Royal Commission on Corporate Concentration

Study No. 2

Brascan Limited

A Corporate Background Report

by

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FOREWORD

In April 1975, the Royal Commission on Corporate Concentration was appointed to "inquire into, report upon, and make recommendations concerning:

(a) the nature and role of major concentrations of corporate power in Canada;

(b) the economic and social implications for the public interest of such concentrations; and

(c) whether safeguards exist or may be required to protect the public interest in the presence of such concentrations".

To gather informed opinion, the Commission invited briefs from interested persons and organizations and held hearings across Canada beginning in November 1975. In addition, the Commission organized a number of research projects relevant to its inquiry. One such project resulted in a series of studies, of which this is one, dealing with the growth of large and diversified corporations in Canada. The series was coordinated by Charles B. Loewen of Loewen, Ondaatje, McCutcheon & Co. Ltd., an investment firm in Toronto.

The report on Brascan Limited which follows is one of twelve studies in the series. It was prepared by Mr. E. Roy Birkett, B.Comm. (University of British Columbia), M.B.A. (Harvard), C.F.A. Mr. Birkett has had a wide range of business experience in the management of industry and the securities field and, until recently, was President of A.E. Osler, Norris, Gendron Ltd. Since April, 1976, he has been associated with MBA Securities Limited as a partner and senior analyst.

The Commission is publishing this and other background studies in the public interest. However, the analyses presented and conclusions reached in each study are those of the author, and do not necessarily reflect the views of the Commission or its staff.

INTRODUCTION

The choice of Brascan Limited as a corporation for study is an appropriate one for a number of reasons. First, of course, is its size: it is the sixth largest Canadian company in terms of assets and it ranks in the top third of Fortune Magazine's list of the three hundred largest utility industrial companies outside the United States.

Second is Brascan's involvement in the patriation and repatriation of Canadian industry. Brascan had a Canadian component from its inception as Brazilian Traction, Light and Power Limited; did not begin major investment in Canada until 1967, and did not become a tax-paying Canadian corporation until 1971. In 1967, the company, along with Jonlab Investments Limited and Investors Mutual of Canada Limited, was able to repatriate John Labatt Limited from U.S. owners. Later, Brascan itself was the object of an attempted takeover by International Utilities Corporation and was able to prevent it with the help of Jonlab and Labatt.

From this second area of interest two others emerge. The first is the strong influence of decisions by Canadian and foreign governments alike on the process of patriation. The second is the kinds of corporate concentration that largely resulted from this process: indeed, the structure of this report has been influenced by the historical development and interrelationship of the three companies, Brascan, Jonlab and Labatt which culminated in the present situation wherein Brascan, the investment management company, has a large investment in Labatt, and Jonlab is now a nearly wholly-owned subsidiary.

The report, therefore, devotes its first and main part to Brascan Limited - its history since its beginning in 1912, its Canadian investments since 1966, and its financial and management relations with Canadian companies in which it has a substantial interest (the history of what we have called the Brascan-Jonlab-Labatt "troika") - and a second part to the history of John Labatt Limited. A third part is devoted to conclusions and general comments. Histories of the major subsidiaries involved, and financial summaries of the major subsidiaries, may be found in the Appendixes.

The information contained in this report has been obtained from published documents and from interviews.

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BRASCAN LIMITED

INTRODUCTION

The record of Brascan's contribution to the development of Canadian entrepreneurship begins with the position of Brascan itself as a Canadian company. Although the forerunners of Brascan Limited ("Brascan" or the "company") were incorporated in Canada as early as 1899, the ownership of the company throughout much of its history has been largely in American and European hands. However, like some other large Canadian corporations, Brascan has experienced a shift of ownership to Canada in recent years. Canadian ownership reached a peak of 51.4% in 1954, but declined to a low of 18% in 1969. This has since swung back to 54% Canadian ownership as of December 31, 1975.

In 1969, Brascan faced a control crisis in the potential takeover by International Utilities Corporation, which had accumulated approximately 11% of Brascan's shares. However, this takeover was aborted in 1970, when International Utilities' shares were acquired by Jonlab Investments Limited. Jonlab still holds 8.1%, the largest single block of Brascan shares. In 1975 Jonlab itself became more than 99% owned by Brascan.

At present, control of Brascan is exercised by no single shareholder or group of shareholders. It is a Canadian company which is not "a 'non-eligible' person" under the Foreign Investment Review Act. Thus, Brascan can acquire control of Canadian businesses even though its share ownership is only about 60% Canadian and it has an international board of directors.

In July 1975 Brascan was listed by the Financial Post as the 6th largest Canadian company in terms of assets, 10th largest in terms of profits, and 19th largest in terms of sales. In the August 1975 Fortune Magazine list of the 300 largest industrial companies outside the United States, Brascan ranked 54th in terms of profits and 98th in terms of assets. However, out of total assets of (U.S.) $2.2 billion at December 31, 1975, only (U.S.) $293 million represented investments in Canada.

BRAZILIAN TRACTION, LIGHT AND POWER COMPANY LIMITED (TO 1966)

Brascan Limited was incorporated in July 1912, under its original name, Brazilian Traction, Light and Power Company, Limited, but the roots of the company's history can be traced back to the turn of the century when the Sao Paulo Tramway, Light and Power Company was formed.

At the turn of the century, when the world was undergoing dramatic changes brought about by the technology of the industrial revolution, Brazil's two major cities, Rio de Janeiro and Sao Paulo, were practically without electric power. A chance association between a young Brazilian and a Canadian resident, followed by the promise of Canadian financial backing, resulted in the formation of the Sao Paulo Tramway, Light and Power Company, Limited (later Sao Paulo Light).

The new company, incorporated in 1899, ran its first electric tram in May 1900 using power from a steam plant, and by August 1901 was using power transmitted from Sao Paulo's first hydro-electric plant. In 1904 a second company, the Rio de Janeiro Tramway, Light and Power Company, Limited, was incorporated to provide electric power both for the tram service and for the industry, homes and streets of Rio. Its first hydro-electric plant was built in 1905.

The company, known informally to Brazilians then and today as "the Light," provided south-central Brazil with electrical energy for urban and industrial development, the primary purpose being to hold water concessions and to generate hydro-electric power to operate tramway services in and around Sao Paulo and Rio de Janeiro.

In 1912 the company obtained a Dominion charter and issued $104 millions of stock for the outstanding stocks of several Canadian-owned power companies in Brazil. In July 1912, on the basis of this exchange of shares, two firms, Sao Paulo and Rio de Janeiro Tramway, Light and Power Corporation, became subsidiaries of Brazilian Traction, Light and Power Company, Limited, whose head office was in Toronto.

In 1913 an issue of 6% preferred shares raised $10 million and Brazilian Traction was thus able to continue to expand its electric facilities. From 1915 through 1928 the company acquired a number of public utility services in Brazil, including tramways, buses, telephones, gas and water.

In 1928, a 1 for 5 issue of ordinary shares raised $23 million. In 1929 a 1/7 rights issue of ordinary shares was made which was paid for in instalments. Additional electrical and telephone companies were acquired.

In May 1949, Brazilian Traction made financial history as the first private company ever to secure a loan from the International Bank for Reconstruction and Development, known as the World Bank. This $75 million loan was guaranteed by the Brazilian government, and was used to aid the expansion of the company's services. Later loans from the International Bank were used by the company to triple its generating capacity and more than double its telephone installations.

During the 1950s and '60s the company's interests in water, gas and tramways were gradually transferred to city and state ownership, while the electricity distribution service was growing in importance. Since 1960, public utility services have been supplied by the company to both Rio and Sao Paulo, each with populations of 3 million, and to the port of Santos.

Inflation and Brazilian Government Regulation

In the 1950s and '60s, Brazil was in the midst of a period of rapid inflation. Thus, although the company's profits rose from (U.S.) $10.1 million in 1959 to $16.9 million in 1960, the increase was due primarily to a change in the method of taking depreciation and the absence of any amortization charge. Restated earnings in 1959 were increased by (U.S.) $14.7 million due to these changes and 1960 earnings would have been a loss of $4.2 million without these changes; 1960 earnings per share declined from 1959's $1.43 to $0.98. The increase in cruzeiro earnings did not offset the depreciation in the currency.

Shortage of capital caused a year's delay in work on a hydro project. Brazilian Traction overcame this with a sale of one million preferred shares in July 1960 to Brazilian nationals, and with some interim financing. In June 1960, a 38% increase in wages was made to employees of some operating companies but no tariff increases were obtained.

The company now transferred its engineering and purchasing activities from London and Toronto to Brazil because Brazilian suppliers had acquired the capability of making deliveries, while supplies from outside the country were becoming increasingly expensive as the value of the cruzeiro fell.

Meanwhile, the Brazilian government, under its new president, Janio Quadros*, was faced with a shortage of foreign capital and made some radical changes in the complicated exchange system. The government made known its intention to move to a single rate for the cruzeiro. Negotiations for external financing were started with the International Monetary Fund and with government and financial circles in Europe and the United States.

In 1961, the government altered the withholding taxes on foreign interest payments by tying them to the free market rate for cruzeiros rather than the official rate. This move sharply increased the withholding tax.

Also in this year the Banco Nacional de Desenvolvimento Economico (National Economic Development Bank) purchased Cr. $2 billion of the company's 10% preferred stock. It participated in earnings after the common shares had been paid 12%. This issue occasioned a write-off of (U.S.) $8.8 million to earned surplus due to the declining value of the cruzeiro relative to the dollar values of the assets at the time of the sale. (Although Law 3,470 passed in April 1959 authorized biennial corrections of the historical cruzeiro cost of the plant account to offset inflation no official action had yet put this law into effect.)

In addition the governor of the state in which Rio is located attempted to expropriate the company's telephone assets in the state, accounting for 45% of all telephone assets (U.S.) $130 million) of the company. The Brazilian federal government intervened in order to prevent the breakup of the national telephone system. In 1962, in a series of

* - As well as increasing inflation, Brazil experienced growing instability of government during this period, which culminated in the overthrow of the government of Joao Goulart by the army in April 1964. The military were still in control of the country.

decrees, it indicated that it intended to purchase foreign-owned public utilities. Foreign investment was not to be reduced or discouraged, but 75% of all proceeds were to be reinvested in Brazil. All nationalizations would include provision for a 10% downpayment.

As well, Federal Law 4,156 threatened a serious dilution to the Light's equity. Electric companies would be required to accept, from certain customers, contributions to the capital cost of making new connections. The companies would issue voting stock to a government entity which in turn would issue its non-voting shares to these customers.

Finally, a restrictive law was passed concerning remittances of profits on foreign investment, and capital flows to Brazil dried up. The company was formed to suspend payment of common dividends.

Negotiations began with the Brazilian government for the nationalization of the telephone utility. At the end of 1963 the tramways still owned by the company in Rio de Janeiro were transferred to the municipality. Company management declared that no further expansion of electric generating capacity would be undertaken unless as a joint venture with the government.

In 1964, following a revolution at Easter, President Joao Goulart left the country and his political adherents were removed from office. Marshall Castello Branco was invested with special powers to last until January 31, 1966, when a new elected President would take over.

The new government introduced a drastic program of changes designed to stabilize the economy. Government expenditures were substantially reduced, subsidies discontinued on imports, and tax arrears were indexed to match currency depreciation.

In November of 1964, the Ministry of Mines and Energy recognized a seven-fold increase in cruzeiro book values of the electric companies which would be used as the basis for a revised rate base.

The government did not issue shares under the planned Federal Law 4,156, and therefore equity dilution was avoided. Foreign utilities, except telephones, were not to be nationalized; foreign investment was to be encouraged with just renumeration and adequate tariffs.

The "service at cost" concept in setting electric rates was introduced to take effect January 1, 1965. The government would establish rates to cover all operating expenses including depreciation, some amortization of the investment, and renumeration calculated at 10% on the rate base after the monetary correction had been taken into account.

Utility earnings to Brascan resulting from this "service at cost" concept in excess of the allowable levels were to be set aside for future deficiencies and vice versa.

As well, certain funds (known as reversion funds) generated by the rates were to be paid by Brascan on a current basis to Centrais Eletricas Brasileiras S.A. (Eletrobras), the federal power agency. They were to be calculated on an amortization basis relative to the estimated useful life of the assets in anticipation of the reversion of the utility assets to the concessionary authorities. They were to be deposited in special bank accounts and used to pay some of the final indemnity when this reversion took place. Conversely they could be borrowed at 6% and used to finance an expansion of facilities.

In 1965 Brazil was successful in rebuilding its foreign reserves, and the government released remittances so that subsidiaries could make payments to their parent firm.

All foreign investment in Brazil had to be registered with the Banco Central do Brasil (Central Bank) before profits could be taken out of the country. A new law required re-registration and thus all remittances to the parent were on an interim basis. Nevertheless, Brascan resumed payment of common dividends.

A Brazilian government guarantee supported (U.S.) $40 million of long-term financing, for 15 years at 5.5%, from the Agency for International Development. Repayments were to be made in cruzeiros. It covered 35% of an estimated $82 million capital program.

On January 1, 1966, the government began payment under its agreement to purchase the telephone utility.

The compensation agreed upon was (U.S.) $96.3 million, of which the first $10 million could be transferred out of Brazil. Of the balance of $86.3 million, 25%--$21 million--could also be repatriated, the remaining $65 million having to be reinvested in Brazil. Had the $31 million available for repatriation been treated as return of capital, it might have been subject to normal taxation in the hands of the Canadian shareholders. Hence the company decided to reinvest it, and this decision marked the start of the company's investment program in Canada.

The repayment schedule carried 6% interest on the $86.3 million, which, over 20 years, amounted to a further $61.8 million. The resulting total of $158.1 million was and is being repaid in 10 quarterly installments of $2.92 million (=U.S.$29.2 million) and 70 quarterly installments of $1.84 million (=U.S.$128.9 million). On each installment the 75/25 Brazil/Canada split remains in force.

Following the sale, the firm changed its name to Brazilian Light and Power Company, Limited, to reflect its main focus on supplying south-central Brazil with electricity.

BRAZILIAN LIGHT AND POWER COMPANY, LIMITED (1966-1969)

As already indicated, the company's change of name in 1966 marked the start of a new era in the company's history as it began on a program of investment in Canada. At this date, earnings were just below the all-time high. Brazil had rebuilt its foreign currency reserves, remittances could be made to foreigners on registered capital only, and the $1.00 annual dividend payout had been resumed on a provisional basis. The telephone operations had lost (U.S.) $944,000 in 1965, whereas the interest on the proceeds of the sale of the telephone assets earned $5.6 million in 1966.

JOHN LABATT LIMITED

The company's first major investment in Canada came in April 1967 and consisted of $21.1 million to repatriate 1,000,000 shares of John Labatt Limited, then owned by the Joseph Schlitz Brewing Company of Milwaukee, Wisconsin. The remaining 700,000 shares held by the Schlitz interests were purchased by Jonlab Investments Limited (400,000) and Investors Mutual of Canada Limited (300,000). The story of the attempted takeover by a U.S. company of a large and successful Canadian firm and its frustration by U.S. government action and the cooperation of Canadian firms and individuals is of particular interest.

In 1964, the Joseph Schlitz Brewing Company had acquired 1,700,000 shares, or 39%, of John Labatt Limited, a brewing company based in London, Ontario, which had been in Canadian hands for more than a century. Schlitz successfully purchased 750,000 shares directly from members of the Labatt family and 950,000 shares from the public pursuant to a general offer to shareholders, at a total cost of $39.1 million. The United States Department of Justice attacked the acquisition on the grounds that the combined activities of Schlitz and General Brewing Corporation, Labatt's U.S. brewing subsidiary, would have anti-trust implications in the U.S. west coast beer market. In 1967, after lengthy litigation in the lower courts, the United States Supreme Court ordered Schlitz to divest itself of the Labatt shares.

The Labatt management, supported by a majority of the Board of directors, had opposed the Schlitz takeover from the outset. Citing the slump in sales after the Schlitz takeover as one of several valid reasons for repatriating control, they actively sought a Canadian buyer for the shares. To achieve this objective, they enlisted Triarch Corporation Limited, a Toronto merchant banking firm, to formulate a plan for repatriating Labatt. Over a period of many months Triarch approached numerous Canadian sources of capital, met with discouraging responses, and eventually proposed that members and associates of the Labatt management attempt the task themselves through a company which was then formed for the purpose, Jonlab Investments Limited. This was necessary since Labatt itself had neither the capital nor sufficient unused debt to finance the repatriation. Finally, Triarch interested Brazilian Light and Power in the proposition and that company made its first major investment in Canada with the results set forth above. (See also pages 35 & 36).

The return of Labatt to Canada was lauded in the press at the time, although it was achieved only after a lengthy search for a Canadian buyer and was made possible, ironically, by the actions of foreign governments. Brascan, through a subsidiary, now holds 24.4% of Labatt on a fully diluted basis, the largest single holding in that company.

Management and Financial
Relationships with Brascan

There is a special autonomous relationship between the two companies which can be traced back to Brascan's status as a Foreign Business Corporation under the Canadian Income Tax Act at the time of the Labatt purchase. In order to maintain this status Brascan was unable to participate in the management of Labatt. Although this tax consideration no longer applies, the relationship with Labatt remains substantially unaltered and is set out in more detail below:*

1. There is no operating relationship between Brascan and Labatt, and each company maintains separate management offices and staff in different cities.

2. There are only three common directors of Brascan and Labatt, and these individuals were directors of Labatt at the time of their first election to the Brascan Board.

3. The Labatt Board of directors functions as the final authority in the direction of that company. Brascan is not consulted about their deliberations and in the case of matters submitted to shareholders, Brascan does not exercise rights that are different from those of any shareholder. The decision to submit a matter for shareholder approval is dictated by the legal requirements of the Canada Corporations Act or other legislation, and for the most part such matters consist of the annual election of directors and appointment of auditors and the confirmation of by-laws enacted by the board. All other significant matters, such as the acquisition or divestiture of a business, are decided upon by the Labatt Board.

4. Brascan has not objected to the dilution of its interest in Labatt as the result of public financings by Labatt.

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* - As reported by Brascan Limited and John Labatt Limited in their respective submissions to the Royal Commission on Corporate Concentration.

5. The only significant joint activity of the two companies is participation in brewing operations in Brazil,* a joint venture that arose out of Brascan's Brazilian capital resources and knowledge in local business affairs and Labatt's brewing expertise. (Labatt has been or is involved in similar foreign brewing partnerships with other firms in Trinidad and Zambia, and is continuing to seek new international opportunities to capitalize on its brewing know-how). Other areas of interaction for the most part consist of dealings on an arm's-length basis between Labatt and Brascan's international trading company (Brascan International Trading Ltd.) for such things as the purchase of commodities on the world market.

6. There has been no movement of personnel from Brascan to Labatt. There has been some movement of Labatt management personnel to Brascan. Three of the present officers of Brascan came from similar positions at Labatt. Approximately a half dozen Labatt middle management personnel have left Labatt to join Brascan.

7. The principal Canadian bank of both Brascan and Labatt is the same. However, Labatt borrowing, in both the institutional and public sectors, is carried out independently and without any assistance from Brascan. While the auditors of both companies are the same, this association was established long before Brascan became a shareholder of Labatt. The two companies retain different registrars, transfer agents and general counsel.

8. Brascan treats its investment in Labatt shares by the cost method,** as contrasted with the equity method which is customary when a company is effectively controlled.

9. The principal link between the two companies is J.H. Moore, the Chairman of Labatt, who was elected President of Brascan two years after Brascan made its investment in Labatt. Mr. Moore is not the Chief Executive Officer of Labatt and is not on its management committee.

BRASCAN INVESTMENTS IN BRAZIL

During 1966, the company began to organize a diversification program in Brazil. Investments totalling (U.S.)$7.0 million arising from the sale of the telephone utility were made in six Brazilian firms.

In 1966, Brazilian Light and Power agreed to reinvest (U.S.) $65 million of the $96 million telephone utility sale price in Brazil during the 20-year payment period. It accelerated its Brazilian investment program by acquiring non-utility investments throughout the country, including the

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* - See Appendix B.

** - Brascan adopted the equity method in the third quarter of fiscal 1976.

less-developed regions. An agreement with Celanese Corporation of New York established a venture for the production in Brazil of nylon yarn. The company's investment in Celanese do Brasil S.A. was 45%, obtained at a cost of (U.S.) $5 million. It was disposed of in 1973.

Also in 1967, the company's seven electric subsidiaries in Brazil were merged through the absorption by Sao Paulo Light S.A. of the assets and liabilities of the other six. The name of Sao Paulo Light was then changed to Light-Serviços de Eletricidade S.A. It currently supplies electricity to the more than 20 million people in its Concession Area in the Rio de Janeiro and Sao Paulo region, with almost 4 million customers in industry, commerce, and residences. This constitutes approximately 43% of all electric energy consumed in Brazil.

RATES, REGISTRATION
AND DIVIDENDS

A new government took office in Brazil in the spring of 1967, and progress continued to be made in reducing inflation and in restoring stability.

A governmental commission had been working for several years to establish the utilities' rate base; but the work was compounded due to the fact that the original capital had entered Brazil more than 60 years earlier. All revenues from the utilities' rate base were provisional until the work was completed. However, as mentioned above, provisional remittances of dividends could be made pending final registration of capital. This provisional aspect was changed in 1967, and final registration became an urgent matter as only a portion of dividends from the Brazilian electric subsidiary ("the Light") could be converted into dollars for payment of dividends.

In 1968, the equivalent of a (U.S.) $14.0 million share issue in Brazil by the Light raised the minority equity interest by 5% to 17.5%. The debt investment in the Light was registered as foreign investment by the Central Bank, but the bulk of the equity investment was still not registered, and therefore only part (47.7%) of the dividends declared could be converted into dollars for use by the parent. The investment in the Sao Paulo gas subsidiary was registered, but the non-utility investment subsidiaries were not.

In 1969, Brazilian Light and Power Company, Limited, became Brascan Limited, reflecting the company's investment interests in two countries-Canada and Brazil.

BRASCAN LIMITED (1969 TO DATE)

The name change and a corporate reorganization recognized the two roles of the corporation as an investment holding company and as the manager of its utility operations in Brazil. At this date, the company was considered a "foreign business corporation" under the Canadian Income Tax Act, a status it could maintain only if its investments in Canadian companies were restricted to minority positions such as that in Labatt. (Majority positions in Canadian mining companies were permitted, however, and no restrictions were placed on investments elsewhere.)

On January 1, 1969, Brascan's utility assets in Brazil were transferred to a new foreign business corporation, Brazilian Light Limited. Income from this firm could flow free of tax to the parent, which temporarily retained its foreign business corporation status along with the limitations covered in the preceding paragraph. In addition, dividends received by Canadian shareholders did not benefit from the 20% dividend tax credit. However, in 1970, as a result of amendments to the Income Tax Act, a new tax-paying Canadian corporation was set up. Brascan began to be subject to Canadian taxes and became free of investment restrictions. The 20% dividend tax credit became available to shareholders.

BRAZILIAN INTERESTS

The company's last Brazilian gas utility was transferred to the State in June 1969. As well, most of the capital in the non-utility investments was registered by the Central Bank at year end and dividend payments were freed up.

In 1970, a notable first was achieved when the investment in the Rio utility plant was registered at a sum approximately equal to the figure used by the company in its rate base calculations. However, only 47.7% of the equity in the Light was registered, and therefore dividends in dollars could be paid only on this portion, after the Brazilian withholding tax of 25% was paid.

In 1970, in partnership with Pan American Airways, Brascan acquired two-thirds interest in a hotel project in Rio for (U.S.) $14.5 million. More funds were invested in existing firms in Brazil and the investment bank was activated.

The company's 1971 annual report addressed itself to a number of questions concerning its Brazilian interests. It recognized that a tax advantage could be gained if the current 17.5% ownership by Brazilian nationals in the Light could be raised to over 20%. It outlined some of the problems, including the sheer size of that undertaking in Brazilian capital markets, since the Light was the largest private firm in the country. Under current Brazilian corporate law all shares had to be offered at par and each shareholder could subscribe or tender his holdings; thus Brascan's interest could increase rather than decrease if a new issue lost its attractiveness.

Two management problems of major concern in Brazil were also identified. The first was how to cooperate with the government, which wished to increase its responsibilities for power generaton while leaving the power distribution in the hands of the private sector of the economy; the second was management's wish to reduce its dependence on the public utility business.

Major changes were made by the government in the electric regulatory system bylaw 5,655 in May 1971 to take effect January 1, 1972. A summary follows:

- the allowable rate of remuneration on the rate base could range from 10% to 12%;
- the interest rate on reversion monies was increased from 6% to 10%;
- reversion monies of all utilities were to be pooled and allocated by the government; formerly each firm could draw on its own pool to finance its own expansion;
- income tax payable on profits earned in the four years from 1971 to 1975 was reduced from 17% to 6%, but it would no longer be recoverable in rates.

These changes were expected to have a deflationary effect in total, which would be offset in part by the move to the 12% rate. In 1971, the change in taxes contributed (U.S.) 35¢ to the reported net operating income of $3.60.

In 1972 a major cash flow problem developed when the Light was not allocated any reversion funds from the new pool. In 1971, reversion monies had accounted for (U.S.) $36.8 million of $139.5 million of the total cruzerio component of the annual cash flow but none of a total of (U.S.) $183.1 million in 1972. In order to finance a $98.7 million capital expenditure program the debt structure was reorgnized and $81 million in outside monies was raised. The provisional rate base rose from (U.S.) $888 million (CR$5 billion) on December 31, 1971, to (U.S.) $1,036 million (CR$6.4 billion) as of December 1972. Total debt capital rose from (U.S.) $315 million to $349 million; reversion money was constant at $165 million; other debt rose from (U.S.) $57 million to $96 million, and the 8% series B debentures were reduced from $93 million to $88 million. The capital redeemed (from the telephone utility) plus interest on the B debentures was a significant source of cash flow to the parent.

In 1973 the Brazilian government announced its intention to construct the world's largest power plant, I Taipu, on the Parana River. The 10 million kilowatts of capacity would cost over (U.S.) $2 billion. The Light would distribute the bulk of the output and therefore its rate base would be force-fed as the enormous capital expenditures were financed to meet the power demands in its concession area.

In March 1974, the Light's plant in service was officially recognized by the government commission up to December 31, 1972. The cruzeiro values adjusted for monetary corrections were only 0.3% below book value. The

Light borrowed (U.S.) $75 million for 12 years in Europe, but worldwide inflation forced a cutback in planned expansion programs as normal sources of funds dried up. Continuous discussions were held with the government about new sources of capital, and in 1975 Brascan arranged for a (U.S.) $100 million, five-year term loan for the Light for which it succeeded in obtaining the guarantee of the Brazilian government.

During this period--in fact in 1974--Brascan made a number of other investments in Brazil. It purchased a 70% interest in a sardine cannery, a 49% interest in a firm operating a fleet of modern fishing boats and acquired control of Jacunda, a producing tin mine.

In addition, a joint venture was signed with MacMillan Bloedel Limited to develop a large pine and eucalyptus plantation in Brazil, and a letter of intent was signed with Cadillac Fairview Corporation Limited, the largest real estate development company in Canada, to examine the potential in Brazil.

This concludes our examination of the highlights of Brascan's activities in Brazil. Further information may be found in Appendix B.

CANADIAN ASPECTS

Takeover Attempt by International Utilities Corporation

By 1968 International Utilities Corporation had acquired 1,200,000 (7%) of Brazilian Light and Power's 17.4 million issued and outstanding shares. However, it was not represented on the Board at the annual meeting.

International Utilities, as a Delaware corporation, had a tax problem that Brazilian Light and Power could solve. In order to avoid withholding tax on dividends received by a non-resident company from Canadian subsidiaries, International Utilities had established its principal office in Canada in 1961 and had thus became a U.S. corporation resident in Canada. However, to maintain this advantage its Canadian income had to remain greater than its U.S. income.

Near the end of 1968, Mr. John M. Seabrook, Chairman and President of International Utilities, joined the Board of Brazilian. The stage was being set and control of the corporation hung in the balance. By April 15, 1969, International Utilities owned 1,797,300 shares representing 10.2% of issued and outstanding voting shares.

In October 1969, Brascan's Chairman, the Hon. Robert Winters, died suddenly. Mr. J.H. Moore succeeded him as President and Chief Executive Officer in September while remaining Chairman at Labatt.

In February 1970 Jonlab sold its 810,400 shares of Labatt to Brascan for $22 million, raised another $10 to $12 million, presumably from the Canadian Imperial Bank of Commerce, and purchased International Utilities' holding in Brascan (now 11.5% or 2,443,527 shares worth some $36 million). Jonlab was now the largest shareholder in Brascan, and Brascan was the largest shareholder in Labatt. International Utilities' ever-increasing holding in Brascan and attempted takeover had been snubbed out. Mr. Seabrook, of International Utilities, resigned from the Board of Brascan in April.

Thus was consolidated the Brascan-Jonlab-Labatt "troika." The financial history of this group, particularly of its first two members, is of interest.

Brascan-Jonlab-Labatt Troika

In the interval since the repatriation of the block of Labatt from Schlitz, the financial and marketing performance of Labatt continued to be impressive. (See Table 1) The acquisition of the Ogilvie Flour Mills Company, Limited, and its consolidation in the 1969 financials had levered the return on equity and earnings per share up sharply.

The purchase by Brascan of the block of Labatt from Jonlab proved to be an excellent sale by Jonlab investors who were both Labatt and Brascan management. Jonlab's nearly three years' holding had caught the major share of the 1960's bull market plus a 110% increase in Labatt earnings (see Table 2).

The original investment (financed from equity of $3.9 million plus a 5% income debenture of $5 million) had produced a capital gain of $15.1 million and raised Jonlab's equity to $19.8 million. A bank loan of some $10 to $12 million completed the financing for the Brascan block. The troika was securely harnessed since Mr. Moore was the Chairman of Labatt, the President of Brascan and the largest individual shareholder of Jonlab.

In a well executed switch from a high price/earnings ratio, low yielding growth stock into low p/e, high yielding income stock, Jonlab purchased 2,443,527 shares of Brascan at $15 per share for $36.6 million. The price/earnings ratio was 5.3 times the 1970 earnings of $2.86 and the yield was 6.7%. (See Table 3 for the comparable Brascan record.)

Brascan already owned two million shares of Labatt, which generated annual dividend income of $1.2 million on the investment of $21.1 million; the purchase of an additional 810,000 shares for $22 million from Jonlab would generate a further $485,000 of dividend income.

Jonlab's dividend income before the sale of the 810,400 Labatt shares was $485,000 per year and the funds reinvested in Brascan without any borrowing raised the dividend on the same investment monies (before borrowing required for the total purchase of Brascan shares) to $1,480,000.

Table 1

JOHN LABATT LIMITED

CORPORATE RECORD, 1968-70

(Year end April 30)

	1970	1969	1968
Gross sales ($MM)	388.8	313.2	185.8
Net income ($MM)	17.6	13.6	8.7
Per share ($)	1.65	1.22	.91
As percentage of Sales	4.5	4.3	4.7
Equity ($MM)	121.0	107.9	102.2
Return on equity (%)	14.6	12.6	8.5
Debt ($MM)	29.9	29.1	30.7
As percentage of equity	24.7	27.1	30.0
Common shares			
Number outstanding (M)	8,949	8,775	8,706
High ($)	30.50	32.00	21.75
Low ($)	18.75	21.50	13.625
Dividends			
Per share ($)	.60	.575	.475
Payout (%)	36	47	52
Beer sold in Canada			
Total industry (MBbls)	13,218	12,478	12,304
Labatt's share (%)	31.7	29.2	27.4

Table 2

JONLAB INVESTMENTS LIMITED

RECORD OF SHARE IN JOHN LABATT LIMITED, 1967-70

	Stock purchased April 1967	Stock sold February 1970
	400,000 @ $21 (U.S.)	810,000 @ $30 (Cdn.)
Earnings per share	$1.57	$1.65
P/E ratio	13.4	17.6
Dividend	65¢	60¢
Yield	3.1%	2.1%

* NOTE: The stock was split 2/1 in October 1967, and additional purchases made.

Table 3

BRASCAN (BRAZILIAN LIGHT AND POWER) LIMITED

CORPORATE RECORD, 1966-70

(Year end December 31)

	1970	1969	1968	1967	1966
Revenues ($MM)	369.3	302.8	257.6	249.5	218.9
Net Income ($MM)	66.5	60.1	59.2	51.6	36.4
Per share ($)	2.86	2.58	3.37	2.95	2.10
Equity ($MM)	681.9	636.6	600.8	558.5	522.2
Return on equity (%)	9.7	9.5	9.9	9.3	6.9
Debt ($MM)	56.8	66.9	71.0	72.8	72.0
As percentage of equity	8.3	10.5	11.8	13.0	13.7
Common shares					
Number outstanding (MM)	23.3	21.2	17.6	17.5	17.3
High ($)	17.625	26.75	21.625	15.00	11.75
Low ($)	11.75	13.75	13.00	9.50	8.00
Dividends					
Per share ($)	1.00	1.25	1.00	.95	.84
Stock (%)	10.0	20.0	-	-	-
Payout (%)	35.0	48.0	30.0	32.0	40.0

The unanswered question is, why did International Utilities not pursue its goal of control of Brascan?

Over the period 1970-71, Jonlab's transactions in Brascan stock were as follows:

Purchased - 2/70	2,443,527 shares	@ $15.00	for $36.6 million	
10% stock				
Dividend - 12/70	244,353 shares			
Holding	2,687,880 shares	@ $13.60 av.	36.6 million	
Sold - 2/71	250,000 shares	@ $17.25	4.3 million*	
Holding - 3/71	2,437,880 shares	@ $13.60 av.	33.5 million	
Sold - 12/71	437,800 shares	@ $17.25	7.3 million*	
Holding - 12/71	2,000,000 shares	@ $13.63 av.	27.3 million	

* - A total of $11.6 million in cash was raised and a profit of $2.3 million was taken.

On February 28, 1971, Triarch, the firm that had engineered the repatriation of Labatt, was purchased by Jonlab with the proceeds of the sale of 250,000 shares of Brascan. A summary of the major factors in the sale follows.

Assets @ book value of Triarch	$3,551,000	
Plus surplus re 1,000 shares of Jonlab	462,000	
	4,013,000	
Less liabilities assumed	1,170,000	
Net tangible assets assumed	2,843,000	59%
Goodwill Premium paid	1,957,000	41%
Price paid in total	4,800,000	100%

A premium of 69% was paid for Triarch over the book value of the net tangible assets acquired. One might conclude that the $2.3 million of profits taken by Jonlab on its two sales of Brascan was recycled in the form of goodwill paid for Triarch in the amount of $1,957,000 to Brascan (a 41% owner) and to the management (the remaining 59% ownership).

On June 8, 1973, the Triarch group participated in a block of 499,500 shares of Brascan on the American Stock Exchange by purchasing 250,000 shares at $17.75. On October 31, 1973, the group sold 250,000 shares of Brascan at $19-1/8. Triarch played a useful role in absorbing half of a large block of Brascan and then later in providing more liquidity in the market and at a profit. A further $350,000 was invested in a closed-end investment fund, Toronto and London Investment Company Limited, administered by Triarch.

Meanwhile, in February 1971, Wood Gundy had published a major 56-page corporate study of Brascan Limited* plus a 16-page "corporate sketch", and a group of institutional clients were taken to Brazil at about this time to view the Brascan operations first hand.

The April 30 fiscal Jonlab year end was changed to December 30 and an 8-month report released. In December, a public offering of 437,880 shares of Brascan was made on behalf of Jonlab by Wood Gundy and Midland-Osler Securities at $17.25 per share. This sale netted $7.3 million and was apparently used to reduce bank loans.

<u>Search for Liquidity</u>. Early in 1972, Jonlab was seeking to diversify its investment portfolio, and just at that time Canadian Cablesystems Limited required an infusion of capital to assist it in repaying a $7 million income debenture due June 30. A Toronto investment dealer provided the introduction for a finder's fee of $50,000 and on February 1, Jonlab purchased 200,000 shares from the Canadian Cablesystems' treasury at $15.50 per share; a put and call on a further 100,000 shares at $16.00 was written for July 31 and was exercised on June 30.

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* - <u>Brascan Limited</u>: A corporate study.

The apparent plan was to merge the two firms and settle the control problem for Canadian Cablesystems while providing Jonlab shareholders with the liquidity that a public vehicle offered. Relative values were never agreed upon and the merger plan fell by the wayside.*

In May the $3.9 million of Jonlab's Class A shares were redeemed at par and the $5.0 million, 5% income debenture was retired. Bank loans rose from $4.1 million on December 30, 1971 to $13.8 million as of March 31, 1972. A block of 104,528 shares of Brascan valued at $22.0 per share ($2.3 million) plus cash of $1,600,384 was used to redeem the Class A. The use of cash would indicate that Brascan was the owner of 16/39 or 41% of the original deal and took cash in full.

A 75/1 stock split had preceded the initial public issue of Jonlab common by Midland-Osler Securities. Triarch sold 35,000 of its 75,000 Jonlab shares at $10.75 per share; book value was $7.81 at the new September 30, 1972 year end. The issue was designed to provide a means of liquidity for the shareholders.

On October 31, 1973, Triarch sold its 250,000 shares of Brascan for $4.8 million in order to reduce its bank loans. An unanswered question is whether this block was the same block that Jonlab sold to Triarch in February of 1971 for a net return of $4.3 million and which in turn provided the bulk of the funds ($4.8 million) used by Jonlab to purchase Triarch.

In December, 1972, Jonlab purchased 85,500 shares of Canadian Cablesystems, and as a result held a 10.8% interest in the firm. The results of First Toronto Corporation Limited, an 85%-owned subsidiary of Triarch, were consolidated in the annual report for the first time.

In 1973, Jonlab increased its interest in Toronto and London Investment Company Limited to 34.6%. In order to seek a wider distribution and a stock exchange listing, Jonlab filed a prospectus with the Ontario Securities Commission.

In February 1974 heavy volume and a sharp rise in the price of Canadian Cablesystems on the floor of the Toronto Stock Exchange indicated that a takeover could be in the offing. Jonlab increased its holdings to 26% by purchasing 606,600 shares for $11.1 million ($18.50 per share). The Jonlab block plus the apparent intent of a large financial institution, (presumably Royal Trust which holds about 25%), of remaining with management snuffed out the takeover threat. The consensus in the investment community was that Rogers Cable Communications Limited of Toronto, acting presumably through Salter, Walker of Canada Limited, were seeking control of Canadian Cablesystems in order to take Rogers public via a merger after the takeover.

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* - See also Appendix C.

Over the period 1972-74, Jonlab's transactions in Canadian Cablesystems stocks were as follows:

	Purchased (M)	Held (M)	Cost Total ($M)	Cost Per Share ($)	Market Price Total ($M)	Market Price Per Share ($)	Equity in Cdn. Cablesystems (%)
2/72	200	200.0	3,100	15.50	-	-	5.20
6/72	100	300.0	4,700	15.67	-	-	7.60
9/72	35	335.0	5,237	15.60	6,155	18.375	8.57
12/72	85.5	420.5	6,976	16.50	6,884	16.25	10.74
2/74	606.6	1,027.1	18,101	17.50	8,474	18.25	25.94

In April 1974 Jonlab purchased a 33% interest in Commerce Capital Corporation Limited. A share exchange planned with Triarch with a view to Jonlab owning 50% of Commerce Capital did not materialize.

Jonlab management postponed filing a prospectus with the Ontario Securities Commission because of the firm's involvement in several material transactions that would have necessitated constant revisions to the prospectus. A draft copy indicated that 1,657,200 common shares were to be offered to the public.

Bank loans had been $25.1 million in September of 1973 and after the purchases of Canadian Cablesystems and Commerce Capital they approached the $40 million level. The sale of a $30 million issue of 7% Class C preferred, non-voting, cumulative and redeemable, was completed privately. The redemption feature was very specific in that the company could redeem in whole or part any time after May 1, 1975, and the holders any time after May 1, 1977. Proceeds were used to reduce bank loans. The 1974 Annual Report noted that the issue had reduced interest cost and improved cash flow by $375,000 per year.

Mr. Moore, the second-largest shareholder, resigned from the Jonlab Board of directors in January 1975. His holding of 213,000 shares of common represented 12.3% of the participating equity (7.5% if Brascan converted its participating B preferred into common).

The investment in Toronto and London was sold for a profit of $400,000, and reduced Jonlab's bank indebtedness by $5.8 million.

Brascan Takeover. During 1975 Jonlab management informed Brascan that it wished to sell 1,685,000 common shares (59%) of Jonlab. At this date Brascan held 41% of Jonlab (1.2 million Class B shares). As related above, the other chief shareholders had been frustrated in their numerous attempts to find a vehicle with which to merge so that they could achieve some liquidity in their investment. In early September, Brascan decided to acquire all outside shareholdings of Jonlab at $8.00 per share, which was reported as being equal to the estimated breakup value as of August 29, 1975. It had been rumored that Power Corporation was willing to bid $9.00; however a large Canadian investment dealer had agreed to the $8.00 bid.

On September 30, 1975, the fiscal year-end date closest to the August 29 takeover date, the 2,885,000 Jonlab shares (common plus Brascan's B preferred) had a total book value of $22,970,000 or $7.96 per share (see Table 4). The fiscal year's net income of $1,016,263 (or 35¢ per common and Class B preferred shares) became a loss of $1,083,738 (or 38¢ per share) after $2,100,000 was paid in dividends on the Class C preferred shares.

Table 4

JONLAB INVESTMENTS LIMITED

BALANCE SHEET, 1974 and 1975

ASSETS	September 30 1975	September 30 1974	LIABILITIES	September 30 1975	September 30 1974
	($000)			($000)	
Trading Securities	7	370	Bank Loan	5,504	9,895
Investment Securities at Cost	47,638	52,879	Other Liabilities	2,580	2,780
Mortgages	7,317	10,019	Subtotal	8,084	12,675
General Assets	4,079	1,560	Minority Interest	-	113
Goodwill	2,013	2,013	'C' Preferred	30,000	30,000
			Equity	22,970	24,053
TOTALS	61,054	66,841		61,054	66,841

The $8.00 per share paid by Brascan was equivalent to the estimated breakup value of $8.00 per share, if one accepts goodwill and the mortgage portfolio at cost. We have recalculated elements of this leveraged balance sheet in Table 5 in order to arrive at a range of values over the prior 12 months to compare to the amount per share that was paid.

The main shifts in value in the 12-month period were due to Canadian Cablesystems, whose market price rose from $8.25 to $13.25 per share, and to Commerce Capital, whose share prices rose from $1.50 to $2.75. On the other hand, Brascan shares declined from $11.875 to $11.00, and Toronto & London, which was carried at a cost of $4.70 and had a market price of $1.80 per share, was sold.

In view of the deterioration in the financial record of Jonlab (see Table A-1, page 54), we have written the goodwill of $2,013,000 down to zero, which reduced the per share values by 70¢ to $5.33 and

Table 5

JONLAB INVESTMENTS LIMITED

RECALCULATED INVESTMENT AND EQUITY VALUES

1974 and 1975

	Sept. 30, 1975 Total	Sept. 30, 1975 Per Share	Sept. 30, 1974 Total	Sept. 30, 1974 Per Share
	($000)	($)	($000)	($)
STEP I: Book Value				
Equity: 2,885,000 shares of common plus B preferred	22,970	7.96	24,053	8.34
STEP II: Restate the Investment Securities				
From Cost	47,638		52,879	
To Market Value				
Brascan (2,293,522 shares)	25,229	11.00	27,236	11.875
Canadian Cablesystems (1,027,100 shares)	13,609	13.25	8,474	8.25
Commerce Capital Corp. (817,265 shares)	2,247	2.75	-	-
(787,665 shares)	-	-	1,181	1.50
Toronto & London Investment Co. (1,162,487 shares)	-	-	2,092	1.80
Unquoted Shares	973		802	-
Market Value Subtotal:	42,058		39,785	
Total Reduction in Value	(5,580)	(1.93)	(13,094)	(4.54)
Adjusted Equity Value	17,390	6.03	10,959	3.80

$3.10 per share. The mortgage portfolio had been written down by $213,000 in 1974 and $1,918,000 in 1975 and whether it was fully worth its book value on final sale is an open question.* We would have downgraded its value on sale.

In valuing Jonlab's investment portfolio, we find it difficult to place a premium on the large block of Brascan; it is a market stock and trades on a yield basis. In 1970 Jonlab purchased the International Utilities block of 2.44 million shares of Brascan at $15.00 per share, or at approximate market price. The key determinant in raising the value of the equity is the 26% interest in Canadian Cablesystems, which is the largest single block of that company. Each $1.00 premium on this block of stock would add 35¢ to each B and common share of Jonlab.

Brascan announced on September 3 that, based on the August 29 estimated breakup value of the portfolio, it was offering $8.00 for each Jonlab share not owned. An indication of the leverage in Jonlab and its impact on the per share prices can be gained by using the Toronto Stock Exchange month-end closing prices for the three publicly traded stocks.

	Closing Prices		Valuation	
	30/9/75 ($)	29/8/75 ($)	30/9/75 ($MM)	29/8/75 ($MM)
Brascan	11.00	12.25	25.3	28.2
Canadian Cablesystems	13.25	14.125	13.6	14.5
Commerce Capital	2.75	2.80	2.2	2.2
Totals			41.1	44.9

The August 29 closing prices put a market valuation of $44.9 million on the three main equity investments and a price of $7.35 on the 2.885 million common and B shares of Jonlab (which our calculations reduce to $6.65 after valuing the goodwill at zero). The September 30 closing prices reduced these figures by $3.8 million of market valuation on the equity ($1.32 per share) to a value of $5.33 per share.

Our calculations thus give us the following three share prices:

September 30, 1974 - $3.10
August 29, 1975 - 6.65
September 30, 1975 - 5.33

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* - In testimony before the Royal Commission on Corporate Concentration, Mr. Moore and Mr. Freeman-Atwood of Brascan stated Brascan valued the mortgage portfolio at $1.00 per share when the bank indebtedness was offset. In Jonlab's Annual Report for the year ended September 30, 1975, the mortgages were valued at $7,317,000 ($2.54 per share) and the bank loan was reported at $4,504,000 ($1.91 per share). If we write down the value of the portfolio by the full amount of the bank indebtedness, we arrive at a per share value of $0.63 for the mortgage portfolio.

Traditionally closed-end funds have traded at a 25% discount from the market price, which would put a $5.00 price on the shares using the August 29 price of $6.65 less a 25% discount and a $4.00 price using the September 30, 1975, market price.

We believe that the 25% discount is appropriate for the pricing of Jonlab shares. Our reasons can be summarized as follows:

- The earnings record of Jonlab was deteriorating, as shown in Table A-1, and the prospects for a reversal were obviously not received favourably by the shareholders who evidenced a strong desire to sell.

- It can be assumed that the holder of the $30 million of Class C preference shares would have noted this deterioration in earnings and it seems reasonable to assume would have called for a redemption in 20 months time on May 1, 1977 if not sooner if the covenants applicable to the issue were breached.

- One of the few studies on valuing closed-end funds observed that in the 1960's, a period of strongly rising equity markets, "the average spread between net asset value and market value for all diversified common stock closed-end funds was a discount of seven per cent; however, during this time, individual funds experienced discounts as low as 25 to 30 per cent and premiums as high as 50 to 60 per cent."

- In another study of 16 closed-end funds in early 1974 only one fund was selling at a substantial premium and two others were trading just above their net asset value.

- Few closed-end funds are levered and this type of financial structure is a further depressant to the underlying share value in the slow markets of the 1970's.

- Acquiring control of Jonlab was not a problem for Brascan as shown by the Ontario Securities Commission's reports on insider trading. Brascan was in a position to vote 1,200,000 of the 2,885,000 shares or 41.6% of Jonlab. Eight directors of Jonlab tendered a total of 588,100 Jonlab shares, or a further 20.4%, in September.

- The mortgages (see Table 4) were unattractive investments and a discount must be factored into the price of Jonlab shares to reflect them.

By October 1975, Brascan had increased its interest in Jonlab to over 99% of the common shares. Since Jonlab is now a subsidiary of Brascan, its own Brascan shares are currently non-voting pursuant to the provisions of the Canada Corporations Act.

The second largest Jonlab investment is a 26% interest in Canadian Cable systems Limited, with a market value as of December 31, 1975, of $12.3 million. Through subsidiaries, Canadian Cablesystems operates nine cable TV systems in Ontario and one in British Columbia. It also holds a 48.8% interest in Famous Players Limited which operates Canada's largest chain of movie theatres.

Jonlab also owned 28% interest in Commerce Capital Corporation Limited, a financial services company; Jonlab's holding had a market value of $2.7 million as of December 31, 1975. Commerce Capital has an 85% interest in Farmers & Merchants Trust Co. Ltd. of Calgary, a 93% interest in General Mortgage Corporation of Canada Limited, an 87% interest in Comcap Factors Inc. of Montreal, and other interests in mortgage lending and merchant banking. Jonlab did not exert management control over either Canadian Cablesystems or Commerce Capital.

In 1971 Jonlab had acquired all the shares of Triarch Corporation Limited at a cost of $4.8 million. Triarch and its subsidiaries, including Elliott & Page Limited, are engaged in a wide field of services. Triarch holds 17% of Canadian Venture Capital Corporation (1974) Limited, which is managed by Triarch, and a 85% interest in First Toronto Corporation Limited, a mortgage lending concern.

At the time of writing, the Jonlab group of companies is enlarging its present activities and developing new ones with an emphasis on providing financial services to small and medium-sized Canadian businesses.

Brascan Resources Limited

In 1970, convinced of the growing world-wide demand for energy and other mineral resources, Brascan Limited decided that investments in Canadian natural resources could represent an attractive opportunity for its Canadian investment program.

Brascan's participation in the natural resources sector began with the acquisition in 1970 of Mikas Oil Company, Ltd. (the name of which was changed in 1973 to Brascan Resources Limited), a small exploration and producing company active primarily in Alberta. It also held a 12.3% interest in Magnorth Petroleum Ltd., an Arctic exploration concern. This investment was followed by the $40 million acquisition of a 15% equity interest in Elf Oil Exploration and Production Canada Ltd., a company carrying out exploration and drilling programs on substantial land holdings in the Canadian Arctic.

The French Government owned 75% of Elf. Under Canadian tax law up to $30 million of drilling and exploration expenses could be renounced to Mikas as deductions from future taxable income if production revenues were obtained. Thus, Brascan invested in natural resources in a significant manner, but production had to be built up or acquired in order to save taxes. By 1971 Mikas had an estimated oil production of 310,000 barrels per year, which would produce an estimated $320,000 of cash flow.

Brascan entered into an arrangement with Brameda Resources Limited, Teck Corporation Limited and Coalition Mining Limited to carry out a $1.5 million feasibility study on the "Sukunka" coking coal deposits near Chetwynd, B.C. This commitment earned a 7.5% interest in the coal licenses and an option to purchase an additional 42.5% interest for $8.7 million.

In 1972 the British Columbia government undertook to take over Brameda's 40% interest in the Sukunka coking coal project subject to various conditions. Brascan obtained an option to acquire a controlling interest in the property. That year the company also acquired a 25% equity interest in Austen & Butta Limited, an Australian company retained to perform certain operating functions for the Sukunka property.

A major thrust was signalled into natural resources when Western Minerals Limited was acquired in June 1973 for $31.5 million cash. Western's goodwill was $25 million. This acquisition, along with that of Great Lakes Power Corporation (which Brascan also acquired in 1973), was financed with a $69 million term credit repayable on or before October 16, 1975. Western Minerals was a privately held Canadian company with a large quantity of exploratory land as well as producing oil, natural gas and coal properties in western Canada.

In October 1973 all of Brascan's natural resource interests were consolidated under Brascan Resources as a direct subsidiary of Great Lakes Power Corporation Limited. A $10 million write-off was made against the $40 million investment in Elf in 1974. The British Columbia government reversed its previous intention and decided not to purchase the 40% interest held by Brameda in the Sukunka coking coal project.

In 1975, Brascan Resources purchased a 41% equity interest in Western Mines Limited, a British Columbia mining company.

As a result of these developments, Brascan Resources now represented a group of several different natural resource interests, including oil, natural gas, coal, metallic and non-metallic minerals, with assets in excess of $100 million. A summary of the ongoing development of these resources is set forth below.

Oil and Natural Gas. Brascan Resources, both on its own and through its equity participation in Elf and Magnorth, has been actively searching for and developing natural gas and oil reserves in the western and eastern provinces of Canada and in the Canadian Arctic. To a lesser extent, it has also conducted or participated in exploratory programs in the United States, the North Sea and the Philippines. However, most of its efforts have been directed toward the search for natural gas in Alberta. Although small compared to other independent or integrated hydrocarbon companies, Brascan Resources has been one of the more active exploration companies in recent years. By the end of 1975, it had participated in the drilling of 157 oil and gas wells in Canada.

Brascan Resources is generating an increasing cash flow from the sale of natural gas, petroleum, and natural gas liquids and the company currently produces a modest profit. Some of Brascan Resources' proven and probable reserves lie in the northern part of the Yukon and additional drilling and installation of pipelines will be required before the economic benefits of these hydrocarbons can be realized.

Coal. Until mid-1976 Brascan Resources' main interest in coal was the Sukunka property in British Columbia. It was held under option by Brascan Resources and operated by Coalition Mining Limited, a subsidiary. Considerable exploration and development was carried out on the property in the expectation of developing a medium-sized coal mining operation. However, in mid-1976 Brascan Resources' option was dropped and a write-off taken.

When Brascan Resources acquired Western Mines in 1975, it also acquired a royalty interest in a thermal coal property that supplies a Calgary Power Company thermal-electric generating plant. There is a potential of expanding the surface mining operations of thermal grade coal on company lands in Alberta if and when the need is indicated. In the province of Saskatchewan the company has outlined thermal coal deposits in the Lac La Ronge area.

Other Minerals. Brascan Resources had explored for base metals and other minerals in Canada, the United States and the Philippines, but to date these exploration efforts have not resulted in commercial production. An exploration program is carried out in Brazil by Promisa-Mineracao e Prospecçoes S.A. ("Promisa"), a Brascan subsidiary that draws some technical support from the geological staff of Brascan Resources.

With the acquisition of Western Minerals in 1973, Brascan Resources obtained a royalty interest in a producing sodium sulphate property in Alberta. Brascan Resources also holds rights in Alberta limestone and clay deposits.

The recent acquisition of 41% of Western Mines is described later in detail. That company's primary activity is the operation of a base metal mine in British Columbia.

Great Lakes Power Corporation Limited

In 1973, a large block of Great Lakes Power Corporation Limited was brought to the attention of Brascan management, and in the period April 11 to August 1 almost total control was acquired for $35.5 million cash. Under Canadian tax law, consolidated tax returns cannot be filed. Since Brascan had substantial head office expenses consisting of significant interest expenses that were not deductible for tax purposes, Great Lakes was an excellent fit. Management knew the business, and Great Lakes' very stable revenue and pre-tax income base could be used to improve cash flows by saving taxes. This acquisition also enabled Brascan to apply its technical experience to the operation of a Canadian electric utility, and provided a corporate vehicle in which Brascan's Canadian investment assets could be placed.

Brascan's offer of $30 per share exceeded by $6.45, or 26%, the book value and the highest price in the market in the past five years. The availability of a substantial block (23%) of the issued stock facilitated the acquisition. At this time, a 10% yield in a quality investment was not a rarity, and therefore income-conscious investors could increase their income from Great Lakes' \$1.20 dividend to the equivalent of \$3.00 per share by tendering to Brascan and investing the cash. Nearly all holders did tender and in 1973 dividends of \$1.42 per share were paid before all payments were stopped on November 30. A few shares (less than one per cent) are still held in the public's hands. A summary of the corporate record of Great Lakes Power may be found in Table 6.

Brascan's acquisition allowed it to place an earnings cover over some \$5 million of head office interest expense by selling assets which were generating income in the head office account and saved nearly \$2.5 million of income taxes per year. Mr. R.L. Hearn, a former director of Brascan, was a director of Great Lakes at the time of the takeover.

Great Lakes Power Corporation generates and distributes electricity through its subsidiary, Great Lakes Power Company, Limited, in the Sault Ste Marie region of Ontario. Although it is the largest private electric utility in the province, the operation, which has only nine small hydro-electric generating stations, is not large in relation to the size of Ontario Hydro or Light-Serviços de Eletricidade, Brascan's utility investment in Brazil. Great Lakes Power has interchange facilities with Ontario Hydro and agreements in force for the sale and purchase of power between the systems.

Following the purchase of its shares by Brascan, Great Lakes Power acquired Brascan's shares of John Labatt Limited, the Hudson's Bay Company and Brascan Resources Limited. Due to tax offsets this provides a means of conserving capital during the development phase of the Canadian mineral resource holdings. There is another possible advantage to this arrangement in that Great Lakes Power might provide a vehicle for future public participation and financing of Brascan's activities in Canada.

<u>Brascan Trading Group</u>

In 1972, Brascan perceived a need for an international trading organization to facilitate trade between Canada and Brazil based initially on goods produced by these two countries. At the time there were no domestic trading companies in either country and it was hoped that such an organization could eventually broaden its scope to become a fully developed trading house comparable to those of Japan.

Brascan's first step in implementing this concept was the purchase of a small Toronto-based trading company which later changed its name to Brascan International Trading Ltd. Other trading subsidiaries were then established in Sao Paulo, New York, Tokyo and London. Although these trading organizations have been involved in numerous international activities, the overall operation has not been profitable to date and underwent a period of rationalization prior to its being discontinued entirely.

Table 6

GREAT LAKES POWER CORPORATION LIMITED

CORPORATE RECORD, 1968-72

(Year end December 31)

	1972	1971	1970	1969	1968
Operating Revenue ($MM)	12.7	11.5	10.9	8.9	9.0
Net Income ($MM)	2.8	2.2	2.2	2.0	2.0
Per share ($)	2.30	1.75	1.80	1.63	1.66
As percentage of revenue(%)	22.3	18.0	20.4	22.6	22.7
Equity ($MM)	30.3	29.0	28.3	26.6	27.1
Per share ($)	24.55	23.49	22.95	22.36	21.97
Return on equity (%)	9.3	7.5	7.9	7.4	7.5
Debt ($MM)	13.9	14.9	15.5	13.0	17.6
As percentage of equity(%)	4.6	5.2	5.5	4.9	6.5
Common shares					
Number outstanding (M)	1,234	1,234	1,233	1,233	1,232
High ($)	24.25	21.00	18.50	24.00	22.375
Low ($)	18.375	17.25	15.00	18.00	16.00
Dividends					
Per share ($)	1.225	1.20	1.20	1.20	1.20
Pay out (%)	53	69	67	74	72

Hudson's Bay Company

In 1970, exactly three centuries after its founding, the Hudson's Bay Company transferred its head office from London, England, to Winnipeg, Manitoba, and was reincorporated as a Canadian company by a special act of Parliament. Included in the new Hudson's Bay charter was a restriction preventing any one shareholder from owning more than 10% of its shares prior to May 1975.

As a result the shares became relatively less attractive to United Kingdom residents due to U.K. exchange control regulations. It was also felt that increased Canadian ownership would be beneficial to the company's public image in Canada. Lord Amory, Governor of Hudson's Bay, encouraged Brascan to do an analysis of the company as an investment, and in 1970 Brascan began purchasing shares of Hudson's Bay, largely through the London Stock Exchange.

Until January 1976, Brascan owned approximately 7% of Hudson's Bay shares with a market value at that time of approximately $14 million, constituting what was believed to be the largest single block of shares. This block has now been sold to other Canadian investors.

The Hudson's Bay shares were held as an investment only and Brascan exercised no influence over operations. Only one member of Brascan's management, J.H. Moore, sat on the Board of directors of Hudson's Bay, and there were no joint activities involving the two companies.

Western Mines Limited

In November 1975, Brascan Resources Limited acquired approximately 41% of the shares of Western Mines Limited at a total cost of $7.9 million. Western Mines operates a base metal mine on Vancouver Island in British Columbia. It also carries out mineral exploration in Canada and the United States.

The directors and management of the company supported Brascan's purchase of this interest from a small group of shareholders, which resulted in Brascan Resources' assuming a majority position on the Board of directors.

Western Mines, as of December 31, 1975, had an approximate market value of $14 million and shareholders' equity of $17.5 million. Its ore reserves were approximately 1.9 million tons with an average content of 1.1% copper, 7.5% zinc, and 1.2% lead, together with quantities of gold, silver and cadmium. Based on existing reserves and production estimates, without allowing for discovery of additional reserves, the expected remaining mine life is at least six years. Total income for 1975 was down substantially from the previous year, due mainly to taxation and depressed metal prices.

MANAGEMENT RELATIONSHIPS BETWEEN BRASCAN LIMITED AND ITS RELATED COMPANIES IN CANADA

Brascan Resources, although almost wholly owned by Brascan Limited through Great Lakes Power Corporation, is largely autonomous. Substantial technical and management expertise has been built up within the subsidiary, whose offices are located in Calgary. Liaison remains close in the case of major financial matters and new acquisitions, as mentioned in the next section.

Jonlab is a recent acquisition and it is envisaged that certain of the Jonlab companies will play a key role in the development of a Brascan financial services group in Canada. The company plans to maintain a considerable degree of operating autonomy to take advantage of the extensive management capabilities within the existing Jonlab group. As mentioned previously, Jonlab has a significant investment in Canadian Cablesystems Limited and had a significant investment in Commerce Capital Corporation Limited. These have their own independent managements.

In contrast, there is relatively close liaison between Great Lakes Power and Brascan, because of the latter's relevant technical expertise. However, the principal operating personnel in Sault Ste Marie and the methods of operation have remained substantially independent and unchanged.

As has been said before, Brascan Resources has assumed control of the Board of Western Mines, but this action is a very recent one and little more can be said at this time.

FINANCIAL RELATIONSHIPS BETWEEN BRASCAN LIMITED AND ITS RELATED COMPANIES IN CANADA

The financial relationships between Brascan and the companies in which it has invested tend to parallel the management relationships with these companies. Labatt's financial relationship with Brascan is no different from that with any other shareholder. At the other extreme are small totally new ventures almost entirely dependent on Brascan for funds. An intermediate case is Brascan Resources.

Financial independence for each subsidiary is one of Brascan's several stated financial goals. Each company forms part of one of the three pools of capital and its capital needs are evaluated in terms of the capital resources of the particular pool of which it is a part. The Light in Brazil is in a special category as it currently borrows all of its substantial debt capital needs in its own name, in international capital markets, backed by the guarantee of the Brazilian government, although the Brascan corporate staff plays a role in arranging such financing.

Brascan co-ordinates the various capital needs of its Canadian subsidiaries so that approaches to various external sources of capital, either domestic or international, may be planned in an orderly fashion. Brascan is then available to lend its support and credit to financial operations as may be necessary or desirable.

In addition to the role of financial support and co-ordination, Brascan is involved in the overall planning process of its subsidiaries and in the review of their progress against such plans.

PART 2

JOHN LABATT LIMITED

Since the history of John Labatt Limited has been so closely intertwined in recent years with that of Brascan it was thought useful to round out this study with a history of this originally family-owned company that has grown, internally and by a welter of acquisitions, to become a major Canadian corporation. Histories of major subsidiaries of Labatt may be found in Appendixes D to G.

Labatt as a brewer traces its activities to the early 1800's in London, Ontario. Until the end of World War II, it was largely a family-owned and managed business. The public issue of stock in 1945 and the introduction in the 1950's of professional management who were not part of the family started the firm on a new path. In 1953, Labatt made the decision to become a national brewer. Up until the mid 1960's half the company's brewing capacity was acquired; today, 70% comes from facilities that the company has built from the ground up.* The site of the largest single brewery is in Montreal, a market that was entered without any acquisition.

Expansion was paid for from the cash flow of the brewing operations plus a series of debt financings. This use of leverage resulted in the debt/equity ratio rising from below 20% to 40%, when the acquisition and consolidation of the Ogilvie Flour Mills Company in 1968 lowered it very sharply again. The existing trust deeds were changed in order to remove some considerable restrictions on the issue of more debt, and larger debt financings ensued. When the debt/equity ratio again rose to the 40% range, a new form of financing was used, a convertible debt issue.

A number of non-brewing acquisitions failed to live up to expectations and they were sold off, sometimes at sizable losses. An ambitious entry into the west coast U.S. beer market via General Brewing (Lucky Lager)** was noticeably unsuccessful, and, after sales of assets and plant closings, it was sold off at a large loss.

A major turning point in Labatt's corporate history came in 1964 with the attempted takeover by Schlitz Brewing (see page 35). This deal split the company from top to bottom and resulted in the departure of the last family name from the Board, the long-established company solicitor, the firm's bankers, and the principal underwriter.

The acquisition of Ogilvie Flour Mills Company, Limited, in 1968 provided increased borrowing powers for the consolidated firm. It also signalled the

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* See Appendix H.

** In late 1963, Lucky Lager Brewing Company's name was changed to General Brewing Corporation, which in turn, in 1968/69, was changed to Lucky Breweries, Inc.

start of a significant new course of expansion into the food and food service areas.

In the 1970's management began to express a growing concern over such social issues as business-government relationships, youth groups and pollution. In the 1975 annual report the impact of inflation on return on investment was highlighted.

In 1960, management had forecast that by 1975 they planned to hold 21.7% of the beer market in Canada; their estimate of total sales in Canada was low by 3,000,000 barrels or 17.5%, but their market share was higher by 14.5% at 36.2% (see Table 7).

A chronology of the company's history follows.

1945. Labatt traces its corporate history back to 1828 in London. The first public issue was for the account of a selling shareholder, in 1945. The 180,000 shares, which represented 20% of the entity, were handled by McLeod, Young, Weir & Co. Ltd. and Cochran, Murray & Co. Ltd.

1946. The Copeland Brewing Company Limited in Toronto was purchased for $625,000 cash; it produced draft beer primarily.

1953. A cash and share offer was made for Shea's Winnipeg Brewery Limited. The number of issued shares rose by 39.5% to 1,254,995 from 900,000.

The decision was made to become a national brewer.

1954. A new brewery was to be built in Montreal; the French name (La Brasserie Labatt Limitée) was used for the corporation.

1955. The Montreal expansion was financed by the issue of $9.5 million of Series A Serial and Sinking Fund debentures at 4%. The proceeds were used to redeem $5.7 million of outstanding debentures, and the $3.8 million remaining funded the initial portion of the $6.5 million earmarked for the new brewery in Montreal. It raised capacity by 18% to 1.62 million barrels per year.

1958. Labatt made a cash offer for the common shares of Lucky Lager Breweries Ltd. of Vancouver; it raised capacity a further 20% to 2.03 million barrels.

Mr. J.H. Moore was elected President; he had joined the firm as Treasurer in 1953 from the firm of Clarkson, Gordon and Co., the company's auditors.

Ontario's Brewers' Warehousing Co. Ltd. was struck in August and September, and sales were sharply affected.

The method of taking depreciation was changed from diminishing balance to straight line, and earnings were increased by $251,000 or 10¢ of the $1.77 reported share.

A technical association was formed with the prominent U.K. brewing firm of Ind Coope Ltd. of London.

Table 7

JOHN LABATT LIMITED

SHARE OF CANADIAN BEER MARKET, 1956-75

(Thousands of barrels)

Year end	Total industry sales in Canada	Labatt's sales	Labatt's market share (%)
Dec. 31			
1956	8,587	1,103	12.8
1957	8,894	1,139	12.8
1958	8,637	1,260	14.6
1959	9,272	1,559	16.8
1960	9,434	1,646	17.5
1961	9,613	1,754	18.3
1962	10,076	1,938	19.3
1963	10,369	2,120	20.5
1964	10,896	2,293	21.1
1965	11,162	2,386	21.4
1966	11,675	2,849	24.5
1967	12,126	3,277	27.0
Apr. 30			
1968	12,304	3,382	27.4
1969	12,478	3,643	29.2
1970	13,218	4,190	31.7
1971	14,117 est.	4,530	32.2
1972	14,922 est.	5,144	34.7
1973	15,743 est.	5,551	35.3
1974	16,625 est.	5,942	36.0+
1975	17,024 est.	6,150	36.2

A one-eighth rights issue at $20 per share raised $3.2 million.

1959. Series B debentures at 5.5% raised $5 million, of which $2.7 million was earmarked for the new Montreal Brewery. Midland Securities became the third member of the underwriting team; they were represented on the Board by Mr. D.B. Weldon.

1960. The company leased the plant of the Saskatoon Brewing Company Limited with an option to purchase. The operations of Labatt now extended to the five provinces that accounted for 90% of national sales.

1961. In January, the company acquired control of Capital Estates Inc., a holding company owning shares of Lucky Lager Brewing Co., the largest brewing company in the western part of the United States. Capital Estates' control of Lucky Lager added 2.5 million barrels of capacity at a time when Labatt's own capacity was 1.85 million barrels.

Series C debentures raised $7.0 million in April. Management's plans were stated as follows, in a prospectus dated April 17, 1961:

	Labatt	Industry	Labatt Share
	(Millions of barrels)		(%)
1960 actual beer sold	1.7	9.5	18.0
1975 forecast	2.9	14.0	21.7
Gain forecast	1.2	4.5	26.7

The conversion to the new shorter bottle was made by the industry in late 1961 and the costs of $1.8 million were to be written off over 42 months beginning May 1962.

A three-for-one split took effect in October.

1962. Labatt entered into the manufacture and distribution of pharmaceuticals for the ethical drug trade and food supplements for both human and animal consumption so as to utilize skills in fermentation and to consume brewery by-products. Labatt-Duphar was formed on a 50/50 basis with Philips of Holland. Charles R. Will & Company Limited in London was acquired as an established ethical pharmaceutical company, followed by Stevenson, Turner and Boyce Limited in Guelph, which manufactured and distributed to the veterinary profession. Vitafeed Concentrates Ltd. of Toronto was added; it manufactured and sold ingredients to the feed, food and drug industries. The starting sales base was small, but management was most optimistic.

Series D Sinking Fund debentures were issued for $8 million with a 5¾% coupon, and Labatt announced plans for new breweries in Toronto to cost $9 million (1965) and in Edmonton to cost $3 million (1964). Bavarian Brewing Ltd. in Newfoundland was acquired; its 130,000 barrels of capacity raised total capacity to 2.6 million barrels, half of which had been acquired. Goodwill of $1.23 million was written off.

1963. The company acquired Delmar Chemicals Limited. In Manitoba a start was made on the disposal of the hotels which had been acquired with Shea's in 1953.

1964. John Labatt Limited surrendered the brewing licence it had held for 135 years and became a holding and management company over four main subsidiaries: Labatt Breweries of Canada Limited, formed to act as a holding company for subsidiaries carrying out brewing operations across Canada; General Brewing Corporation, which operates in the United States; Labatt International Limited, created to direct international and property operations; and Labatt Industries Limited, which directs bio-technical interests.

As related earlier (page 31), in February 1964, the Joseph Schlitz Brewing Company of Milwaukee, Wisconsin, was successful in gaining control of Labatt by purchasing 1,700,000 shares (39%) at a $3.00 premium over the market price of $20.00. The family sold 750,000 shares, and a further 950,000 were purchased from the public, who tendered 2,600,000 shares. Schlitz stated that it was to be only an investment and that management and their policies were to remain intact. A sharp sales slump was evident in the home plant territory and morale was affected. A week-long Board meeting ensued in an effort to encourage an alternative purchaser; Power Corporation of Canada Limited entered the picture, but a counter bid or proposal was never made.

The purchase was made at 20 times the per share earnings ($1.15) to be reported in 3-4 months for the fiscal year ending in April; book value was $8.70 per share and the yield was 2.5%. The record of the Labatt management team was exceptional in the Canadian brewing industry (see Table 8), and at these prices Schlitz would be hard-pressed to convince management that its purchase was only an investment. A bonus to the purchase was near control of General Brewing (Lucky Lager) in the western U.S. markets.

The U.S. Department of Justice served a restraining order on Schlitz on the grounds that it had violated anti-trust legislation by effectively gaining control of General Brewing Corporation, already the major factor in the western U.S. market.

The Labatt Board retained full control since the restraining order prevented Schlitz from exercising its shareholder's rights. Labatt's annual capacity was now 3.1 million barrels, of which 1.3 had been acquired.

Labatt management continued with its aggressive expansion program. An agreement was signed with three European breweries to produce and market SKOL to uniform standards in all countries of the world; the group operated 76 breweries in 10 countries. The interest in Labatt Duphar was increased by 10% to 60% and goodwill of $925,000 was written off to earned surplus in the year when consolidated net profit was $5,016,000. An agreement was signed with Canadian Breweries (the major brewer in Canada), Dominion Breweries and New Zealand Breweries to develop and market a continuous-fermentation method of producing beer. Canadian Breweries tested it with a noticeable lack of success in a new plant in Texas. The annual report included a "Consolidated Source and Application of Funds Statement" for the first time.

Series E debentures were sold privately in August for $5 million with a 5 3/5% coupon. All trucks and automobiles were sold and leased back at an annual rental of $460,000 for the next five years.

Table 8

JOHN LABATT LIMITED

CORPORATE RECORD, 1960-64

(Year end April 30)

	1964	1963	1962	1961	1960
Gross sales ($MM)	108.6	96.0	85.5	78.3	74.1
Net income ($MM)	5.0	4.4	4.1	3.9	3.8
Per share ($)	1.15	1.02	.94	.90*	.88*
As percentage of sales (%)	4.6	4.6	4.7	5.0	5.1
Equity ($MM)	37.8	35.0	33.5	31.5	29.4
Return on equity (%)	13.2	12.6	12.2	12.3	12.9
Debt ($MM)	22.7	22.7	16.0	12.1	10.8
As percentage of equity (%)	60.0	64.9	47.7	38.4	36.7
Common shares					
Number outstanding (M)	4,353	4,327	4,327	4,308*	4,304*
High ($)	23.3	18.7	16.2	17.4*	10.5*
Low ($)	18.0	14.3	11.5	5.0*	8.0*
Dividends					
Per share ($)	.575	.48	.45*	.43*	.40*
Payout (%)	50.0	47.0	48.0	47.7	45.5
Beer sold in Canada					
Total industry (MBbls)	10,896	10,369	10,076	9,613	9,434
Labatt's share (%)	21.1	20.5	19.3	18.3	17.5

* - Adjusted for comparison from 1962 on: stock split three-for-one in 1962.

1965. Schlitz was still before the anti-trust courts. Labatt purchased a 60% interest in Parkdale Wines Ltd. of Ontario in partnership with two well established U.K. firms knowledgeable in wine-making and marketing. In Ontario, at this date, provincial wines held 85% of the market, and consumption was growing. (However, by 1975 their share was only 54%.) Goodwill in the amount of $1,117,000 was not written off; it was attributed to "store licences and trade marks". This new accounting policy followed a $270,000 goodwill write-off arising from the acquisition of McClelland Veterinary Supplies (Alberta) Limited. The sale of the remaining hotels in Manitoba at the urging of the government raised some cash from the Oxford group.

1966. Labatt obtained the right to brew and market the Guinness label for Canada. An important decision was made to expand the Montreal plant to one million barrels, or equal to the original London plant plus its additions. This remarkable ten-year record undoubtedly accounted for a significant portion of Labatt's increasing market share. The misfortunes surrounding the Dow plant in Quebec City* probably assisted as well.

The Coca Cola plant in Newfoundland, acquired with Bavarian, in 1962, was also to be expanded.

Trouble at General Brewing was signalled with the sale of the plant in Azusa, California, for $8 million, $1.7 million over book value.

The company acquired the assets of Grimsby Wines and two retail stores; the key factor in determining price was the franchise value of each store since no additional wine stores were to be allowed in Ontario unless a new winery were started.

Schlitz's acquisition was ruled in violation of the U.S. combines legislation and both Labatt's stock and the earlier Burgermeister acquisition were to be divested to acceptable parties. Of considerable interest to Labatt management was the ancillary decision, which prevented any share transfers or sale of assets by General Brewing for a period of five years and only after the Anti-trust Division of the U.S. Department of Justice had a 60-day review period. At this time General Brewing was losing market share and money.

A significant development at Labatt was the resignation of Mr. R.G. Ivey, Q.C., from the board of directors after 17 years' service; his firm had acted as solicitors for the company for 30 years and would remain for a further two years. A senior partner, Mr. F.W. Dowler, Q.C., and Mr. J.P. Labatt, the last family member, remained on the Board for the additional two years. The Schlitz sale had apparently split the family and the management groups into two camps with very different objectives.

The leased brewery in Saskatoon was purchased for approximately $1,915,000 in June at the termination of the agreement that had provided for annual lease expenses of about $250,000 per annum.

1967. Series F debentures in the amount of $6 million with a 6 5/8% coupon were placed privately by the underwriter in April. Proceeds were earmarked for brewery expansion particularly in London and Montreal. This was the last issue to be handled by the original underwriting group headed by McLeod, Young & Weir.

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* - Over an eight- to twelve-month period in 1964, a number of beer consumers had died in Quebec City. A rumour in the press related these deaths to Dow Beer, a brand made and marketed by Dow Brewery Limited, a subsidiary of Canadian Breweries Limited (now Carling O'Keefe Limited). Although the real cause proved to be heart disorders resulting from overindulgence, Dow's image was severely damaged.

A new winery was established in New Brunswick to produce wines from European grape concentrates.*

The remaining 40% interest in Labatt Duphar was acquired from Philips-Duphar; the goodwill was written off to earned surplus and the name changed to Bio-Tech Industries. A thorough review was undertaken, as results were unsatisfactory.

General Brewing's loss increased and the brewery in Salt Lake City, Utah, was closed.

The U.S. Supreme Court affirmed the earlier decision requiring Schlitz to divest. Jonlab Investments Limited, Brazilian Light and Power Limited, and Investors Mutual of Canada Limited bought the 39% interest from Schlitz (see pages 6, 35 and 36).

Table 9 updates the corporate record of Labatt presented (Table 8) in the analysis of Schlitz's purchase of control in 1964.

Table 9

JOHN LABATT LIMITED

CORPORATE RECORD, 1965-67

(Year end April 30)

	1967	1966	1965
Gross sales ($MM)	147.9	123.5	116.9
Net income ($MM)	6.8	5.6	5.5
Per share ($)	1.57	1.29	1.25
As percentage of sales (%)	4.6	4.6	4.7
Equity ($MM)	45.2	42.0	39.6
Return on equity (%)	15.1	13.4	13.8
Debt ($MM)	30.3	26.3	27.3
As percentage of equity (%)	67.1	67.7	68.9
Common shares			
Number outstanding (M)	4,353	4,353	4,353
High ($)	31.00	20.25	22.50
Low ($)	19.25	16.00	16.75
Dividends			
Per share ($)	.75	.65	.60
Payout (%)	47.8	50.0	48.0
Beer sold in Canada			
Total industry (MBbls)	12,126	11,675	11,162
Labatt's share (%)	27.0	24.5	21.4

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* - Under Ontario law at the time, only Ontario grapes could be used in the production of wine in the province.

The repatriation of the 1.7 million shares was completed in April at a price of $21 per share; thus, Schlitz was in effect ordered to sell by its government at a loss of $2.00 per share after 38 months. In that period of time Labatt's earnings rose from $1.15 per share (+36.5%) and the price/earnings ratio was lowered from 20:1, when Schlitz made its purchase, to 13.4:1, when Schlitz was forced to sell. Labatt's share of the Canadian beer market had literally leaped from 21.1% to 27.0%. In October the stock was split two for one, and the dividend increased.

1968. The two-for-one stock split, the dividend increase and the issue of the preferred for the Ogilvie acquisition raised the number of shareholders from 7,000 to 14,700. Bio-Tech was sold to Bristol Laboratories. An effort to move the Oakland Seals of the National Hockey League to Vancouver, B.C., failed. New solicitors and bankers were appointed and the last Labatt left the Board of directors. The company expanded its breweries in London, Edmonton and Saskatoon.

Labatt's offer for Ogilvie Flour Mills Company, Limited was successfully made in three stages. Triarch was paid a fee of $250,000 for finding and counselling the deal.

Ogilvie had an indifferent earnings record (see Table 10) with a significant portion of earnings coming from its investment portfolio and the sales of assets, etc. The stock traded on a yield basis of around 5% in most markets.

In the fiscal year ending August 31, 1967, Ogilvie reported sales of $136.5 million and after-tax earnings of $2.241 million for a 1.64% after-tax return on sales. These earnings were a 3.47% return on a gross asset base of $64,731 million. The $5,154 million invested in a portfolio produced the remaining earnings of $1.392 million for a 27% return. The $1.15 of earnings per share were made up of 71¢ from operations and 44¢ from investments. Labatt saw an opportunity to improve earnings from a larger base of operations in the food industry.

The major attractions of Ogilvie to Labatt were a very strong balance sheet almost devoid of debt, which offered additional leverage on consolidation, a strong base in food and flour milling, which fitted with Labatt's merchandising and management skills, and an older board and management group, of which all the former, being generally over the Labatt retirement age, agreed to resign if a 50% interest were acquired.

Ogilvie's balance sheet (Table 11) was extremely attractive to Labatt. Labatt's long-term debt as a percentage of assets employed was 37.28% in 1967, and the consolidation of Ogilvie lowered that rate to 21.59% in 1968. Labatt employed cash of $7.1 million and an issue of convertible preferred in the amount of $55.1 million to acquire the Ogilvie balance sheet.

Marketable securities were written up to market for a gain of $3.8 million and goodwill was written down by the same amount.

Labatt's offer of an $18.00 par convertible (1 for 1 into Labatt common) share with a $1.00 dividend increased the Ogilvie shareholder's income by one third. The $2.10 cash payment was a sweetener that helped sell the deal.

Table 10

OGILVIE FLOUR MILLS COMPANY, LIMITED

CORPORATE RECORD, 1964-68

(Year end August 31)

	1968[4]	1967	1966	1965	1964
Sales ($MM)	88.4	136.5	120.9	107.2	127.4
Net income ($MM)	2.12	3.03	3.42	3.07	3.12
Per share[1] ($)	.66	0.95	1.09	0.96	0.93
Extra income per share	-	0.20	0.28	0.36	0.20
As percentage of sales[2]	2.40	2.23	2.83	2.86	2.45
Equity ($MM)	46.6	42.4	40.6	39.8	35.9
Per share[6] ($)	15.50	15.34	15.04	14.94	14.78
Return[3] on equity (%)	6.4[5]	7.6	9.2	8.9	8.2
Debt ($MM)	1.5	2.1	1.2	1.6	2.0
As percentage of equity	3.2	4.8	3.9	4.0	5.6
Common shares					
Number outstanding (M)	3,074	3,024	3,011	3,000	2,996
High ($)	26.50	14.50	15.875	15.50	16.00
Low ($)	14.25	10.875	12.50	13.25	13.75
Dividends					
Per common share ($)	.35	.75	.75	.75	.75
Payout (%)	53.0	65.0	55.0	57.0	66.0

1 - Total income included investment income and excluded profit on sale of fixed assets and investments.

2 - Operating income only as a return on sales.

3 - Total earnings as a return on equity.

4 - Eight months to April 30.

5 - Annualized rate of return.

6 - Includes investments at market value.

Table 11

OGILVIE FLOUR MILLS COMPANY, LIMITED

BALANCE SHEET, 1968

(Millions of dollars)

Assets		Liabilities	
Current assets*	40.4	Current liabilities	14.9
Other assets	4.5	Deferred income taxes	1.5
		Long-term debt	1.5
Fixed assets @ cost	51.5		
Less depreciation	31.0	Total liabilities	17.9
Net fixed assets	20.5	Total equity	47.5
Total assets	65.4	Total liabilities and equity	65.4

* - Marketable securities were written up to market for a gain of $3.8 million and goodwill was written down by the same $3.8.

Ogilvie common, which had traded in the range of $10 7/8 to $14 3/8 in the six-month period prior to the offer, quickly rose to $17 3/8 in the 15-day period immediately prior to the offer.

The acquisition of Ogilvie marked a major step forward for Labatt in food and related industries. It also provided a clear indication of an astute and aggressive management. The convertible preferred doubled the equity base and, due to Ogilvie's conservative balance sheet, the consolidated balance sheet of Labatt and Ogilvie was also improved. In the period 1960 to 1967, Labatt's ratio of long-term debt to assets employed had risen from 25.6% to 37.3%, but the Ogilvie consolidation lowered it to 21.6%. The issue of convertible preferred and Ogilvie's balance sheet made possible a sharp increase in debt borrowing to finance an even faster rate of acquisitions.

Goodwill in the amount of $19.95 million was not written off after the Ogilvie acquisition: $3.65 million was applied against the writeup of Ogilvie's marketable securities, and the remaining $16.3 million was retained and not amortized.

1969. Labatt completed several smaller acquisitions in Manitoba: Cham Food Service Ltd., Dyck's Hatcheries Limited and Man-Ont Poultry Farm Eggs Limited were acquired for $1.8 million. $777,000 was charged to goodwill.

Manning's Inc., a California firm, was acquired for $5.7 million cash. It was a well-established food service company in the western U.S. markets, and it was to provide the basis for a food service operation in the United States and Canada.

The controlling block of Laura Secord Candy Shops, Inc., was repatriated from Fanny Farmer Candy Shops, Inc., in June. Less than two years after gaining control, Fanny Farmer was willing to negotiate the sale of its 64.1% interest in Laura Secord. Labatt purchased the 738,092 shares for (U.S.) $12.85 million, or (U.S.) $17.40 per share, and was able to purchase this control block because of a rumored inability of the management of Laura Secord to work effectively with the owners of Fanny Farmer. Labatt's interest would appear to be in the strong financial results (see Table 12) in addition to the prestige name of Laura Secord. Their marketing skills were to be utilized in marketing the Catelli line of products under the umbrella of the established name of Laura Secord.

The London-based Parnell group of food service companies was acquired in November with Labatt's treasury stock. These companies were Parnell Foods Ltd., Carter's Fine Food Service and Wagon Wheel Vending Company Limited.

1970. The 1970 Labatt's annual report was notable for its shift in emphasis, with inclusion of comments on the following social and/or community projects: the headquarters of the company were moved to a new location which had been restored; the Laura Secord Homestead was restored and opened to the public; supplemental payments to pensioners of the firm were started; many community projects were identified and Labatt's contribution and support mentioned; management expressed concern over the government restrictions being put on the decision-making process of corporation executives, the effect of inflation, etc.

The company undertook a large number of plant expansions in both the brewery end of the business and in Ogilvie.

Table 12

LAURA SECORD CANDY SHOPS LIMITED

CORPORATE RECORD, 1967-69

(Year end June 30)

	1969	1968	1967
Gross sales ($MM)	19.9	18.5	17.1
Net income ($MM)	.895	.836	.823
Per share ($)	.78	.73	.72
Equity			
Per share ($)	4.47	4.15	3.86
Plus equity portfolio at market value ($)	.00	.09	.16
Return on equity (%)	17.4	17.5	18.5
Debt ($)	0.00	0.00	0.00
Common shares			
Number outstanding (M)	1,151	1,151	1,150
High ($)	16.00	13.875	17.75
Low ($)	11.00	11.00	11.50
Dividends			
Per share ($)	.45	.45	.45
Payout (%)	58	62	63

In April a special memorandum was released. Its object was to change the terms of all the trust deeds "A" to "F" in order to allow the company additional flexibility in future financing. The quid pro quo offered to the security holders, and accepted by them, was an additional 0.5% interest on all outstanding issues.

The changes proposed under the amended trust deed greatly increased the borrowing capacity of the firm (see Table 13).

Thus, nearly $20,000,000 of debt could be added to the balance sheet. In addition, foreign subsidiaries could borrow on their own. A further flexibility was obtained allowing the company to go to the new debt markets offering a shorter term. Domestic subsidiaries, such as Laura Secord, with large minority interests could borrow on their own.

1971. In September, Labatt's largest debt issue was handled by a new underwriting team headed by Wood Gundy Ltd. and A.E. Ames & Co. Ltd. Only Midland-Osler Securities remained from the old group. This $30 million issue, Series G, carried a 9 1/4% coupon.

The 20% interest in SKOL was sold, and various acquisitions and some small sales, such as Malcolm Condensing Company Limited, were now handled through Ogilvie. A 25% interest was taken in the National Brewing Company Limited, located in Trinidad and Tobago, with an annual capacity of 50,000 barrels.

Another accounting change accompanied the Series G issue. The financing costs, which were formerly written off, were now amortized over the life of the issue. In this case they amounted to $960,000.

The Oland group of breweries in the Maritimes (Oland & Son Limited in Halifax, N.S., and Olands Brewery Limited in Saint John, N.B.) was acquired, adding 400,000 of annual capacity to the existing 5,000,000 barrels.

Management took special note of its involvement in community and youth projects in the annual report. An indication was given that General Brewing was up for sale now that the five-year waiting period stipulated by the U.S. court decision* was near at hand. The sale, in the fall, raised $6.6 million cash at a book loss of $3.5 million.

1972. A competitor had introduced a new beer bottle in Canada, but the provincial governments decreed that only one standard size was acceptable because, on past experience, it would continue to be 95% returnable.

Labatt's president in Ontario, Lloyd B. Leeming, became the first senior Canadian businessman to enter the new Senior Executive Exchange Program** with the federal government. Other senior officials were involved with various programs between government and industry. Management indicated concern over the paradox that, while leisure time was increasing, many social and community groups were coming to a standstill because of lack of funds.

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* - See page 37 .

** - Under this program senior business executives and federal public servants move into public service and business positions respectively for a stated period of time.

Table 13

JOHN LABATT LIMITED

AMENDMENT OF BORROWING CAPACITY, 1970

Trust deed	Permissible borrowing: Earnings test	Permissible borrowing: Asset test
Up to 1970	Interest coverage of 5 times	Net tangible asset coverage of 2 times
Additional debentures permitted (9½%)	$39,500,000	$89,200,000
As amended, 1970	Interest coverage of 3.5 times	Net tangible asset coverage of 2.25 times
Additional debentures permitted (9½%)	$59,300,000	$75,000,000

1973. Labatt offered $44.75 per share for all the shares of Chateau-Gai Wines Limited; it was a handsome premium over the market prices, 3.4 times book value and 26 times the 1973 earnings of $1.73 per share (see Table 14).

The premium recognized the fact that management could and did deliver control through ownership of 50.1% of the issued shares. Mr. T.R. Comery, President and Chief Executive Officer, negotiated a five-year management contract at $75,000 per year. Two additional factors undoubtedly played important roles in the negotiated price. Lands carried on the Chateau-Gai books at $111,000 were undoubtedly worth much more than that, as they were located in the Niagara region. A second factor was the franchise value of seven retail wine stores (of the 51 allowed in the province).

Labatt's offer required a 90% tender and then Section 136 of the Canada Corporations Act* would be employed to acquire the remaining 10%. In the period from July to November 1972 the stock traded in the range of $24.75 to $29 on very light volume, but in December 1972 volume increased sharply, and the price rose to $44. The offer was for $44.75.

In March 1973, Series H debentures were privately placed for $30 million with an 8¼% coupon. Substantial losses were reported in the sale of the Cham Foods division and by General Brewing in the U.S., in addition to the extra costs associated with Laura Secord's troubled new plant (see Appendix E).

In Zambia an interest was made and a technical agreement signed with two small breweries. In Brazil a 14% interest was acquired in the third largest brewery group in association with Brascan.** The group in Brazil had five

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* - R.S.C. 1970, C. 32.

** - See pages 8 and 67 .

breweries with an annual capacity of 1,200,000 barrels and a sixth was being built. An option agreement was entered into to purchase all the shares of Casabello Wines Ltd. of Penticton. The size and the frequency of these minor acquisitions would indicate that management was merely engaged in adding minor marketing and production pieces to the overall picture. In beer, Labatt was clearly emerging as the dominant force in the industry, all accomplished in the space of 20 years in an industry whose per capita sales were either flat or up just a touch and where additional industry volume came only from population growth.

In the 1973 annual report, corporate disclosure was expanded by breaking out the acquisiton of Chateau-Gai and Drisdale's Industrial Caterers Ltd. to indicate net tangible assets acquired and the book value of goodwill required to complete the transaction.

1974. Mr. P.N.T. Widdrington, who had been President of General Brewing in California, replaced Mr. N.E. Hardy as President of the holding company.

Equity accounting was adopted for all qualifying investments for the full fiscal year. This change added 3¢ per share to the $2.15 of reported earnings.

Labatt acquired a 50,000 barrel plant in Newfoundland and an expansion was undertaken on it immediately. Annual capacity was now 6,950,000 barrels: 1,920,000 had been acquired and 5,030,000 built. The largest plant was now in Montreal, started less than 20 years earlier without an acquisition as a base. The interest in the plants in Trinidad was sold.

In March, Series I debentures in the amount of $30 million were issued with a 9% coupon. In 1970 the trust deeds had been amended to provide additional flexibility to the corporation; immediately the size of the debt issues increased markedly and the share of the capital represented by long-term debt rose from 17.5% in 1970 to 40.3% in 1974. The Ogilvie acquisition had also provided significant additional leverage.

In May Labatt made an offer for all the shares of Columbia Brewing Company Ltd., at $5.00 per share. The offer was contingent upon Labatt's securing an 80% acceptance in a period of two months; their intention was to get 100% once a 90% acceptance had been achieved. A Vancouver investment dealer, Pemberton Securities Limited, lead the dealer soliciting group. The President of Columbia was Mr. Harold W. Blakly, formerly President of Formosa Springs Brewery in Ontario.

Columbia had a brewery at Creston, B.C., with an annual capacity of 225,000 barrels and eight distribution centres. A $2.2 million bottling plant was completed in 1974 financed by a $1.5 million demand bank note at prime +1.5% and a federal government grant from the Department of Regional Economic Expansion (DREE) of 10% of cost. Cash flow in 1974 was depreciation of $132,000 plus deferred income taxes of $112,000 plus earnings of $46,000 for a total of $290,000. The bank's demand loan required annual repayments of $276,000. The stock traded in the range of $2.55 to $3.75 in the six-month period prior to Labatt's offer of $5.00 per share. Equity was $2.45 per share (see Table 15). The insiders may have been urged by their banker to find a bid from one of the three big brewers in Canada, and Labatt added another plant.

Table 14

CHATEAU-GAI WINES LIMITED

CORPORATE RECORD, 1969-73

(Year end April 30)

	1973*	1972**	1971	1970	1969
Net sales ($M)	5,419	4,701	4,833	4,219	4,033
Net income ($M)	591	506	511	413	417
Per share ($)	1.73	1.48	1.49	1.21	1.22
Return on net sales (%)	11.00	10.76	10.57	9.79	10.34
Equity ($M)	4,490	4,073	3,772	3,430	3,187
Per share ($)	13.13	11.91	11.03	10.03	9.32
Return on equity (%)	13.16	12.42	13.53	12.04	13.08
Debt ($MM)	0.20	0.25	0.30	0.35	0.40
As percentage of equity	4.45	6.14	7.95	10.20	12.55
Common shares					
Number outstanding (M)	342	342	342	342	342
High ($)	45.00	44.00	18.50	15.00	14.50
Low ($)	43.75	18.00	14.50	10.10	10.75
Dividends					
Per share ($)	0.50	0.60	0.50	0.50	0.50
Payout (%)	28.90	40.50	33.60	41.30	41.00

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* - 13 months to April 30.

** - 11 months to March 31.

In this year Labatt also took over the remaining public interest in Laura Secord. The problems with the new plant in Scarborough had been never ending (see also Appendix E), and at the same time inflation and worldwide shortages had sent the prices of sugar and cocoa rocketing. Profits of $631,000 in 1972 turned to losses of $516,000 in 1973 and $4,053,000 in 1974. Equity became a negative $1,954,000.

Labatt had paid (U.S.) $12.85 million in 1969 for 738,092 shares (64.1% of issued common shares). An $8 million convertible income debenture with a 6½% coupon had been purchased by Labatt on November 1, 1973, and if it had been converted at the $9.00 conversion price, the issued shares would have risen by 888,888 to 2,040,000 of which Labatt would have held 90%.

In a magnanimous gesture in June, the public were bailed out at $7.50 per share (at a time when the stock was trading at about $4.00) at a further cost of $3.1 million. Labatt had invested $24 million in Laura Secord's fine name.

Table 15

COLUMBIA BREWING COMPANY LIMITED

CORPORATE RECORD, 1970-1974

(Year end March 31)

	1974	1973	1972	1971	1970
Net sales ($M)	4,597	3,897	3,941	3,837	2,557
Net income ($M)	46	136	97	253	189
Per share ($)	0.06	0.19	0.13	0.35	0.26
Return on net sales (%)	1.0	3.5	2.5	6.6	7.4
Equity ($M)	1,782	1,803	1,811	1,858	1,737
Per share ($)	2.47	2.50	2.51	2.58	2.43
Return on equity (%)	2.6	7.5	5.4	13.6	10.8
Debt ($M)	1,224	253	406	39	124
As percentage of equity	68.7	14.0	22.4	2.1	7.1
Common shares					
Number outstanding (M)	722	721	721	721	721
High ($) (Calendar year)	4.85	6.50	3.65	5.375	5.50
Low ($)	2.55	2.60	3.00	3.25	3.50
Dividends					
Per share ($)	0.15	0.20	0.20	0.20	0.275
Payout (%)	250	105	154	57	106
Assets ($M)	4,071	2,419	2,515	2,240	2,093

A favourable tax ruling allowed the assets of the profitable Catelli Ltd. to be sold to Laura Secord in order to utilize the very substantial tax loss situation that that company had built up in moving to its new plant in Toronto. Although the various corporate moves made sense for Labatt as it tried to improve a very serious situation, their actions with regard to the public shareholders in Laura Secord were generous to a notable degree.

1975. Labatt came to market not with an issue of common but with a \$33 million issue of 9½% convertible subordinate debentures convertible at \$18.25. Part of the proceeds were used to reduce bank borrowings.

Equity accounting was used in reporting for Canada Malting Co., Limited, in spite of ownership's having just been increased to 11%, which was equal to Molson's 11%. According to Labatt's 1975 Annual Report the apparent rationale for this change in accounting principles was that the investment was made to strengthen relations with an important supplier to all brewery operations plus the fact that it was considered a joint venture. This latter statement would apparently indicate a closer management tie than would a normal 11% investment.

A seven-man "Public Responsibility Committee" was established by the company to review company policies and practices covering the physical, social and political environment.

Another first for Labatt's high level of corporate disclosure was the showing of a summary of operations for 1974 and 1975 on both an historic basis and a basis adjusted to show the impact of inflation on the return on investment.

PART 3

CONCLUSIONS AND GENERAL COMMENTS

SUMMARY

This study has focused on the activities of two well-known corporations, Brascan and Labatt; an integral part of the analysis is contained in the Jonlab story. The term "troika" has been used to describe a three-cornered relationship that in a decade figured prominently in the repatriation of control of Labatt, with special thanks to the U.S. courts, and has also been the repatriation of investment monies from Brazil, with thanks again to the government, and the reinvestment in natural resources in Canada. Jonlab was the axis on which these major moves turned.

In overview, from this study's reference point, the central and dominant corporation, through the 1960's, was Labatt, led by Mr. J.H. Moore, its Chief Executive Officer. A vigorous and profitable period of growth was marked by acquisitions and by strong internal growth. The overall financial record is excellent, and the corporation has acted in a responsive manner to the Canadian society and its changing values. Some may argue that a brewer is more prone to be publicly responsible because of its desire to keep its best foot forward for marketing reasons if for no other. Nonetheless, Labatt's record is commendable.

In the 1970's, the central and dominant corporation of the three is becoming Brascan, and, it appears, not without some considerable direct impact from its Chief Executive Officer, again Mr. J.H. Moore.* Indeed one would be hard-pressed not to relate the progress of both corporations to his leadership. His involvement as the largest individual shareholder and the obvious benefits he and his fellow shareholders have enjoyed through their ownership in Jonlab should be viewed in the context of the results that were posted by Labatt and now by Brascan as responsible and successful corporate citizens.

The corporate relation between Brascan and Labatt flows from two involvements in what appear to be normal business operations which were altered by the actions of two foreign governments.

Brascan is unique in that it is a bi-national conglomerate that has the bulk of its assets and earning power in Brazil, primarily in one large public utility, and is still in the process of building its asset and earning base in Canada. The reinvestment process still under way was started as a result of a negotiated sale of one of its main assets, the money-losing telephone utility, to the Brazilian government. That portion of the compensation available for investment outside Brazil (25%) is still being returned to Canada for reinvestment. The first investment made was in assisting in the repatriation of control of Labatt from Schlitz. The

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* - A list of the connections of other key directors is contained in Appendix I.

corporate vehicle used to facilitate this repatriation was Jonlab, the investment vehicle created by and for the Labatt management team.

Brascan could have chosen to reinvest all compensation in Brazil, but instead chose to reinvest the maximum that it could repatriate, 25% plus interest, in Canada. The investment in Labatt provided diversification into a strong manufacturing and service-oriented company. Brascan itself has chosen to make a major thrust into natural resources in Canada. The takeover of Great Lakes Power provided a logical transfer of management skills in power generation and transmission. It also fitted financially by providing a revenue coverage for head office expense (largely interest expense), thus improving cash flow by reducing income taxes.

In contrast, Labatt has been a Canadian corporation throughout almost its entire history. From third position in size it has built the largest base in brewing in Canada by acquisition and internal growth. Its takeover by a U.S. firm--Schlitz--was frustrated by an arm of the U.S. government, which was concerned lest Schlitz gain a larger share of the western U.S. beer market. Labatt was unsuccessful in its attempt to compete in the western U.S. market and later withdrew at a loss.

Labatt then began an assault on a related industry, the food and food service businesses, by gaining control of another Canadian corporation, Ogilvie Flour Mills. Ogilvie held a large position in its industry, and had a good investment portfolio and a relatively debt-free balance sheet. The latter condition served the Labatt management extremely well by significantly lowering the consolidated debt/equity ratio and providing the leverage for additional financing for further acquisitions.

METHODS OF BUYING AND SELLING CANADIAN COMPANIES

In analyzing the histories of the companies, one finds five main types of takeover, merger or investment. Those discussed in this report can be grouped as follows:

Due to government action: The Brazilian government's purchase of the telephone utility from Brazilian Traction, Light and Power in 1965;

The repatriation of the Labatt shares from Schlitz in 1967;

Gulf & Western's sales of its broadcasting interest in Canada (see Appendix C).

Frustrated takeovers: Salada Foods' fight for control of Laura Secord in 1967;

International Utilities' potential takeover of Brascan in 1970;

Rogers Cable's apparent bid for Canadian Cablesystems in 1974.

Successful takeovers: Fanny Farmer's bid for control of Laura Secord in 1967;

Jonlab's bid for the control of Canadian Cablesystems in 1974.

Takeovers materially assisted by insiders: Schlitz' purchase of control of Labatt in 1964;

Jonlab's sale of Labatt and purchase of Brascan in 1970;

Jonlab's purchase of Triarch in 1971;

Brascan's acquisition of Great Lakes Power in 1973;

Labatt's acquisition of Chateau-Gai in 1973;

Jonlab's initial purchase of Canadian Cablesystems;

Labatt's takeover of the remaining public shares in Laura Secord in 1974;

Brascan's bid for Jonlab in 1975;

The Canadian Malting stock purchase by Labatt and Molson.

Negotiated bids: Labatt's takeover bid for Ogilvie in 1968;

The repatriation of Laura Secord from Fanny Farmer in 1969;

Labatt's takeover of Columbia Brewing in 1974;

Brascan's purchase of 15% of Elf;

Brascan's takeover of Western Minerals;

Brascan's deal for the Sheridan interests in Western Mines.

CONCLUSION

In conclusion, it may be said that three factors have been instrumental in maintaining the viability of Brascan and Labatt as Canadian corporations: (1) government action, both foreign and Canadian; (2) inter-corporation co-operation; and (3) the vigor, faith and venturesomeness of individual members of management who, in order to maintain control of the corporation to which they were attached, were willing to take the risk of providing the additional funds needed for the investment.

APPENDIX A

FINANCIAL SUMMARIES

Table A-1

JONLAB INVESTMENTS LIMITED

FINANCIAL SUMMARY, 1968-75
($000)

Year (30/9)	Gross Revenue	Net Income	Income Tax[a]	Extra Items	Earnings Total	Earnings Per Share	Extras	Dividends Common 4'B'	Dividends Pfd.
1975	4,905	984	81	113	1,016	$(0.42)	0.04	-	2,100
1974	5,270	690	154	1	537	(0.02)	-	-	594
1973	4,475	1,864	268		1,578	0.55	-	-	-
1972[b]	2,351	1,146	93	841	1,894	0.35	0.30	49	-
1971[c]	2,308	1,071	5	1,814	2,880	0.32	0.64	143	-
1971[d]	2,653	1,290	19	1,193	2,464	0.35	0.41	243	-
1970[d]	1,026	527	2	15,126	15,653	0.16	5.17	49	-
1969[d]	474	223	3	-	220	0.04	-	98	-
1968[d]	383	131	1	-	131	0.04	-	-	-

a - Current and deferred income tax.
b - 9 months to September 30.
c - 8 months to December 30.
d - Year end April 30.

Table A-2

BRASCAN LIMITED

FINANCIAL SUMMARY, 1966-75

(As reported in each Annual Report)

Part I
(U.S.$ millions)

	Operating Revenue	Net Income		Investment**** Income		Net Income					
						Total		Per Share***		Deprec-	Rever-
Year	Brazil	In Total*	Taxes	Brazil	Other	Brazil	Other	Brazil	Other	iation	sion**
1975	1,016.1	142.7	30.2	(15.9)	(1.5)	100.6	5.5	$3.64	$0.20	43.4	66.5
1974	799.4	136.4	30.8	4.4	9.2	123.2	4.0	4.36	0.13	35.0	43.5
1973	625.4	128.4	29.6	22.1	7.6	129.0	0.5	5.04	0.02	28.9	38.0
1972	518.2	108.7	24.6	7.6	5.7	94.6	2.8	3.69	0.11	26.8	32.8
1971	425.0	85.0	20.0	11.5	7.3	77.8	6.0	3.34	0.26	25.4	29.2
1970	369.3	81.2	26.8	5.6	6.5	61.0	5.5	2.62	0.24	23.7	27.2
1969	307.7	65.4	22.9	17.6	-	60.1	-	2.84	-	22.6	19.6
1968	270.4	66.7	22.0	14.5	-	59.2	-	3.16	-	21.4	17.9
1967	267.9	63.8	23.0	10.8	-	51.6	-	2.95	-	20.4	18.1
1966	238.4	44.7	19.1	10.8	-	36.4	-	2.10	-	32.4	16.0

* - Before taxes and investment income.

** - Regulations require that certain funds (known as reversion funds) generated by the rates (and computed at an annual rate, as determined by the regulatory authority, of up to 5% of gross monetarily corrected cruzeiro plant) be paid on a current basis to Eletrobras, the federal power agency, to be used in partial settlement of the compensation upon ultimate reversion of the plant to the conceding authority and/or as a pool of funds to help finance electric utility expansion programs throughout Brazil.

*** - Excludes extraordinary gains or losses.

**** - Source by country not by eventual currency.

Table A-2, Part II
(U.S.$ millions)

Source	Year	Current Assets	Current Liabil-ities	Working Capital	Long-Term Debt	Accum-ulated Rever-sion*	Equity	Telephone Receivable	Expenditures on Property Plant and Equipment	Total Assets
Other	1975	49.8	51.5	(1.7)	86.8		1,033.8	52.3	248.5	2,247.3
Brazil	1975	331.5	23.6	7.9	301.7	164.6				
Other	1974	58.4	40.9	17.5	93.6		1,002.1	56.4	283.1	1,919.4
Brazil	1974	250.1	236.2	13.9	178.0	164.6				
Other	1973	85.9	33.6	52.3	78.9		918.4	60.3	135.9	1,684.7
Brazil	1973	284.6	211.3	73.3	82.5	164.6				
Other	1972	50.0	17.8	32.2			815.5	63.1	98.7	1,382.2
Brazil	1972	234.1	159.5	74.5	87.0	164.6				
Other	1971	42.3	10.3	32.0			742.4	66.6	83.6	1,198.3
Brazil	1971	174.8	121.6	53.2	46.4	164.6				
Other	1970	44.0	11.4	32.6			681.9	69.9	75.1	1,060.9
Brazil	1970	103.5	82.7	20.8	56.8	127.8				
Other	1969	79.8	9.0	70.8			636.6	73.1	70.2	979.2
Brazil	1969	101.4	77.3	24.2	66.9	95.1				
	1968	164.1	71.9	92.2	71.0	71.5	600.8	76.1	59.6	903.8
	1967	155.5	78.5	77.0	72.8	50.7	558.5	78.8	43.0	842.3
	1966	131 8	63.5	68.3	72.0	30.8	522.2	83.6	26.9	755.9

* - In 1971 and prior years, the Company's electric subsidiary was permitted to retain and invest reversion funds, together with the interest thereon, in additions to plant which form a part of the rate base for calculating the allowable return. These funds are shown as accumulated reversion on the consolidated balance sheet.
This accumulated reversion is not repayable, but would be deducted from the value of the utility assets upon reversion to the conceding authority. Interest at the rate of 10%, computed on accumulated reversion after annual monetary correction, is payable on a current basis to Eletrobrás.

Table A-3

JOHN LABATT LIMITED

FINANCIAL SUMMARY, 1966-75

Part I
($ millions)

Year (30/4)	Gross Sales	Income Pre-Tax	Income Tax*	Investment Income**	Net*** Income	Earnings per Share	Dividends Paid	Retained Earnings
1975	727.5	33.7	15.1	3.6	22.2	$2.09	12.0	10.2
1974	603.0	38.1	18.8	3.3	22.6	2.15	11.1	11.5
1973	517.7	35.1	16.8	(0.8)	17.5	1.61	10.8	6.8
1972	467.0	31.2	16.0	(1.3)	13.9	1.21	9.5	4.4
1971	426.8	30.1	16.8	2.8	16.1	1.46	9.5	6.6
1970	388.8	32.0	17.9	3.5	17.6	1.65	8.4	9.3
1969	313.2	24.6	13.0	2.1	13.4	1.22	8.0	5.4
1968	185.8	17.1	9.4	1.0	8.7	0.91	4.9	3.8
1967	147.9	13.6	7.4	0.6	6.8	0.79	3.3	3.6
1966	123.5	10.0	5.0	0.7	5.6	0.65	2.8	2.8

* - Current and deferred income tax.
** - After writeoffs.
*** - After extraordinary items.

Table A-3, Part II
($ millions)

Year (30/4)	Current Assets	Current Liabilities	Working Capital	Long-Term Debt	Shareholders' Equity	Long-Term Debt/ Assets	Depreciation	Capital Expenditures
1975	173.3	119.3	54.1	116.2	164.9	37.9%	13.4	28.3
1974	149.2	82.1	67.1	118.6	154.2	40.3	11.4	27.4
1973	110.3	66.8	43.5	91.1	140.9	36.6	10.0	23.1
1972	105.2	70.2	34.9	61.9	133.3	29.1	8.3	27.5
1971	94.4	55.7	38.7	57.6	128.5	27.9	7.3	22.8
1970	91.6	72.3	19.4	29.9	121.0	17.7	6.1	13.4
1969	79.7	44.8	34.9	29.1	107.9	19.4	5.4	15.0
1968	74.2	34.6	39.6	30.7	102.2	21.6	3.5	7.0
1967	37.6	15.4	22.2	30.3	45.2	37.3	3.0	8.0
1966	30.8	12.3	18.5	26.3	42.0	35.8	3.0	2.6

Table A-4

OGILVIE FLOUR MILLS COMPANY LIMITED

FINANCIAL SUMMARY, 1966-75

Part I
($ millions)

Year (30/4)	Gross Sales	Operating Income*	Income Tax**	Investment Income***	Net Income	Earnings per Common Share	Dividends Paid	Net Plant Additions	Retained Earnings
1975	281.6	7.0	2.9	1.6	5.7	$1.81	2.0	7.8	3.7
1974	195.2	13.5	6.0	1.3	8.9	2.84	2.0	10.0	6.9
1973	153.9	4.1	2.1	0.8	2.8	0.44	2.0	9.0	0.8
1972	140.5	1.7	0.8	1.2	2.0	0.62	1.9	7.3	0.1
1971	140.7	2.3	1.2	0.8	1.9	0.57	2.0	5.6	0.1
1970	132.7	4.5	2.4	0.7	2.8	1.41	2.0	2.6	0.8
1969	119.3	5.0	2.1	1.0	3.9	1.13	2.0	2.0	1.9
1968[a]	88.4	2.9	1.2	0.4	2.1	0.66	1.2	2.2	0.9
1967[b]	136.5	4.0	1.7	1.4	3.6	1.15	2.3	4.1	1.3
1966[b]	120.9	4.5	1.9	1.7	4.3	1.37	2.4	1.3	1.9

* - Less minority interest.
** - Current and deferred income tax.
*** - Includes gain on sale of investments and assets.
a - 8 months: year end changed to April 30.
b - Year end August 31.

Table A-4, Part II
($ millions)

Year (30/4)	Current Assets	Current Liabilities	Working Capital	Long-Term Debt	Total Assets	Share-holders' Equity	Equity/ Common Share	Deprec-iation
1975	78.9	71.7	7.2	18.9	161.1	64.6	$20.40	4.7
1974	63.6	48.6	15.0	3.8	120.2	60.9	19.20	3.0
1973	39.4	30.3	9.2	0.5	85.3	52.3	16.40	2.5
1972	40.6	26.6	14.0	0.5	81.7	52.8	16.70	2.3
1971	42.8	25.8	17.0	0.5	80.1	52.8	16.50	1.9
1970	44.8	22.7	22.0	0.9	77.8	52.8	16.50	1.8
1969	41.2	15.8	25.4	0.8	67.7	50.3	15.70	1.8
1968[a]	40.4	14.9	25.5	1.5	65.3	47.5	14.80	1.5
1967[b]	41.8	23.1	18.8	2.1	69.9	43.4	13.70	2.3
1966[b]	34.0	16.1	17.8	1.2	60.8	41.7	13.20	2.1

a - 8 months: year end changed to April 30.
b - Year end August 31.

Table A-5

LAURA SECORD CANDY SHOPS LIMITED

FINANCIAL SUMMARY, 1965-74

Part I
($ millions)

Year (30/4)	Gross Sales	Income	Income Tax*	Net Income	Earnings per Share	Dividends	Net Plant Additions	Fiscal Year's Retained Earnings
1974	35.5	(4.1)	-	(4.1)	($3.52)	-	1.1	(4.053)
1973	29.0	(0.9)	(0.4)	(0.5)	(0.45)	0.518	2.5	(0.934)
1972	27.4	1.1	0.4	0.6	0.55	0.518	6.4	0.113
1971	23.9	0.9	0.5	0.5	0.40	0.518	1.1	(0.055)
1970[a]	17.7	1.1	0.6	0.5	0.43	0.388	0.5	0.112
1969[b]	19.9	1.7	0.8	0.9	0.78	0.518	0.4	0.377
1968[b]	18.5	1.6	0.8	0.8	0.73	0.518	0.3	0.318
1967[c]	17.1	1.6	0.7	0.8	0.72	0.518	0.6	0.305
1966[d]	16.1	1.5	0.7	0.8	0.69	0.518	0.7	0.273
1965[d]	14.6	1.4	0.6	0.8	0.65	0.460	0.6	0.285

* - Current and deferred income tax.
a - Change in fiscal year end from June 30 to April 30 (10 months).
b - Year end June 30.
c - Change in fiscal year end from September 30 to June 30 (unaudited figures).
d - Year end September 30.

Table A-5, Part II
($ millions)

Year (30/4)	Current Assets	Current Liabilities	Working Capital	Working Capital Ratio (units)	Total Assets	Shareholders' Equity	Equity/ Share	Depreciation
1974	7.3	9.4	(2.029)	0.78	22.5	(2.0)	($1.70)	0.888
1973	6.4	12.1	(5.717)	0.52	21.3	2.1	1.82	0.722
1972	6.9	6.6	0.310	1.05	18.7	5.3	4.65	0.410
1971	6.3	6.2	0.070	1.01	12.1	5.2	4.53	0.355
1970[a]	5.6	5.0	0.685	1.14	10.6	5.3	4.55	0.271
1969[b]	4.4	2.0	2.373	2.18	7.6	5.1	4.47	0.351
1968[b]	4.1	2.1	2.049	1.99	7.3	4.8	4.15	0.347
1967[c]	4.3	2.6	2.776	1.69	7.6	4.4	3.83	0.244
1966[d]	4.8	3.2	1.632	1.52	7.7	4.0	3.46	0.312
1965[d]	3.9	2.1	1.820	1.88	6.2	3.7	3.25	0.271

a - Change in fiscal year end from June 30 to April 30 (10 months).
b - Year end June 30.
c - Change in fiscal year end from September 30 to June 30 (unaudited figures).
d - Year end September 30.

Table A-6

CHATEAU-GAI WINES LIMITED

FINANCIAL SUMMARY, 1964-73

Part I
($ millions)

Year (30/4)	Net Sales	Operating Income***	Income Tax****	Net Income	Earnings per Share	Dividends	Net Plant Additions	Retained Earnings
1973*	5.4	1.091	0.500	0.591	$1.73	0.171	0.211	0.420
1972**	4.7	0.996	0.490	0.506	1.48	0.205	0.254	0.301
1971	4.8	1.124	0.613	0.511	1.49	0.171	0.248	0.340
1970	4.2	0.911	0.498	0.413	1.21	0.171	0.221	0.242
1969	4.0	0.924	0.507	0.417	1.22	0.171	0.152	0.246
1968	3.7	0.785	0.429	0.356	1.04	0.171	0.153	0.185
1967	3.5	0.742	0.406	0.336	0.98	0.171	0.057	0.165
1966	3.3	0.726	0.396	0.330	0.96	0.154	0.024	0.176
1965	3.1	0.623	0.339	0.284	0.83	0.171	0.131	0.113
1964	3.1	0.575	0.296	0.279	0.82	0.171	0.097	0.108

* - 11 months to March 31
** - 13 months to April 30.
*** - Before depreciation and fixed costs.
**** - Current and deferred income tax.

Table A-6 Part II
($ millions)

Year (30/4)	Current Assets	Current Liabilities	Working Capital	Long-Term Debt	Total Assets	Shareholders' Equity	Equity/ Share	Depreciation***
1973*	4.3	1.1	3.2	0.200	6.1	4.5	$13.13	0.159
1972**	4.2	1.5	2.8	0.250	6.1	4.1	11.91	0.127
1971	3.5	0.9	2.6	0.300	5.2	3.8	11.03	0.114
1970	3.1	0.6	2.5	0.350	4.7	3.4	10.03	0.104
1969	3.0	0.6	2.4	0.400	4.4	3.2	9.32	0.084
1968	3.0	0.7	2.3	0.450	4.3	2.9	8.60	0.080
1967	2.9	0.6	2.2	0.500	4.1	2.8	8.06	0.072
1966	2.8	0.7	2.1	0.550	4.0	2.6	7.58	0.072
1965	2.5	0.7	1.9	0.600	3.9	2.4	7.07	0.076
1964	2.3	0.6	1.8	0.650	3.6	2.4	7.01	0.072

* - 11 months to March 31.
** - 13 months to April 30.
*** - Excluding amortization.

APPENDIX B*

BRASCAN IN BRAZIL

* - Taken from the Company's submission to the Royal Commission on Corporate Concentration, February 1976.

Brascan's largest investment is its 82.9% interest in Light-Serviços de Eletricidade S.A. (Light), the largest private electric utility in the Western Hemisphere south of the United States. Light supplies the cities and environs of Sao Paulo and Rio de Janeiro, the most highly industrialized and populous area in Brazil.

Light has a peak electric load of about 5,500,000 kilowatts (Dec. '75) and has approximately 4,000,000 consumers in an area with a population approximating 20,000,000 people. By way of comparison, Ontario Hydro had about 2,600,000 electric consumers in 1974; and Consolidated Edison in New York had about 3,100,000 customers at the end of 1973.

Light generating plants have a capacity of 2,064,000 kilowatts from its own installations. Light's remaining electrical energy requirements are purchased primarily from two government-owned utilities.

Light employs nearly 30,000 people, and had at December 31, 1974, the equivalent of $1.6 billion of fixed assets at cost in utility plant including construction work in progress.

In addition to its investment in Light, Brascan had a second pool of capital in Brazil, which is employed in a broad range of activities. This pool of capital--Brascan Brazil--has investments of approximately $316 million (at December 31, 1975) in the various sectors of the Brazilian economy. Funds for Brazilian investment have been derived from the portion (75% of the principal amount) received from the 1966 sale of the telephone utility which must be reinvested in Brazil; from the dividends paid by Light to Brascan which cannot be remitted from Brazil; from the reinvestment of income of the investment subsidiaries; and from capital provided by Brascan.

Brascan Brazil's investment philosophy is to make commitments which are in accord with Brazilian aspirations and policy and in those sectors where investment is being encouraged by the Brazilian Government. Brascan seeks to make substantial investments in activities requiring specialized technology which is available either within the Group or from a prospective partner.

Banco Brascan de Investimento S.A. (Banco Brascan) is Brascan's chief financial services company in Brazil. Through its offices in Rio de Janeiro, Sao Paulo, Recife, Brasilia and Pôrto Alegre it provides its clients, which include both private and government organizations, with a full range of investment banking services. Through subsidiaries, it is also active in the consumer finance and leasing fields. Total assets were $171 million at December 31, 1974.

In December 1972, Brascan Brazil in association with CAEMI group of Brazil acquired a 92% interest in Swift-Armour S.A., Brazil's largest meat packing operation. A Brazilian partner holds a 55% interest in the joint venture while Brascan owns 45%. Swift-Armour operates slaughter houses, canning facilities, as well as several cattle ranches and other agricultural enterprises.

In November 1972, Brascan Brazil in a joint venture with John Labatt Limited, acquired the Ourobranco brewery in Belo Horizonte as a first step under an agreement with a prominent Portuguese group to form the Cervejarias Reunidas Skol-Caracus S.A. (Skol-Caracu) with both the Brascan-Labatt and Portuguese groups owning 50% of the control stock, resulting in a 22.6% interest by Brascan Brazil. Skol-Caracu operates six breweries--in Rio de Janeiro, Rio Claro, Santos, Belo Horizonte, Londrina and Brasilia--with a total annual capacity of 2 million hectolitres. A seventh brewery is under construction in Sao Paulo.

Brascan Brazil through Promisa commenced exploration activities for non-ferrous metals in Brazil in 1972. In addition, in 1974 the Company acquired a 60% interest in Cia. de Mineraçao Jacunda Ltda. (Jacunda), a producing alluvial tin mine.

Brascan Brazil has investments in other areas of the Brazilian food and beverage industry. In early 1974, it purchased an interest in Metal Forty S.A., a sardine canner in the state of Rio de Janeiro. Also in 1974, Brascan Brazil acquired a 50% interest in Delmar Produtos do Mar S.A. (Delmar), which operates a fleet of fishing boats and produces seafood products, principally lobster tails, for export. In the same year, a new 100% owned company, Caravelas-Frutas Tropicais S.A. (Caravelas) was formed to engage in the development of a pineapple plantation in the State of Bahia. It is expected that this project will contribute materially to the economic development of this part of the Brazilian north-east.

Since 1971, Brascan Nordeste Sociedade Civil de Desenvolvimento e Pesquisas (Brascan Nordeste) a non-profit foundation in Brazil's under-developed north-east, has been engaged in research programs to improve agricultural production and processing methods in north-east Brazil.

Since 1966, Brascan Brazil, through its minority participation in Eucatex Industria e Comercio S.A. (Eucatex), and its investment in Aracruz S.A., has been active in the Brazilian forest products industry. Eucatex, a manufacturer of acoustical tile and other forms of hardboard, has a technical know-how licensing arrangement with U.S. Plywood. In addition, in 1974 Brascan entered into a joint venture (49/51%) with MacMillan Bloedel Limited of Vancouver to establish a forest industry complex (pulp and paper) in Southern Brazil.

Brascan Brazil has several investments in other fields. Since 1966, it has had an interest in Fabrica Naçional de Vagoes S.A. (F.N.V.), which represents 29.5% of the voting stock. F.N.V. is a well established metal fabricator. Products include rolling stock for Brazil's railways and chassis frames, wheel rims, transmissions and shafts for the Brazilian automotive industry.

In the real estate field, Gavae Hôtelaria e Turismo S.A. (Gavea), owned 60% by Brascan Brazil and 40% by Intercontinental Hotels Corporation, built the 500-room Hotel Intercontinental Rio on Gavea Beach in Rio de Janeiro.

The hotel, opened in August 1974, is operated by Intercontinental Hotels, a subsidiary of Pan American World Airways. Construction will start shortly on a real estate development, Sao Conrado Green, on adjacent lands. In addition, Parati Desenvolvimento Turisticos S.A. (Parati) was formed in 1972 by the Brascan Group associated with other Brazilian investors and ADELA to develop a large tourism project. The project will provide for the creation of integrated facilities, airport, roads, power, recreation and shopping complex, as well as hotels and other types of accommodation.

APPENDIX C

CANADIAN CABLESYSTEMS LIMITED

1920. The company was incorporated as Famous Players Canadian Corporation Limited to own and operate a chain of movie theatres in Canada.

1931. Under the Combines Investigation Act a charge was issued, but it was dismissed.

1941. An unsuccessful effort to return the company to Canadian control ended with the Board of Directors being turned over.

1952. The "Telemeter" system of "pay as you see" movies was introduced.

1953. An entry into Canadian television was made.

1959. An entry into Canadian cable television was made.

1963. A 50% interest in the "Muzak" franchise was purchased.

1964. Telemeter was disbanded.

1967. Gulf & Western Industries, Inc., of Houston, Texas, which owned 51%, was unsuccessful in gaining complete control. In order to comply with the new rules limiting foreign ownership in broadcasting undertakings to 20%, a separate company (Famous Communications Ltd.) was set up to hold the broadcasting interests separate from the theatres. Gulf & Western hold only a 20% interest in the new company.

1969. The Canadian Radio and Television Commission (C.R.T.C.) turned down the 1967 two-company scheme.

1971. A new plan of financial reorganization was approved by the C.R.T.C. and took effect in March. Gulf & Western retained their 51.2% interest in the theatres and real estate operations via Famous Players Limited. The remaining 48.8% interest was transferred to a new company, Canadian Cablesystems Limited, which also held all the broadcasting interests. Canadian Cablesystems paid Gulf & Western $11 million in cash and issued a 4% income debenture for $7 million due June 30, 1972, for Gulf & Western's interests in the broadcasting properties.

1972. The income debenture held by Gulf & Western was retired from internal funds supplemented with the proceeds of the sale of 300,000 treasury shares for $4.7 million to Jonlab Investments Limited. Market purchases raised their interest to 10.8%. Apparently a merger was contemplated that would solve the potential of a takeover for Canadian Cablesystems and the liquidity problem of the Jonlab shareholders.

In November, Dominion Securities tried unsuccessfully to market Canadian Cablesystem's 48.8% interest in the issued 7,178,000 shares of Famous Players. The $8.25 share price (a total issue of $28 million) was turned down by the large institutions and the issue never officially came to market. Canadian Cablesystems reported earnings of $1.49 per share for the fiscal year ending August 31, 1975, and the theatre earnings accounted for two thirds of the total.

1974. Numerous acquisitions of cable television companies were made, and some sales of minority interests in television and other investments were completed.

In February, an apparent takeover via open market purchases was prevented when Jonlab entered the market and raised its interest from 10.8% to 26%. The active bidding moved the price of the stock from the low teens to $18.50 per share. The two deciding factors that prevented what is generally agreed to have been a move by Rogers Cable interests in Toronto, acting presumably through Slater, Walker, to acquire Canadian Cablesystems as a first step in going public via a merger after the takeover, were the purchases by Jonlab and, secondly, the apparent indication by the Royal Trust Company, that they would not sell their 25% interest but would remain with management and their enlarged block.

<u>1975</u>. In September, Brascan, with a 41% equity interest in Jonlab, purchased complete control at a price of $8.00 per share. Brascan through Jonlab now has effective control of Canadian Cablesystems due to its ownership of the largest single block of equity (26%). This effective control appears to run counter to the C.R.T.C.'s policy, which restricts the ownership and control of broadcasting undertakings to firms with an 80% ownership by Canadian nationals and a Board of directors that is four-fifths Canadian. Brascan meets neither of these conditions, although it has been approved by the Foreign Investment Review Agency as a firm that may take over Canadian business without going through the review process.

APPENDIX D

OGILVIE FLOUR MILLS COMPANY, LIMITED

1924. A company charter was obtained. The company goes back to an original flour milling business established in 1801.

1954. Complete control of the Woods Milling Co. Ltd. was obtained.

1955. Lake of the Woods acquired complete control of Inter City Baking Co. Ltd.

1957. A 50% interest in Gerber-Ogilvie Baby Foods, Ltd., was sold to Gerber Products Co. for shares. An offer was made by National Trust Co. Ltd. on behalf of unidentified interests to purchase up to 300,000 shares at $44.75 each, but the response was not sufficient to effect control. At the time, 747,689 shares were issued.

1959. A successful offer was made for the class B voting shares of Catelli Food Products Ltd. The Right Hon. C.D. Howe left politics and became Chairman.

1960. The Fort William, Ontario, terminal and the country elevators were sold for $5.5 million cash (C.D. Howe's business was in building grain elevators around the Lakehead). The preferred shares of Lake of the Woods Milling Co. Ltd., were purchased for $2 million. Goodwill was written off to surplus; no sales figures were reported in the annual report.

1961. Three bakeries were consolidated in the west under the McGavin ToastMaster Limited name and a substantial interest was indicated as being held.

1962. A four-for-one split of common and preferred was made in December. The assets of the Edmonton Produce Company, a processor of poultry and eggs, were purchased.

1963. A large flour contract with Russia for 575,000 long tons put the industry at capacity and Ogilvie, which enjoyed 30% of the market, had to reopen a mill at Medicine Hat, Alberta, that had been closed for seven years.

1964. The dividend on common shares was increased from 60¢ to 75¢ per year.

1965. The new Canada Corporations Act encouraged management to provide a five-year financial summary, to report sales and to provide a consolidated report. Habitant Soup Co. of New Hampshire and Malcolm Condensing Co. Ltd. of St. George, Ontario, were acquired by Catelli. The offer to purchase the Class A shares of Catelli was nearly 100% successful.

1966. Price Waterhouse and Co. took over from Creak, Cushing & Hodgson as auditors. Inter City Baking offered to purchase all the shares of Consolidated Bakeries of Canada Limited at $8.00 per share. It was nearly 100% successful. Bakery operations reported smaller losses. The new cheese plant of Ault Milk Products Limited completed a satisfactory first year.

1967. Consolidated Bakeries continued to report losses. McGavin, which was profitable, purchased the western operations of General Bakeries Limited. In Toronto, the pasta plant of Roma Foods Limited was purchased.

1968. Labatt offered to buy a minimum of 60% of Ogilvie's common and was successful in attracting 80% of all issued shares. They offered an $18.00 convertible preferred with a $1.00 dividend plus $2.10 in cash; the conversion price was one for one into Labatt common. The yield was just over 5% and the $2.10 in cash was apparently arrived at by bargaining with management in order to get their approval and support. All Ogilvie directors agreed to submit their resignations if a 50% interest was acquired; this term was included since the Ogilvie directors were generally over the Labatt retirement age.

In February, following the offer by Labatt, Ogilvie sold its bakery subsidiaries to General Baking Limited. It was reported that the sale would improve earnings by $750,000 per year. The Labatt offer was repeated later in the year and extended until 99.8% of all shares were tendered; as a result separate statements are still required.

1969. Clarkson, Gordon & Co., who were Labatt's auditors, took over from Price Waterhouse and Co. The sales forces of Catelli and Ogilvie were merged in order to upgrade service. A milk business near Winchester, Ontario, was acquired and its profitability improved during the year. The business of the Edmonton poultry processing plant was discontinued.

1970. Ogilvie acquired Cham Food Services Ltd., Wm. Dyck & Sons Ltd. and Cal-Ed Poultry Farm Eggs (Edmonton) Ltd. As part of the reorganization, Delmar Chemicals Limited was acquired from Labatt, and two product groups were formed: Industrial Products and Consumer Food Products.

1971. An aggressive program of plant expansions was undertaken. It included the first phase of a $10 million Catelli expansion; Ault Milk, a new feed mill in Manitoba to replace the one destroyed by fire, and in Thunder Bay, Ontario, starch production was expanded and money was spent on the control of pollution. Strathroy Flour Mills, Limited, was acquired.

1972. Construction of a new starch plant outside Montreal was announced as the expanded plant at the Lakehead was operating at capacity; it would employ 75.

Bank borrowings were reduced by $7.7 million by netting this liability against the wheat inventory since the wheat was purchased as an agent of the Canadian Wheat Board and held in inventory. In prior statements the inventory had not been reduced by the amount of the bank borrowings.

1973. In Toronto a new aseptic canning plant was to be built to produce the new line of Laura Secord puddings; it would employ 100. Management indicated that the starch plant in Montreal and the aseptic plant in Toronto were being built due to the new lower corporate tax rates and the improved depreciation allowances.

1974. Drastic shifts in world markets increased sales from $154 million to $195 million and profits rose from $3.1 million to $9.0 million. Return on investment rose from 5% to 14.5%. Equity accounting was adopted. The Catelli-Laura Secord asset shift was carried out in part to store up the latter firm and utilize its tax losses.

1975. Sales rose from $195 million to $282 million, but profits fell from $9.0 million to $5.8 million due in part to the consolidation of Laura Secord. The effective tax rate fell from 40% to 33.3%. As of June 4, 1975, the company changed its name to Ogilvie Mills Ltd.--Les Minoteries Ogilvie Ltée.

APPENDIX E

LAURA SECORD CANDY SHOPS, LIMITED

1926. The company was incorporated under Dominion charter in December to acquire and operate the business, plants and undertakings of Laura Secord Confectionaries, Limited, which had been in operation since 1913.

1960. All 137 shops then in operation were leased. Cakes and pastries were introduced in one shop in mid-town Toronto. The stock was split two for one in June.

1962. The Mary Lee Candy Shops Ltd. chain in Montreal was acquired and 11 of its outlets were converted to the Laura Secord name; a total of 160 shops were now reported as being in operation.

1964. An entry into the wholesale candy trade was made with the purchase of Smiles 'n Chuckles, Ltd., of Kitchener, Ontario. In addition to 163 leased shops, 257 service outlets sold Laura Secord products in addition to other merchandise.

1967. A two-for-one stock split was made in January. Smiles 'n Chuckles purchased the Canadian rights to the "Turtles" trade-name and a new distribution centre was opened in Kitchener.

The takeover battle between Fanny Farmer and Salada Foods for control of Laura Secord was staged in the press and on the floor of the Toronto Stock Exchange. Although the financial factors were attractive (see Table E-1), the control of the Laura Secord name was also a factor of importance.

The name of the firm and the steady growth in earnings would account for the market price of the stock; the 5% yield was a plus. When Mr. Fingold of Salada Foods Ltd. made his bid for 475,000 shares at $16 he was prepared to pay 23.2 times earnings and 4 times the book value of $4.01, which included the premium on the portfolio with the securities valued at market. The offer was for 41% of the issue stock.

Fanny Farmer Candy Shops, Inc., owned 186,000 shares at the time of the bid, and they countered with an $18 bid for 475,000 shares. This offer was successful and 551,000 shares were purchased to give them a 64.1% control block. Salada upped its bid to $18.50 for 575,000 shares (50%) but the additional 50¢ per share was turned down by investors. It was indicative of the strong feelings in this battle. The successful bid was 25 times earnings of 72¢ and 4.35 times book value of $4.15 per share.

The consensus in the financial community was that Mr. Griffiths, the President, would have no part of being owned by Mr. Fingold's Salada Foods.

1969. In June, Labatt purchased the Fanny Farmer block for (U.S.) $12.9 million--(U.S.) $17.50 per share. The consensus this time was that Mr. Griffiths and the owners of Fanny Farmer did not mesh successfully. Labatt was interested in utilizing the prestige name of Laura Secord to market the products of Catelli. A total of 185 shops were now in operation.

The worldwide trademark for the "Turtles" name was purchased for $2 million; the U.S. market was of most importance. Ice cream and cookies were introduced to the product line. Laura Secord's home in Queenston, Ontario, was purchased and restoration begun as a tourist attraction.

1971. The new shop-opening program was speeded up, and the introduction of ice cream and cookies was expanded to more stores. A substantial loss was incurred by the new U.S. subsidiary due to a trucking strike. Amortization of the cost of the "Turtles" trademark was stopped. The decision was made to move Smiles 'n Chuckles' operations from Kitchener and the Toronto studio to a new plant in Toronto and thereby effect substantial production and administrative savings. Financing in the amount of $7 million was arranged via a term bank loan on top of the equity base of $5.2 million.

1972. Good progress was reported on the building of the new plant. The introduction of ice cream into 70% of all stores was very successful, and puddings were added to the product line. The restored home of Laura Secord was opened to the public in June. Smiles 'n Chuckles' results were improving, but a loss was still being reported. Some $6.4 million of the $7 million term loan had been taken down as of April 30; the repayment schedule was as follows: $0.5 million in 1974, $1.0 million in 1975 and 1976 and $1.5 million in 1977 to 1979.

A few employees moved to the new plant in Toronto and generous allowances were made to those who did not move. The new plant turned into a nightmare. The design, engineering and construction were apparently at fault and even the survey of the labour market was inaccurate. A special write-down of $4.2 million was taken over the extra start-up costs. Shareholders' equity declined from $5.3 million to $2.1 million; working capital was a negative $6.0 million; bank advances soared from $4.6 million to $9.1 million; and long-term debt stood at $7.2 million. Demand debentures totalling $14.6 million were secured by a first charge on certain fixed assets and a floating charge on all assets. Without Labatt's backing, Laura Secord would have been wound up.

The price of the common fell from $14 to $3-5/8, but Labatt came to the rescue in November by purchasing an $8 million 6½% cumulative income debenture, convertible at $9.00 per share.

1974. Soaring prices for raw materials and a continuation of the problems in the new plant increased the loss to $4.1 million; equity became a negative $2.0 million.

On June 18, Labatt "bit the bullet" and offered $7.50 per share for the 413,008 outstanding common not already owned. In May the stock had been trading around the $4.00 mark. The Labatt offer was made on behalf of Catelli; in October the assets and undertakings of Catelli were sold to Laura Secord for 7,750,000 shares of Laura Secord at a price per share of $2.00. A favourable tax ruling allowed this maneuver so that the profitable Catelli could utilize the losses of Laura Secord.

Labatt management had acted in a most responsible manner in taking the public shareholders out of a very poor situation.

Table E-1

LAURA SECORD CANDY SHOPS LIMITED

CORPORATE RECORD, 1963-67

(Year end September 30)

	1967*	1966	1965**	1964**	1963**
Gross sales ($MM)	14.1	16.1	14.6	11.4	7.6
Net income ($MM)	0.793	0.791	0.746	0.612	0.542
Per share ($)	0.67	0.69	0.65	0.53	0.47
Equity ($MM)	4.44	3.99	3.72	3.43	3.57
Per share ($)	3.85	3.46	3.24	2.98***	3.10
Plus equity portfolio					
at market ($ per share)	0.16	0.13	0.31	0.37	0.22
Return on equity (%)	24.0	20.0	20.2	17.8	15.2
Debt ($M)	182	150	200	250	-
As a percentage of equity	4.1	3.8	5.4	7.3	-
Common shares					
Number outstanding (M)	1,150	1,150	575	575	575
High ($)	17.75	17.375	15.00	11.60	9.20
Low ($)	11.50	11.875	11.50	8.20	8.00
Dividends					
Per share ($)	0.3375	0.50	0.40	0.40	0.40
Payout (%)	50.0	72.0	62.0	76.0	85.0

* Nine months only as end of fiscal year changed to June 30.

** All per share figures have been adjusted to make them comparable with 1966 and 1967: stock split two-for-one in January 1966.

*** Goodwill written off re Smiles 'n Chuckles acquisition: $292,000 or $0.25 per share.

APPENDIX F

CHATEAU-GAI WINES LIMITED

1928. The company, under the name of Canadian Wineries, Limited, was incorporated under Dominion charter to acquire the stocks of the following companies: Stamford Park Wine Company, Limited; Dominion Wine Growers, Limited; Lincoln Wines, Limited; Peerless Wine Manufacturers, Limited; and Thorold Winery Company, Limited.

The company purchased the exclusive right for Canada for the "Méthode Charmat". It was, and is, the only successful production method to produce champagne.

Some of the marketing problems of Canadian wineries are traced to the type of wines, a lack of aggressiveness, the snob appeal of the foreign product, the restriction to the use of local vinifera type grapes and the number of stores (see Table F-1).

Table F-1

BEER, LIQUOR AND WINE OUTLETS IN ONTARIO, 1929 AND 1959

	1959	1929	Change (%)
Beer outlets	267	105	164
Liquor outlets	235	122	93
Wine outlets	51	51	0
Population	6,000,000	3,000,000	100

The original 51 wineries in the province were allowed a single retail outlet each, and presumably a new winery would be allowed the same privilege. Breweries can also open one retail outlet but as well they utilize the cooperative marketing of Brewers' Warehousing Co. Ltd.

1941. The company's name was changed to Chateau-Gai Wines Limited.

1961. Ontario wines were introduced into 20% of the provincial liquor stores.

1963. The firm resigned from the Candian Wine Institute in order to disassociate itself from the actions of competitors who were promoting low-quality wines with a high alcoholic content. Management felt that this action would assist foreign wines. French vintners filed suit in Montreal solely against Chateau-Gai to prohibit their use of the word "champagne".

1967. Chateau-Gai joined the new federally incorporated Canadian Wine Institute (1967).

1968. The first self-serve wine store was opened in Waterloo, Ontario.

1969. The Supreme Court of Quebec ordered Chateau-Gai to cease using the word "champagne" and awarded damages of $75,000 to the 15 French producers. An appeal was launched by the Canadian Wine Institute and the order was frozen. In England, the threat of a lawsuit persuaded the firm to cease using the words "Canadian sherry", although other countries continued to advertise such names as "Cyprus Sherry".

Chateau-Gai was successful in the Exchequer Court of Canada in having the word "champagne" struck from the Trade Marks Register in spite of the objections of the Attorney General for Canada.

1970. "Cold Duck" was introduced. It was a blend of red and white sparkling wines and the first "fun wine" in Canada.

1973. In January, Labatt made a successful offer for all shares of the company at a price of $44.75 per share. The price was 3.4 times book value of $13.13 and 26 times 1973 earnings of $1.73 per share.

Three factors could account for the premium paid by Labatt. Management owned just over a 50% interest and they were able to negotiate a five-year management contract that provided for continuity. The number of retail outlets was of importance in that the total number in the province is limited and each has a franchise value. The company also owned valuable lands in the Niagara area.

The Niagara fruit belt produces 95% of the grapes grown in Canada. A poor crop resulted in a breakthrough for the industry. A joint request by the wineries and the Ontario Grape Growers Marketing Board was approved by the government; it allowed the use of imported grapes and concentrates, after local grapes were all purchased at fixed prices, to produce wine in the province.

APPENDIX G

CANADA MALTING CO., LIMITED

1927. The company was incorporated to take over other malting interests.

1962. A 50% interest was acquired in Hugh Baird & Sons Limited of Glasgow, Scotland, with a subscription for preference and common shares in the amount of $2.5 million. Baird is also in the malting business.

1965. An additional $600,000 was advanced to Baird as a loan; it was repaid in full in 1968. Baird is now a dividend-producing investment.

1970. A 60% interest was acquired in a new company, Leaver Mushrooms Co. Limited, incorporated for the purpose of acquiring the existing mushroom business of Geo. & L.H. Leaver and its affiliate, The Leaver Mushrooms Limited. The following year a new plant costing $3 million was completed at Campbellville, Ontario.

1973. The federal government expropriated the company's head office and a grain elevator for a new waterfront park in Toronto. Negotiations continue on the price to be paid; a $5.4 million prepayment was accepted and the property was leased back for $1.00 per year until 1977 while negotiations continue.

1974. In November, Labatt and Molson increased their interest to a total of 192,885 (22.4%) of the Class A shares. At least two foreign firms had shown an interest in acquiring this large block of shares; one of the firms is prominent in a closely related industry. Management approached the two breweries with the proposition that the block was available and an important source of supply could therefore be controlled. The third largest brewer in Canada (Canadian Breweries Limited, now Carling O'Keefe Limited) was not offered a part of the deal because they are tied to Dominion Malting Co. Ltd., a wholly owned subsidiary, for their supply. The size of the block and its price were not released. The stock had traded in a range of $23.00 to $31.50 during the year. Book value of $47.00 includes a 1955 appraisal surplus of $17.10 per share. Earnings per share were $4.81 and a dividend of $1.40 per share was paid.

APPENDIX H

JOHN LABATT LIMITED

AMOUNT OF BREWERY CAPACITY, 1945-75

APPENDIX H

JOHN LABATT LIMITED

AMOUNT OF BREWERY CAPACITY, 1945-75
(Thousands of barrels per year)

Year added or changed

	1945	1946	1953	1956	1958	1960	1961	1962	1964	1967	1968	1970	1973	1974	1975
London, Ont.	800					875			1000		1300	1450			
Toronto, Ont.		150										550	910		
Winnipeg, Man.			290									320	390		
Winnipeg, Man.			45												
St. Boniface, Man.			85									70		80	
Montreal, Que.				250			500		750	1000	1300	1340	1750	2250	
New Westminster, B.C.					300							390	450	500	
Victoria, B.C.					110							130			
Saskatoon, Sask.						145						170	200	190	
St. John's, Nfld.								130			94	90		130	
Edmonton, Alta.									100		150	270	350	420	
Stephenville, Nfld.														50	
Halifax, N.S.													290	320	
Saint John, N.B.													130		
Creston, B.C.															200
Built	800	800	800	1050	1050	1050	1300	1300	1775	2025	2750	3610	4460	5030	5030
Acquired		150	570	570	980	1200	1200	1330	1330	1330	1220	1170	1750	1920	2120
Total	800	950	1370	1620	2030	2250	2500	2630	3105	3355	3970	4780	6210	6950	7150

APPENDIX I

A CROSS REFERENCE OF SOME KEY DIRECTORSHIPS

BRASCAN:

In the financial community -

W.C. Harris of Harris & Partners

Thierry Barbey of Lombard Odier

Leo Model of Model Roland & Co.

Paul E. Manhiem of Lehman Bros.

John G. Phillimore of Baring Bros.

Of the legal profession -

Beverley Matthews of McCarthy & McCarthy

Lazarus Phillips of Phillips, Vineberg

A.J. MacIntosh of Blake, Cassels & Graydon

With corporate ties -

Henry Borden, Q.C. of Brinco and Bell Canada

E.G. Burton of Simpsons

G. Blair Gordon of Dominion Textile and Royal Trust

Neil J. MacKinnon of Canadian Imperial Bank of Commerce

W. Eric Phillips of Argus Corp.

Lewis B. Harder of International Mining

Paul G. Desmarais of Power Corporation of Canada Limited

John M. Seabrook of International Utilities

Louis A. Lapointe of Miron

J. Peter Grace of W.R. Grace

Wm. G. Meese of Detroit Edison

R.L. Hearn of Great Lakes Power

J.H. Moore of Labatt and Jonlab

N.E. Hardy of Labatt

LABATT:

In the financial community -

D.B. Weldon of Midland Osler Securities

W.P. Wilder of Wood Gundy

W.P. Scott of Wood Gundy

J.A. Taylor of Canada Trust Company

Of the legal profession -

A.J. MacIntosh of Blake, Cassels, & Graydon

R.G. Ivey of Ivey, Dowler

E.A. Goodman of Goodman and Goodman

GREAT LAKES POWER:

R.L. Hearn

In the financial community -

P.J. Chadsway of Wood Gundy

W.P. Scott of Wood Gundy

J.S. Dinnick of McLeod, Young, Weir

Jim B. Cronyn of Cochran, Murray

OGILVIE:

J. Arnold Hart of the Bank of Montreal

LAURA SECORD:

J.P. Ostiguy of Morgan, Ostiguy

TRIARCH:

John B. Cronyn of Labatt, Jonlab and Great Lakes Power

JONLAB:

J.H. Moore of Labatt and Brascan

N.E. Hardy of Labatt and Brascan

D.B. Weldon of Midland Osler Securities