

# Fairview

THE FAIRVIEW CORPORATION OF CANADA LIMITED/ANNUAL REPORT 1974

# Highlights

(combined basis)

<b>Operations</b>	<b>1974</b>	<b>1973</b>
<b>Revenue</b>		
Property income	\$ 42,106	\$ 36,459
Other	3,014	2,141
Total	45,120	38,600
<b>Cash flow from operations</b>		
Including equity in net income of CEDC	11,821	9,651
Per share	\$1.28	\$1.05
Excluding equity in net income of CEDC	10,703	8,936
Per share	\$1.15	97.4¢
<b>Net income before extraordinary item</b>	4,554	3,495
Per share	49.1¢	38.1
<b>Net income</b>	4,554	3,707
Per share	49.1	40.4¢
<b>Year-end position</b>		
Total assets	333,623	269,487
Long-term debt	204,085	177,809
Shareholders' equity	61,980	56,123

All amounts are in thousands of dollars, except for the per share amounts. The 1974 per share amounts are based on 9,268,620 shares outstanding (1973 – 9,176,800).

# President's Report to Shareholders

As you know, The Fairview Corporation Limited, our wholly-owned subsidiary, was amalgamated on May 31st, 1974 with Cadillac Development Corporation Limited, and Canadian Equity & Development Company Limited. Further reference will be made to the merger later in this report, but first I will report on Fairview as it was constituted in the year to February 28, 1974.

During the year to February 28th, 1974, your company again made substantial progress. Net earnings increased 23% over the previous year, (30% after eliminating extraordinary gains in the year to February 28th, 1973) and the cash flow from operations was ahead by 22%. Total assets of the company at February 28th, 1974 were higher than a year earlier by \$64,136,000, or 24%.

Since the last annual report, new income producing properties were completed, and substantial progress has been made on several others.

Le Carrefour Laval, a regional shopping centre of 850,000 square feet in the Montreal market, opened in March 1974. It is fully leased and sales by tenants since the opening are excellent. We own a 51% interest in this shopping centre.

The Barrie Shopping Centre, called Georgian Mall, with 110,000 square feet of rentable space, opened nearly a year ago together with the Simpsons-Sears department store which adjoins and is directly connected to the mall. This new centre is also successful.

The Commercial Union Tower of The Toronto-Dominion Centre, in which we

have a 50% interest, is now essentially complete and the first tenants have occupied space in the building. This building contains about 500,000 square feet of rentable space plus parking. An office building of 174,000 square feet in Ottawa in which our interest is 44%, was just completed when we wrote the last annual report, and since that time has been fully leased and occupied.

The Toronto-Dominion Bank Tower at Pacific Centre has also become fully leased since the last annual report. The 20 storey IBM Tower in the second phase known as Block 42 of Pacific Centre is approximately 75% complete, and most of the space has been leased. Substantial progress has also been made on the construction of the Four Seasons Hotel in Block 42 and a good start made on the construction of the parking and retail facilities in this phase of the development.

During the past year our Calgary North Hill Shopping Centre was enclosed, with a small expansion.

The Hillcrest Mall in Richmond Hill, with a total of 550,000 square feet of rentable space, is nearly completed and leased in preparation for opening in August of this year.

The Domaine Shopping Centre in the Montreal market is in the process of being enclosed and expanded, a second office building of more than 100,000 square feet is about to be commenced at the Fairview Mall Shopping Centre in Toronto, and plans are well advanced for a major expansion of the shopping centre at Les Galeries d'Anjou and for the construction of a new

regional shopping centre at St. Bruno in the Montreal market.

I am especially pleased to report that construction of the Eaton Centre in downtown Toronto is now underway, with the first phase expected to require about 2½ years for completion, including the new downtown Eaton's main store. Fairview's interest in this development is 60%, with Eaton's holding 20% and the Toronto Dominion Bank 20%. In conjunction with these ownership arrangements the Toronto Dominion Bank has agreed to provide guarantees for financing of the project, much in the same way as they have done at Toronto-Dominion Centre and Pacific Centre.

All of these comments have been made with respect to Fairview as it was during the fiscal year ended February 28th, 1974 and up until the end of May. On May 31st, 1974 our business operations were amalgamated with Cadillac Development Corporation Limited and Canadian Equity & Development Company Limited.

Details of this amalgamation were provided to shareholders by means of the information circulars dated May 1, 1974 and the amalgamation was approved at a special general meeting of shareholders of The Fairview Corporation of Canada Limited on May 30th 1974. A brief summary of this transaction may be in order:

1. Under existing law, a federal company may not amalgamate with an Ontario Company. The Fairview Corporation of Canada Limited, being a federal company, could not therefore directly



merge with Cadillac and Canadian Equity which were Ontario companies. Prior to the amalgamation, Fairview Canada transferred all of its assets to an existing wholly-owned subsidiary which was an Ontario company, namely The Fairview Corporation Limited. The Fairview Corporation Limited then on May 31st amalgamated with Cadillac and Canadian Equity, to form The Cadillac Fairview Corporation Limited.

2. The rate of share exchange in the merger was 1.4 shares of Cadillac Fairview for each outstanding Fairview Canada share, 1.2 shares for each Canadian Equity share, and 1 share of Cadillac Fairview for each share of Cadillac.
3. As a result of the amalgamation, Fairview Canada now holds 10,776,080 or 49% of the common shares of Cadillac Fairview, and also holds a convertible note in the amount of \$53,869,000. This note will be converted in about six months' time into an additional 39,255 common shares of Cadillac Fairview and 2,160,733 special shares. The special shares may not vote but otherwise are equal in all respects to the common shares. After conversion, Fairview Canada will hold a total of 12,976,068 common and special shares of Cadillac Fairview, and this holding will represent approximately 54% of the total of the common and special shares.
4. The common shares of The Fairview Corporation of Canada Limited have, since the amalgamation, been subdivided at a ratio of 1.4 to 1 so that there are now a total of 12,976,068

shares of Fairview Canada outstanding, which is exactly equal to the total number of Cadillac Fairview shares which will be owned by Fairview Canada after the conversion of the note referred to above.

5. Fairview Canada has entered into a shareholders' agreement with other major shareholders of Cadillac Fairview, the agreement to run for five years, with the intention that the parties to the agreement will vote their shares in support of a slate of directors half of whom will be nominated by your company and half of whom will be nominated by the group who previously controlled the Cadillac Development Corporation Limited.
6. Cadillac Fairview has agreed to exchange 1 share of Cadillac Fairview for each share of The Fairview Corporation of Canada Limited. It is hoped it will be legally possible to amalgamate Fairview Canada with Cadillac Fairview at an early date, but Cadillac Fairview has undertaken to maintain the offer for a period ending on the earlier of the amalgamation date or 30 years. We suggest that any shareholder of Fairview Canada obtain tax advice before taking up this share exchange offer.
7. The Board of Directors of The Fairview Corporation of Canada Limited has passed a resolution expressing their intention to pay out to its own shareholders any and all dividends received from Cadillac Fairview.
8. The Letters Patent of Fairview Canada have been altered so as to preclude it

from carrying on any other business and its only purpose will be to hold its investment in Cadillac Fairview. The approval of 80% of the common shareholders of Fairview Canada would be required to change these Letters Patent, and for five years the approval of Cadillac Fairview would also be required for a change in the Letters Patent.

9. As a result of all these arrangements, we expect that shares of Fairview Canada will trade at or close to the same price as shares of Cadillac Fairview. The shares of both companies are traded on the same Stock Exchanges.
10. A year ago a bill was introduced in parliament which would have had the effect of enabling Fairview Canada to become an Ontario Corporation. It is generally expected similar legislation will be reintroduced in a future session of parliament and if and when it is passed it is intended that Fairview Canada, will be amalgamated with Cadillac Fairview at a share exchange ratio of 1 share of Fairview Canada to 1 share of Cadillac Fairview.

In future, Fairview Canada shareholders will receive copies of all financial statements and any other shareholder reports of Cadillac Fairview. Fairview Canada will also submit its own financial reports to its shareholders, which reports will of course be a direct reflection of its interest in Cadillac Fairview since it has no other business activities.

In summary, the future of Fairview Canada is now directly related to the future of Cadillac Fairview. I would like to direct

your attention to the information circulars of Fairview, Cadillac, and Canadian Equity which were distributed to shareholders prior to the amalgamation. The circulars describe in considerable detail the business activities of these companies which are now joined together as one corporation. The circulars also contain pro forma financial information for the new Cadillac Fairview Corporation. Additional copies of these circulars are available to shareholders of Fairview Canada on request. Your Directors believe the outlook for the future is very promising, and that the amalgamation will improve prospects for the shareholders of Fairview Canada as well as those of the former Cadillac and Canadian Equity companies. Cadillac Fairview has superior management skills in most aspects of real estate development and operation, together with very substantial assets and financial strength. We expect this combination of resources will enhance its ability to grow and to operate successfully, in the increasing complexities and larger development opportunities which characterize our industry today.

The amalgamation marks the beginning of a new chapter in the history of our company. The employees of Fairview are now employees of The Cadillac Fairview Corporation Limited. On this occasion, speaking for myself personally and on behalf of the Board of Directors, I would like to express my deep gratitude to all of our employees for their great loyalty and dedication in building Fairview, not only during the past year but since its inception 15 years ago.

Neil R. Wood  
*President*

**The Fairview Corporation of Canada Limited**  
**Statements of Income**

for the year ended February 28, 1974  
(with comparative figures for 1973)  
(in thousands of dollars)

	Consolidated		Combined	
	1974	1973	1974	1973
<b>Revenue:</b>				
Property income	\$20,925	\$17,758	\$42,106	\$36,459
Fee income	2,436	2,124	1,618	1,321
	<u>23,361</u>	<u>19,882</u>	<u>43,724</u>	<u>37,780</u>
Sales of houses and land	3,553	1,212	3,791	1,212
Cost of sales of houses and land	<u>3,334</u>	<u>1,107</u>	<u>3,513</u>	<u>1,107</u>
	<u>219</u>	<u>105</u>	<u>278</u>	<u>105</u>
Equity in net income of associated companies and of Canadian Equity & Development Company Limited	<u>2,835</u>	<u>1,867</u>	<u>1,118</u>	<u>715</u>
	<u>26,415</u>	<u>21,854</u>	<u>45,120</u>	<u>38,600</u>
<b>Expenses:</b>				
Property operations	7,917	6,465	16,088	14,150
General and administrative	3,522	2,781	3,693	2,830
Leasehold rentals	1,022	977	1,580	1,447
Interest — mortgage debt	4,415	3,591	11,161	9,846
— other loans	<u>439</u>	<u>535</u>	<u>542</u>	<u>548</u>
	<u>17,315</u>	<u>14,349</u>	<u>33,064</u>	<u>28,821</u>
Income before the undernoted items	<u>9,100</u>	<u>7,505</u>	<u>12,056</u>	<u>9,779</u>
Depreciation and amortization	2,367	2,017	3,555	3,150
Income taxes — current	—	—	235	128
— deferred	<u>2,179</u>	<u>1,993</u>	<u>3,712</u>	<u>3,006</u>
	<u>4,546</u>	<u>4,010</u>	<u>7,502</u>	<u>6,284</u>
Income before extraordinary item	<u>4,554</u>	<u>3,495</u>	<u>4,554</u>	<u>3,495</u>
Gain on sales of properties	<u>—</u>	<u>212</u>	<u>—</u>	<u>212</u>
<b>Net income</b> (per share Note 10)	<u>\$ 4,554</u>	<u>\$ 3,707</u>	<u>\$ 4,554</u>	<u>\$ 3,707</u>



**The Fairview Corporation of Canada Limited**  
**Balance Sheets**

February 28, 1974  
(with comparative figures for 1973)  
(in thousands of dollars)

	Consolidated		Combined	
	1974	1973	1974	1973
<b>Assets</b>				
Income-producing properties (Note 2)	\$ 85,633	\$ 79,819	\$205,756	\$194,952
Properties under development (Note 3)	23,839	7,071	70,956	26,213
Investments (Note 4)				
Associated companies	24,155	17,422	—	—
Canadian Equity & Development Company Limited	18,563	17,445	18,563	17,445
Land held for future development, at cost	8,946	10,495	16,029	16,593
Project funds	—	—	5,000	—
Cash and short-term deposits	—	138	2,156	4,481
Marketable securities, at cost which approximates market	—	—	1,625	1,625
Amounts receivable (Note 5)	7,884	4,987	11,273	6,075
Prepaid expenses	999	581	2,265	2,103
Deferred income taxes	—	137	—	—
	<u>\$170,019</u>	<u>\$138,095</u>	<u>\$333,623</u>	<u>\$269,487</u>

On behalf of the Board: **Neil R. Wood**, *Director*      **B. I. Ghert**, *Director*

	Consolidated		Combined	
	1974	1973	1974	1973
<b>Liabilities</b>				
Long-term debt (Note 6)	\$ 70,117	\$ 61,931	\$204,085	\$177,809
Bank loans (Note 7)	24,271	11,614	40,464	17,458
Non-interest bearing obligation to parent company, due 1974 to 1975	1,995	2,823	1,995	2,823
Accounts payable and accrued liabilities (Note 8)	8,190	4,232	15,462	9,387
Income taxes payable	—	—	111	38
Deferred income	1,648	1,372	3,655	3,156
Deferred income taxes	1,818	—	5,871	2,693
	<u>108,039</u>	<u>81,972</u>	<u>271,643</u>	<u>213,364</u>
<b>Shareholders' Equity</b>				
Capital stock (Note 9)	53,502	52,199	53,502	52,199
Retained earnings	8,478	3,924	8,478	3,924
	<u>61,980</u>	<u>56,123</u>	<u>61,980</u>	<u>56,123</u>
	<u>\$170,019</u>	<u>\$138,095</u>	<u>\$333,623</u>	<u>\$269,487</u>

**The Fairview Corporation of Canada Limited**  
**Statements of Source and Use of Cash**

for the year ended February 28, 1974

(with comparative figures for 1973)

(in thousands of dollars)

	Consolidated		Combined	
	1974	1973	1974	1973
<b>Source of cash:</b>				
Income before extraordinary item	\$ 4,554	\$ 3,495	\$ 4,554	\$ 3,495
Charges not requiring cash outlay —				
Depreciation and amortization	2,367	2,017	3,555	3,150
Deferred income taxes	2,179	1,993	3,712	3,006
Cash flow from operations	9,100	7,505	11,821	9,651
Proceeds from issue of shares	1,302	52,099	1,302	52,099
New long-term debt	14,197	13,832	36,833	20,482
Net increase in accounts payable and accrued liabilities	3,958	1,816	6,075	3,186
Decrease in advances to associated companies	4,298	2,063	—	—
Net increase (decrease) in bank loans	12,657	(3,137)	23,006	644
Decrease (increase) in cash (including short-term deposits and project funds)	138	191	(2,675)	977
	<u>\$45,650</u>	<u>\$74,369</u>	<u>\$76,362</u>	<u>\$87,039</u>
<b>Use of cash:</b>				
Investment in income-producing properties and development of properties	\$14,805	\$12,967	\$48,245	\$25,545
Additions to land held for future development	8,719	3,321	10,351	3,611
Repayment of notes payable to parent company	—	52,099	—	52,099
Associated companies —				
Investment in shares	10,484	87	—	—
Equity in undistributed net income	547	1,153	—	—
Canadian Equity & Development Company Limited —				
Equity in undistributed net income	1,118	715	1,118	715
Long-term debt repayments	6,011	2,478	10,557	2,958
Repayment of obligation to parent company	829	829	829	829
Purchase of marketable securities	—	—	—	1,625
Net increase (decrease) in amounts receivable	2,897	482	5,198	(618)
Share issue expenses	—	198	—	198
Other (net)	240	40	64	77
	<u>\$45,650</u>	<u>\$74,369</u>	<u>\$76,362</u>	<u>\$87,039</u>



**The Fairview Corporation of Canada Limited**  
**Statements of Retained Earnings**

for the year ended February 28, 1974  
(with comparative figures for 1973)  
(in thousands of dollars)

	Consolidated and Combined	
	1974	1973
Balance, beginning of year	\$3,924	\$ 415
Net income	<u>4,554</u>	<u>3,707</u>
	8,478	4,122
Share issue expenses	—	(198)
Balance, end of year	<u><u>\$8,478</u></u>	<u><u>\$3,924</u></u>

**The Fairview Corporation of Canada Limited**  
**Notes to Financial Statements**

February 28, 1974

(All dollar amounts are stated in thousands)

**1. Accounting policies:**

**(a) Financial statements**

The Company's financial statements are presented on two bases.

1) The consolidated financial statements are presented to comply with generally accepted accounting principles and include the accounts of the Company, its controlled subsidiaries and its proportionate share of the individual assets, liabilities, income and expenses of co-tenancies and a partnership. In addition, under the equity method of accounting, consolidated net income includes the Company's equity in the net income of joint-venture real estate companies and of Canadian Equity & Development Company Limited.

2) The combined financial statements are presented because, in the opinion of management they present more fully the financial position and results of operations of the Company and its real estate investments. These statements include the consolidated accounts mentioned above together with the Company's proportionate share of the individual assets, liabilities, income and expenses of joint-venture real estate companies. Such joint-venture real estate companies are referred to in these statements as "associated companies".

The difference between the two presentations is that the investment in associated companies is replaced by a proportionate share of the individual assets and liabilities of these companies and the equity in net income is replaced by a proportionate share of the individual income and expense accounts. The net income is the same under both bases.

**(b) Depreciation and amortization**

Depreciation on buildings is provided under the sinking fund method over their estimated useful lives that range from twenty to sixty years and using a 5% interest factor. Under this method depreciation charged to income in later years is greater than amounts charged in earlier years. Depreciation on equipment is provided in equal amounts so as to depreciate them over periods that range from five to ten years. Initial leasing charges are amortized over the term of the related leases and other deferred charges are amortized over terms appropriate to the expenditure.

**(c) Deferred income taxes**

The Company may claim for income tax purposes certain expenses that are capitalized or deferred in the accounts and may also claim capital cost allowances in amounts greater or less than depreciation provided. Accordingly, income taxes otherwise currently payable are deferred to future years.

**(d) Capitalized expenses**

The carrying value of properties under development and land held for future development includes interest, property taxes and ground rent directly attributable to such properties. These costs may be claimed for income tax purposes as incurred. The related tax saving in respect of amounts capitalized to land are applied to reduce the amounts so capitalized.

**(e) General**

The Company is a member of the Canadian Institute of Public Real Estate Companies. The Company's accounting policies and its financial disclosure are in accordance with recommendations of that institute in all material respects.

**2. Income-producing properties, at cost:**

	Consolidated		Combined	
	1974	1973	1974	1973
Land	\$15,093	\$14,353	\$ 21,063	\$ 19,694
Buildings and improvements	83,155	76,156	195,705	183,297
Equipment	1,514	1,363	2,380	2,110
	<u>99,762</u>	<u>91,872</u>	<u>219,148</u>	<u>205,101</u>
Accumulated depreciation	14,922	12,821	18,920	16,029
	<u>84,840</u>	<u>79,051</u>	<u>200,228</u>	<u>189,072</u>
Unamortized initial leasing and other deferred charges	793	768	5,528	5,880
	<u>\$85,633</u>	<u>\$79,819</u>	<u>\$205,756</u>	<u>\$194,952</u>

**3. Properties under development, at cost:**

	Consolidated		Combined	
	1974	1973	1974	1973
Land — residential	\$ 3,456	\$1,476	\$ 4,909	\$1,650
— commercial	9,849	2,665	15,839	8,857
	<u>13,305</u>	<u>4,141</u>	<u>20,748</u>	<u>10,507</u>
Construction in progress — residential	5,118	231	19,607	1,354
— commercial	5,416	2,699	30,601	14,352
	<u>10,534</u>	<u>2,930</u>	<u>50,208</u>	<u>15,706</u>
	<u>\$23,839</u>	<u>\$7,071</u>	<u>\$70,956</u>	<u>\$26,213</u>

**4. Investments:**

	Consolidated		Combined	
	1974	1973	1974	1973
Associated companies:				
Shares, at cost	\$15,093	\$ 4,609	\$ —	\$ —
Equity in undistributed net income since acquisition	4,810	4,263	—	—
Advances	4,252	8,550	—	—
	<u>\$24,155</u>	<u>\$17,422</u>	<u>\$ —</u>	<u>\$ —</u>

Canadian Equity & Development Company Limited — 30% owned.

(Quoted market value — 1974 — \$23,330)

Shares, at cost	\$16,586	\$16,586	\$16,586	\$16,586
Equity in undistributed net income since acquisition	1,977	859	1,977	859

In the opinion of management, the real value of the underlying net assets has not diminished since the date of acquisition and accordingly the difference of \$10,124 between cost and underlying net book value of the shares at that date is not being amortized.

**5. Amounts receivable:**

	Consolidated		Combined	
	1974	1973	1974	1973
Notes, mortgage and other loans	\$5,063	\$2,948	\$ 6,469	\$3,397
Due under employee share purchase plan	1,302	—	1,302	—
Rent	788	720	2,212	1,013
Due from owners of managed properties	345	491	345	491
Accrued interest	39	62	160	117
Other	347	766	785	1,057
	<u>\$7,884</u>	<u>\$4,987</u>	<u>\$11,273</u>	<u>\$6,075</u>
Amounts due after one year included above	\$1,747	\$1,829	\$ 1,884	\$1,829



## 6. Long-term debt:

	Consolidated		Combined	
	1974	1973	1974	1973
(a) First mortgage sinking fund bonds and mortgage loans, at an average rate of interest of 8.2% consolidated, 7.2% combined, repayable in varying terms up to 2024. The 1974 combined amount includes \$52,906 repayable in U.S. dollars (1973 – \$45,523)	\$54,200	\$54,573	\$187,622	\$166,053
(b) Other loans, at an average rate of interest of 8.7% consolidated, 8.7% combined, repayable in varying terms up to 1993.	15,917	7,358	16,463	11,756
	<u>\$70,117</u>	<u>\$61,931</u>	<u>\$204,085</u>	<u>\$177,809</u>

Sinking fund and other repayments required over the next five fiscal years are as follows:

	Consolidated	Combined
1975	\$ 3,520	\$ 4,371
1976	8,760*	9,965*
1977	3,255	4,776
1978	7,470	16,472
1979	13,448**	15,050**

\* Includes \$4,000 term loan.

\*\* Includes \$10,000 term loan.

## 7. Bank loans:

	Consolidated		Combined	
	1974	1973	1974	1973
Specific development loans	\$22,127	\$ 8,893	\$37,057	\$12,012
General loans	2,144	2,721	3,407	5,446
	<u>\$24,271</u>	<u>\$11,614</u>	<u>\$40,464</u>	<u>\$17,458</u>

## 8. Accounts payable and accrued liabilities:

	Consolidated		Combined	
	1974	1973	1974	1973
Accounts payable	\$2,941	\$2,829	\$5,846	\$5,060
Mortgages and purchase agreements payable	2,777	161	2,777	161
Construction holdbacks	548	215	2,137	870
Accrued interest	808	381	3,388	2,473
Accrued property taxes	318	442	516	619
Payable to owners of managed properties	798	204	798	204
	<u>\$8,190</u>	<u>\$4,232</u>	<u>\$15,462</u>	<u>\$9,387</u>

## 9. Capital stock:

(a) Common shares		
Authorized – 15,000,000 without nominal or par value	1974	1973
Issued and fully paid – 9,268,620 (9,176,800 in 1973)	<u>\$53,502</u>	<u>\$52,199</u>

(b) During the year 91,820 shares were issued for \$1,302 to employees under the employee share purchase plan.

(c) An aggregate of 108,180 shares have been reserved under employee share purchase and stock option plans. Of this amount 13,000 shares have been designated under options granted to employees during the year at \$14.18 per share.

(d) Effective June 3, 1974, the issued common shares of the Company were subdivided on a 1.4 for 1 basis.

## 10. Net income per share:

	1974	1973
Net income before extraordinary item	49.1¢	38.1¢
Net income	49.1¢	40.4¢

The 1974 per share amounts are based on 9,268,620 shares outstanding (1973 – 9,176,800).



## 11. Commitments and contingencies:

(a) In the ordinary course of business, the Company and its subsidiaries and associated companies are continuously committed to the acquisition and development of real estate. At May 31, 1974, the Company's proportion of these commitments amounted to an estimated \$190,000 with \$55,000 of long-term financing arranged and a Canadian financial institution has agreed to provide guarantees in respect of an additional amount of \$81,000 long-term financing not yet arranged. At February 28, 1974, \$41,800 had been expended against draw-downs of \$21,639.

(b) The Company, its subsidiaries and associated companies, are committed under lease agreements, excluding tenants' lease take-over agreements entered into in the normal course of business, for annual rental payments of \$1,300 — consolidated and \$2,100 — combined, with varying lease periods up to the year 2071.

(c) The Company, by agreement with its parent company (Cemp Investments Ltd.) has undertaken to ensure that funds will be available to service annually, its proportionate share of the debt requirements of certain associated companies. At February 28, 1974, the total related debt amounted to \$98,700, and for the year then ended the total principal and interest payments amounted to \$6,500. Such debt, principal repayments and interest expense are included in the combined financial statements. In each case, the cash flow being earned by each of the associated companies presently satisfies its debt service requirements and, therefore, in the opinion of management, it is unlikely that the Company will become directly liable for these obligations.

(d) The Company is contingently liable for the obligations of its associates in co-tenancies and a partnership, amounting to approximately \$6,800 at February 28, 1974. However, in each case, the co-tenants' or partner's share of the assets, amounting to \$7,900 is available for the purpose of satisfying such obligations.

## 12. Amalgamation and subsequent events:

Effective May 31, 1974, The Fairview Corporation Limited, a wholly-owned subsidiary which holds all of the Company's operating assets, amalgamated with The Cadillac Development Corporation Limited, Canadian Equity & Development Company Limited and certain other companies under the name of The Cadillac Fairview Corporation Limited. Following the amalgamation the only assets of the Company consist of the following:

Investment in The Cadillac Fairview Corporation Limited —	
Common shares (49% interest)	\$ 5,910
Non-interest bearing convertible subordinated note	53,869
	<u>\$59,779</u>

The note has the following attributes:

- (a) Non-interest bearing.
- (b) Payable on demand six months following the date of amalgamation.

(c) Convertible into 2,199,988 shares which may be special shares and/or common shares at the option of the Company or The Cadillac Fairview Corporation Limited, provided that as a result of the conversion the Company would not hold more than 49% of the total number of common shares outstanding after such conversion. The attributes of the special shares are identical to those of the common shares, except that the special shares are non-voting in all circumstances.

(d) The conversion privilege mentioned in (c) above may not be exercised by the Company until after the expiration of six months from the date of amalgamation, except in the event that The Cadillac Fairview Corporation Limited declares a dividend on its common or special shares and in the event The Cadillac Fairview Corporation Limited gives notice that it intends to make a repayment of the debt owing under the note.

(e) The conversion privilege mentioned in (c) above may not be exercised by The Cadillac Fairview Corporation Limited until after the expiry of eight months from the date of amalgamation except in the event that the Company demands repayment of the debt due under the note.

(f) The principal amount is subordinated to all other present and future indebtedness of The Cadillac Fairview Corporation Limited.

At a meeting held on May 30, 1974, the Company's shareholders approved the ultimate merging of the Company with The Cadillac Fairview Corporation Limited at such time as Federal legislation permits.

On June 3, 1974, supplementary letters patent were issued to the Company under which its objects are limited to the holding of shares and other securities and the guaranteeing of indebtedness and obligations of The Cadillac Fairview Corporation Limited and the provision of consulting and advisory services to The Cadillac Fairview Corporation Limited.

## 13. Capitalized expenses:

The following amounts (before related income tax savings) were capitalized to properties under development and land held for future development.

	Consolidated		Combined	
	1974	1973	1974	1973
Interest	\$2,160	\$1,245	\$4,493	\$2,806
Property taxes, ground rent etc.,				
less sundry revenue	417	39	897	846
	<u>\$2,577</u>	<u>\$1,284</u>	<u>\$5,390</u>	<u>\$3,652</u>

## 14. Remuneration of directors and officers:

The Company has 10 directors (1973 — 10 directors) and 11 officers (1973 — 11 officers), 6 of the officers are also directors. No remuneration was paid to the directors; remuneration of the officers which was paid by The Fairview Corporation Limited, a subsidiary company, amounted to \$468 for the year ended February 28, 1974 (1973 — \$408).

## Auditors' Report

To the Shareholders of

### **The Fairview Corporation of Canada Limited:**

We have examined the consolidated balance sheet of The Fairview Corporation of Canada Limited and subsidiary companies as at February 28, 1974, and the consolidated statements of income, retained earnings, and source and use of cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at February 28, 1974, and the results of their operations and the source and use of their cash for the year ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We have also examined the combined financial statements of the companies and in our opinion they present fairly and consistently the financial position of the Company and its real estate investments as at February 28, 1974, and the results of their operations and source and use of their cash for the year then ended, in accordance with the basis described in Note 1 to the accompanying financial statements.

Toronto, Ontario  
June 20, 1973

**Price Waterhouse & Co.**  
Chartered Accountants



## Financial Review

(combined basis)

(all dollar amounts are stated in thousands)

	1974	1973	1972	1971	1970
Property income	\$ 42,106	\$ 36,459	\$ 30,746	\$ 27,594	\$ 22,673
Other	3,014	2,141	939	810	787
Total revenue	45,120	38,600	31,685	28,404	23,460
Cash flow from operations — Including equity in net income of CEDC	11,821	9,651	8,474	5,528	4,606
Cash flow from operations — Excluding equity in net income of CEDC	10,703	8,936	8,329	5,528	4,606
Net income before extraordinary items	4,554	3,495	2,829	1,454	1,263
Net income	4,554	3,707	2,348	2,365	1,595
Income-producing properties	205,756	194,952	179,672	170,458	160,605
Total assets	333,623	269,487	242,732	214,656	204,941
Long-term debt	204,085	177,809	160,285	125,757	124,180
Shareholders' equity	61,980	56,123	52,614	42,298	39,632
<b>Representative ratios:</b>					
Property income — Income-producing properties	20%	19%	17%	16%	14%
Cash flow (excluding CEDC) — Income-producing properties	5.2%	4.6%	4.6%	3.2%	2.9%
Cash flow — Shareholders' equity	19%	17%	16%	13%	12%

**Note** — In order to make amounts comparable, the net income above for 1972 and prior has been adjusted to

exclude interest expense, net of applicable income taxes, on the parent company notes and shareholders' equity for the

same period is the aggregate of shareholders' equity and the amount of notes payable to parent company.



**The Fairview Corporation of Canada Limited**  
**Directors and Officers**



Name	Office	Principal occupation
*E. Leo Kolber	Chairman of the Board Director	President Cemp Investments Ltd.
*Neil R. Wood	President Director	President The Cadillac Fairview Corporation Limited
*Kenneth Bream	Vice President Development Director	Executive Vice President The Cadillac Fairview Corporation Limited
*Bernard Ghert	Vice President Finance Director	Executive Vice President and Chief Financial Officer The Cadillac Fairview Corporation Limited
M. J. Rothschild	Vice President Office Buildings Director	Vice President The Cadillac Fairview Corporation Limited
Reg G. Stapley	Vice President Shopping Centres Director	Vice President The Cadillac Fairview Corporation Limited
Charles R. Bronfman	Director	Executive Vice President Distillers Corporation-Seagrams Ltd.

\*Member Executive Committee

Name	Office	Principal occupation
R. B. Carleton	Director	Vice President and General Counsel Cemp Investments Ltd.
Nat Gesser	Director	Vice President Finance Cemp Investments Ltd.
Philip F. Vineberg	Director	Partner Phillips & Vineberg
Frank Barrie	Vice President Construction	Vice President The Cadillac Fairview Corporation Limited
Stan Witkin	Vice President Development	Senior Vice President The Cadillac Fairview Corporation Limited
J. Spence Stewart	Secretary	General Counsel and Secretary The Cadillac Fairview Corporation Limited
Rene Baby	Treasurer	Vice President Finance and Treasurer The Cadillac Fairview Corporation Limited
Peter McNichol	Controller	Vice President Finance and Senior Controller The Cadillac Fairview Corporation Limited

**Head Office:** **The Fairview Corporation of Canada Limited**  
P.O. Box No. 2, Toronto-Dominion Centre  
Toronto, Ontario M5K 1A1

**Transfer Agent  
and Registrar:** The Royal Trust Company at its principal offices in Halifax,  
Montreal, Toronto, Winnipeg, Regina, Calgary, and Vancouver.

**Listing of  
Stock:** The Montreal, Toronto and Vancouver Stock Exchange

**Auditors:** Price Waterhouse & Co.,  
Toronto, Ontario

