotia Postal Employees Credit Union Ltd. and a director of the Nova Scotia Credit Union Stabilization Fund. He has served as a director or executive for numerous co-operatives, credit unions and community organizations.

Co-operative Trust works in close conjunction with credit unions and co-operatives to provide their members with a quality range of services . . . the co-operative edge. The photos in this report demonstrate that close working relationship.

(Top to Bottom, Left to Right) Directors of Co-operative Trust: (1) Gib Wesson, Leon Davey, Al Buchanan, Allen Nessel, Brian Downey (2) Ted Morgan, Jean Aissant, Rhéal Teffaine (3) Art Allsen, Al McIntosh, Paul Rivière, Lloyd Coombs, Les Tendler (4) Gabe Dufault, Gordon Sinclair, Peter Podouinikoff.





Is Your R.R.S.P. "Catch-Free"?

The "Catch-Free" R.R.S.P.

The "Catch-Free" R.R.S.P.

The "Catch-Free" R.R.S.P.

The "Catch-Free" R.R.S.P.

The people with the plans of a lifetime.



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Management Report

Co-operative Trust Company of Canada has always followed a policy of tailoring its services to complement and extend the services of its member credit unions. In following this policy, the strength and the competitive position of all credit unions have been improved.

This makes the phrase "Trust in your credit union" more than a slogan — it describes an operating reality.

Through the services of Co-operative Trust, the competitive position of shareholder credit unions is maintained and the co-operative financial operation is enriched.

The trust services we offer are considered by many credit union managers to be an extension of the services they already offer. Previously, such services were sometimes unavailable locally and never on a co-operative basis.

The additional services available through Co-operative Trust give shareholder credit unions another competitive advantage over conventional financial organizations.

The Co-operative Edge

The turbulent economic environment of 1979 brought to the fore the ability of co-operatives to interact for mutual benefit.

It is an important task for all co-operatives to work within the system to co-ordinate activities and services of the various co-operative organizations to best benefit all members' requirements.

Co-operative Trust contributed by developing an elaborate and fully consultative long-range planning process that involved shareholders and other major co-operatives in developing corporate goals.

Initial phases culminated in 1978 with a public statement of the company's purpose and thirteen performance objectives.

The mission statement is: "We are the Canadian trust company which is an integral part of the co-operative and credit union system. Our mission is to provide a selected range of quality services to organizations and individuals to fulfill their continuing needs."

The following report reiterates those objectives and details functions implemented in 1979 to fulfill them.

1. To operate on a financially responsible basis.

Growing pains have affected the company. The explosive growth of recent years occurred at a rate beyond the speed of internal changes. Operating policies were geared to previous economic conditions and were no longer appropriate for the constantly changing economic scene. Steps have been taken to change these operating policies. New accounting procedures are in force and financial performance is being closely monitored.

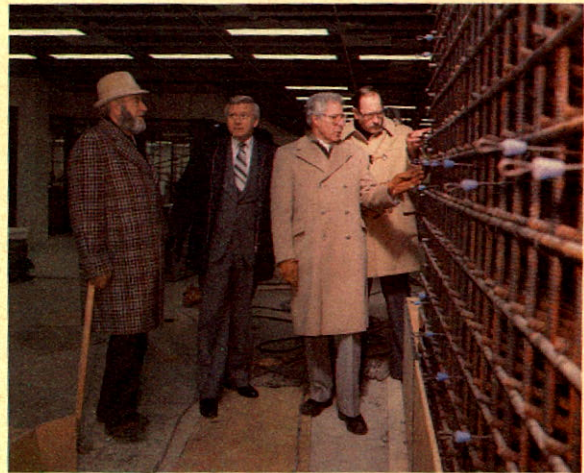
In the area of financial planning, significant achievements in the past year included: continuing development of a corporate accounting manual, which includes accounting policy standards and an extended chart of accounting codes; preparation and installation of real estate accounting procedures; completion of a product cost study; and preparation of long-range budgets corresponding to long-range planning goals.

New systems were also implemented for Cotrusco accounting.

The accounting services department is working toward computerizing

Left: Verle Farber, Edmonton Business Development Manager; Cec Bradwell, Co-op Trust Real Estate Manager; Bev Engelhart, Marketing Manager, Edmonton Savings Credit Union.

(Top to bottom, left to right) (1) Pat Bell, Chief Executive Officer, Federated Co-operatives Ltd.; Earl Foster, Chief Executive Officer, Co-operative Trust (2) Al Gedge, Special Assistant to C.E.O.; Bill Nelson, Manager, Co-op Trust Real Estate National Operations; Vic Boechler, I.C.I. Sales Representative; Ron Walker, Director, Investment Services (3) Bob Kronas, Co-op Trust Real Estate, Ontario Operations Manager; Ernie Nesbitt, Manager, Hamilton-Wentworth Credit Union (4) Art Fox, Manager, Castle Real Estate (Moose Jaw franchise); Brian Worsten, Manager, Main Branch Moose Jaw Credit Union; Dennis Horvey, Swift Current Branch Manager.





the function for home office and the branches by the end of 1980 to better assist management in the decision-making process.

The internal audit department, aside from evaluating internal controls and working closely with the external auditors, has played an integral role in identifying areas requiring up-dated policies and procedures.

New internal financial statement formats have been implemented with variance analysis comparing budget projections and actuals. Although accounting activity has shown a substantial increase, staffing levels have remained relatively constant.

In an effort to improve both the budgeting system and financial reporting, the finance division is considering moving toward zero-base budgeting.

2. To be the co-operative/ credit union system provider of management, administration, marketing, and trusteeship services for deferred income plans.

Trusteeing of registered plans is an extremely complex function. For example, most of the major chartered banks and many trust companies use outside sources to administer RRSPs.

The company devotes considerable time and human resources towards the management, administration, marketing and trusteeing of registered plans for the mutual benefit of all shareholder credit unions.

To fulfill its continuing responsibility as system provider of registered plans, the company has up-graded its data processing system, improved educational programs for counter service personnel, expanded user research and developed new promotional aids. Research showed that offering only two RRSP plans no longer met the needs of all the members. In response, the company developed a selection of six RRSP options to meet member needs.

The result is a broad registered plans program that matches or surpasses those offered by others and a data processing system that enables delivery of an official receipt to individual planholders far faster than our competitors.

A goal of the company is the gradual evolution of a registered plans program trusteeed by the company on behalf of shareholder credit unions that will be consistent in its format from coast to coast.

Universal adoption of a no fees policy, more general availability of an increased number of RRSP options and a unified national marketing program will serve to truly establish the co-operative edge in registered plans programs.

3. To be the co-operative/ credit union system provider of services for accepting guaranteed trust deposits with terms in excess of one year.

Guaranteed Investment Certificate funds on deposit increased moderately during the year. In keeping with company policy, very little marketing was utilized to encourage activity beyond the co-operative system. Guaranteed Investment Certificate activity was also affected by heavy redemption from various credit unions acting to meet liquidity requirements.

The company administered its growth fund investments cautiously, maintaining a large cash position due to its belief the market was over-valued. Invested funds performed comparably to market conditions. The fund's performance was up 22 per cent over the year and maintains a highly-effective 20 per cent annual rate of return over a three year average.

The income fund was a casualty of the year's high interest rates. It is

(Top to bottom, left to right) (1) Beautiful Muskoka Sands, a year round resort and seminar centre, just two hours from Toronto near Gravenhurst (2) Wayne King, Calgary Branch Manager; Bob Jamison, Director, Personal Trust; Brian Manton, Director, Legal Services (3) John Dally, Trust Department Manager; Fred Nagel, Co-op Trust Real Estate Manager, Peter Balon, Manager, Sherwood Credit Union at Sherwood Co-op (4) Allan Korneychuk, Vancouver Branch Manager; John Thomas, Eastern Region Branch Manager; Jim Butler, Director, Training and Development; Ed Bankowski, Winnipeg Branch Manager.

investment fund policy to mark down the price of mortgage investments to reflect current rates. As a result, the investment fund shows an unrealized loss, which will be recovered when interest rates decline.

Units in growth and investment funds are sold to individuals and are managed on their behalf by the company. It is estimated that well over 90 per cent of unit holders are co-operative/credit union members.

In the opinion of the company the funds rank as a very good RSP purchase.

4. To be the co-operative/credit union system provider of personal trust and corporate trust services.

The provision of personal trust services was one of the prime reasons for the birth of Co-operative Trust. The company continues to provide this service to the best of its ability, but it is costly. The company is investigating adoption of a user-pay policy in the estate planning services to at least reach a break-even position in this vital area.

In an effort to increase awareness and better explain the need for estate administration to co-operative and credit union members, new marketing aids were developed and a modest advertising program in co-operative publications was implemented. The program encourages members to ask their credit union for information about estate administration. Early response to the program has been encouraging.

During the year assets in estates under administration increased by 32 per cent to over \$60 million. At the same time, the average size of estates administered also increased substantially.

A more aggressive attitude towards the promotion of Self-Directed Registered Retirement Savings Plans resulted in the opening of more than 625 new accounts, more than double the number opened the previous year.

Corporate pension plans saw a substantial increase, with the company having been appointed trustee for a number of plans.

Legislative and administrative changes necessitated rewriting registered retirement savings/home ownership user manuals for both conventional and separately registered plans. The up-dated manuals were distributed to shareholder credit unions in the fall.

5. To be the co-operative/credit union system provider of real estate services.

The massive impact of soaring mortgage rates seriously curtailed real estate activity in Canada in the latter part of the year. Our reports show considerable drop-offs in real estate transactions in comparison with 1978 activities.

In consolidating services to reduce costs and concentrate on proven profit centres, your company is faced with on-going carrying costs from closed real estate offices and with some trade-a-home losses incurred in previous years. Including these costs in the current financial statements detracts from the 1979 performance, which had been improving until high interest rates took their toll.

The first area of the economy to suffer as a result of high interest rates is the housing sector. The real estate slow-down is common throughout the industry, but the division is confident the commitment to be the system's provider of real estate services will be rewarded in the long term.

An all-out effort to encourage co-operative organizations and their employees to utilize the services of the system's real estate arm showed positive results in 1979.

(Top to bottom, left to right) (1) Barry Forbes, General Manager, New Westminster Credit Union; Wilf Mooney, Co-op Trust Real Estate Manager; Cliff Pilkey, Business Development Manager (2) Marg Kobrinsky, formerly Marketing Manager, Calgary Co-op Centre Credit Union; Al Smith, Co-op Trust Real Estate Manager; Angus Macdonell, formerly Business Development Manager (3) David Franklin, Director, Marketing Research; Larry Clausen, Director, Electronic Data Processing; Bill Janzen, Edmonton Branch Manager (4) Dianne Dunn, Toronto Branch Registered Plans Officer.





Various co-operative and credit union employees across Canada realized substantial savings by taking advantage of a newly-instituted member's discount. System business was transacted in many regions on behalf of Federated Co-operatives, The Co-operators, various Credit Union Centrals, and credit union employees.

To improve quality of service, our first-ever real estate training program was held in 1979, using the facilities of the home office of CUMIS Insurance at Burlington, Ont. This program will be continued across Canada to constantly improve the quality and professionalism of the sales force.

New marketing aids, including up-graded promotional material and outdoor signage, enabled the division to promote a national referral program to members in most areas across Canada.

6. To play a significant role in long-term money management within the co-operative/credit union system in the following activities.

- a) **Mortgage lending on security of real property.**
- b) **Mortgage brokerage service.**
- c) **Term loan brokerage service.**

A change of mortgage managers in three branches during the year affected business development. In addition, the demand for mortgage funds was limited by the increase in interest rates, resulting in limited construction and a general economic slow-down. However, the past year was not without its achievements and we were able to commit all available funds.

The company was accepted by other co-operative financial organizations and co-operative housing groups as lead lender for co-op housing projects, thereby obtaining the participation of co-operatives and credit unions in co-operative housing mortgages.

As a result of the company's role as lead lender for co-operative housing, more than \$24 million in mortgage activity remained in the co-operative sector. Co-operative Trust retained \$6.7 million, with the balance being shared with co-operative organizations, including The Co-operators and the Co-operative Superannuation Society.

Throughout the year, the division has concentrated on improving underwriting and administrative procedures, the quality of loans and the return on investments.

7. To initiate and/or participate wherever possible with other co-operative/credit union organizations in property development and property management.

The activities of Cotrusco Realty Ltd., the property development branch of the company, were also hampered by the slow-down in real estate development induced by interest rate increases.

In the Edmonton area, the company became a partner in a 500-lot residential subdivision. The first 82 lots have been serviced and will be marketed to home builders for 1980 construction.

In 1977 Cotrusco joined The Co-operators, Co-op Centre Credit Union and Credit Union Central of Alberta in the purchase of a building site on McLeod Trail in Calgary across from the Calgary Co-op's home office. During the past year, the partnership has commenced erecting a 360,000 square foot office building to be known as Heritage Square and to be approximately half occupied by the members of the co-operative group.

(Top to bottom, left to right) (1) Ed Androsoff, Vice-President, Special Services; Doug Gillett, Vice-President, Human Resources; Bill Werbicki, Director, Office Services (2) Dave Barr, Director, Communications; George Schell, Co-ordinator, National Real Estate Programs; Fred Allo, Director, Marketing; Dooley Radcliffe, Director, Corporate Trust (3) Bill Jensen, Co-operative Trust Branch Manager; Bob Klotz, Prince Albert Credit Union Branch Manager; Ben Plemel, General Manager, Prince Albert Credit Union (4) Al Stadnick, Co-op Trust Real Estate Manager; Bill Nolan, Saskatoon Business Development Manager; Maruin Nicklin and Graham Sheppard, Co-op Trust Real Estate Managers at Saskatoon Co-op.

Muskoka Sands Inn, the system's resort facility owned by Cotrusco, saw a net loss in the year's operation but improved its performance significantly over 1977 and 1978. An up-grading program saw the facility take on a refurbished look. Occupancy increased 11.5 per cent over last year. While Muskoka Sands facilities, appearance, and service have appreciably improved since the company took over the Inn in 1977, much remains to be done. The enormous potential of the tourist industry augers well for Muskoka Sands in the '80s. The company is exploring with other co-operators the feasibility of a joint venture in further developing the Inn and its facilities as an investment opportunity.

Where market conditions and project planning are good, however, developments can be successful, as they were in Calgary's Riverglen and Cliff House ventures in 1979.

The company has difficulty selling single-family dwellings in Brantford, Ont. and condominium projects in St. Catharines, Ont. and Winnipeg, but strategies are being developed to overcome these problems.

8. To provide our services through co-operative/ credit union organizations to the greatest extent possible. In addition, to deliver services to the general public and encourage them to use co-operative and credit union services.

By serving its nearly 1,000 shareholders, the company is able to offer its products through more financial outlets than any other Canadian trust company. In turn, credit unions from Halifax to Victoria are able to offer a broader product range unequalled by their competitors. This example of the co-operative edge must be more fully developed if shareholders and the company are to continue growing successfully. The continuing perception by some credit unions of the trust company as a competitor rather than a supplier is a cause for concern.

The year saw a massive undertaking by the company to encourage shareholder credit unions to broaden their product base by better utilizing the services of the trust and real estate company. Management team members met with credit unions, Centrals and co-operative organizations across the country to provide in-depth explanations of the company's services and to explore areas of future co-operation.

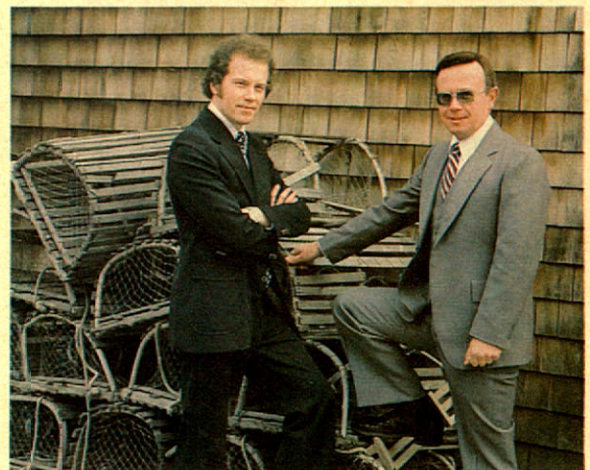
A constant stream of new marketing aids for registered plans, estate administration, real estate and income averaging annuity certificates was produced to assist the selling efforts of shareholder credit unions. In addition, advertising programs were carried on in a variety of co-operative publications. Ads featuring the full range of products available through credit unions encouraged members and non-members to utilize the services of their local credit unions. The campaigns were paid for, on behalf of shareholder credit unions, by the company.

9. To review our control structure to ensure that it is consistent with the objectives of the organization.

In response to some concerns and in accordance with the company's aim to be responsive to the needs of its members, it was decided to conduct a review of the company's control structure.

The review is being conducted by Co-operative College of Canada, which has retained, through the Co-operative Future Directions Committee, the services of Jack Craig, a noted co-operative scholar and a professor of York University. The review is being conducted under the supervision of a committee of the Board of Directors.

(Top to bottom, left to right) (1) David Walton-Ball, Vice-President, Marketing and Communications; Bernie Rodych, Director, Mortgage Services; Garth Courtney, Saskatoon Branch Manager; Clint Forster, Board Chairman, Cablecom Corp. (2) Rob Anderson, Regina Branch Manager; John Wall, Vice-President, Branch Operations; Ed Reid, Director, Internal Audit (3) Roger Hicks, Halifax Mortgage Department Manager; Harry Wallace, Manager, Harbour Cities Credit Union (4) Brent Horrell, Winnipeg Co-op Trust Real Estate Manager; Fabien Desmarais, Business Development Manger; Guy Carriere, Manager La Caisse Populaire De St. Boniface.





A first step in the review will be extensive research into the other control structures. This will be followed by a "think tank" involving a cross-section of shareholders and members from the co-operative sector. A presentation to shareholders will be made at district meetings to be held in the fall of 1980.

Submission of the final report is planned for subsequent Regional Annual Meetings.

10. To actively participate in the identification and clarification of roles for the provincial, regional, and national organizations in the co-operative/credit union system.

The President and Chief Executive Officer of the company made presentations to boards of major co-operatives across Canada outlining the history, philosophy and long-range planning objectives of the company in an effort to promote better understanding of the company's role within the co-operative system.

Following the development of long-range planning objectives, in which members from a wide range of co-operatives assisted, strategies were devised to fulfill performance objectives. In August, chief executive officers of major financial co-operatives gathered to review and provide input to the proposed strategies to ensure consistency and organization within the system.

The company has also maintained close communication with our Quebec counterpart, Fiducie du Quebec. Representatives of both financial divisions met during the year. Also, a representative visited our home office to review our long-range planning process. Fiducie du Quebec plans to implement a similar process in the near future.

11. To co-operate in the development of systems and procedures which will enable co-operative/credit union organizations to expand their range of member services.

Improved communications and co-operation within the system has always been a goal of the company. Working together to explore avenues of common interest has resulted in a significant joint effort in the field of data processing.

The company has made a major move toward computer compatibility with The Co-operators, Federated Co-operatives Ltd., Saskatchewan Credit Union Central and Ontario Credit Union Central. The data processing department is now linked to The Co-operators and all new systems will be developed using The Co-operators' equipment as the host computer.

In addition, joint computer development projects have started with provincial Centrals with regard to registered plans, general ledger and mortgages.

A satisfactory result in the effort to up-grade data processing became evident when a new high of user satisfaction was achieved nationally with the Credit Union Deposit Program for registered plans. Survey results indicate 60 per cent of all credit unions rate the company's computer service above average or excellent.

This move towards an integrated data processing approach within the system will accelerate responsiveness to on-line organizations and their membership.

Another prime example of co-operation was the joint venture in which Saskatchewan Credit Union Central, The Co-operators, Federated Co-operatives, and the company combined forces to purchase a 30 per cent share of the Cablecom Corporation.

(Top to bottom, left to right) (1) John Lipsett, Corporate Secretary; Vern Creaser, Halifax Branch Manager (2) Tony Ducie, Director, Accounting Services; Cliff Cook, Director, Tax Services; John Larsen, Director, Financial Planning; Don Gedge, Vice-President, Finance (3) Valerie Whitfield, Publications Editor, CUMIS; David Martin, Manager, Muskoka Sands Inn; Graham Tappan, Executive Vice-President, CUMIS Travel (4) Client, Mary Frehlick with Fred Dowsell, Vancouver Branch Personal Trust Department Manager.

12. To provide an environment for our human resources which will encourage personal development, involvement, commitment, and an understanding of co-operative principles, and which will permit each individual full opportunity for progress, security and a sense of accomplishment.

The company has concentrated on developing new personnel practices and policies to assist in preparing its managers, its Directors and all employees to identify and work successfully with the attitudes and challenges of the '80s.

A new corporate training and development program has been placed into effect. The development of specialized professional programs, as well as general training programs, is continuing.

To ensure a full understanding of co-operative principles by all employees, the company initiated a correspondence course in co-operatives and credit unions. New employees will be required to take this course of study, while all present employees are encouraged to participate in the program.

The company contributes approximately \$1 million annually in employee benefits to assist in meeting the socio-economic needs of its employees and their families. During the year, a series of regional staff meetings was conducted and all employees were presented with an in-depth review of benefits, together with a personal copy of the new employee benefits booklet.

Canadians show a desire to work and expect to get satisfaction from doing it. Our employee group has the same desire and expectation. The personal and social aspects of work are now valued at, or above, the purely material items. This represents a shift in attitudes for many who, in the past, were content with just holding a job. The challenge now is to learn to identify and work successfully with these new attitudes and challenges.

13. To conduct our affairs in a socially responsible manner and strive to enhance the image of co-operatives and credit unions by example and by education.

Several policies and programs were instituted during the year to improve quality of work life. Office hours were adjusted to ensure consistency across the country. Crowded working conditions were eased with a move to larger premises by the Edmonton branch and the purchase of a larger office building for use by home office and the Saskatoon branch. A consultant was engaged to review employee benefits and a review of salary scales was made.

The company was instrumental in arranging the participation of western Canada credit unions as information centres for Western Canada Summer Games tickets and events. Credit unions received extensive coverage of their efforts in a major western Canadian radio and television publicity campaign.

Among the major policy developments was the adoption, by the Board of Directors, of a "Conflict of Interest" policy.

Very few other major financial institutions have such policies. The development of one for Co-operative Trust is in full accord with its commitment to co-operative principles.

Co-operative organizations received the bulk of funds allocated through the company's grants and donation policy, with some \$40,000 going to worthy co-operative causes.

In its role as a mature national co-operative, the company actively participated in the Trust Companies Association and the Canadian Advertisers Association, bringing to the world of conventional business a co-operative influence.

Financial Results

The year 1979 was the second year in a four year plan aimed at consolidating administrative practices and correcting financial problems which have arisen from ten years of unprecedented growth. General economic conditions, high interest rates and the interest rate squeeze have made the task of facing financial problems much more difficult.

Assets under administration grew from \$1.6 billion to \$2.1 billion. Excluding proceeds from the sale of the home office building, consolidated gross profits decreased from \$1.4 million to a loss of \$1.1 million, while net income for the year was \$81,000. After including the extraordinary gain from the sale of the home office building and certain other properties, net income decreased slightly from \$1.4 million in 1978 to \$1.3 million in 1979.

Gross income from trust operations increased from \$53.2 million in 1978 to \$64.7 million in 1979, resulting in gross profits of \$3 million in 1979 (before extraordinary items), compared to \$2.6 million in 1978. Guaranteed investment certificate deposits (excluding registered plans and accrued interest) increased by \$27.9 million or 9.1 per cent, compared to an average increase per year of 29 per cent over the previous five years. The most important reason for this decline was the reduction in credit union deposits. This reduction resulted from credit unions' increased need for liquidity, reduced profits and high short-term interest rates. On the positive side, emphasis on cost control held the increase in operating expenses to \$1.4 million or 14.9 per cent as compared to an average increase per year of 43.7 per cent over the previous five years. The \$61 million increase in the mortgage portfolio is less than the 1977-78 increase, due mainly to the reduction in guaranteed investment certificate deposits. Although the spread between interest earned and interest paid on all company funds declined from 1.51 per cent in 1978 to 1.31 per cent in 1979, the 1979 margin compares very favourably with other trust companies.

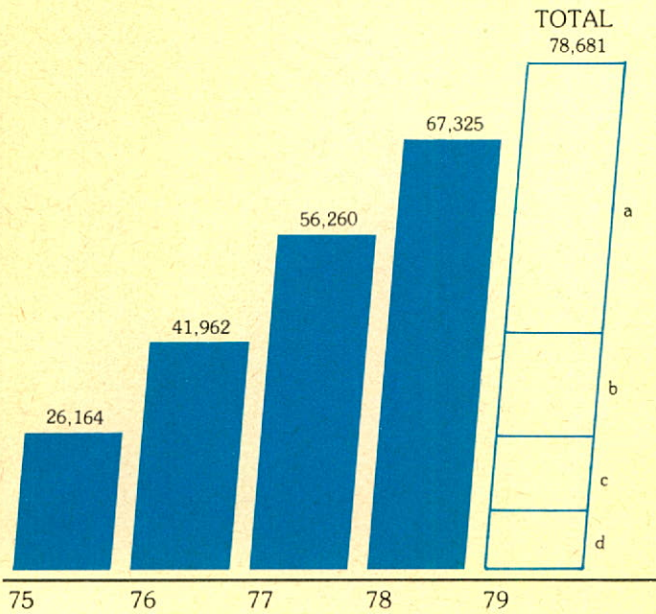
Company retained real estate commission revenue totalled \$2.137 million in 1979 compared to \$2.106 million in 1978. Before taxes, real estate operations showed an overall loss of \$1.3 million. Of this amount, \$393,000 can be attributed to writing off accounts receivable from previous years and \$194,000 is due to losses on the sale of homes purchased by the company on the trade-a-home program in previous years. Ongoing lease and leasehold improvement costs with respect to branches closed prior to 1979 account for \$173,000 of the loss, while branches closed during 1979 incurred losses of \$289,000. National real estate overhead totalled \$159,000 and the loss incurred by branches which remained open as at December 31, 1979 is \$73,000. It should be noted that accounts receivable and trade-a-homes have been under good financial control since 1978 and a concerted effort is being made to sublet closed real estate offices.

Cotrusco Realty Limited realized a before-tax loss of \$2.7 million. The Muskoka, Brantford, St. Catharines and Briarwood projects account for \$2.3 million or 84 per cent of the loss, which included operating losses of \$309,000, interest carrying costs of \$1.5 million and write-downs in value of \$420,000. Interest charged to Cotrusco for the year was \$2.9 million, reflecting the fact that this subsidiary is almost entirely debt financed.

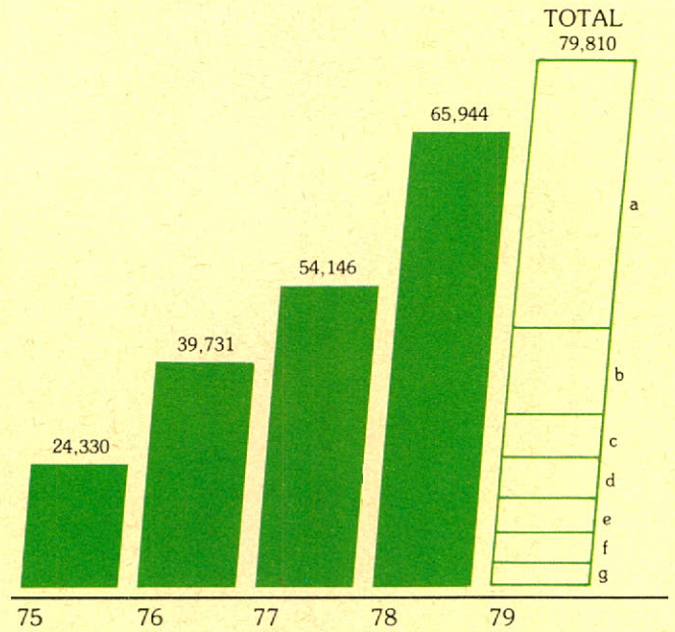
The sale of the home office building at \$3.2 million resulted in a before tax profit of \$1.4 million, with \$401,000 being set up as deferred taxes. In addition, three other lots being held by the trust company were sold for \$850,000, resulting in a before-tax profit of \$342,000.

Issued share capital increased by \$1.3 million. Dividends totalled \$1.2 million and \$112,000 was added to retained earnings.

**GROSS INCOME
(\$000)**



**GROSS EXPENSES
(\$000)**



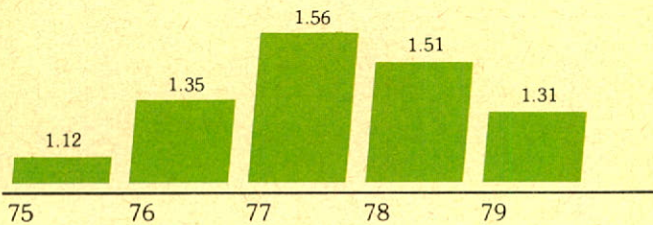
'79 INCOME (\$000)

a) Interest from loans and advances	47,642
b) Interest and dividends from securities	10,783
c) Property development sales	10,166
d) Fees, commissions and other	10,090

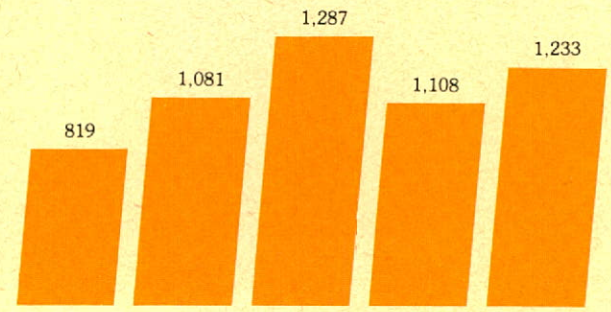
'79 EXPENSES (\$000)

a) Interest	50,586
b) Cost of property development sales	10,678
c) Salaries and component costs	6,463
d) Other	4,430
e) Commissions, taxes, licences and conveyances	3,612
f) Occupancy and equipment costs	2,435
g) Communications and member relations	1,606

**MARGIN
(%)**

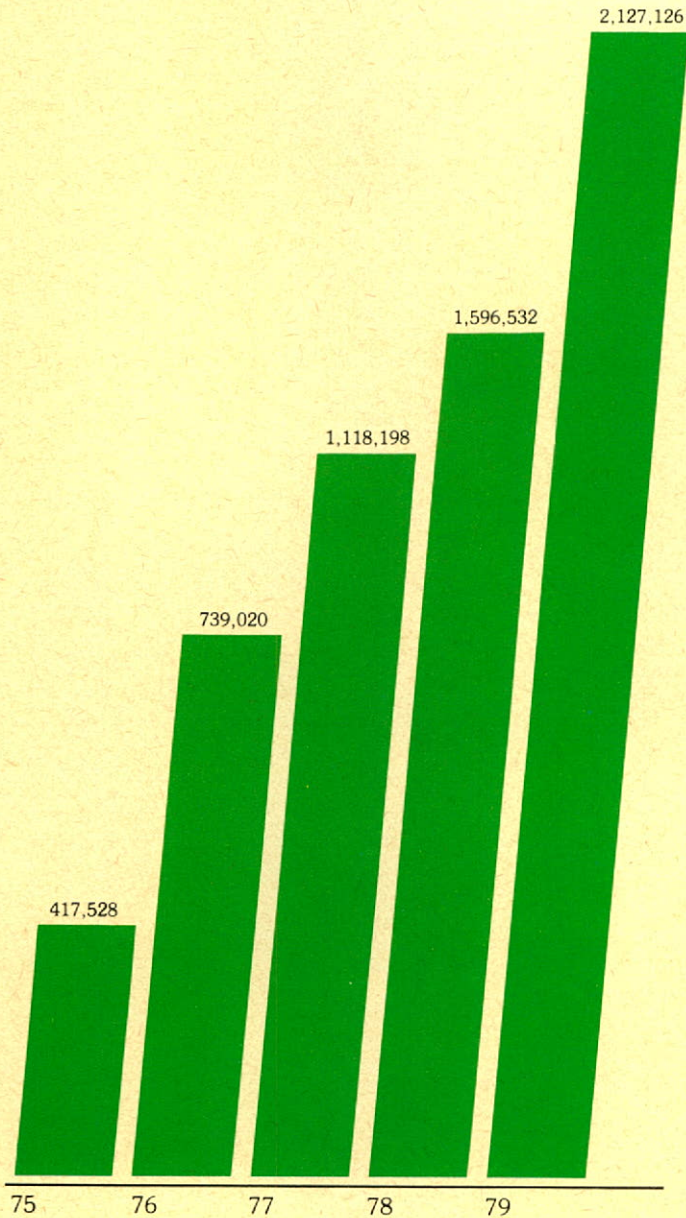


**DIVIDENDS
(\$000)**

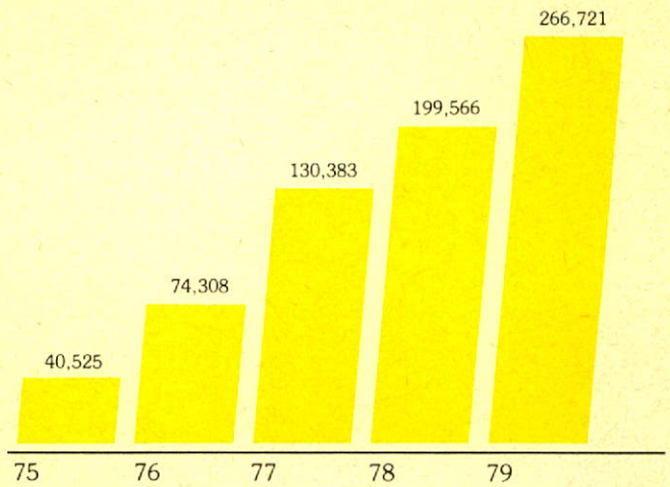


	75	76	77	78	79
Common Shares	7%	7%	7%	5%	5%
Preferred Shares	4%	4%	4%	4%	4%

**ASSETS UNDER ADMINISTRATION
(\$000)**



TOTAL NUMBER RRSPs

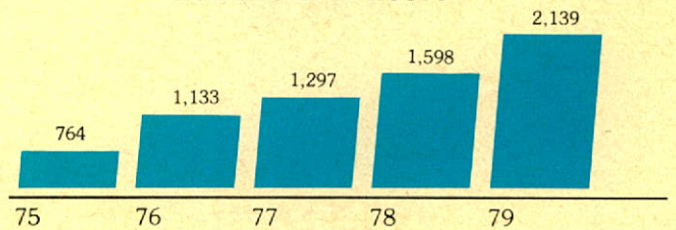


RRSPs BY REGION

	1976	1977	1978	1979
British Columbia	8,553	17,370	17,370	20,314
Alberta	10,422	20,054	32,213	42,885
Saskatchewan	25,694	34,520	42,469	49,408
Manitoba	14,442	22,102	29,634	36,003
Ontario	14,395	35,089	72,097	109,312
Atlantic	802	1,248	5,783	8,799
TOTAL	74,308	130,383	199,566	266,721

Before 1976, records were not kept by region.

**TOTAL NUMBER
ESTATES AND TRUSTS**

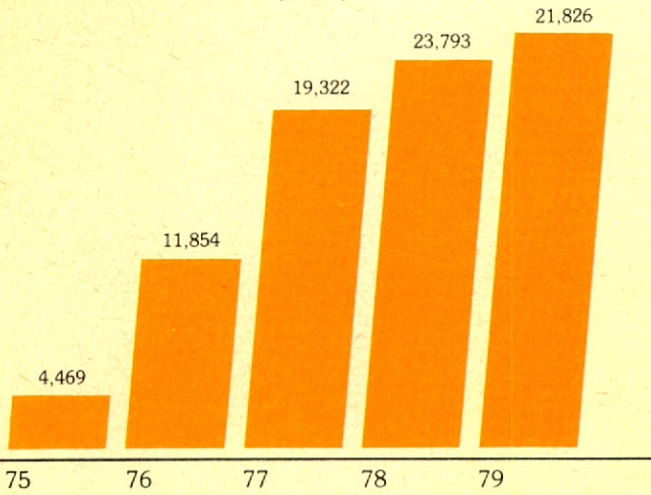


ESTATES AND TRUSTS BY REGION

	1975	1976	1977	1978	1979
British Columbia	125	285	378	515	702
Alberta	35	130	187	291	509
Saskatchewan	582	689	684	692	691
Manitoba	22	29	46	67	153
Ontario			2	33	84
TOTAL	764	1,133	1,297	1,598	2,139

REAL ESTATE DEVELOPMENT PROPERTIES

(\$000)



MORTGAGE LOAN BALANCES

(\$000)



	1975	1976	1977	1978	1979
British Columbia	\$ 720	\$ 1,574	\$ 833	\$ 630	\$ 174
Alberta	3,134	5,878	3,913	6,938	5,888
Saskatchewan	594	3,592	5,161	2,930	871
Manitoba	21	710	1,744	2,727	2,997
Ontario		100	7,671	10,077	11,043
Atlantic					313
TOTAL	\$4,469	\$11,584	\$19,322	\$23,793	\$21,286

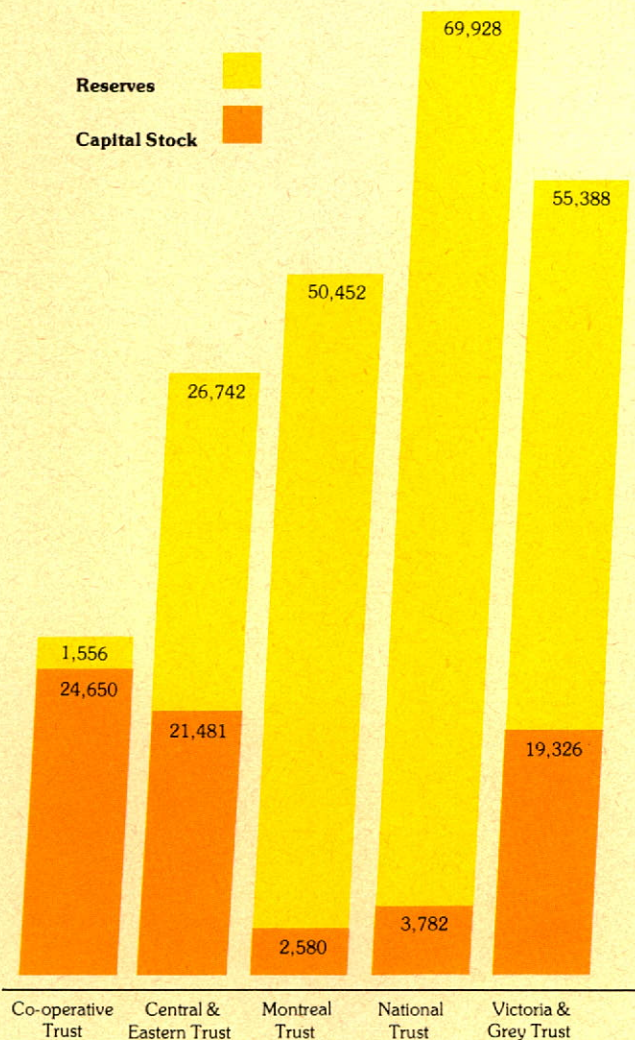
**NUMBER OF SHAREHOLDERS
BY REGION**

British Columbia	49
Alberta	103
Saskatchewan	282
Manitoba	163
Ontario	330
Atlantic	66
TOTAL	993

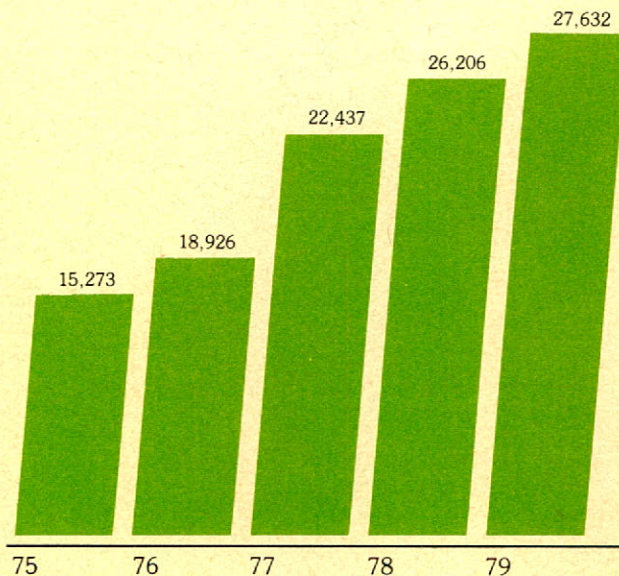
MORTGAGE BALANCES

	1975	1976	1977	1978	1979
British Columbia	\$ 51,876	\$ 62,949	\$ 66,481	\$ 76,388	\$ 87,682
Alberta	56,911	67,510	92,517	110,303	126,711
Saskatchewan	60,194	89,288	116,574	155,959	182,749
Manitoba	15,576	20,480	22,673	26,317	34,491
Ontario	4,960	8,331	16,196	27,131	33,886
Atlantic			33	3,320	13,449
TOTAL	\$189,517	\$248,548	\$314,474	\$399,418	\$478,968

**COMPARISON OF CAPITAL & RESERVES
(\$000)**



**SHAREHOLDERS' EQUITY
(share capital + reserves)
(\$000)**



(1978 figures, 1979 not available)

CERTIFICATION

We hereby certify that to the best of our knowledge and belief the consolidated balance sheet and accompanying consolidated statements of income, retained earnings, and changes in financial position are correct and show truly and clearly the financial condition of the company's affairs.

Paul Riviere
President

G. Sinclair
Director

R.E. Foster
Chief Executive Officer

CONSOLIDATED BALANCE SHEET

As At December 31, 1979

	1979	1978
	(Thousands of Dollars)	
ASSETS		
Cash and deposit receipts	\$ 10,067	\$ 12,455
Securities (Notes 1 [b] and 2)	94,628	83,789
Mortgage loans (Note 1 [b])	482,617	403,846
Real estate development properties (Notes 1[C], 3 and 7)	21,286	23,793
Premises and equipment (Notes 1 [d], 6 [b]) and 8)	5,052	3,280
Accounts receivable	6,092	15,804
Other assets (Note 1[e])	655	1,459
	<u>\$620,397</u>	<u>\$544,426</u>
LIABILITIES		
Guaranteed Account		
Guaranteed savings accounts	\$ 7,094	\$ 9,102
Guaranteed investment receipts	563,949	484,730
	<u>571,043</u>	<u>493,832</u>
Other Liabilities		
Loans and note payable	11,736	15,311
Accounts payable	6,798	5,749
	<u>18,534</u>	<u>21,060</u>
Deferred income taxes	2,688	3,328
Subordinated shareholder loans (Note 4)	500	
SHAREHOLDERS' EQUITY		
Share capital (Note 5)		
Issued		
2,206,500 common shares	22,065	22,038
389,900 preferred shares	3,899	2,612
Mortgage and investment reserve	1,084	1,084
General reserve	200	200
Retained earnings	384	272
	<u>27,632</u>	<u>26,206</u>
	<u>\$620,397</u>	<u>\$544,426</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For The Year Ended December 31, 1979

	1979	1978
	(Thousands of Dollars)	
Balance at beginning of year	\$ 272	\$ 178
Net income for the year	1,345	1,402
	<u>1,617</u>	<u>1,580</u>
Dividends	1,233	1,108
Transfer to mortgage and investment reserve		200
	<u>1,233</u>	<u>1,308</u>
Balance at end of year	<u>\$ 384</u>	<u>\$ 272</u>

CONSOLIDATED STATEMENT OF INCOME
For The Year Ended December 31, 1979

	1979	1978
	(Thousands of Dollars)	
Income		
Interest from loans and advances	\$ 47,642	\$38,282
Interest and dividends from securities	10,783	9,494
Fees, commissions and other	8,559	7,764
Property development sales	10,166	11,043
Income property revenue	<u>1,531</u>	<u>742</u>
	<u>78,681</u>	<u>67,325</u>
Expenses		
Interest	50,586	39,326
Salaries and employment costs	6,463	6,349
Commissions, taxes, licences and insurance	3,612	3,040
Occupancy and equipment costs	2,435	2,073
Communications and member relations	1,606	1,717
Cost of property development sales	10,678	9,825
Other	2,192	2,611
Provision for reduction in value of development properties	420	
Income property expenses	<u>1,818</u>	<u>1,003</u>
	<u>79,810</u>	<u>65,944</u>
(Loss) income before taxes and extraordinary item	(1,129)	1,381
Deferred income tax reduction (Note 1[h])	<u>1,210</u>	<u>21</u>
Income before extraordinary item	81	1,402
Extraordinary item (Note 8)	1,264	
	<u>1,345</u>	<u>1,402</u>
Net income for the year	<u>\$ 1,345</u>	<u>\$ 1,402</u>

AUDITORS' REPORT

The Shareholders
Co-operative Trust Company of Canada

We have examined the consolidated balance sheet of Co-operative Trust Company of Canada as at December 31, 1979 and the consolidated statements of income, retained earnings, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests 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, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Saskatoon, Saskatchewan
February 11, 1980

Touche Ross + Co.
Chartered Accountants

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For The Year Ended December 31, 1979

	1979	1978
	(Thousands of Dollars)	
Funds provided by:		
Operations		
Income before extraordinary item	\$ 81	\$ 1,402
Add non cash items	169	952
Extraordinary item (Note 8)	1,264	
	1,514	2,354
Cash and deposit receipts	2,388	30,474
Guaranteed investment receipts issued	235,448	157,616
Guaranteed savings accounts deposits less withdrawals	—	552
Mortgage principal repayments	59,804	62,524
Securities sold or redeemed	25,362	4,569
Issue of common shares	27	2,033
Issue of preferred shares	1,287	344
Issue of subordinated shareholder loans	500	—
Increase in notes and loans payable	—	3,838
Other	13,282	6,911
	\$339,612	\$271,215
TOTAL PROVIDED		
Funds applied to		
Cash dividend	1,233	—
Guaranteed investment receipts redeemed	156,229	68,555
Guaranteed savings accounts withdrawals less deposits	2,008	—
Mortgage principal advances	138,575	147,468
Security Investments	36,201	37,961
Decrease in note and loans payable	3,575	—
Investment in development properties premises, and equipment	1,603	3,932
Other	188	13,299
	\$339,612	\$271,215
TOTAL APPLIED		

CO-OPERATIVE TRUST COMPANY OF CANADA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary Cotrusco Realty Limited, and include Cotrusco Realty Limited's share of the assets, liabilities, revenues and expenses of its unincorporated joint ventures.

(b) Securities and Loans

Bonds and debentures are stated at amortized cost and shares are stated at cost, all together with accrued interest and dividends receivable. Mortgages and other loans are stated at amortized cost plus accrued interest less repayments.

(c) Real Estate Development Properties

(i) Undeveloped Land, Land Under Development and Developed Construction Sites

These properties are stated at the lower of cost and net realizable value. All direct costs are capitalized net of miscellaneous revenues.

(ii) Work-in-Progress, Completed Residential and Commercial Projects Held for Resale

These properties are stated at the lower of cost and net realizable value. All direct costs are capitalized net of miscellaneous revenues.

(iii) Rental Properties Under Construction

These properties are valued at the lower of cost and net realizable value.

During development, all direct operating costs, net of revenue, are capitalized.

(iv) Income Properties

These properties are stated at the lower of cost and net realizable value less accumulated depreciation of \$118,400 (1978 \$Nil).

(d) Premises

Premises are stated at cost less accumulated depreciation of \$109,000 (1978 — \$354,000).

(e) Goodwill and Computer Software Development Costs

Included in other assets are goodwill and computer software development costs which are stated at cost of \$714,000 less accumulated amortization of \$395,000 (1978 — \$222,000).

(f) Recognition of Revenue and Expenses

(i) General

Revenues and expenses are recorded on an accrual basis except for fees subject to awards by courts or negotiation and mortgage fees which are recorded on a cash received basis.

(ii) Land, Housing and Commercial Building Sales

Income is recognized when the agreement of purchase and sale is unconditional and a down payment has been received which is appropriate in the circumstances having regard to the financial resources of the purchaser.

(iii) Condominium Sales

Income is recognized at the date of first closing, when the purchaser is

entitled to possession, has undertaken to assume a mortgage, and has deposited the balance of the purchase price in escrow.

(iv) Gains and Losses on Investments

Gains and losses on loans are realized upon sale of property acquired under foreclosure. Gains and losses on securities, based on average cost, are recorded only upon sale of such securities.

(g) Depreciation and Amortization

(i) Premises

Premises are depreciated on the straight-line method over the estimated useful life at a rate of 2½%. The amount expensed during the year was \$78,000 (1978 — \$79,000).

(ii) Income Properties

Income property buildings are depreciated using the sinking fund method. Under this method, building costs are being written off over the estimated useful life in annual amounts increasing at the rate of 5% annually. Income property equipment is depreciated at a rate of 20% using the straight line method. The amount expensed for these items during the year was \$118,400 (1978 — Nil)

(iii) Goodwill and Computer Software Development Costs

Goodwill is amortized on the straight-line method over the estimated useful life at a rate of 10%. Computer development software costs are amortized on the straight-line basis over the estimated useful life at a rate of 33⅓%. The amount expensed for these items during the year was \$173,000 (1978 — \$182,000).

(h) Income Taxes

A portion of the companies' income is tax-exempt dividend income; accordingly, the deferred income tax reduction as provided in the consolidated statement of income is greater than the amount obtained by applying the statutory tax rate to income from operations before income taxes.

2. SECURITIES

Carrying and market values are as follows:

	1979		1978	
	Carrying value	Market Value	Carrying value	Market Value
	(Thousands)		(Thousands)	
Bonds	\$75,440	\$65,132	\$66,129	\$62,877
Shares	17,088	15,428	15,718	15,954
	92,528	80,560	81,847	78,831
Accrued interest	2,100	2,100	1,942	1,942
	<u>\$94,628</u>	<u>\$82,660</u>	<u>\$83,789</u>	<u>\$80,773</u>

Market values were obtained from the Federal Department of Insurance listing of securities. Bonds and shares in the amount of \$3,750,000 are pledged as collateral for a line of credit with the Saskatchewan Co-operative Credit Society Limited. In addition, Government of Canada Bonds in the amount of \$1,000,000 were hypothecated to the Bank of Canada as collateral for consignment shipments of Canada Savings Bonds.

3. REAL ESTATE PROPERTIES

	1979	1978
	(Thousands)	
Undeveloped land, land under development, and developed construction sites	\$ 5,506	\$ 7,822
Work-in-progress, completed residential, and commercial projects held for resale	5,895	7,090
Rental properties under construction	1,664	3,335
Income properties	7,403	3,751
Trade-A-Home	818	1,795
	<u>\$21,286</u>	<u>\$23,793</u>

The amount of direct interest carrying costs capitalized during the year was \$1,080,000 (1978 — \$1,537,000).

4. SUBORDINATED SHAREHOLDER LOANS

These loans are convertible into common shares at any time subject to approval of the Board of Directors. The conversion is on the basis of one share for each \$10 of principal converted.

5. SHARE CAPITAL

(a) During the year, the company's authorized share capital was increased to the following:

- 3,750,000 common shares with a par value of \$10
- 1,250,000 4% preferred shares with a par value of \$10

(b) During the year 53,405 common shares and 163,636 preferred shares were issued for cash and 907 common shares and 34,900 preferred shares were redeemed for cash. 50,000 common shares were converted into a Subordinated Shareholder loan.

6. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Joint Ventures

As a joint venture participant, the company is jointly and severally liable with other participants for a joint venture's liabilities. In general, the company would have recourse against a co-participant's share of joint venture assets to secure repayment of any joint venture liabilities paid in excess of its proportionate share of advances made by the company to or on behalf of a co-participant. The total assets of the joint ventures are sufficient for satisfaction of these liabilities.

Under a joint venture agreement with Credit Union Federation of Alberta Limited, the Co-operators and Co-op Centre Credit Union, a commitment has been made to participate in the construction of a new home office for Credit Union Federation of Alberta Limited and Co-op Centre Credit Union. In addition, the building will be used as the regional headquarters for the Co-operators. To date, \$1,683,000 has been spent on the project. It is anticipated that the company will be committing \$3.2 million to the project in 1980.

(b) Long-Term Leases

The company has entered into lease commitments covering premises, equipment and leasehold improvements for current annual rentals of \$1,759,000. These agreements cover periods up to 1986 and certain of these agreements are subject to escalation clauses.

7. JOINT VENTURES

The wholly-owned subsidiary company, Cotrusco Realty Limited, conducts significant portions of its land development operations through unincorporated joint ventures.

The company's share of assets of \$5,456,000 (1978 — \$4,929,000) equals its proportionate share of liabilities. The company's share of revenues was \$396,000 (1978 — Nil) and expenses \$1,044,000 (1978 — Nil).

8. EXTRAORDINARY ITEM

During the year, the company sold its Home Office building and certain other properties, realizing a gain of \$1,264,000 net of deferred income taxes of \$485,000.

In addition, the company purchased a partially completed building which when completed will cost \$5,103,000. Of this amount \$3,641,000 has been expended to December 31, 1979.

The company is continuing to rent the former Home Office building until the new building is ready for occupancy.

9. COMPARATIVE FIGURES

Certain of the 1978 figures provided for the purpose of comparison have been reclassified to conform to the classifications used in the current year.

e co-opérateurs

credit union



For further information contact our home office:
333 4th Avenue North
Saskatoon, Saskatchewan, S7K 2M2
(306) 244-1900

The co-operative edge: co-operation among co-operatives (Left to Right) Raymond Seguin, Co-op Trust Real Estate Manager; Harold Bennett, Regional Manager, The Co-operators; Allan Robinson, Ottawa Business Development Manger; Ernie Biard, General Manager, C.F.B. Ottawa Credit Union.



**Think of us
as part of your family.**
Co-op