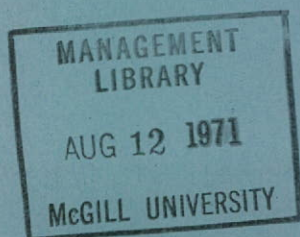


C-1 CREDIT CORP. LIMITED

ANNUAL REPORT
/11
TO
SHAREHOLDERS



For the Year Ending
DECEMBER 31,
1965

C-I CREDIT CORP. LIMITED

OFFICERS

R. E. Ades	-	-	-	-	-	-	-	-	Chairman
David S. Ades, B.Sc., A.M.C.T.	-	-	-	-	-	-	-	-	President
J. Donald Bell, Q.C.	-	-	-	-	-	-	-	-	Secretary
P. F. Rudson	-	-	-	-	-	-	-	-	Treasurer
G. G. Dickson	-	-	-	-	-	-	-	-	Asst. Secretary
G. Rose	-	-	-	-	-	-	-	-	Asst. Treasurer

DIRECTORS

David S. Ades, B.Sc., A.M.C.T.	William G. Durst, F.R.I.*
J. Ades	Carman G. King
R. E. Ades	William C. Lawrence*
J. Donald Bell, Q.C.	Stephen E. Berger, M.E.I.C.

MANAGEMENT

Managing Director	-	-	-	-	David S. Ades, B.Sc., A.M.C.T.*
Asst. Manager	-	-	-	-	Gerald Rose*
Regional Manager	-	-	-	-	A. Gary Wallington*
Manager, Accounting Department	-	-	-	-	(Mrs.) E. Bak

* Members of Mortgage Investment Committee

AUDITORS

Clarkson, Gordon & Company, Toronto
Chartered Accountants

TRUSTEES AND TRANSFER AGENTS

Common Shares and Secured Certificates —
Guaranty Trust Company of Canada, Toronto
Class "A" Shares and Subordinated Debentures —
Montreal Trust Company, Toronto

COMPANY BANKERS

Royal Bank of Canada — Toronto
Canadian Imperial Bank of Commerce — Toronto

LEGAL COUNSEL

Bell, Griffiths, Temple & Genest — Toronto

PRESIDENT'S REPORT

This report will, as all past reports have, give you the Shareholders as complete a picture as possible of your Company's present financial standing, its progress through the past year and the calibre of its assets.

The dominant features of the past year have been:

1. The continued emphasis on the importance of the quality of assets acquired.
2. The continued steady growth of your Company in spite of the adverse financial climate.

The year 1965 marked our eighth year as a Mortgage Investment Corporation and our third year as a Public Company. It has again been a very successful year. The assets of the Company rose by 59% to \$3,248,870 in 1965 as compared to \$2,041,010 for the previous year and net profits after taxes rose by 67% to \$50,576 (50c. a share) as compared to \$30,260 (29.6c. a share) which the Company earned in 1964. This increase in earnings was achieved in spite of a general decline in the availability of funds in the financial market. This decline in the availability of funds, did not reduce our earnings in any way due to our conservative approach in calculating income. Your Company's method of recording earnings does not include any precalculation of interest or discount on the acquisition of a mortgage. Any discount is recorded as income on an amortized basis over the term of the mortgage and the unamortized portion is carried on the balance sheet as Deferred Income. Accordingly, income is earned on a consistent basis over the life of each investment.

The problems in the financial markets over the past few months have had very little effect on your Company. The policy of management has not included reliance on the short term money market. As a result all your Company's debt is of a Long Term nature (excepting for existing secured bank loans). This also meant that your Company did not have to cover any short term requirements with more expensive debt when the financial climate changed in July, 1965.

The position your Company holds in County Savings and Loan Corporation remained unchanged through 1965. County Savings and Loan Corporation, a company registered under the Loan and Trust Corporations Act of Ontario maintains two offices in Metropolitan Toronto, one on St. Clair Avenue West and one at the same suite of offices as C-I Credit Corp. Limited in downtown Toronto. The costs of this latter office is shared by both companies, affecting a substantial savings in overhead for both companies. In the past year County Savings and Loan Corporation has participated with your Company in several "Combined Mortgage Loans". These "Combined Mortgage Loans" have been a very profitable added source of income to both companies

and has enabled C-I Credit Corp. Limited to offer its borrowers a service which it would not otherwise have been able to do.

We are pleased to report that in February of 1966 your Company successfully completed the sale of \$500,000 of 15-year term Secured Certificates. This was done by way of a Private Placement to an Institution. The placing of this Long Term Debt has enabled your Company to continue its pattern of planned and steady growth in 1966. It is also hoped that further such placements will be forthcoming in the following months.

The guidelines set up by your Management to insure maximum possible security in its mortgage investments continues to be followed. The average size of mortgages remains at \$6,000 and the mortgages are primarily in the more secure and liquid residential field (90% of the total investment in residential and 10% commercial). The Company's main areas of business activity remained in Metropolitan Toronto (with a population of two million), Kitchener, Waterloo and St. Catharines, areas which are traditionally considered "Recession Resistant".

In closing I would like to say that your management intends to continue to pursue its policy of making selected investments with the accent on Security. It can also be confidently predicted in the light of the present position it enjoys that C-I Credit Corp. Limited will continue to grow steadily through 1966, with an accompanying healthy rise in earnings per share.

Since the date of the last report the following executive and staff appointments have been made. Mr. P. F. Rudson as Treasurer, Mr. G. Rose as Assistant-Treasurer, Mr. G. G. Dickson as Assistant-Secretary and Mrs. E. Bak as Manager, Accounting Department.

On behalf of the directors, management and staff, I also express my sincere appreciation for the confidence and co-operation that you, the Shareholders, have shown during the last year.

DAVID S. ADES,
President.

April 12th, 1966.

FINANCIAL HIGHLIGHTS

	1965	1964	1963	1963
				(8 Months)
Current and Working Assets	\$3,070,560	\$1,881,640	\$1,218,540	\$448,680
Gross Income	276,040	150,110	74,590	22,550
Profits Before Taxes	84,860	40,870	25,910	11,220
Net Profits After Taxes	50,570	30,260	20,220	8,790
Earnings Per Share	50c.	29.6c.	28.8c.	16.7c.

C-I CREDIT CORP.

(Incorporated under the laws of the Province of Ontario and its subsidiaries)

CONSOLIDATED BALANCE SHEET

(with comparative figures for the preceding year)

A S S E T S

	1965	1964
Current and working assets:		
Cash	\$ 89,263	\$ 6,792
Mortgages receivable (note 2)	2,925,469	1,846,740
Accrued mortgage interest receivable	18,871	11,810
Income taxes recoverable	1,238	1,670
Sundry accounts receivable and prepaid expenses	35,724	14,629
	<u>3,070,565</u>	<u>1,881,641</u>
Investment in shares of County Savings and Loan Corporation, at cost (note 3)	106,175	100,000
Equipment and leasehold improvements, at cost less accumulated depreciation and amortization of \$3,421	5,953	3,633
Unamortized financing expenses	64,630	55,736

On behalf of the Board:

David S. Ades, Director

J. Donald Bell, Director

<u>\$ 3,247,323</u>	<u>\$ 2,041,010</u>
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TO THE SHAREHOLDERS OF
C-I CREDIT CORP. LIMITED:**AUDITOR**

We have examined the consolidated balance sheet of C-I Credit Corp. Limited and its subsidiaries for the year ended on that date. Our examination included a general review of the accounting procedures and

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles

Toronto, Canada,
April 4, 1966.

CORP. LIMITED

(Incorporated in the Province of Ontario)

and its subsidiary companies

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 1965

(Audited and certified as at December 31, 1964)

LIABILITIES

	1965	1964
Current liabilities:		
Bank loan—secured (note 6)	\$ 1,180,000	\$ 335,000
Accounts payable and accrued charges	30,701	22,328
Current portion of loans payable	9,960	—
	<u>1,220,661</u>	<u>357,328</u>
Deferred income:		
Unamortized discount on mortgages receivable	188,398	136,882
Accumulated tax reductions applicable to future years (note 9)	42,960	10,263
Long term debt:		
Secured —		
Loans payable less current portion (note 4)	219,558	249,868
7% Secured Certificates, Series 1 (note 5)	56,946	63,946
6¾% Secured Certificates, Series 2, maturing September 23, 1974 (note 6)	500,000	500,000
6¾% Subordinated Convertible Debentures, Series A, maturing December 1, 1974 (note 7)	500,000	250,000
	<u>1,276,504</u>	<u>1,063,814</u>
Shareholders' equity:		
Capital (note 8) —		
Non-cumulative (30c.), non - voting participating convertible Class A shares, without par value:		
Authorized —200,000 shares		
Issued — 15,000 shares	90,000	90,000
Common shares, without par value:		
Authorized —180,000 shares		
Issued — 87,200 shares	333,600	333,600
Retained earnings	95,200	49,123
	<u>518,800</u>	<u>472,723</u>
	<u>\$ 3,247,323</u>	<u>\$ 2,041,010</u>

MANAGEMENT'S REPORT

The accompanying financial statements of the companies as at December 31, 1965 and the statements of consolidated earnings and retained earnings for the year ended December 31, 1965, were prepared in accordance with the accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.

Chartered Accountants.

C-I CREDIT CORP. LIMITED

and its subsidiary companies

STATEMENTS OF CONSOLIDATED EARNINGS AND CONSOLIDATED RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1965

(with comparative figures for the year 1964)

CONSOLIDATED EARNINGS

	1965	1964
Income from mortgages	\$ 276,043	\$ 150,110
Cost of borrowing money:		
Bank and other short term	43,513	29,890
Long term	84,835	35,578
	128,348	65,468
Administrative and general expenses (note)	53,280	39,606
Amortization of financing expenses	7,787	2,726
Depreciation	1,767	1,435
	191,182	109,235
Earnings before income taxes	84,861	40,875
Provision for income taxes	34,284	10,615
Net earnings for the year	\$ 50,577	\$ 30,260

Note—includes directors' fees of \$1,000

CONSOLIDATED RETAINED EARNINGS

Balance, beginning of year	\$ 49,123	\$ 29,020
Net earnings for the year	50,577	30,260
	99,700	59,280
Dividends paid (including \$1,125 paid January 1, 1966)	4,500	—
Cost of issue of capital stock less applicable income taxes	—	10,157
Balance, end of year	\$ 95,200	\$ 49,123

See accompanying notes to consolidated financial statements

C-I CREDIT CORP. LIMITED

and its subsidiary companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1965

1. Subsequent to the year-end the company sold \$500,000 (U.S. Funds) principal amount of 7% Secured Certificates, Series 5, at par less a commission of \$25,000 and estimated expenses of \$7,000. These Certificates are accompanied by warrants to purchase 25,000 Class A shares at \$8 per share up to February 1, 1970 and at \$10 per share thereafter up to February 1, 1976.
2. The mortgages receivable are carried on the consolidated balance sheet at their face values, less principal repayments to date. Any purchase discounts are carried as deferred income and are amortized over the periods of the mortgages.
3. The investment in County Savings and Loan Corporation represents approximately 18% of the issued shares of that company; no quoted market value was available for these shares at December 31, 1965.
4. The secured loans payable are payable concurrently with the mortgages which secure them and bear interest at rates ranging from $6\frac{1}{2}\%$ to 8%.
5. The 7% Secured Certificates, Series 1, mature as follows: \$2,000 in 1973, \$105 in 1969 and \$54,841 in 1968, and are redeemable by the company at any time before maturity at a premium of 3% within one year of the date of issue and at reducing amounts thereafter and by the holder on one month's notice with a deduction of an amount equal to three months' interest. Among other things the trust indenture securing these certificates requires that the company maintain with the trustee mortgages in an amount at least 20% in excess of the certificates outstanding. Under the terms of the trust indenture dated September 1, 1964, referred to in note 6 below, no further Series 1 Certificates may be issued.
6. Secured Certificates have been issued under the trust indenture dated September 1, 1964 as follows:
 - (a) $6\frac{3}{4}\%$ Secured Certificates, Series 2 — \$500,000 principal amount issued on September 23, 1964. These certificates are accompanied by warrants to purchase 15,000 Class A shares at \$8 per share up to October 31, 1969 and at \$10 per share thereafter up to October 31, 1974.
 - (b) Secured Certificates, Series 3 — may be issued in unlimited principal amounts at varying interest rates and maturity dates to secure bank loans. The principal amount outstanding at December 31, 1965 was \$1,220,000.

The trust indenture requires, among other things, that the company will maintain on deposit with the trustee acceptable collateral (as defined) of a total value of at least 125% of the aggregate principal amount of all outstanding Secured Certificates issued thereunder. The indenture also contains restrictions as to the total amount of secured and subordinated debt that the company may issue from time to time.

7. The 6 $\frac{3}{4}$ % Subordinated Debentures, Series A, are convertible into Class A shares at the rate of 1 Class A share for every \$8 in principal amount of debenture up to December 1, 1969, and 1 Class A share for every \$10 in principal amount thereafter up to November 27, 1974.
8. (a) Each Class A share is convertible at the option of the holder into one fully paid common share at any time on or after November 1, 1971.
- (b) On September 9, 1964 the company granted options to employees to purchase an aggregate of 15,000 common shares at \$6 per share, 5,000 of which are exercisable on or before September 9, 1966 and the balance of which are exercisable on or before September 9, 1971.
- (c) At December 31, 1965 the company's authorized but unissued share capital was reserved to the following extent:

Class A shares —

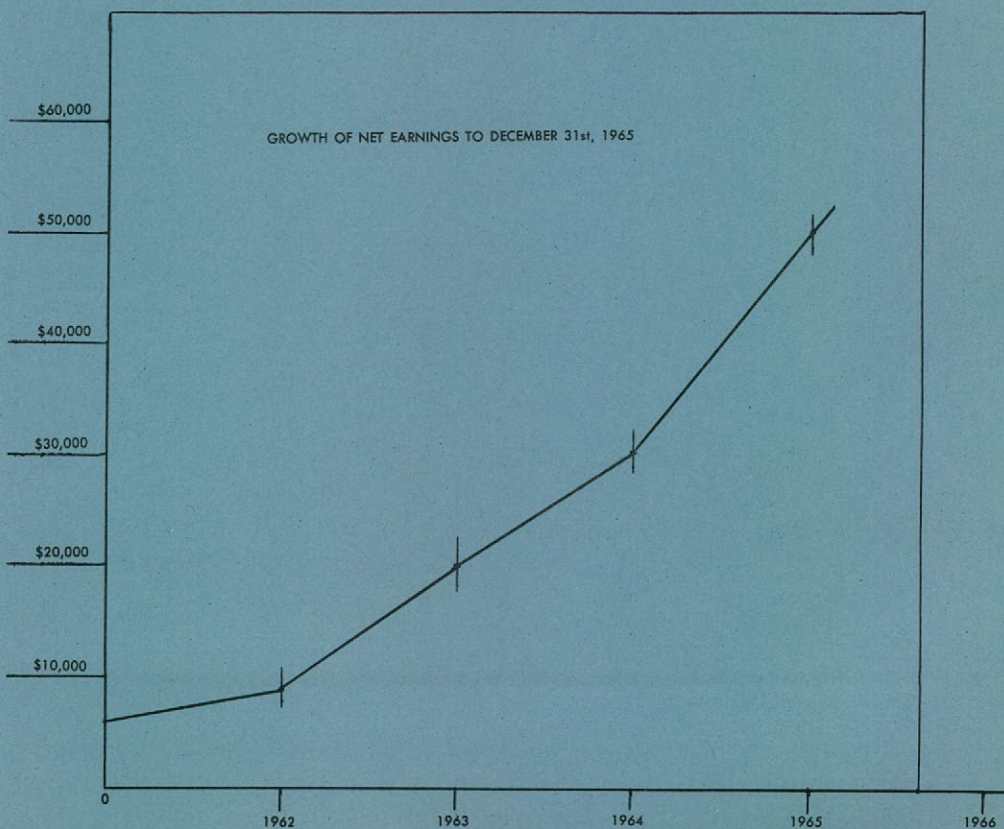
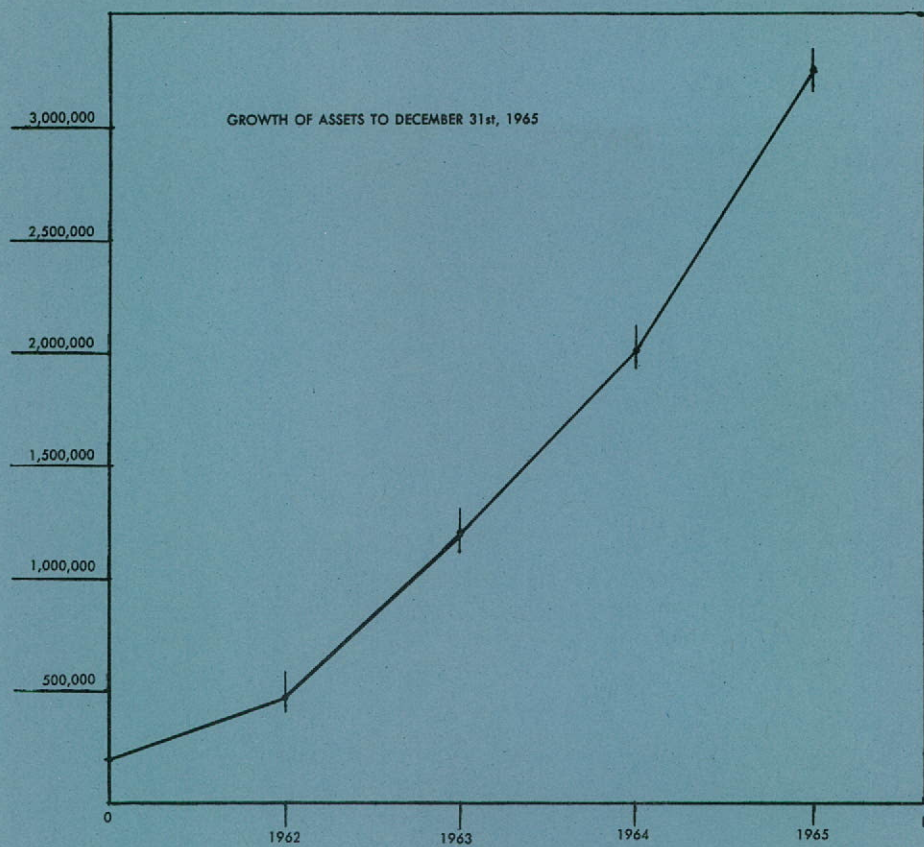
For issue under share purchase warrants accompanying the 6 $\frac{3}{4}$ % Secured Certificates, Series 2	15,000 shares
For issue under conversion privileges attached to the 6 $\frac{3}{4}$ % Subordinated Debentures	62,500 shares
	<u>77,500 shares</u>

Common shares —

For issue under options held by employees	<u>15,000 shares</u>
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In addition, as indicated above, each Class A share is convertible at the option of the holder into one fully paid common share at any time on or after November 1, 1971.

9. The accumulated tax reductions applicable to future years represent the reductions in income taxes payable resulting from reporting bonus income and amortization of financing expenses for tax purposes on a basis different from that used to record such income and amortization in the accounts. The tax reduction is applicable to those future years in which the net amounts from these sources reported for tax purposes will be more than the net amounts recorded in the accounts.





C-I CREDIT CORP. LIMITED

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