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Annual Meeting:

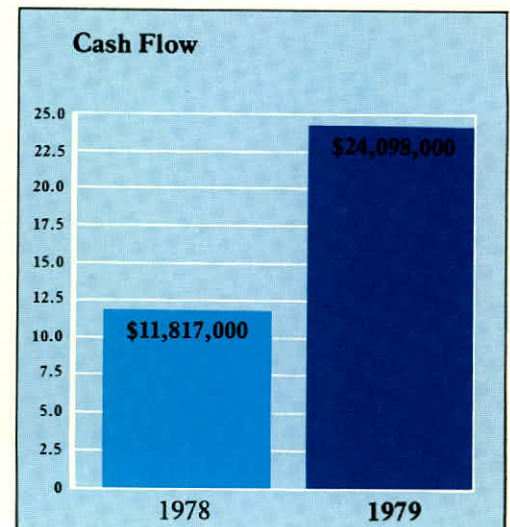
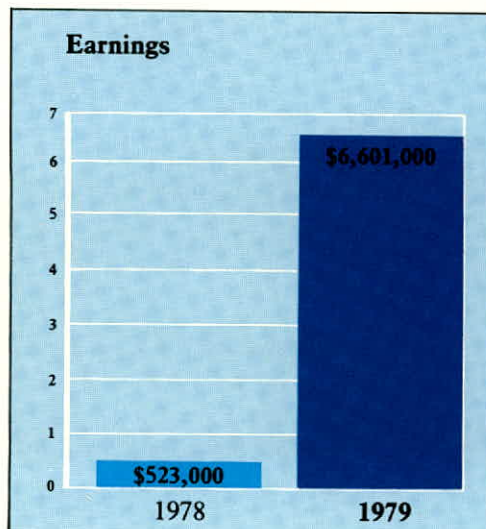
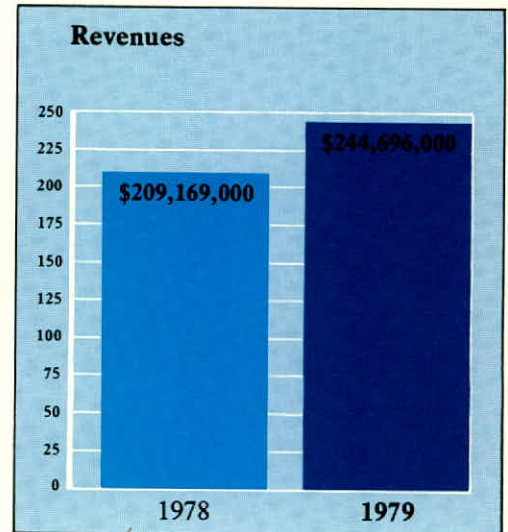
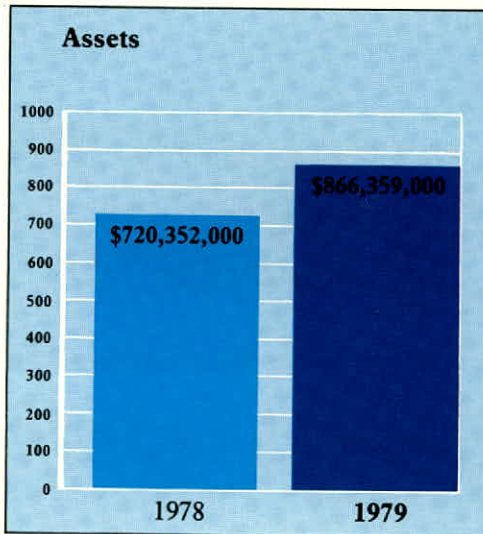
1	The Annual Meeting of shareholders will
2	be held at 11:00 o'clock in the forenoon on
3	Thursday, the 10th day of April, 1980 in the
5	Victoria Room, Skyline Hotel, in the City of
6	Ottawa, Ontario.
7	Shareholders of record at the close of
8	business on April the 8th, 1980, will be
	entitled to vote at the meeting.

Edition française du rapport annuel

20	On peut se procurer l'édition française de ce
21	rapport en écrivant au Secrétaire.

Financial Highlights

	1979	1978
Total revenues	\$ 244,696,000	209,169,000
Earnings before extraordinary items	\$ 4,801,000	523,000
Per share	\$ 1.09	—
Net earnings	\$ 6,601,000	523,000
Per share	\$ 1.55	—
Cash flow from operations	\$ 24,098,000	11,817,000
Per share	\$ 6.01	3.09
Total assets	\$ 866,359,000	720,352,000
Shareholders' equity	\$ 39,899,000	34,988,000
Dividends per share	\$.20	.10



Report to Shareholders

The past year was a very satisfactory one for the Corporation in several respects.

The financial results for 1979 indicate a return towards more acceptable income levels. Net earnings in 1979 increased to \$6,601,000 or \$1.55 per share compared with \$523,000 in 1978. Even more impressive was the improvement in cash flow from operations which more than doubled to \$24,098,000 or \$6.01 per share from \$11,817,000 in 1978.

While improvements have been made in several of the Corporation's traditional business operations, the results for 1979 also reflect the initial returns from the Corporation's recent expansion and diversification programme. Perhaps, the most satisfying achievements were the significant new developments which took place as the Corporation strengthened its presence in the growth markets of California and Texas and commenced a major new involvement in Florida.

During the year the Corporation placed major emphasis on three main areas of real estate development:

- the development and acquisition of quality income producing properties
- the construction and sale of highrise condominiums
- the development and sale of land

Notwithstanding the current mood of pessimism for the North American economy as a whole there are some specific business sectors and geographic areas where justifiable optimism still exists. We believe the Corporation has been successful in positioning itself in those specific sectors and areas and we are confident that our trend towards increased profitability will continue in 1980.

Income Properties

At December 31, 1979, the Corporation had an interest in buildings containing a total of 13,000,000 square feet of retail, office and industrial space; 7,400 residential apartments and 2,165 hotel rooms. The Corporation is committed to increasing the proportion of its revenue derived from income properties and is currently pursuing major commercial projects in Toronto, Edmonton, San Francisco and Houston.

Housing

Anticipating the gradual slowdown in single family housing sales over the past two years, the Corporation reduced its housing inventories to minimum levels. Most of the Corporation's new housing emphasis is on highrise condominiums in growth markets.

Construction has already commenced on two new highrise housing projects; the 110 unit luxury Bayou Bend project in Houston, Texas and the 138 unit first phase of the Ocean Trail project in Jupiter, Florida.

Land

The Corporation continues to be a major land owner in Canada with approximately 11,000 acres of land, most of which is located in Ontario and Quebec.

During the last two years the Corporation has become a major force in land development in Southern California and presently has an interest in three major land development projects containing approximately 5,500 acres of land.

Lumber and Building Products

The results of the Lumber Division improved modestly in 1979 reflecting higher lumber prices and the increased capacity from a new sawmill.

The performance of the Building Products Division was disappointing as both sales volume and profit margins declined.

Hotels

For the third consecutive year the Harbour Castle Hilton in Toronto achieved substantial increases in both occupancy levels and room rates. However, L'Auberge de la Chaudière in Hull has not yet achieved the occupancy levels which were anticipated when it opened approximately eighteen months ago. Some management changes have been made and new marketing programmes are being developed.

Outlook

Generally the uncertain political and economic conditions which existed around the world at the end of the 1970's are likely to continue into the early 1980's. To a certain extent the economies of both Canada and the United States are influenced by external factors which are beyond their control.

However, we are happy that the Canadian electorate recently chose a majority government. This should enable the Canadian government to bring in tough legislation which may not be currently popular, but nevertheless is necessary to bring about economic stability. Our energy rich country has certain natural economic advantages but strong government leadership is still required to curb spending and reduce the massive federal deficit. This type of fiscal restraint is urgently needed to control inflation, reduce interest rates and strengthen the Canadian dollar.

Appreciation

The significant achievements of 1979 directly reflect the enthusiasm and contribution of our employees throughout the organization and to all these people the Board wishes to express their appreciation.

On behalf of the Board

Robert Campeau
Chairman and Chief Executive Officer

Ronald B. McCartney
President

Ottawa, Ontario
February 21, 1980

Introduction & Financial Review

Introduction

Campeau Corporation is a Canadian owned public development Corporation. While concentrating its activities on the acquisition and development of income properties, the construction and sale of housing and large-scale land development, the Corporation also carries on a lumber and building products operation and owns and operates hotels.

With its Head Office based in Ottawa, the Corporation has Canadian branch offices in Montreal, Toronto, Edmonton and Vancouver and United States branch offices in San Francisco, Santa Clara, Newport Beach, Houston and Palm Beach Gardens.

Financial Review

Gross revenues for the year were \$244,696,000, an increase of approximately 17% over 1978.

Net earnings for the year ended December 31, 1979 totalled \$6,601,000 or \$1.55 per share, up from \$523,000 or less than \$0.01 per share in 1978. Included in net earnings for 1979 was an extraordinary gain of \$1,800,000; there were no extraordinary items in 1978.

Income property operations continued to be the major contributor recording strong gains in both profit and cash flow from 1978 levels.

Housing Division profit contribution improved substantially largely as a result of high level sales of condominium units in the second phase of the Harbour Square project in Toronto.

Significant profit gains were recorded by the Land Division reflecting major land sales in southern California. These were offset to some extent by the expensing of carrying costs related to certain land holdings located in eastern Canada.

Some profit improvement has been noted in each of the Lumber and Building Products Divisions. However, the Lumber Division contributed only marginally to overall

The Harbour Castle Hilton Hotel and the twin condominium towers, L'Apartel and Harbourside, have become familiar landmarks on the Toronto waterfront.



corporate profit in 1979; Building Products Division registered a small loss.

Significant accounting losses are still being recorded by the Hotel Division. While Harbour Castle Hilton Hotel earnings in Toronto have improved substantially over 1978, this improvement has been more than offset by the failure of the L'Auberge de la Chaudière in Hull to reach anticipated occupancy levels in its first full year of operation.

As part of a continuing review of its income property portfolio the Corporation sold its 50% interest in the Orillia Shopping Centre and a small industrial building in Sacramento, California. These sales gave rise to a pre-tax gain in 1979 of \$1,101,000 compared with a similar gain in 1978 of \$725,000.

In November, 1979, Place Longueuil Shopping Centre, which is 67% owned by the Corporation, was substantially destroyed by fire. The property was insured for its replacement value and proceeds will be used to rebuild the Centre. The excess of the estimated insurance proceeds over net book value of the Centre, net of related income taxes, has been included in income in 1979 as an extraordinary item of \$1,800,000.

Perhaps the most important performance yardstick for a real estate company is its cash flow from operations. This measure is derived by adding to the net earnings (before extraordinary items), non-cash

charges such as deferred income taxes, depreciation and amortization. It indicates the amount of cash available to service the Corporation's debt obligations and to finance future growth. In 1979 Campeau Corporation's cash flow from operations increased to \$24,098,000 or \$6.01 per share from \$11,817,000 or \$3.09 per share in 1978.

Total assets of the Corporation at the end of 1979 had increased to \$866,359,000 compared with \$720,352,000 the year before. As a result of the Corporation's aggressive expansion and diversification

programme, the geographic dispersion of these assets has changed significantly over the past three years. Table 1 shows the increasing proportion of total assets invested in Western Canada and the United States.

In recognition of the improved profit performance of 1979 over 1978 and the strengthened financial position of the Corporation the Board of Directors increased the common share dividend in 1979 to \$.20 per share from \$.10 per share in 1978.

Table 1

	Total Assets					
	1979		1978		1977	
	(\$000)	%	(\$000)	%	(\$000)	%
Quebec	247,712	28.6	243,589	33.8	213,474	34.3
Ontario	409,213	47.2	407,341	56.5	383,971	61.8
Western Canada	47,206	5.5	31,462	4.4	24,158	3.9
United States	162,228	18.7	37,960	5.3	—	—
	866,359	100.0	720,352	100.0	621,603	100.0



Containing almost 2,000,000 sq. ft. of office and retail space, Les Terrasses de la Chaudière in Hull, Quebec, is the largest commercial project developed to date by the Corporation.

Income Properties

The Corporation's large and diversified portfolio of income properties continues to provide a stable and growing cash flow. A condensed summary of this portfolio is set out below and a complete summary appears on pages 10 and 11.

Shopping centres	6,019,000
Office buildings	5,367,000
Industrial properties	1,627,000
Total square feet	13,013,000
<hr/>	
Residential units	7,424
<hr/>	
Hotel rooms	2,165

The Corporation is committed to increasing the proportion of its revenue from income properties. A number of new developments are in process in each of the shopping centre, office building and industrial building sectors.

Shopping Centres

Construction has commenced on Phase I of the Kanata Town Centre located in Kanata, Ontario. When completed, this first phase will include 165,000 square feet of retail shopping area and a 30,000 square foot three-storey office building.

Construction is under way on the expansion of Place du Saguenay in Chicoutimi, Quebec where a 50,000 square foot office tower is being added to the existing shopping centre.

A number of additional shopping centre projects are in various stages of development including three major shopping centres in the National Capital region; a major expansion of the Corporation's Inter-City Plaza in Thunder Bay, Ontario and the development of a new 180,000 square foot shopping centre in Kingston, Ontario.

This division has also been active in recent trends towards downtown redevelopment projects. Campeau Corporation was recently selected to redevelop a major downtown site in Brantford, Ontario into a 250,000 square foot shopping centre which will include a 100,000 square foot Eatons department store.

Office Buildings

A major new addition to the office building portfolio is Principal Plaza, a 485,000 square foot building located on Jasper Avenue in downtown Edmonton, scheduled for completion in the fall of 1980. In a joint venture with the Hudson's Bay Company Developments Limited and Edmonton Properties Ltd. Principal Plaza is 50% owned by the Corporation. This luxury office building will be the corporate headquarters for the Principal Group of Companies and Principal Trust and will be linked, below grade, to Hudson's Bay Company's downtown department store. Permanent financing in the amount of \$30,000,000 was arranged for this project during 1979. This financing commitment provides long term funds at an interest rate of 10.625%, an advantageous rate in the current market environment.

In view of increasing demand for office space in developed downtown areas of major cities such as San Francisco, Vancouver and Toronto, attractive opportunities exist for the acquisition and renovation of older but well located buildings. In 1979 the Corporation

acquired a 10 storey office building on Market Street in downtown San Francisco plus a smaller office building on Howe St. in downtown Vancouver. Renovation and leasing of both projects is now underway.

In late 1979 the Corporation embarked on a major commercial project in California and acquired a 71 acre site adjacent to Candlestick Park in the City of San Francisco. Known as the San Francisco Executive Park, this project is extremely well located mid-way between downtown San Francisco and the airport. The site is zoned for 1,100,000 square feet of commercial space. Present plans are to build 6 office buildings, a 300 room hotel and 3 restaurants over a four year period. As part of the acquisition, the Corporation also acquired a 50% interest in the one office building which had been started by the former owner of the property. This building contains 100,000 square feet, has now been completed and is in the process of being leased.

Industrial Buildings

Eight new industrial buildings were completed, leased and permanently financed last year in the Corporation's joint venture project in Santa Clara and Sunnyvale, California. This project, known as Oakmead Village, is particularly attractive because of the high quality of design, building structure and tenant-mix.

Three additional buildings are currently under construction including a 200,000 square foot industrial building leased to Signetics Corporation, a major U.S. electronics firm. All buildings under construction are fully leased, interim and permanent financing has been arranged.

During 1979, the Corporation acquired 75 acres of additional industrial land in this very attractive area and it is anticipated that these lands will be developed over the next 2 to 3 years.



Principal Plaza, a luxury 31-storey office building in Edmonton, will be ready for occupancy in the fall of 1980.

Housing

Uncertain economic conditions and high mortgage interest rates have adversely affected housing sales throughout North America. The Corporation anticipated this declining demand two years ago and commenced a reduction of inventory levels of detached and semi-detached houses as well as townhouses.

Except for highrise condominiums, the Corporation has adopted a general policy of constructing new houses only when they have been pre-sold from models. A summary of the year end inventory of housing units completed and under construction, is presented in Table 3:

Notwithstanding the general decline in North American housing demand, excellent opportunities still exist for the development and sale of highrise condominiums built on choice locations in selected growth areas. The timing of entering these markets is very important. Corporation policy requires a minimum level of pre-sales before commencing construction.

Currently, Harbourside, the second phase of the Harbour Square project on the waterfront in Toronto, is selling quite well; 242 units were closed in 1979. The third and final residential phase of the Harbour Square project will contain a total of 600 units in two point towers. This project is now in the final planning stages with construction scheduled for the spring of 1981.

During the year the Corporation commenced construction on a luxury high-rise condominium project in Houston, Texas. This 110 unit building, called Bayou Bend Towers, is located on the banks of the Buffalo Bayou in the prestigious River Oaks area of Houston, Texas. Prices for these luxury units range from \$300,000 to \$1,200,000 and the initial sales response has been quite satisfactory.

Late in 1979, the Corporation commenced construction on the first of three 12-storey condominium towers planned for an oceanfront site in Jupiter, Florida, a few miles north of Palm Beach. The project site features 1/4 of a mile of ocean frontage and adjoins a beautiful golf club facility. Each of the three condominium towers will contain 138 units.

The sales response for this project has been exceptionally strong. Already sold-out, the first building will not be available for occupancy until the spring of 1981. Sales reservations, with substantial deposits, are now being taken for units in the second tower which is scheduled for occupancy in late 1981.

The Corporation is actively reviewing proposals for several other highrise condominium locations in Florida, Houston and Dallas.

	Number of Units		
	1979	1978	1977
Detached	153	140	265
Semi-detached	88	140	140
Townhouses	135	259	389
Highrise condominiums	379	680	927
	<u>755</u>	<u>1,165</u>	<u>1,702</u>

The 110 unit luxury condominium known as Bayou Bend Towers, now under construction, is the Corporation's first residential project in Houston, Texas.



Land Development

Land development has always been a major component of the Corporation's business activity.

The Corporation holds a substantial land inventory much of which was acquired at relatively low historic costs. While the current political and economic climate has adversely affected land sales in Eastern Canada, the Corporation is confident that these traditional markets will strengthen again over the next few years and this land bank will be an important source of future profit.

The Corporation has become a major land-owner in Southern California during the past two years by acquiring a controlling interest in three large land development ventures. Pursuant to an option acquired in 1978, the Corporation acquired Colinas de Capistrano, 1,260 acres of rolling hills in Southern Orange County adjacent to the San Diego Freeway. This land was acquired for development and sale to builders on both a serviced and unserviced basis. During 1979, all necessary planning approvals were obtained and 938 acres of unserviced land were sold. The Corporation has planning approval for 843 building units on the remaining 322 acres and anticipates that approximately 300 of such units will be sold in 1980.

In 1978 the Corporation also acquired a 50% interest in Lomas de Yorba, a 3,331 acre parcel of unspoiled ranchland within the City of Yorba Linda in Eastern Orange County. Campeau Corporation is the developer of this property and has approval for 3,900 housing units which will be sold to builders in various stages from rough to finished grade. Planning approvals are proceeding on schedule and grading and servicing of the first 120 lots commenced in late 1979. Sales of approximately 400 units are expected in 1980.

The third major land assembly in Southern California is the Corporation's 71% interest in the 1,721 acre Lakeridge Estates project in Riverside, California. The Corporation is now completing the master planning work with approvals expected in late 1980 and sale of lots or parcels commencing in 1981.

The Corporation also acquired 76 acres of commercial/industrial land in Houston, Texas and entered into a joint venture arrangement to develop smaller parcels for sale to other builders and developers. Approximately ten acres were sold in 1979 and the balance will be sold in 1980 and 1981.

A summary of the Corporation's land holdings by geographic area at the end of 1979 is set out below:

	Acres
Quebec	3,550
Ontario	7,109
Western Provinces	56
United States	5,545
	<u>16,260</u>



The 3,300 acre Lomas de Yorba ranch is one of the largest land development projects in Southern California.

Other Operations

Lumber

For much of 1979, lumber prices were higher than the previous year exerting a favourable effect on the profitability of this operation.

Recently agreements were completed with the Province of Quebec which ensure the availability of well located timber limits for 20 years. Construction of a new sawmill during the year increases the annual capacity to 85 million board feet from the former level of 65 million. In December an order was placed for two new dry kilns which will enable 40 to 50 million board feet of dried lumber to be sold to new American markets.

Building Products

The major unprofitable manufacturing operations of the Building Products Division were discontinued in 1978; nonetheless, further losses were experienced in 1979 as a result of declining sales volume as well as reduced profit margins. Operations of this Division are being reviewed to determine if steps can be taken to improve their profitability.

Hotels

Once again in 1979 the Harbour Castle Hilton Hotel in Toronto enjoyed excellent increases in occupancy levels and average room rates. As a result of the significant improvements registered in the past few years this hotel is now producing a positive cash flow. However, non-cash charges such as depreciation and amortization continue to generate a significant loss for accounting purposes.

During the past year the Corporation has been involved in extensive discussions relating to a new world-class Convention Centre for the City of Toronto. The Corporation has made a specific proposal to the Federal, Provincial and Metropolitan governments whereby the Corporation would sell the existing Convention Centre across from the Harbour Castle Hilton Hotel and would agree to construct the remainder of the expanded facility.

The sale of the existing facility and construction of the expansion would not generate a gain to the Corporation, but the Harbour Castle Hilton Hotel together with all hotels in Metropolitan Toronto would

benefit significantly since the new world-class Convention Centre would attract an average of 10,000 new visitors to Toronto for an estimated 34 weeks of every year.

L'Auberge de la Chaudière in Hull, Quebec which looks over the Federal Parliament Buildings in Ottawa has quickly gained a reputation as a first class, luxury hotel. However, this Hotel which officially opened in September of 1978 has not yet achieved satisfactory occupancy levels. Some management changes have already been implemented and new marketing strategies are being developed.

Office Condominiums

The Corporation entered into two new office condominium ventures in the United States in 1979. Construction is about to commence on a planned office community called the Birtcher Business Center in Lake Forest, Southern California. When complete, this development will consist of 28 individual office units each having its own unique configuration. The Corporation has a 50% interest in this joint venture with Birtcher Pacific, a California development firm.

Through another 50% owned joint venture, the Corporation commenced an office condominium complex in Palm Beach Gardens, Florida. Known as Oakpark Office Park, this project will consist of five individual buildings located on a particularly attractive and centrally located site in Palm Beach County's fastest growing area. Construction is scheduled to commence in April, 1980 with first closings expected in the spring of 1981.

Acquisitions

Through Johncamp Realty Inc., a 60% owned joint venture, the Corporation acquired all of the shares of Prudent Real Estate Trust of New York. Prudent owns 10 apartment complexes containing 3,250 apartments, 3 shopping centres and 2 small office buildings located in 10 of the United States and in Ontario. The acquisition was made through a public tender offer for all of the shares listed on the American Stock Exchange.

The acquisition of Prudent was made on the judgement that the cost of acquiring the shares, at the tender bid price, even after

considering all related costs would result in the effective acquisition of a large portfolio of real estate assets at a reasonable cost relative to their fair market value.

The Corporation, together with its joint venture partner, is currently in the process of reviewing each of the acquired properties to determine what improvements, changes or sales should be made.

Included on a 30 acre estate acquired in Santa Clara, California, is the James Lick Mansion which will be restored and maintained when the property is developed.

A magnificent marble lobby is an attractive feature of the 72 year old Monadnock Building in San Francisco, California which is now being renovated and leased by the Corporation.

Two examples of the distinct architecture which characterize the commercial and industrial buildings in Oakmead Village, Santa Clara, California, are buildings leased by Signetics Corporation and Lockheed Space and Missile Corporation.



Summary of Income Properties

Shopping Centres	Percent Interest	Rentable sq. ft
Quebec		
Le Carrefour Rimouski, Rimouski	50	343,000
Place Longueuil, Longueuil	67	316,000
Les Galeries Jonquiere, Jonquiere	50	245,000
Le Carrefour Alma, Alma	50	240,000
Place de Saguenay, Chicoutimi	75	214,000
Place Drummond, Drummondville	100	88,000
Place de Fabreville	100	40,000
Place St. Jean, Pierrefonds	100	35,000
Place du Progrès, Gatineau	100	24,000
Ontario		
Oshawa Shopping Centre, Oshawa	100	972,000
New Sudbury Shopping Centre, Sudbury	100	479,000
Wellington Square, London	100	413,000
Timmins Square, Timmins	50	359,000
Golden Mile Plaza, Toronto	100	263,000
Kingston Shopping Centre, Kingston	100	216,000
Beacon Hill Shopping Centre, Ottawa	100	123,000
Inter-City Plaza, Thunder Bay	100	114,000
Sunnybrook Plaza, Toronto	100	96,000
Dorwin Plaza, Windsor	100	75,000
York Plaza, Toronto	100	59,000
East Mall, Oshawa	100	45,000
Riverside Shopping Mall, Ottawa	100	42,000
Eringate Mall, Toronto	100	36,000
Kanata Shopping Centre, Kanata	100	26,000
Other Ontario Properties	100	183,000
Saskatchewan		
Golden Mile Plaza, Regina	100	214,000
Scarth St. Building, Regina	100	38,000
Alberta		
Woolworth Building, Lethbridge	100	44,000
British Columbia		
Town and Country Centre, Victoria	100	235,000
Michigan		
Seven Grand Shopping Centre, Detroit	36	182,000
North Flint Plaza, Flint	60	121,000
South Carolina		
Midland Shopping Centre, Columbia	60	139,000
Total		6,019,000

Office Developments	Percentage Interest	Rentable sq. ft
Montreal		
Showmart du Palais	100	182,000
Saguenay Building*	75	45,000
Hull		
Les Terrasses de la Chaudière	100	1,910,000
Ottawa		
Place de Ville	100	1,270,000
Journal Towers	100	640,000
Centennial Towers	100	380,000
Calgary		
Sixth St. Building	51	68,000
Edmonton		
Principal Plaza*	50	400,000
Vancouver		
Rayonier Building	100	68,000
San Francisco		
Monadnock Building	100	151,000
Executive Park, OB-1	50	100,000
Detroit		
Imperial Office Plaza	36	76,000
Indianapolis		
Forum Building	48	77,000
Total		5,367,000

* Under construction

Residential Properties	Percentage Interest	Units
Ontario		
Riverside Court Apartments, Ottawa	100	757
Redwood Court Garden Homes, Ottawa	100	640
Playfair Towers, Ottawa	100	427
Brydencourt Apartments, Toronto	60	352
Champlain Tower, Ottawa	50	243
Kanata Garden Homes, Kanata	100	232
Varley Apartments, Kanata	100	85
Riverside Heights Garden Homes, Ottawa	100	83
Quebec		
Chateau Maisonneuve, Montreal	100	242
California		
Buena Vista Gardens, San Diego	40	1,024
Capital City Apartments, Sacramento	60	214
Maryland		
Colonial Village Apartments, Oxon Hill	60	334
Michigan		
River Oaks Apartments, Dearborn	52	160
New York		
Fleetwood Park Apartments, Westchester	35	480
Netherland Gardens, Riverdale	33	462
Ohio		
Swifton Village, Cincinnati	60	1,167
Virginia		
Westover Hills Apartments, Richmond	33	522
Total		7,424

Industrial Properties	Percentage Interest	Rentable sq. ft.
Ontario		
Lismer Building, Ottawa	100	69,000
2530 Stanfield Road, Cooksville	100	45,000
Dashwood Building, Kanata	100	18,000
Pitney Bowes Building, Ottawa	100	17,000
California		
Signetcs – 1, Santa Clara*	50	200,000
Manta Buildings, San Leandro	100	199,000
Marlin Buildings, Union City	100	149,000
Poly-vue Plastics, Petaluma	100	132,000
Signetcs – 2, Santa Clara	50	70,000
Intel Building, Santa Clara	50	44,000
Corvina Building, Stockton	100	42,000
Eaton Building, Santa Clara	50	40,000
Applied Materials – 1, Santa Clara	50	30,000
Lockheed Building, Santa Clara	50	29,000
Applied Materials – 2, Santa Clara	50	28,000
Restaurants (3), Santa Clara	50	26,000
I.D.T. Building, Santa Clara	50	16,000
Restaurant, Sunnyvale*	50	11,000
Michigan		
Burroughs Corporation, Dearborn	60	87,000
Florida		
American Consumer Industries	60	375,000
Total		1,627,000

Hotels	Rooms
Harbour Castle Hilton, Toronto	963
Holiday Inn, Ottawa	505
Skyline Hotel, Ottawa	454
L'Auberge de la Chaudière, Hull	243
Total	2,165

Raceways

Blue Bonnets Raceway, Montreal
Richelieu Raceway, Montreal

* Under construction

Consolidated Financial Statements

Consolidated Statement of Earnings

Year ended December 31, 1979
(In thousands of Canadian dollars)

	Notes	1979	1978
Revenue	12	\$244,696	209,169
Expenses:			
Cost of sales	12	152,527	144,673
Financing		50,313	39,964
General and administrative		20,617	14,806
Depreciation and amortization		7,365	6,694
		230,822	206,137
		13,874	3,032
Gain on sale of rental properties		1,101	725
		14,975	3,757
Income taxes – deferred	13	10,174	3,234
Earnings before extraordinary item		4,801	523
Extraordinary item	14	1,800	–
Net earnings		\$ 6,601	523
Earnings per common share			
Before extraordinary item		\$ 1.09	–
After extraordinary item		\$ 1.55	–

Consolidated Statement of Retained Earnings

Year ended December 31, 1979
(In thousands of Canadian dollars)

	Notes	1979	1978
Balance at beginning of year		\$16,634	17,370
Net earnings		6,601	523
		23,235	17,893
Dividends:			
Second Preference		6	6
Series A Preference		532	532
Common		785	368
Premium on conversion of convertible notes payable to Class A Common Shares	11	353	353
Premium on purchase of Common Shares for cancellation		465	–
		2,141	1,259
Balance at end of year		\$21,094	16,634

Consolidated Balance Sheet

December 31, 1979

(In thousands of Canadian dollars)

	Notes	1979	1978
Assets			
Properties	3	\$546,840	477,070
Land held for sale and development	4	156,949	125,975
Inventories	5	66,762	59,502
Amounts receivable	6	78,367	36,143
Other assets	7	4,325	6,711
Deferred charges	8	13,116	14,951
		\$866,359	720,352
Liabilities			
Long-term debt	9	\$618,584	534,046
General bank indebtedness	10	51,346	31,032
Advances relating to land and housing		69,646	42,036
Accounts payable and accrued liabilities		39,462	41,501
		779,038	648,615
Deferred income taxes		47,422	36,749
Shareholders' equity			
Capital stock	11	18,805	18,354
Retained earnings		21,094	16,634
		39,899	34,988
		\$866,359	720,352

On behalf of the Board: **R. B. McCartney**, Director
W. J. Carroll, Director

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Campeau Corporation as of December 31, 1979 and the consolidated statements of earnings, retained earnings, cash flow from operations and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as of December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Ottawa, Canada
February 21, 1980

Peat, Marwick, Mitchell & Co.
Chartered Accountants

**Consolidated
Statement
of Cash Flow
from Operations**

Year ended December 31, 1979
(In thousands of Canadian dollars)

	1979	1978
Earnings before extraordinary item	\$ 4,801	523
Items not requiring a current outlay of cash:		
Deferred income taxes	10,174	3,234
Depreciation and amortization	7,365	6,694
Amortization of foreign currency translation differences	1,758	1,366
Cash flow from operations	\$ 24,098	11,817
Cash flow per common share	\$ 6.01	3.09

**Consolidated
Statement
of Changes in
Financial Position**

Year ended December 31, 1979
(In thousands of Canadian dollars)

	1979	1978
Source of cash		
Cash flow from operations	\$ 24,098	11,817
Issue of long-term debt	129,064	90,222
Increase in general bank indebtedness	20,314	(5,048)
Increase in advances relating to land and housing	27,610	1,249
Issue of capital stock	1,559	2,310
Other, net	2,370	(4,433)
	205,015	96,117
Use of cash		
Increase in land, net	30,974	28,099
Increase in inventories	7,260	(6,977)
Increase in amounts receivable	42,224	5,177
Repayment of long-term debt	44,526	19,947
Capital stock redeemed	1,573	989
Dividends	1,323	906
	127,880	48,141
Increased investment in properties, net	\$ 77,135	47,976

Notes to Consolidated Financial Statements

1. Significant accounting policies

- (a) **General**
The Corporation is a member of the Canadian Institute of Public Real Estate Companies. The Corporation's accounting policies and its standards of financial disclosure are in accordance with the recommendations of that Institute in all material respects.
- (b) **Principles of consolidation**
The consolidated financial statements include the accounts of the Corporation and all of its subsidiaries together with the Corporation's proportionate share of the assets, liabilities, revenues and expenses of all incorporated and unincorporated joint ventures.
- (c) **Foreign exchange**
Asset and liability accounts in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date except for hedged debt which is translated at the rates established by the related futures contracts. Revenue and expense accounts are translated at the weighted average rates prevailing during the year. The portion of unrealized gains or losses on debt relating to domestic operations is deferred and amortized over the remaining term of the debt. The portion of unrealized gains or losses relating to foreign operations is deferred until realized.
- (d) **Properties**
Properties are shown in the balance sheet at cost less accumulated depreciation.
- (e) **Land held for sale and development**
Land held for sale is carried at the lower of cost and estimated net realizable value and land held for development is carried at cost.
- (f) **Capitalization of costs**
The Corporation capitalizes all direct costs of properties under development and land held for sale and development. In addition certain indirect costs, including specific interest, property taxes and a portion of the general cost of corporate borrowing and administrative expenses considered applicable to specific properties, are capitalized. Revenues received prior to completion of a property and other miscellaneous income are treated as a reduction of costs.
- (g) **Deferred hotel costs**
Pre-opening costs and operating costs net of revenue from the date of opening to the date upon which the hotel becomes fully operational are deferred and amortized over five years.
- (h) **Income taxes**
Income taxes are recorded on the tax allocation basis. Deferred income taxes result primarily from:
(i) the difference between depreciation recorded for accounting purposes and capital cost allowance claimed for income tax purposes; and
(ii) certain development and carrying costs of land, rental properties and hotels, which are deferred for accounting purposes but deducted for income tax purposes.
- (i) **Revenue recognition**
(i) **Rental**
Revenue from a rental property is recognized once a property is deemed to be completed. Completion occurs once a break-even point in cash flow earnings is attained, subject to a reasonable maximum period of time.
(ii) **Housing and land operations**
a) Detached and semi-detached house sales – when title passes to the purchaser.
b) Condominium housing sales – at first closing, when the purchaser is entitled to possession.
c) Land sales – when all material conditions have been fulfilled and the Corporation has received a down payment that is appropriate in the circumstances having regard to the financial resources of the purchaser.
- (j) **Cost of sales – housing and land operations**
Generally, the Corporation allocates its cost of sales on land and high-rise condominium sales in proportion to anticipated revenue.
- (k) **Depreciation**
(i) **Properties**
Depreciation on buildings is provided on the sinking fund method in annual amounts increasing at the rate of 5% compounded annually, which is designed to fully amortize the costs of the buildings over their estimated useful lives. The estimated useful lives of buildings are mainly as follows:
Office buildings 40 to 60 years
Hotels 60 years
Apartment buildings and shopping centres 30 to 50 years
Garden homes and townhouses 40 years
Commercial/Industrial buildings 30 years
Furniture and equipment are depreciated on the diminishing balance and straight-line methods at various rates.
Tenant improvements are amortized over the term of the leases.
Raceways and related appurtenances are depreciated on the straight-line method. The estimated useful life of buildings, tracks, sewers, parking lots and fences is 40 years and for equipment, 10 years.
(ii) **Other property, plant and equipment**
Other property, plant and equipment are depreciated on the diminishing balance method at the rates of 5% and 10% annually for occupied premises, 30% annually for construction equipment and rolling stock and 20% annually for other equipment.

2. Joint ventures

The consolidated financial statements include the Corporation's proportionate interest in its incorporated and unincorporated joint ventures as follows:

	1979	1978
	(in thousands)	
Assets	\$107,592	45,575
Liabilities	80,900	34,843
Revenues	7,412	5,224
Earnings, before extraordinary items	719	468

The Corporation has guaranteed certain of the obligations of

its joint ventures and is contingently liable for the obligations of its associates in certain joint venture developments. The amount of such liability in excess of the liability recorded above on December 31, 1979 was \$51,136,000. The assets of the joint ventures are available and are sufficient for the purpose of satisfying such obligations.

The Corporation has provided additional financing to certain joint ventures in the amount of \$14,843,000 which is included in Amounts receivable on the Balance Sheet. Generally, this additional financing entitles the Corporation to a preferred return on its investment.

3. Properties

	Rental Properties	Hotels	Other Property, Plant and Equipment	Total	
				1979	1978
	(in thousands)				
Buildings, including construction in progress, at cost	\$421,021	62,528	6,793	490,342	432,871
Furnishings, equipment and machinery, at cost	8,069	11,259	10,172	29,500	28,477
	429,090	73,787	16,965	519,842	461,348
Less accumulated depreciation	34,609	4,480	7,821	46,910	41,274
	394,481	69,307	9,144	472,932	420,074
Land, at cost	70,641	3,030	237	73,908	56,996
Total	\$465,122	72,337	9,381	546,840	477,070

4. Land held for sale and development

	1979	1978
	(in thousands)	
Balance at beginning of year	\$125,975	86,732
Additions during year:		
Acquisitions	39,386	40,769
Development costs	8,011	1,265
Carrying charges	15,311	8,512
	62,708	50,546
	188,683	137,278
Deductions during year:		
Cost of sales	17,775	9,367
Transfer to work-in-progress	13,959	1,936
	31,734	11,303
Balance at end of year	\$156,949	125,975

In connection with the expropriation by the Province of Quebec of property at Mount Bruno, Quebec the Corporation was awarded \$4,208,000 plus interest, which approximates the net carrying value of this property. The Corporation has appealed this award and, in the opinion of management, ultimate proceeds on settlement will exceed the carrying value. Accordingly, this transaction has not been recognized in the accounts. A deposit of \$3,500,000 has been received by the Corporation and is included in Advances relating to land and housing.

5. Inventories

	1979	1978
	(in thousands)	
Housing, completed and in progress	\$ 54,204	51,234
Lumber and building products	11,718	7,379
Food and beverage	840	889
	\$ 66,762	59,502

Inventories are valued at the lower of cost and estimated net realizable value.

6. Amounts receivable

	1979	1978
	(in thousands)	
Notes, mortgages and agreements for sale, interest bearing	\$34,924	17,321
Trade accounts, rents and other receivables	23,521	14,263
Due from joint ventures	14,843	—
Receivable from officers	5,079	4,559
	\$78,367	36,143
Due within one year	\$51,702	18,600

Amounts receivable from officers include house mortgage loans and secured advances under the Stock Purchase Plan.

7. Other assets	1979	1978	8. Deferred charges	1979	1978
	(in thousands)			(in thousands)	
Prepaid expenses	\$1,304	2,086	Unamortized foreign exchange translation differences	\$ 3,790	7,260
Deposits	526	2,109	Unamortized discount and expenses on issue of long-term debt	5,476	3,446
Hotel linen, tableware and uniforms	1,769	1,837	Unamortized hotel costs	2,393	3,712
Miscellaneous	726	679	Other	1,457	533
	<u>\$4,325</u>	<u>6,711</u>		<u>\$13,116</u>	<u>14,951</u>

9. Long-term debt	Average interest rates at December 31, 1979	Total	
		1979	1978
		(in thousands)	
Debt secured by:			
Rental properties:			
6 ¹ / ₄ % to 17% mortgages, loans and bonds	9.36%	\$218,304	175,823
First Mortgage Sinking Fund Bonds	11.18	135,245	135,608
Amount due under financing arrangement	9.90	38,000	38,000
Bank loans	16.16	25,012	6,409
General Mortgage Bonds	11.00	21,800	22,400
Hotels:			
Bank income debenture	9.60	64,163	65,219
First Mortgage Sinking Fund Bonds	11.18	12,468	12,500
Land held for sale and development:			
7% to 15 ³ / ₄ % mortgage loans	10.56	35,890	25,936
Bank loans	15.18	25,163	12,294
Bank General Security Package:			
Bank income debenture	9.75	30,499	30,499
Bank loans	16.25	5,833	5,336
Other:			
Convertible notes payable	6.63	1,908	2,544
Sundry loans and notes	14.66	4,299	1,478
	<u>10.85%</u>	<u>\$618,584</u>	<u>534,046</u>

Long-term debt principal repayments are due approximately as follows:	Instalment Payments	Balance due at maturity	Total
	(in thousands)		
	1980	\$18,672	26,689
	1981	15,400	17,809
	1982	10,049	45,763
	1983	10,424	75,448
	1984	11,171	37,570
subsequent to 1984	—	—	48,741
			<u>349,589</u>
			<u>\$618,584</u>

10. General bank indebtedness

Short-term bank loans, as well as some long-term bank loans, are secured by the Bank General Security Package which

includes a general assignment of certain book debts and a fixed charge on various properties owned by the Corporation.

11. Capital stock

The authorized and issued capital stock of the Corporation at December 31, 1979 and a summary of the changes therein during the year are as follows:

(a) Second Preference Shares

There are 1,000,000 3% non-cumulative, redeemable preference shares authorized and outstanding, with a par value of \$.20 each entitling the holder to ten votes per share.

(b) Series A Preference Shares

There are 20,000,000 non-voting Preference Shares authorized with a par value of \$5 per share, issuable in series, of which 1,600,000 were designated Series A Preference Shares. These Series A Preference Shares carry a fixed cumulative dividend of 7% and are redeemable at any time at the option of the Corporation or, after December 1, 1987, at the option of the holder. There were 1,520,000 Series A Preference Shares outstanding at December 31, 1979.

(c) Class A Common Shares

There are 423,957 Class A Common Shares authorized with a par value of \$7 per share, redeemable at the option of the Corporation or the holder at any time at a redemption price equal to \$7 per share plus all declared and unpaid dividends thereon. These Class A Common

Shares are reserved for issuance on conversion of the convertible notes payable.

During 1979, 141,319 Class A Common Shares were issued on conversion of a convertible note payable having a face amount of \$635,936. The premium on conversion in the amount of \$353,287 was charged to retained earnings. There are three remaining convertible notes payable in the amount of \$635,936 each (aggregating \$1,907,808) convertible in series into 141,319 (aggregating 423,957) Class A Common Shares of the Corporation after January 1 of each year from 1980 to 1982. The conversion feature for all of the notes expires upon maturity.

(d) Class B Common Shares

By special Resolution of the Corporation dated the 1st day of March 1979, all of the issued Class B Common Shares were changed into Common Shares without par value and the balance of the authorized Class B Common Shares cancelled.

(e) Common Shares

There are 10,000,000 authorized Common Shares without par value of which 3,935,956 were issued and outstanding at December 31, 1979 (1978 - 3,919,366 shares). During 1979, 60,000 Common Shares were issued for a cash consideration of \$570,000 and 43,410 Common Shares purchased for cancellation for a cash consideration of \$584,136.

12. Analysis of revenue and cost of sales

	1979	1978
	(in thousands)	
Revenue:		
Rental	\$ 80,944	73,396
Sales - housing	70,158	54,069
- land	25,697	14,021
- lumber and building products	28,755	39,092
Hotels and restaurants	35,452	26,072
Other	3,690	2,519
	<u>\$244,696</u>	<u>209,169</u>
Cost of sales:		
Rental property operating costs	\$ 27,004	25,914
Housing	61,808	55,967
Land	18,170	10,552
Lumber and building products	23,938	35,728
Hotels and restaurants	21,607	16,512
	<u>\$152,527</u>	<u>144,673</u>

Financing, general and administrative and depreciation expenses have not been allocated to segmented cost.

13. Income taxes

- (a) The effective rate of income tax provided in the consolidated statement of earnings varies from the rates specified in the taxing statutes primarily because income debenture interest and certain gains on the disposition of rental properties and foreign exchange losses have been excluded in the determination of net income for income tax purposes.
- (b) The Corporation has received income tax reassessments from the Minister of National Revenue whereby certain capital gains related to a rental property, converted to a condominium, have been reassessed as ordinary income. The Corporation has filed Notices of Objection to these reassessments and both the Corporation and its legal counsel are of the opinion that the Corporation is likely to succeed in its appeal.
- (c) The Corporation has a capital loss carry-forward, in the approximate amount of \$12,000,000 on which deferred income taxes have not been recognized. This loss may be carried forward indefinitely to reduce future capital gains and the potential benefit will be reflected in earnings when realized. At current rates of tax this unrecorded deferred income tax benefit amounts to approximately \$3,000,000.

14. Extraordinary item

A shopping centre in which the Corporation holds a 67% interest was substantially destroyed by fire. The insurance proceeds, which will be used to rebuild the Centre, have been

estimated and credited to earnings after deducting the net book value and applicable income taxes of \$500,000.

15. Acquisition

In December the Corporation, through Johncamp Realty Inc., a 60% owned joint venture, completed a series of transactions resulting in the acquisition of the outstanding shares of Prudent Real Estate Trust, a publicly traded REIT in the United States of America. The Corporation's interest in the income of Prudent Real Estate Trust during the acquisition period is not material and the purchase has been accounted for as a single purchase as at December 31, 1979. The Corporation's proportionate interest in this acquisition has been accounted for by the purchase method as follows:

		60% interest (in thousands)
Cash		\$ 3,586
Rental properties	\$ 24,249	
Unallocated investment in excess of net book value	<u>13,103</u>	<u>37,352</u>
		40,938
Less liabilities		<u>22,148</u>
Total consideration – cash		<u><u>\$18,790</u></u>

Due to the litigious environment during the acquisition period, it was not practical to complete the allocation of the purchase price. The excess cost of the Corporation's investment in Prudent Real Estate Trust over its book value has been grouped with Rental Properties.

The Corporation has also provided financing in the amount of \$10,305,000 to Johncamp Realty Inc., in the form of preferred shares which entitles the Corporation to a preferential return. This is included in these financial statements as Amounts receivable – due from joint ventures.

16. Commitments

The Corporation has entered into various lease commitments with original terms running to 99 years. Certain of these leases have escalation clauses requiring adjustments to rent at various dates based on the market value of the property or other factors. The aggregate minimum rentals payable under such leases amount to approximately \$40,660,000 and those that are payable within the next ten years will be in the aggregate approximate annual amount of \$916,000.

The Corporation has an unfunded liability with respect to past service pension cost of approximately \$3,300,000, at December 31, 1979.

17. Statutory information

Interest charged against earnings, on indebtedness initially incurred for a term of more than one year, amounted to \$43,420,000.

The aggregate direct remuneration paid by the Corporation to directors and senior officers as defined in the Business Corporations Act (Ontario) was \$1,148,122 (1978 – \$897,251) of which the directors in their capacity as directors received \$79,675 (1978 – \$77,300).

18. Comparative figures

Certain 1978 comparative figures have been reclassified to conform with the 1979 presentation.

Five Year Financial Review

Consolidated Earnings

(in thousands of Canadian dollars)

	1979	1978	1977	1976	1975
Revenues					
Income Properties	80,944	73,396	56,096	51,683	49,574
Housing	70,158	54,069	58,999	65,694	51,573
Land	25,697	14,021	7,311	7,369	4,929
Hotels	35,452	26,072	20,400	16,680	6,459
Lumber & Building Products	28,755	39,092	24,656	30,173	25,949
Other	3,690	2,519	2,342	955	503
Total Revenues	244,696	209,169	169,804	172,554	138,987
Earnings Before Extraordinary Items	4,801	523	2,890	5,590	7,568
Net Earnings	6,601	523	3,570	4,227	7,568
Cash Flow	24,098	11,817	9,481	12,488	17,467

Per Common Share

(dollars per share)

Earnings Before Extraordinary Items	1.09	—	0.34	0.73	1.02
Net Earnings	1.55	—	0.44	0.53	1.02
Cash Flow	6.01	3.09	1.31	1.72	2.46

Consolidated Balance Sheet

(in thousands of Canadian dollars)

Total Assets	866,359	720,352	625,856	545,684	481,695
Income-Producing Properties	465,122	395,982	362,921	275,221	243,887
Land Held For Sale & Development	156,949	125,975	86,732	74,831	70,946
Hotels	72,337	72,553	56,693	49,883	48,248
Housing Inventories	54,204	51,234	58,132	64,161	59,797
Total Liabilities & Deferred Taxes	826,460	685,364	592,041	488,208	426,856
Bank Indebtedness	51,346	31,032	36,900	37,513	38,350
Long-Term Debt	618,584	534,046	437,518	344,192	285,191
Shareholders' Equity	39,899	34,988	33,815	57,476	54,839
Capital Stock	18,805	18,354	16,044	40,037	40,037
Retained Earnings	21,094	16,634	17,771	17,439	14,802

Directors

David S. Beatty
President,
Beatinvest Limited
Toronto

† **Thomas A. Boyles**
Honorary Director,
The Bank of Nova Scotia,
Toronto

* **Robert Campeau**
Chairman of the Board and
Chief Executive Officer,
Campeau Corporation

* **William J. Carroll**
Executive Vice-President,
Finance,
Campeau Corporation

André Charron, Q.C.
President,
Lévesque, Beaubien Inc.
Montréal

† **Robert Després**
President,
National Cablevision Ltd.
Québec

* **David King**
Executive Vice-President,
Campeau Corporation

* **Ronald B. McCartney**
President,
Campeau Corporation

Alan M. Mann, M.D.
Montreal General Hospital
Montréal

François Mercier, Q.C.
Partner,
Stikeman, Elliott, Tamaki,
Mercier and Robb,
Montreal

* **Jean C. Paradis**
Deputy Chairman,
Campeau Corporation

† **Frank Stronach**
Chairman and
Chief Executive Officer,
Magna International Inc.,
Toronto

Officers

Robert Campeau
Chairman of the Board and
Chief Executive Officer

Jean C. Paradis
Deputy Chairman

Ronald B. McCartney
President

David King
Executive Vice-President

William J. Carroll
Executive Vice-President,
Finance

J. Pierre Benoit
Senior Vice-President,
Housing and Land Development

Clément Cadieux
Senior Vice-President,
Special Projects

Raymond M. Chevrier
Senior Vice-President,
Heavy Construction

John D. Topping
Senior Vice-President,
Properties

Timothy J. Walker
Senior Vice-President,
Treasurer

Douglas A. Beggs
Vice-President,
Comptroller

Bruno Chiricota
Vice-President,
Forestry Operations

Donald J. Cresswell
Vice-President,
Secretary and General Counsel

Jean-Marie Gaudreault
Vice-President,
Project Planning

Raymond M. Larocque
Vice-President,
Buildings Products

Lenard B. McQuarrie
Vice-President
Land Development
California

Grant Sedgwick
Vice-President,
Commercial Development
Western Region

Roland Villemaire
Vice-President,
Accounting

Offices and Principal Subsidiaries

Head Office

Ottawa
2932 Baseline Road
Ottawa, Ontario
K1N 8R9

Branch Offices

Montreal
Toronto
Calgary
Edmonton
San Francisco
Santa Clara
Newport Beach
Palm Beach Gardens
Houston

Principal Subsidiaries

Campeau Corporation (U.S.) Inc.
Campeau Corporation California
Campeau Corporation Florida
Campeau Corporation Texas

Transfer Agent

Royal Trust Corporation of Canada
Montreal, Toronto

Registrar

Guaranty Trust Company of Canada
Montreal, Toronto

