



# Daon Development Corporation Annual Report 1980

*Cover Photo— Daon Centre,  
the Company's new headquarters  
in downtown Vancouver.*

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## Five Year Financial Highlights\*

|  | 1980             | 1979      | 1978    | 1977    | 1976      |
|--|------------------|-----------|---------|---------|-----------|
| <b>Operating Results</b>                                 |                  |           |         |         |           |
| Total Revenue (in \$000)                                 | <b>697,961</b>   | 531,236   | 347,576 | 155,307 | 123,176   |
| Net Income (in \$000)                                    | <b>51,340</b>    | 42,203    | 15,482  | 10,340  | 7,772     |
| Earnings per Common Share (in \$)                        | <b>1.32</b>      | 1.10      | .42     | .27     | .19       |
| Cash Flow (in \$000)                                     | <b>91,224</b>    | 78,974    | 33,394  | 22,261  | 15,259    |
| Cash Flow per Common Share (in \$)                       | <b>2.43</b>      | 2.12      | .91     | .60     | .40       |
| <b>Financial Performance</b>                             |                  |           |         |         |           |
| Total Assets (in \$000)                                  | <b>1,674,218</b> | 1,221,662 | 653,622 | 464,306 | 278,161   |
| Income Properties (in \$000)                             | <b>529,362</b>   | 447,520   | 307,738 | 228,069 | 107,350   |
| Shareholders' Equity:                                    |                  |           |         |         |           |
| Historic Cost (in \$000)                                 | <b>159,183</b>   | 121,003   | 70,935  | 34,110  | 25,589    |
| Net Market Value (in \$000)**                            | <b>393,697</b>   | 312,658   | 183,196 | 96,664  | 77,647*** |
| Net Market Value of Assets per<br>Common Share (in \$)** | <b>9.81</b>      | 7.46      | 4.30    | 2.58    | 2.03***   |
| Total Liabilities/Shareholders' Equity:                  |                  |           |         |         |           |
| Historic Cost  | <b>9.52×</b>     | 9.10×     | 8.21×   | 12.61×  | 9.87×     |
| Net Market Value**                                       | <b>4.44×</b>     | 4.13×     | 3.79×   | 5.10×   | 3.92×     |
| Interest Coverage (expense basis)                        | <b>2.68×</b>     | 3.41×     | 2.42×   | 2.71×   | 2.98×     |
| <b>Common Share Data</b>                                 |                  |           |         |         |           |
| Price (in \$):   |                  |           |         |         |           |
| High   | <b>11.25</b>     | 10.38     | 3.63    | 1.63    | .53       |
| Low  | <b>4.80</b>      | 2.69      | 1.47    | .44     | .31       |
| Trading Volume:  |                  |           |         |         |           |
| Number of Shares (in 000's)                              | <b>11,772</b>    | 5,285     | 1,603   | 642     | 548       |
| Dollar Volume (in \$000)                                 | <b>104,256</b>   | 70,270    | 17,407  | 7,323   | 4,416     |
| Dividends Paid (in \$)                                   | <b>0.12</b>      | 0.07      | 0.029   | 0.016   | —         |
| Number of Shareholders<br>at October 31                  | <b>4,312</b>     | 2,571     | 1,534   | 1,012   | 1,065     |

\*Certain prior years' figures have been restated as outlined in the Notes to the Financial Statements.

\*\*After allowance for income taxes at 50%.

\*\*\*Based upon independent appraisals as at January 31, 1977.

All per share data adjusted for stock splits.

**T**he past year was one of great challenge to the real estate industry. Attempts to curb inflationary pressures both in Canada and the United States pushed interest rates to an all-time high, creating a negative impact on our industry. Despite this, we are pleased to report that 1980 produced record results in terms of earnings, cash flow and total assets. This was achieved while still improving our capital base and liquidity positions over the previous year. We believe that net earnings will exceed those of any public real estate company on the North American continent for the second consecutive year.

As indicated in the five-year financial highlights on the opposite page, total revenue increased by 31%, earnings per share by 20%, cash flow per share by 15% and total assets by 37% from 1979. Over the five-year period, assets have grown at an average annual rate of 52%, cash flow at 52% and net income at 59%.

Shareholders' equity rose by 32% and now stands at \$159 million on the basis of historic cost.

### **Market Value of Assets**

In determining the Company's worth or measuring the investment and operating performance of management, we continue to emphasize the importance of market value of assets rather than book value.

Following our established procedure, a valuation by independent real estate appraisers of all Daon's interests in real estate was completed as at October 31, 1980. Based on these appraisals and the quoted value of listed securities, the total market value of Daon's holdings exceeds book value by \$469 million at fiscal year-end. After allowing for taxes at 50% on the excess, shareholders' equity at market value increased during the year to \$394 million.

On a common share basis, the net market value of assets, after assumed taxes, increased by 32% over the past year from \$7.46 to \$9.81 per share at October 31, 1980.

## **President's Report**

**B**usiness Strategy  
Over the past year we have seen unprecedented conditions in the North American capital markets. After a brief respite, interest rates are on the rise again and we continue to face the challenge of economic uncertainty and volatility.

With this in mind, the Company is continuing to maintain substantial reserves of cash and credit while at the same time expanding its real estate asset base. Despite our overall growth during the year, the Company has accumulated substantial liquid reserves. In addition, operating bank lines, committed but unutilized, are in excess of \$100 million.

The Company has also consciously diversified its short-term and long-term sources of financing by capital market, type of lender, geographic market and type of financing. We have substantially increased the volume and improved the terms of our borrowings in Canada, the United States and Europe, through direct relationships

with banks, insurance companies, pension funds and other financial institutions.

By utilizing alternative methods of pricing on specific short-term borrowings such as bankers' acceptances, bank guaranteed commercial paper and London Interbank Offered Rate (LIBOR), the Company has been able to substantially reduce, and in some cases fix, the rates paid on portions of these borrowings.

During the year the Company arranged three private placements of long-term floating rate debentures, totalling \$27.5 million. The Company may temporarily pay-down or redeem these debentures without penalty in the event that long-term fixed rate financing becomes attractive again.

In direct response to the unusually high levels of long-term mortgage rates, the Company successfully completed in June 1980, the marketing of the Daon Centre Limited Partnership, representing 50% unlevered ownership in Daon Centre, the Company's new headquarters in downtown Vancouver. Also at date of writing, the Company is offering for sale limited partnership units, representing a 65% interest, in Daon Shopping Centres, Alberta. This offering, which totals \$177.5 million, is believed to be the largest of its kind ever made in North America.

### **Optional Stock Dividend Program**

In February 1980, the Company introduced this Program in order to permit holders of Daon common shares who are resident in Canada to elect to receive dividends in common shares instead of cash. Generally the Program provides shareholders with increased flexibility as to timing and form of taxation as well as enabling them to increase their holdings of common shares without commissions or service charges. In addition the Program allows Daon to increase its net worth and conserve cash by having available to it funds which would otherwise have been paid out as cash dividends.

### **Dividends**

The Company's policy, adopted in 1977, is to pay out a minimum of 10% of prior year's net earnings in the form of common share dividends. In accordance with this policy, quarterly dividends of 2½¢, 3¢, 3¢ and 3½¢ respectively were paid in 1980. On December 15, 1980, the Board of Directors approved a quarterly dividend of 3½¢ per share payable January 25, 1981, to all common shareholders of record at January 10, 1981.

### **Share Purchase Program**

The Company continues to allocate approximately 10% of prior year's net earnings to the purchase of Daon common shares on the open market. These purchases take place only during those periods between the release of a quarterly

or annual report and the end of the quarter in which the report is released. During the past year 540,000 shares were purchased at an average cost of \$8.16 per share. It should be noted that these purchases represent only 1.5% of the common shares outstanding and approximately 3.6% of the total Daon common shares traded during 1980.

### **Outlook for 1981**

All indications are that 1981 will continue where 1980 left off, with high interest rates and high inflation. Nevertheless, our strategy of locating our operations in areas of above average population and economic growth, allied to the excellent product we have in inventory, positions us very well to confidently meet the challenges of the forthcoming year. 1981 should prove to be another excellent year for Daon.

On Behalf of the Board,

J. W. Poole,  
President and  
Chief Executive Officer.

December 15, 1980.

## Office Centres



*Fast becoming a landmark in downtown San Francisco is 444 Market Street, completed in 1980, the largest of several office structures that the Company had under construction during the year.*

**D**uring the past three years, the Company's development and acquisition of office buildings has increased sharply, to the point where in 1980 this became one of the most important segments of Daon's operations.

It is also the area of operations that this year prompted an innovative approach to real estate development financing, namely, the syndication to private investors of a 50 per cent interest in Daon Centre, the Company's head office building in downtown Vancouver.

The Company maintains a policy of flexibility with respect to its office properties, retaining some in its income property portfolio, while selling others in whole or in part to investors.

At October 31, 1980, Daon had under development 1,065,000 square feet of office space, excluding partners' interests. In addition, the Company owns 1,565,000 net square feet of completed space in Alberta, British Columbia, Ontario and California.

During 1980, Daon completed two of its most significant office structures—444 Market Street, a 38-storey tower in downtown San Francisco and the 19-storey Daon Centre in downtown Vancouver. Both were almost fully leased in advance of initial occupancy. The San Francisco tower is a joint venture with The Cadillac Fairview Corporation.

These two projects totalled almost 812,000 square feet and signalled the Company's maturity as a developer of prime office space.

The immediate future promises even greater activity in this field. Already underway and scheduled for completion in 1981 are Chevron Plaza in Calgary, the Daon Building in Seattle and Pacific II in San Francisco, a total of 742,000 square feet. Among the Company's largest projects underway is Ptarmigan Place, a 402,000 square foot complex in Denver, a joint venture with Bramalea Limited. Completion target date is early in 1982.

Poised to move from the drawing board to reality are Park Place, 37 storeys, in downtown Vancouver, and Arco Center, two 14-storey towers in Long Beach, California.



➤ *Heritage Park,  
Dublin, California*

🕒 *Park Place Site,  
Vancouver,  
British Columbia*





◀ *Arco Center,  
Long Beach, California*



◀ *Daon Building  
Seattle, Washington*

◀ *Daon Centre,  
Vancouver, British Columbia*

◀ *Ptarmigan Place,  
Denver, Colorado*



➤ *Capital Place Site,  
Sacramento, California*

⦿ *Chevron Plaza and  
Daon Building  
Calgary, Alberta*

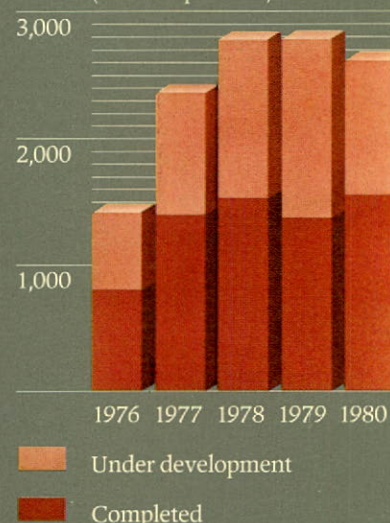


# Major Properties

| Name                           | Location       | Year of Completion of Development | Rentable Area (Sq. Ft.) |
|--------------------------------|----------------|-----------------------------------|-------------------------|
| <b>Alberta</b>                 |                |                                   |                         |
| CHEVRON PLAZA (1)              | Calgary        | 1981                              | 267,000                 |
| DAON BUILDING                  | Calgary        | 1973                              | 167,000                 |
| SEVENTH STREET PLAZA (2)       | Edmonton       | 1978                              | 329,000                 |
| <b>British Columbia</b>        |                |                                   |                         |
| DAON CENTRE (3)                | Vancouver      | 1980                              | 207,000                 |
| 1050 WEST PENDER (4)           | Vancouver      | 1974                              | 247,000                 |
| <b>California</b>              |                |                                   |                         |
| CAPITAL PLACE                  | Sacramento     | 1982                              | 228,000                 |
| 444 MARKET STREET (3)          | San Francisco  | 1980                              | 605,000                 |
| HERITAGE PARK (5)              | Alameda County | 1980                              | 100,000                 |
| PACIFIC I (3)                  | San Francisco  | 1978                              | 175,000                 |
| PACIFIC II (3)                 | San Francisco  | 1981                              | 213,000                 |
| <b>Colorado</b>                |                |                                   |                         |
| PTARMIGAN PLACE (3)            | Denver         | 1982                              | 402,000                 |
| <b>Ontario</b>                 |                |                                   |                         |
| TORONTO PROFESSIONAL BUILDINGS | Toronto        | Acquired in 1977                  | 401,000                 |
| <b>Washington</b>              |                |                                   |                         |
| DAON BUILDING                  | Seattle        | 1981                              | 262,000                 |

## Office Centres

**Rentable Space**  
(in 000's square feet)



All data presented above is net of joint venture interests.

(1) The Company has entered into an agreement to sell a 50% interest in this property to the major tenant upon completion of construction of this building.

(2) 20% interest.

(3) 50% interest.

(4) Subsequent to October 31, 1980, the Company sold a 70% interest in this office building.

(5) 66<sup>2</sup>/<sub>3</sub>% interest.

# Shopping Centres



*Daon's move into regional shopping centre development began with Coquitlam Centre, one of western Canada's largest shopping centres.*

The Company's most dramatic advance during 1980 occurred in the shopping centre field. In terms of rentable space under current development, Daon became the leading shopping centre developer in Canada.

Dominating this activity are three regional centres in Alberta, where construction is proceeding simultaneously in Calgary, Edmonton and Red Deer. These centres will total 1,860,000 square feet of rentable space and all are scheduled to open in 1981.

The development of the three Alberta centres provided an opportunity for the Company to offer limited partnership units in the total undertaking. This is similar to the innovative and successful offering of units in Daon Centre.

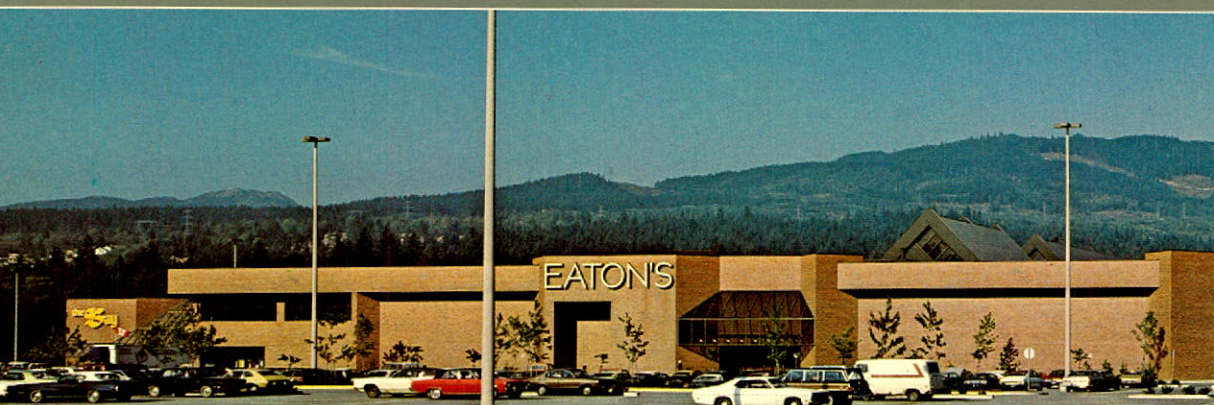
Daon's strong position in shopping centre development becomes especially significant when considered against the Company's relatively brief participation in this field. It was less than two years ago that Daon advanced from neighbourhood centres to full-scale regional malls with the opening of the 736,000 square foot Coquitlam Centre near Vancouver.

The Company's shopping centre portfolio is geographically diverse, with ten centres in eight western Canadian cities and one smaller centre in Southern California. These total 3,554,000 square feet of rentable space, totally or jointly held.

While the current emphasis of the shopping centres management team is on the three Alberta centres, there is a great deal of activity directed towards the acquisition of sites for future regional malls, both in Canada and the United States. The Company expects to make announcements on several new developments early in 1981.

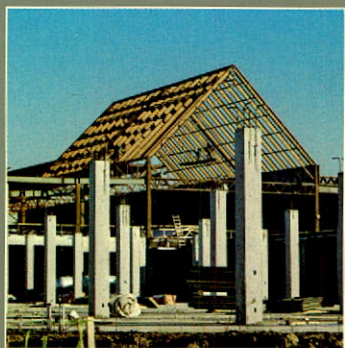
The Company now covers the whole spectrum of shopping centre development, assuming responsibility for leasing and management, as well as construction. This will continue to be an area of special emphasis for the Company over the next several years.





④ Coquitlam Centre,  
Coquitlam,  
British Columbia

④ Sunridge Mall,  
Calgary, Alberta



④ Heritage Mall,  
Edmonton, Alberta





⬆ ➡ *Northgate Square,  
North Bay, Ontario*



⬆ ➡ *Bower Place  
Shopping Centre,  
Red Deer, Alberta*



# Major Properties

| Name              | Location   | Year of Completion of Development | Rentable Area (Sq. Ft.) |
|-------------------|------------|-----------------------------------|-------------------------|
| <b>Alberta</b>    |            |                                   |                         |
| BOWER PLACE (1)   | Red Deer   | 1981                              | 435,000                 |
| HERITAGE MALL (1) | Edmonton   | 1981                              | 779,000                 |
| SUNRIDGE MALL (1) | Calgary    | 1981                              | 646,000                 |
| WETASKIWIN MALL   | Wetaskiwin | 1979                              | 146,000                 |

## British Columbia

|                      |           |      |         |
|----------------------|-----------|------|---------|
| COQUITLAM CENTRE (2) | Coquitlam | 1979 | 736,000 |
| LANGLEY MALL (3)     | Langley   | 1975 | 132,000 |
| WANETA PLAZA         | Trail     | 1979 | 193,000 |

## Manitoba

|              |                    |      |         |
|--------------|--------------------|------|---------|
| PORTAGE MALL | Portage La Prairie | 1979 | 190,000 |
|--------------|--------------------|------|---------|

## Ontario

|                                     |           |      |         |
|-------------------------------------|-----------|------|---------|
| NORTHGATE SQUARE (2)<br>PHASE I (4) | North Bay | 1980 | 285,000 |
|-------------------------------------|-----------|------|---------|

(1) This shopping centre is owned by a partnership, Daon Shopping Centres, Alberta, in which at October 31, 1980, the Company had a 99.99% interest.

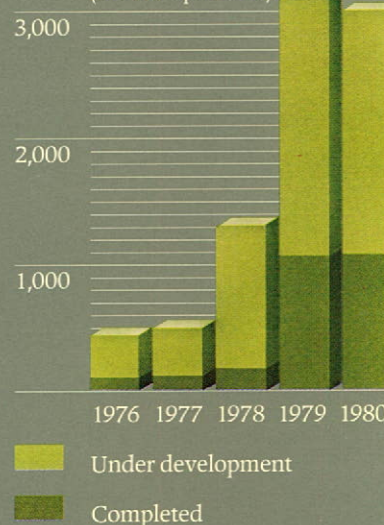
(2) 50% interest.

(3) 33⅓% interest.

(4) The Company holds an option to purchase property adjoining Phase I to be used for Phase II development, consisting of an additional 340,000 square feet of rentable area, which is conditional upon receiving the requisite regulatory approvals, which at December 15, 1980, had not been received.

## Shopping Centres

**Rentable Space**  
(in 000's square feet)



All data presented above is net of joint venture interests.

**T**he Company's residential activities continue to play an important, though less dominant, role in the overall operations of the Company.

A prolonged period of high interest rates has produced a generally slower market for condominium sales, forcing a more selective approach, both in terms of geographic location and quality of product.

The major residential activity continues to be the acquisition of existing multiple-family rental properties for rehabilitation, conversion and sale.

While the Company has concentrated its marketing efforts in Southern California, it has now significantly expanded into both the Sacramento and San Francisco areas.

During 1980 the Company acquired six prime residential high-rise properties in Southern Florida, totalling about 1,650 units. The marketing program to sell these as condominiums has been modified to take into account the impact of the present high interest rates. As rates improve, a more aggressive marketing program will be undertaken.

During the fiscal year, residential sales totalled 5,267 net units in the following geographic markets: 1,213 units in Southern California; 1,685 units in Northern California; 170 units in Florida; 250 units in Washington; 441 units in Texas; 136 units in Illinois; 57 units in Maryland; 515 units in New Mexico and 800 units in British Columbia, Alberta and Manitoba.

The high cost of financing and restrictive home mortgage rates may continue to inhibit condominium conversion and sales in some regions. However, these factors can also present us with excellent acquisition opportunities.

At fiscal year-end inventory of residential properties stood at 8,061 net units consisting of those in the income property portfolio, those under active development and those currently being marketed. In addition, 2,572 net units are held under option or in escrow for potential purchase.

## Residential Properties



*Daon has found favourable condominium conversion opportunities in southern Florida, an*

*example of which is South Bay Club, overlooking Biscayne Bay in Miami Beach.*



➤ *Woodsborough,  
Santa Clara, California*

➤ *Cote d'Azur,  
Sausalito, California*



➤ *Westchester  
Park, near  
Washington, D.C.*





⦿ *Times Square,  
Burnaby, British Columbia*

⦿ *Hallmark,  
Hollywood, Florida*



⦿ *Casa Loma, Orange  
County, California*

⦿ *Four Lakes,  
Chicago, Illinois*

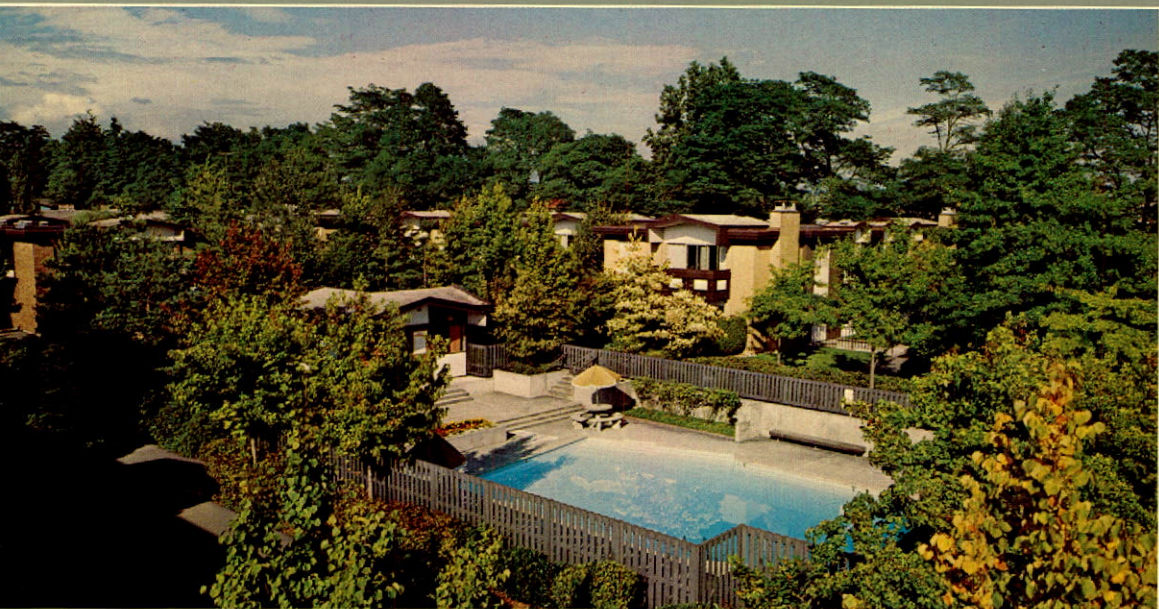


⦿ *Mariners Cove,  
San Mateo, California*



➤ *Sycamore Gardens,  
Orange County,  
California*

➤ *Shawnoaks,  
Vancouver,  
British Columbia*



➤ *Belle Plaza,  
Miami Beach, Florida*

➤ *Woodside,  
Sacramento,  
California*



➤ *South Coast Terrace,  
Orange County,  
California*



# Major Properties

| Name                   | Location        | Description         | Year of Acquisition or Completion of Development | No. of Units |
|------------------------|-----------------|---------------------|--|--------------|
| <b>California</b>      |                 |                     |  |              |
| ALPHA TERRACE          | Glendale        | Garden apartments   | 1979   | 101          |
| BRIARCREST             | North Hollywood | Low rise apartments | 1980   | 120          |
| CASA LOMA              | Mission Viejo   | Low rise apartments | 1980   | 144          |
| COTE D'AZUR            | Sausalito       | Garden apartments   | 1979   | 60           |
| FOXBOROUGH             | San Jose        | Garden apartments   | 1980   | 296          |
| GOVERNOR'S SQUARE WEST | Sacramento      | Garden apartments   | 1979   | 200          |
| MERIDIAN WOODS (1)     | San Jose        | Garden apartments   | 1980   | 282          |
| NEWCASTLE MANOR        | Encino          | Low rise apartments | 1979   | 280          |
| THE PARK               | Los Angeles     | Garden apartments   | 1980   | 350          |
| THE PLACE (1)          | San Bruno       | Garden apartments   | 1980   | 872          |
| PARKRIDGE              | Sherman Oaks    | Low rise apartments | 1980   | 108          |
| PEPPERTREE (2)         | Santa Ana       | Garden apartments   | 1980   | 184          |
| PORTO VERDE (2)        | Los Angeles     | Low rise apartments | 1980   | 216          |
| VILLAGE SQUARE(1)      | San Diego       | Low rise apartments | 1980   | 288          |
| WOODSBOROUGH           | Santa Clara     | Garden apartments   | 1980   | 477          |
| WOODSIDE I-IV          | Sacramento      | Garden apartments   | 1979   | 558          |

## Florida

|                  |             |                      |      |     |
|------------------|-------------|----------------------|------|-----|
| BELLE PLAZA      | Miami Beach | High rise apartments | 1979 | 226 |
| HALLMARK (1)     | Hollywood   | High rise apartments | 1979 | 375 |
| THE DIPLOMAT (3) | Hollywood   | High rise apartments | 1979 | 268 |
| OCEAN PAVILLION  | Miami Beach | High rise apartments | 1980 | 334 |
| SOUTH BAY CLUB   | Miami Beach | High rise apartments | 1979 | 347 |

## Washington

|              |         |                   |      |     |
|--------------|---------|-------------------|------|-----|
| SOUTH POINTE | Everett | Garden apartments | 1979 | 249 |
| TOWNE SQUARE | Seattle | Garden apartments | 1979 | 106 |

## Other

|                                |                        |                      |      |     |
|--------------------------------|------------------------|----------------------|------|-----|
| FOUR LAKES VILLAGE PHASE I (4) | Chicago, Illinois      | Low rise apartments  | 1980 | 483 |
| WESTCHESTER PARK (4)           | College Park, Maryland | High rise apartments | 1979 | 606 |

(1) 50% interest.

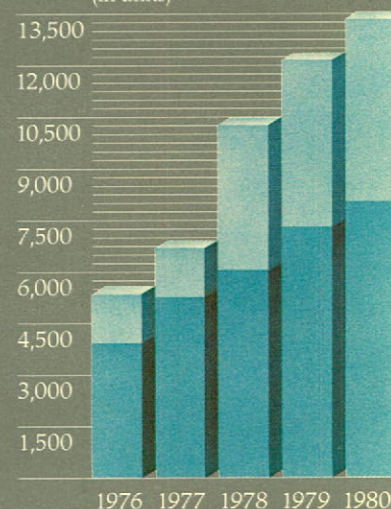
(2) 95% interest.

(3) 66 $\frac{2}{3}$ % interest.

(4) 60% interest.

## Residential Properties

### Inventory & Sales (in units)



Units sold

Inventory (excludes units under option)

All data presented above is net of joint venture interests.

## Industrial Development



*With 22 completed buildings, Daon's Norwester Industrial Estates in northwest*

*Edmonton continues to respond to the strong demand for warehouse/office space in Alberta's capital city.*

For the past several years, the Company's annual assessment of its industrial development activity could have been summarized with one word—Alberta. It is in Canada's "energy province" that Daon continues to find the continent's most attractive markets for the development of industrial land and buildings.

To demonstrate how important Alberta's contribution has been in this category, the Company has marketed over 500 acres of industrial land and constructed approximately 2.3 million square feet of industrial space since 1972.

Southern California, however, is now emerging as a challenger to Alberta's total dominance in this segment of the Company's business. From a modest start in 1979, Daon's Southern California operations brought 308,000 square feet of rentable industrial space to market during fiscal 1980 and acquired a further 421 acres for future development.

The Company sees industrial property development as an important diversification in Southern California, and as a healthy complement to our land, office and residential real estate in that region.

A key to Daon's continuing success in Alberta's industrial market has been the Company's ability to maintain continuity in its production of well-developed, ideally located space. As projects are brought to market, additional industrial acreage is assembled and developed. For example, during the 1980 fiscal year, Daon sold 90 acres of industrial land and 425,000 square feet of industrial space in Alberta, yet at October 31, 1980, still had under development a further 246,000 square feet of industrial space and held 1,115 net acres of industrial land for future development, mostly in Edmonton and Calgary.

Including smaller industrial projects underway in British Columbia and Washington State, Daon's total industrial holdings at October 31, 1980, consisted of 537,000 square feet of completed space, 371,000 square feet under development, 499 acres of land under development, 1,108 acres of land held for future development and 152 acres under option.



➤ *Irvine Industrial  
Condominiums,  
Irvine, California*



➤ *Central Business Park,  
San Bernardino County,  
California*



➤ *Horizon  
Industrial Estates,  
Calgary, Alberta*



➤ *Hewlett Packard  
Building  
Edmonton, Alberta*



➤ *Transpark Building 1,  
Edmonton, Alberta*



➤ *Miramar  
Business Park,  
San Diego, California*



➤ *Norwester  
Building 14,  
Edmonton, Alberta*



## Major Properties

| Name                          | Location | Year(s) of Completion of Development | Rentable Area |
|-------------------------------|----------|--------------------------------------|---------------|
| <b>Alberta</b>                |          |                                      |               |
| NORWESTER INDUSTRIAL PHASE I  | Edmonton | 1977-80                              | 197,000       |
| NORWESTER INDUSTRIAL PHASE II | Edmonton | 1980-81                              | 459,000       |

### California

|                                    |                      |      |         |
|------------------------------------|----------------------|------|---------|
| CENTRAL D & C (1)                  | San Bernadino County | 1980 | 101,000 |
| IRVINE INDUSTRIAL CONDOMINIUMS (1) | Orange County        | 1980 | 168,000 |

## Industrial Land

| Name                       | Location             | Year(s) of Acquisition | Acres | Scheduled Year(s) of Development and/or Sale |
|----------------------------|----------------------|------------------------|-------|--|
| <b>Alberta</b>             |                      |                        |       |  |
| HORIZON (SUNRIDGE)         | Calgary              | 1973-80                | 451   | 1980-86                                      |
| NORTHWEST LAND ASSEMBLY    | Edmonton             | 1974-78                | 253   | 1980-90                                      |
| NORWESTER INDUSTRIAL       | Edmonton             | 1974-78                | 82    | 1980-82                                      |
| SHERWOOD PARK              | Edmonton             | 1980                   | 320   | 1981-88                                      |
| <b>California</b>          |                      |                        |       |  |
| RANCHO CUCAMONGA (2)       | San Bernadino County | 1980                   | 249   | 1980-85                                      |
| TORRANCE BUSINESS PARK (3) | Los Angeles          | 1980                   | 26    | 1980-82                                      |
| UNIROYAL                   | Los Angeles          | 1979                   | 44    | 1980-81                                      |

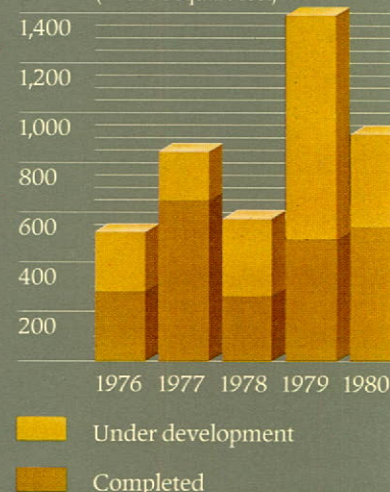
(1) 50% interest.

(2) The Company holds a 50% interest in 100 acres of this property and a 100% interest in the remaining 149 acres of this property.

(3) 65% interest.

## Industrial Development

**Rentable Space**  
(in 000's square feet)



All data presented above is net of joint venture interests.

## Land



*The Properties, in northeast Calgary, is the largest land development project*

*undertaken by the Company so far. It is nearing completion after almost 10 years, having produced more than 5,000 serviced lots and almost 7,500 residential units.*

**L**and assembly and development, particularly in Alberta, provided a primary profit centre for Daon all through the 1970's. Entering the 1980's, the Company is positioned more strongly than ever in land, not only in Alberta, with The Homesteads, a 4,147-acre tract in southeast Calgary, but with Harbour Pointe, 1,424 acres north of Seattle, and Shadowridge, 904 acres in San Diego County, as well.

The Company brought residential building lots to market in each of these land assemblies during fiscal 1980, but this was only the beginning of what is expected to be a decade or more of production from these three sources.

Daon continues to follow a policy of developing land for sale to homebuilders as residential building lots and to industrial users for industrial buildings; also, for shopping centres and for sale to others for development of office, industrial and residential buildings.

During fiscal 1980, the Company sold approximately 1,570 acres of land, including 1,634 lots sold to residential builders.

A significant turnaround occurred in British Columbia, where Daon's land operations produced a profit after an extended dormant period. The Company has also commenced another major land assembly in Edmonton.

At October 31, 1980, Daon's total land holdings, including industrial acreage, were 1,999 acres under development for sale, 12,590 acres held for future development, and 11,363 acres held under option.





④ *Project 80,  
Edmonton, Alberta*



④ *Miramar Ranch,  
San Diego, California*

④ *Ford Aeronutronics,  
Newport Beach,  
California*



④ *Shadowridge,  
San Diego, California*

④ *The Homesteads,  
Calgary, Alberta*

④ ④ *Harbour Pointe,  
Snohomish County,  
Washington*



④ *Bonnyville  
Land Assembly,  
Bonnyville, Alberta*

# Major Properties

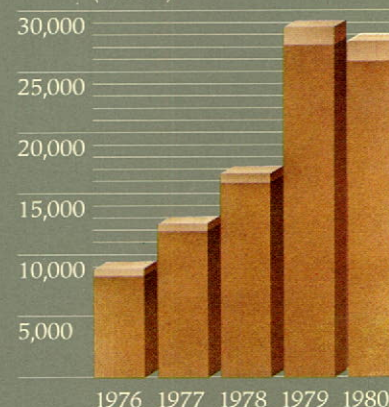
| Name                        | Location         | Description of Development | Year(s) of Acquisition | Acres | Scheduled Year(s) of Development and/or Sale |
|-----------------------------|------------------|----------------------------|------------------------|-------|--|
| <b>Alberta</b>              |                  |                            |                        |       |  |
| APPLEWOOD PARK              | Calgary          | Residential                | 1979                   | 224   | 1981-84                                      |
| BONNYVILLE LAND ASSEMBLY    | Bonnyville       | Residential                | 1980                   | 261   | 1981-86                                      |
| THE HOMESTEADS              | Calgary          | Multi-Use                  | 1973-79                | 4,147 | 1980-95                                      |
| PROJECT 80                  | Edmonton         | Multi-Use                  | 1978-80                | 1,188 | 1981-90                                      |
| <b>British Columbia</b>     |                  |                            |                        |       |  |
| DILWORTH MOUNTAIN           | Kelowna          | Residential                | 1973                   | 821   | 1980-86                                      |
| <b>California</b>           |                  |                            |                        |       |  |
| CARILLO RANCH               | San Diego County | Residential                | 1979                   | 364   | 1980-83                                      |
| CORONA McKINLEY             | Riverside County | Multi-Use                  | 1979                   | 348   | 1982-84                                      |
| MIRAMAR RANCH NORTH         | San Diego        | Multi-Use                  | 1979                   | 1,067 | 1981-86                                      |
| SHADOWRIDGE                 | San Diego County | Multi-Use                  | 1976-77                | 904   | 1980-88                                      |
| <b>Idaho</b>                |                  |                            |                        |       |  |
| GREYHAWK (1)                | Sun Valley       | Residential                | 1980                   | 60    | 1980-82                                      |
| <b>Oregon</b>               |                  |                            |                        |       |  |
| MOUNTAIN PARK & TOWN CENTER | Portland         | Multi-Use                  | 1978                   | 77    | 1979-82                                      |
| <b>Texas</b>                |                  |                            |                        |       |  |
| WOODHAVEN                   | Fort Worth       | Multi-Use                  | 1978-79                | 140   | 1980-82                                      |
| <b>Washington</b>           |                  |                            |                        |       |  |
| HARBOUR POINTE              | Snohomish County | Multi-Use                  | 1978                   | 1,424 | 1980-90                                      |
| NEWCASTLE HILLS (2)         | King County      | Residential                | 1978                   | 100   | 1982-92                                      |

(1) 41 $\frac{2}{3}$ % interest.

(2) The Company has an additional 1,763 acres under option.

## Land

### Holdings\* & Sales (in acres)



Sales

\*Holdings  
(including land held  
under option)

All data presented above is  
net of joint venture interests.

**I**n recent years, Daon has greatly increased its development of and holdings in income producing properties. Supervision and management of the Company's properties in both Canada and the United States is the responsibility of a separate operating group, Daon Management.

Daon Management employs professionals who specialize in the management of residential properties, shopping centres, office buildings and industrial properties. This very competitive field requires members of the group to maintain a high level of knowledge and skill relative to:

- development and marketing trends;
- building operating efficiency and cost control;
- property assessment;
- taxation appeal opportunities;
- regulations affecting the ownership and operation of income properties;
- energy conservation.

A specialized income property accounting system ensures proper controls and reporting.

Daon Management also acts as managing agent for income producing properties owned by investors. Most of these properties have been developed and sold by the Company, with the Company, in some cases, retaining an interest.

In Canada and the United States, Daon Management currently manages directly or supervises the management of the following portfolios:

—seven shopping centres with a gross rentable area in excess of 1,700,000 square feet (three regional centres in Alberta totalling 1,860,000 square feet will be added to the portfolio in 1981).

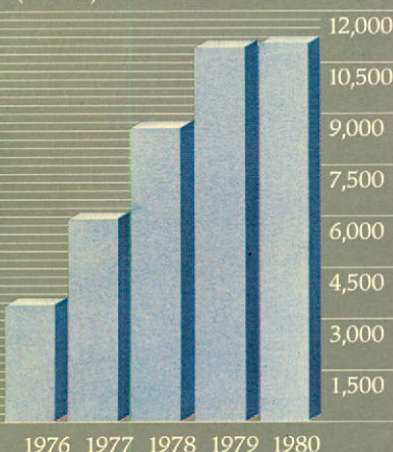
—thirteen office buildings containing approximately 2,500,000 square feet of rentable area (five office buildings containing a total of 1,400,000 square feet are under development and will soon be added to this portfolio).

—eight industrial buildings containing approximately 600,000 square feet of total rentable area (three industrial buildings totalling 500,000 square feet are under development and will soon be added to this portfolio).

—fifty residential projects containing almost 11,000 units —a mix of rental apartments, condominiums and mobile home pads.

## Property Management

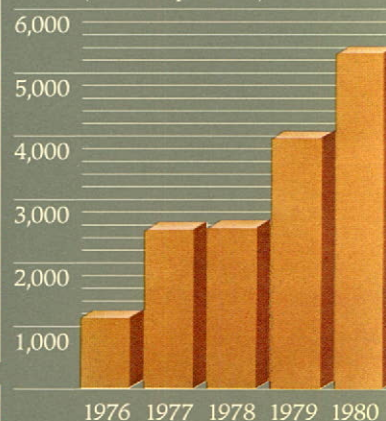
Property Management Portfolio Residential Properties (in units)





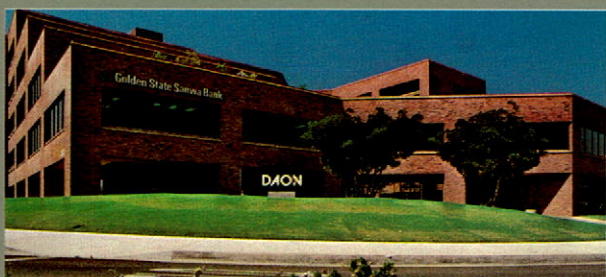
## Property Management

Property Management  
Portfolio  
Commercial Properties\*  
(in 000's square feet)



1976 1977 1978 1979 1980

\*Shopping centres, office and industrial buildings.



## A. General

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

## B. Consolidation

The consolidated financial statements of the Company include:

- (i) the accounts of Daon Development Corporation and its subsidiaries.
- (ii) the accounts of those incorporated and unincorporated joint ventures and partnerships, to the extent of the Company's interest in their respective assets, liabilities, revenues and expenses.

## C. Income recognition

The Company recognizes income as follows:

- (i) Sales of land and income producing properties  
When the Company has fulfilled all material conditions and has received a down payment that is appropriate in the circumstances having regard to the financial resources of the purchaser.
- (ii) Sales of homes  
When the sale has been completed and the purchaser is entitled to occupancy.
- (iii) Rental  
Rental income from each income producing property is recognized in the consolidated statement of income when breakeven cash flow after debt service is achieved. Prior to achieving this level of cash flow the Company capitalizes rental losses as a part of the normal development cost of an income property, subject to not capitalizing costs beyond fair market value of the property and subject to a reasonable maximum lease-up period.

## D. Income producing properties

Income producing properties are carried at cost less accumulated depreciation. Depreciation on buildings is provided on the sinking fund basis over a 50-year life for office buildings and shopping centres and a 40-year life for residential and industrial buildings. The sinking fund method provides for a depreciation charge of a fixed annual amount increasing at the rate of 5% per annum, which will result in the cost of the properties being fully depreciated over their estimated useful lives.

## E. Properties under development

Properties under development for retention as income producing properties are carried at cost. Each property under development for sale is carried at the lower of its cost and net realizable value.

## F. Properties held for future development

Each property held for future development is carried at the lower of its cost and net realizable value.

## G. Marketable securities

Marketable securities are carried at the lower of cost and quoted market value. Sales transactions are recorded on settlement dates.

## H. Investments

Each investment is carried at cost. Sales transactions are recorded on settlement dates.

## I. Capitalization of costs

The Company capitalizes all direct costs relating to properties under development and properties held for future development. In addition, certain indirect costs including specific interest, property taxes and interest on the portion of total costs financed by general corporate borrowings are capitalized. Where overhead costs, including salaries, can be clearly identified with the development of a property, the Company allocates these costs to that property.

## J. Depreciation and amortization of other assets

Equipment is depreciated using either the diminishing balance or straight-line method over the estimated useful lives of the assets concerned. Debenture financing costs are amortized over the term of the financing after giving effect to any sinking fund and purchase fund requirements.

## K. Foreign exchange

Asset and liability accounts in foreign currencies are translated into Canadian dollars at the rates of exchange in effect at the balance sheet dates. Revenue and expenses are translated at weighted average rates prevailing during the year. Gains or losses from exchange translations, other than on the Company's investments in foreign operations, are included in the consolidated statement of income. The gains and losses from exchange translations on the Company's investment in foreign operations are deferred until repayment is imminent, at which time they would be included in the consolidated statement of income.

# Consolidated Statement of Income

for the year ended  
October 31, 1980

|                               | Note<br>Reference | 1980<br>(in thousands of dollars) | 1979             |
|-------------------------------|-------------------|-----------------------------------|------------------|
| REVENUE                       |                   |                                   |                  |
| Real estate sales             |                   | \$608,948                         | \$477,955        |
| Rental                        |                   | 45,103                            | 35,662           |
| Other                         | 17                | 43,910                            | 17,619           |
| Total revenue                 |                   | <u>697,961</u>                    | <u>531,236</u>   |
| EXPENSES                      |                   |                                   |                  |
| Cost of real estate sales     |                   | 509,905                           | 386,913          |
| Rental operating costs        |                   | 23,171                            | 19,208           |
| Interest                      | 18                | 52,404                            | 31,615           |
| General and administrative    |                   | 18,510                            | 12,509           |
| Depreciation and amortization |                   | 3,533                             | 2,602            |
| Other                         |                   | 2,453                             | 2,039            |
| Total expenses                |                   | <u>609,976</u>                    | <u>454,886</u>   |
| INCOME BEFORE INCOME TAXES    |                   | 87,985                            | 76,350           |
| Income taxes                  |                   | 36,645                            | 34,147           |
| NET INCOME                    | 24                | <u>\$ 51,340</u>                  | <u>\$ 42,203</u> |
| EARNINGS PER COMMON SHARE     | 23                | <u>\$1.32</u>                     | <u>\$1.10</u>    |

# Consolidated Statement of Retained Earnings

for the year ended  
October 31, 1980

|                                      | Note<br>Reference | 1980<br>(in thousands of dollars) | 1979             |
|--------------------------------------|-------------------|-----------------------------------|------------------|
| Retained earnings, beginning of year | 24                | \$ 79,953                         | \$ 43,691        |
| Net income                           |                   | 51,340                            | 42,203           |
|                                      |                   | <u>131,293</u>                    | <u>85,894</u>    |
| Dividends—Common Shares              |                   | 4,316                             | 2,529            |
| —Preference Shares                   |                   | 3,460                             | 2,167            |
| —75¢ Class A Shares                  |                   | 478                               | 478              |
| Share issue expenses                 |                   | 37                                | 767              |
|                                      |                   | <u>8,291</u>                      | <u>5,941</u>     |
| RETAINED EARNINGS, END OF YEAR       |                   | <u>\$123,002</u>                  | <u>\$ 79,953</u> |

# Consolidated Balance Sheet

October 31, 1980

|                               | Note<br>Reference | 1980<br>(in thousands of dollars) | 1979               |
|-------------------------------|-------------------|-----------------------------------|--------------------|
| <b>ASSETS</b>                 |                   |                                   |                    |
| Properties:                   |                   |                                   |                    |
| Income producing              | 1                 | \$ 401,838                        | \$ 345,763         |
| Under development             | 2                 | 499,037                           | 298,267            |
| Held for future development   | 3                 | 297,827                           | 203,147            |
| Cash and term deposits        | 4                 | 180,103                           | 145,786            |
| Marketable securities         | 5                 | 4,549                             | 12,343             |
| Amounts receivable            | 6                 | 246,648                           | 177,865            |
| Investments                   | 7                 | 19,163                            | 25,430             |
| Other assets                  | 8                 | 25,053                            | 13,061             |
|                               |                   | <u>\$1,674,218</u>                | <u>\$1,221,662</u> |
| <b>LIABILITIES</b>            |                   |                                   |                    |
| Debt on properties:           | 9                 |                                   |                    |
| Income producing              |                   | \$ 320,587                        | \$ 276,655         |
| Under development             |                   | 358,886                           | 219,445            |
| Held for future development   |                   | 250,140                           | 178,706            |
| Debentures payable            | 10                | 154,104                           | 129,576            |
| Other secured liabilities     | 11                | 166,949                           | 108,344            |
| Accounts payable and accruals | 12                | 144,923                           | 104,744            |
| Deferred income taxes         | 13                | 119,446                           | 83,189             |
|                               |                   | <u>1,515,035</u>                  | <u>1,100,659</u>   |
| <b>SHAREHOLDERS' EQUITY</b>   |                   |                                   |                    |
| Capital stock                 | 14                | 45,184                            | 45,646             |
| Retained earnings             | 24                | 123,002                           | 79,953             |
|                               |                   | <u>168,186</u>                    | <u>125,599</u>     |
| Shares held by subsidiary     | 15                | 9,003                             | 4,596              |
|                               |                   | <u>159,183</u>                    | <u>121,003</u>     |
|                               |                   | <u>\$1,674,218</u>                | <u>\$1,221,662</u> |

Approved by the Directors:  
WILLIAM H. LEVINE, *Director*  
JOHN W. POOLE, *Director*

# Consolidated Statement of Cash Flow from Operations

for the year ended  
October 31, 1980

|   | 1980<br>(in thousands of dollars) | 1979<br>(in thousands of dollars) |
|---|-----------------------------------|-----------------------------------|
| Net income                                    | \$ 51,340                         | \$ 42,203                         |
| Items not requiring a current outlay of cash: |                                   |                                   |
| Deferred income taxes                         | 36,257                            | 33,938                            |
| Depreciation and amortization                 | 3,533                             | 2,602                             |
| Other   | 94                                | 231                               |
| CASH FLOW FROM OPERATIONS                     | <u>\$ 91,224</u>                  | <u>\$ 78,974</u>                  |
| CASH FLOW PER COMMON SHARE (Note 23)          | <u>\$2.43</u>                     | <u>\$2.12</u>                     |

# Consolidated Statement of Changes in Financial Position

for the year ended  
October 31, 1980

|  | 1980<br>(in thousands of dollars) | 1979<br>(in thousands of dollars) |
|--|-----------------------------------|-----------------------------------|
| OPERATIONAL ACTIVITIES                                     |                                   |                                   |
| Cash flow from operations                                  | \$ 91,224                         | \$ 78,974                         |
| Cash recovered through sales of properties:                |                                   |                                   |
| recovery of real estate costs                              | 509,905                           | 386,913                           |
| less debt discharged on properties sold                    | 339,806                           | 248,626                           |
|  | <u>170,099</u>                    | <u>138,287</u>                    |
| Gross cash flow from operations                            | <u>261,323</u>                    | <u>217,261</u>                    |
| Cash applied to properties:                                |                                   |                                   |
| income producing   | 223,391                           | 236,591                           |
| under development  | 499,699                           | 364,484                           |
| held for future development                                | 140,436                           | 151,219                           |
|  | <u>863,526</u>                    | <u>752,294</u>                    |
| less net proceeds from property debt                       | <u>594,613</u>                    | <u>587,120</u>                    |
|  | <u>268,913</u>                    | <u>165,174</u>                    |
| NET CASH (APPLIED TO) PROVIDED FROM OPERATIONAL ACTIVITIES | <u>(7,590)</u>                    | <u>52,087</u>                     |
| OTHER ACTIVITIES   |                                   |                                   |
| Net (decrease) increase of marketable securities           | (7,794)                           | 12,343                            |
| Net (decrease) increase in investments                     | (6,267)                           | 11,484                            |
| Net increase in other assets                               | 13,759                            | 6,143                             |
| Dividends paid   | 8,254                             | 5,174                             |
| NET CASH APPLIED TO OTHER ACTIVITIES                       | <u>(7,952)</u>                    | <u>(35,144)</u>                   |
| CORPORATE FINANCING ACTIVITIES                             |                                   |                                   |
| Net proceeds from debenture issues                         | 27,500                            | 59,275                            |
| less debentures purchased and redeemed                     | 2,736                             | 1,385                             |
|  | <u>24,764</u>                     | <u>57,890</u>                     |
| Net proceeds from share issues                             | 397                               | 15,464                            |
| less—shares purchased by subsidiary                        | 4,407                             | 1,696                             |
| —shares purchased and redeemed                             | 896                               | 729                               |
|  | <u>(4,906)</u>                    | <u>13,039</u>                     |
| Net proceeds from other secured debt                       | 58,605                            | 46,795                            |
| Net increase in amounts receivable                         | (68,783)                          | (69,675)                          |
| Net increase in accounts payable and accruals              | 40,179                            | 40,855                            |
|  | <u>30,001</u>                     | <u>17,975</u>                     |
| NET CASH PROVIDED FROM CORPORATE FINANCING                 | <u>49,859</u>                     | <u>88,904</u>                     |
| INCREASE IN CASH AND TERM DEPOSITS                         | <u>\$ 34,317</u>                  | <u>\$105,847</u>                  |

# Notes to Consolidated Financial Statements

October 31, 1980

## 1. Income producing properties

|                          | 1980<br>(in thousands of dollars) | 1979<br>(in thousands of dollars) |
|--------------------------|-----------------------------------|-----------------------------------|
| Residential properties   | \$213,470                         | \$200,009                         |
| Office buildings         | 111,460                           | 76,129                            |
| Shopping centres         | 64,316                            | 61,020                            |
| Industrial buildings     | 15,471                            | 11,389                            |
|                          | <u>404,717</u>                    | <u>348,547</u>                    |
| Accumulated depreciation | 2,879                             | 2,784                             |
|                          | <u>\$401,838</u>                  | <u>\$345,763</u>                  |

The Company's residential properties consist of 4,872 units (1979—6,080 units), of which 3,214 units (1979—2,724 units) have the necessary approvals for marketing as condominium or co-operative units. The Company will market these units as such when operating and financial plans warrant.

## 2. Properties under development

|                                      | 1980<br>(in thousands of dollars) | 1979<br>(in thousands of dollars) |
|--------------------------------------|-----------------------------------|-----------------------------------|
| Income properties under development: |                                   |                                   |
| Office buildings                     | \$ 54,794                         | \$ 71,587                         |
| Shopping centres                     | 61,325                            | 19,409                            |
| Industrial buildings                 | 7,033                             | 8,515                             |
| Residential                          | 4,372                             | 2,246                             |
|                                      | <u>127,524</u>                    | <u>101,757</u>                    |
| Homes for sale                       | 247,540                           | 108,160                           |
| Land under development for sale      | 123,973                           | 88,350                            |
|                                      | <u>\$499,037</u>                  | <u>\$298,267</u>                  |

## 3. Properties held for future development

|                                   | 1980<br>(in thousands of dollars) | 1979<br>(in thousands of dollars) |
|-----------------------------------|-----------------------------------|-----------------------------------|
| Purchase price                    | \$215,130                         | \$148,222                         |
| Preliminary development costs     | 27,993                            | 13,791                            |
| Capitalized costs                 | 45,357                            | 23,191                            |
|                                   | <u>288,480</u>                    | <u>185,204</u>                    |
| Option deposits and related costs | 9,347                             | 17,943                            |
|                                   | <u>\$297,827</u>                  | <u>\$203,147</u>                  |

## 4. Cash and term deposits

At October 31, 1980, \$30,000,000 (1979—\$28,700,000) is lodged with a Canadian chartered bank in support of various liabilities of the Company to that bank.

## 5. Marketable securities

Marketable securities have quoted market values of \$4,572,000 (1979—\$12,391,000) and are lodged with a Canadian chartered bank in support of various liabilities of the Company to that bank.

## 6. Amounts receivable

|   | 1980<br>(in thousands of dollars) | 1979<br>(in thousands of dollars) |
|---|-----------------------------------|-----------------------------------|
| Mortgages and agreements for sale   | \$219,455                         | \$119,774                         |
| Amounts due on real estate sales  | 7,532                             | 43,988                            |
| Rents and other tenant charges  | 2,009                             | 1,954                             |
| Secured advances due from joint venture partners  | 8,258                             | 6,662                             |
| Amounts receivable from employees pursuant to stock purchase plans and house mortgage loans, including \$722,000 due from certain directors and officers (1979–\$920,000) | 886                               | 1,147                             |
| Sundry  | 8,508                             | 4,340                             |
|   | <u>\$246,648</u>                  | <u>\$177,865</u>                  |

The mortgages and agreements for sale yield a weighted average interest rate of 12.3% per annum (1979–11.5%).

The due dates of the amounts receivable are as follows:

|                               | (in thousands of dollars) |
|-------------------------------|---------------------------|
| Years ending October 31, 1981 | \$116,548                 |
| 1982                          | 50,299                    |
| 1983                          | 19,794                    |
| 1984                          | 30,499                    |
| 1985                          | 7,067                     |
| Subsequent to 1985            | 22,441                    |
|                               | <u>\$246,648</u>          |

## 7. Investments

|   | 1980<br>(in thousands of dollars) | 1979<br>(in thousands of dollars) |
|---|-----------------------------------|-----------------------------------|
| Marketable securities acquired for long-term investment, having a quoted market value of \$21,501,000 (1979–\$35,734,000) | \$ 19,163                         | \$ 25,430                         |

Marketable securities with a quoted market value of \$20,282,000 (1979–\$10,368,000) are lodged with a Canadian chartered bank in support of various liabilities of the Company to that bank.

## 8. Other assets

|   | 1980<br>(in thousands of dollars) | 1979<br>(in thousands of dollars) |
|---|-----------------------------------|-----------------------------------|
| Prepaid expenses  | \$ 4,889                          | \$ 3,811                          |
| Equipment and sundry assets, at cost less accumulated depreciation of \$2,331,000 (1979–\$1,566,000)  | 17,153                            | 6,455                             |
| Debenture financing and issue expenses, net of accumulated amortization of \$884,000 (1979–\$611,000) | 3,011                             | 2,795                             |
|   | <u>\$ 25,053</u>                  | <u>\$ 13,061</u>                  |

## 9. Debt on properties

|                             | 1980<br>(in thousands of dollars) |                      |                  | 1979             |
|-----------------------------|-----------------------------------|----------------------|------------------|------------------|
|                             | Long-term<br>Debt                 | Interim<br>Financing | Total            | Total            |
| Income producing            | \$144,377                         | \$176,210            | \$320,587        | \$276,655        |
| Under development           | 42,797                            | 316,089              | 358,886          | 219,445          |
| Held for future development | 145,705                           | 104,435              | 250,140          | 178,706          |
|                             | <u>\$332,879</u>                  | <u>\$596,734</u>     | <u>\$929,613</u> | <u>\$674,806</u> |

Construction loans on income properties under development, which are supported by take-out commitments for long-term financing, are classified as long-term debt, using the interest rates and maturities of the related commitments.

# Notes to Consolidated Financial Statements (continued)

October 31, 1980

## 9. Debt on properties (continued)

The long-term debt bears interest at a weighted average rate of 9.7% per annum (1979—10.0%), with principal repayments due as follows:

|                               | (in thousands of dollars) |
|-------------------------------|---------------------------|
| Years ending October 31, 1981 | \$ 68,204                 |
| 1982                          | 52,835                    |
| 1983                          | 42,011                    |
| 1984                          | 20,049                    |
| 1985                          | 16,008                    |
| Subsequent to 1985            | 133,772                   |
|                               | <u>\$332,879</u>          |

The interim financing is expected to be discharged or replaced by long-term debt as follows:

|   | (in thousands of dollars) |
|---|---------------------------|
| (a) To be discharged at the time of sale of property (the Company having purchase commitments as at November 30, 1980 that will result in the discharge of \$45,582,000 of the balance outstanding at October 31, 1980) | \$144,767                 |
| (b) To be assumed or discharged by purchasers of homes (the Company having arranged commitments from lenders to provide long-term mortgage funds as required by qualified purchasers)                                   | 227,863                   |
| (c) To be replaced with long-term debt for which the Company has yet to arrange commitments   | 68,934                    |
| (d) To be discharged from the proceeds of the sale of limited partnership units in Daon Shopping Centres, Alberta. (See Note 27)  | 53,726                    |
| (e) To be either replaced by alternative financing for which the Company has yet to arrange commitments, or discharged when due   | 101,444                   |
|   | <u>\$596,734</u>          |

## 10. Debentures payable

|  | 1980<br>(in thousands of dollars) | 1979<br>(in thousands of dollars) |
|--|-----------------------------------|-----------------------------------|
| <b>Daon Development Corporation</b>  |                                   |                                   |
| 9¾% Sinking Fund Debentures, Series C, maturing April 15, 1994, retractable April 15, 1984       | \$ 7,803                          | \$ 8,194                          |
| 11½% Sinking Fund Debentures, Series E, maturing April 1, 1991, retractable October 1, 1982      | 14,278                            | 14,966                            |
| 11¼% Sinking Fund Debentures, Series F, maturing March 1, 1997, retractable March 1, 1986        | 17,397                            | 17,621                            |
| 11% Sinking Fund Debentures, Series G, maturing February 15, 1998, retractable February 15, 1988 | 14,225                            | 14,745                            |
| 11¼% Sinking Fund Debentures, Series H, maturing June 15, 1998, retractable June 15, 1988        | 14,226                            | 14,775                            |
| Floating Rate Debenture, Series I, maturing April 30, 2000, retractable April 30, 1990           | 9,875                             | —                                 |
| Floating Rate Debenture, Series J, maturing April 30, 2000, retractable April 30, 1985           | 7,500                             | —                                 |
| Floating Rate Debenture, maturing November 1, 1981   | 10,000                            | —                                 |
| <b>Daon Corporation (a wholly-owned subsidiary)</b>  |                                   |                                   |
| Floating Rate Subordinated Debenture, Series A, due October 15, 1999                             | 58,800                            | 59,275                            |
|  | <u>\$154,104</u>                  | <u>\$129,576</u>                  |

The debentures, Series C to J, of Daon Development Corporation are secured by a first floating charge, subject to the exceptions permitted by the instruments authorizing the issuance of each series, on the assets of Daon Development Corporation (but not the assets of any subsidiary company). The Series I and Series J debentures bear interest at floating rates which at October 31, 1980 are 13.0% per annum and 11.8% per annum respectively.

The Floating Rate Debenture, maturing November 1, 1981 is a single debenture secured by a floating charge which for some assets ranks prior to the floating charge of the debentures Series C to J and for other assets ranks subsequent to the floating charge of these debentures. This debenture bears interest at a floating rate which at October 31, 1980 is 12.6% per annum.

## 10. Debentures payable (continued)

The Debenture of Daon Corporation is an unsecured obligation of Daon Corporation and carries a floating interest rate which at October 31, 1980 is 11.4% per annum (1979-16.3%). This Debenture was issued under a Debenture purchase agreement which provides, among other things, that Daon Development Corporation will, at the request of the debenture holder or under certain conditions, purchase this Debenture by November 1, 1981.

As well as being required to establish a sinking fund for its debentures, the Company is required, subject to certain defined conditions, to establish a purchase fund for certain of its debentures. The maximum amount required to meet sinking fund and purchase fund requirements for the next five years is as follows:

|                               | (in thousands of dollars) |                  |                  |
|-------------------------------|---------------------------|------------------|------------------|
|                               | Sinking<br>Fund           | Purchase<br>Fund | Total            |
| Years ending October 31, 1981 | \$ 903                    | \$ 648           | \$ 1,551         |
| 1982                          | 3,352                     | 1,840            | 5,192            |
| 1983                          | 4,042                     | 1,440            | 5,482            |
| 1984                          | 4,042                     | 1,440            | 5,482            |
| 1985                          | 3,955                     | 1,440            | 5,395            |
|                               | <u>\$ 16,294</u>          | <u>\$ 6,808</u>  | <u>\$ 23,102</u> |

## 11. Other secured liabilities

These interest bearing liabilities, due at various intervals to 1990, are secured by the following non-property assets:

|                    | 1980<br>(in thousands of dollars) |                      |                  | 1979             |
|--------------------|-----------------------------------|----------------------|------------------|------------------|
|                    | Long-term<br>Debt                 | Interim<br>Financing | Total            | Total            |
| Amounts receivable | \$ 19,421                         | \$133,089            | \$152,510        | \$ 89,103        |
| Investments        | —                                 | —                    | —                | 19,241           |
| Other assets       | 4,802                             | 9,637                | 14,439           | —                |
|                    | <u>\$ 24,223</u>                  | <u>\$142,726</u>     | <u>\$166,949</u> | <u>\$108,344</u> |

## 12. Accounts payable and accruals

|                                   | 1980<br>(in thousands of dollars) | 1979             |
|-----------------------------------|-----------------------------------|------------------|
| Accounts payable                  | \$ 48,339                         | \$ 31,096        |
| Accrued liabilities               | 32,487                            | 19,604           |
| Deferred income and deposits      | 18,641                            | 15,348           |
| Costs to complete properties sold | 40,277                            | 32,476           |
| Deferred foreign exchange gain    | 5,179                             | 6,220            |
|                                   | <u>\$144,923</u>                  | <u>\$104,744</u> |

## 13. Deferred income taxes

The Company follows the tax allocation method of accounting for income taxes under which full provision for income taxes is made on the entire reported income. Deferred income taxes arise primarily from:

- the difference between depreciation rates employed for book purposes and those allowed for tax purposes.
- income recorded currently for book purposes but reported for tax purposes as the sale proceeds are collected.
- income from partnerships recorded currently for book purposes but taxable in later periods.
- the capitalization of certain development and carrying costs for book purposes but deducted currently for tax purposes.

# Notes to Consolidated Financial Statements (continued)

October 31, 1980

## 14. Capital stock

### Authorized—

- 80,000,000 Common Shares without par value
- 10,000,000 Preference Shares with a par value of \$10 each
  - issuable in series, of which 2,500,000 are designated as 8 $\frac{5}{8}$ % Cumulative Redeemable Preference Shares, Senior Series A and 1,500,000 are designated as 9 $\frac{1}{2}$ % Cumulative Redeemable Preference Shares, Senior Series B
- 2,000,000 75¢ Class A Shares without par value

### Issued and outstanding—

|  | 1980<br>(in thousands of dollars) | 1979             |
|--|-----------------------------------|------------------|
| 39,583,738 Common Shares   | \$ 5,765                          | \$ 5,331         |
| 2,371,600 8 $\frac{5}{8}$ % Cumulative Redeemable Preference Shares, Senior Series A | 23,716                            | 24,271           |
| 1,465,900 9 $\frac{1}{2}$ % Cumulative Redeemable Preference Shares, Senior Series B | 14,659                            | 15,000           |
| 641,076 75¢ Class A Shares<br>(redeemable at \$6.00 per share at any time)           | 1,044                             | 1,044            |
|  | <u>\$ 45,184</u>                  | <u>\$ 45,646</u> |

On February 7, 1980, the Company subdivided its issued Common Shares on a two-for-one basis and increased its authorized share capital by 30,195,748 Common Shares. Also on February 7, 1980, the common shareholders approved a resolution allowing common shareholders resident in Canada to receive, upon election, dividends in the form of fully paid Common Shares in lieu of cash dividends. During the year ended October 31, 1980, 60,330 Common Shares were issued for a consideration of \$434,000 (1979—460,000 shares for \$1,231,000). Of the Common Shares issued during this period, 4,800 shares were issued for cash and 55,530 shares were issued in lieu of cash dividends on Common Shares and Preference Shares, Series B.

On July 14, 1980, the Company established a stock option plan under which options to purchase 845,000 Common Shares were granted to certain directors, officers and employees at \$7.77. At October 31, 1980 all these options are outstanding and, in addition, 14,400 Common Shares (1979—19,200 Common Shares) are reserved for issue in connection with a previous Company stock option at the then prevailing market price of \$1.844.

The Company is entitled to purchase in the open market for cancellation all, or any number of 75¢ Class A Shares at any price and at any time. Each 75¢ Class A Share is redeemable at the shareholder's option on October 31, 1985 at \$6.00.

Under the special rights or restrictions attaching to the Preference Shares, Series A and B and, under the terms of the Trust Indenture providing for the issuance of the Daon Development Corporation debentures, the Company may not pay dividends unless certain prescribed requirements are met. In management's opinion, these restrictions will not affect the Company's present dividend policy.

Under the special rights or restrictions attaching to the Preference Shares, Series A and B, the Company is required during each quarter, subject to certain conditions, to purchase for cancellation in the market, 1% of the Preference Shares, Series A outstanding at March 31, 1979, and 1% of the Preference Shares, Series B outstanding at March 31, 1980. During the year ended October 31, 1980 the Company purchased in the open market, 55,500 Preference Shares, Series A for \$464,000 and 34,100 Preference Shares, Series B for \$308,000 pursuant to this requirement.

## 15. Shares held by subsidiary

During the year ended October 31, 1980 the Company purchased in the open market, through a subsidiary, 540,000 Common Shares for \$4,407,000 (1979—226,640 Common Shares for \$1,696,000), pursuant to its policy of expending in each fiscal year, under certain conditions, approximately 10% of its consolidated net income for the prior fiscal year to purchase Common Shares of the Company. The subsidiary now holds 3,940,000 Common Shares of the Company at a cost of \$9,003,000 (1979—3,400,000 Common Shares at a cost of \$4,596,000).

## 16. Contingent liabilities and commitments

- (a) The Company is contingently liable for obligations of certain joint ventures and partnerships amounting to \$180,297,000 (1979—\$78,011,000). However, the assets of each joint venture or partnership are available and adequate to satisfy the individual obligations of the joint venture or partnership.
- (b) The Company has entered into lease agreements for terms of up to 99 years (1979—40 years). The maximum annual rental payments required are \$4,853,000 (1979—\$1,974,000). The Company has also guaranteed annual payments to a maximum of \$6,487,000 (1979—\$5,429,000) in connection with the sale of certain assets; in most instances, the Company has been successful in obtaining leases or subleases that will largely offset the cost of these guarantees.
- (c) The Company has contracted costs to complete income properties under development amounting to \$143,433,000 (1979—\$108,405,000). The Company has finance commitments for \$136,516,000 (1979—\$89,649,000) of these costs
- (d) The estimated cost to complete homes for sale and land under development for sale amounts to \$138,567,000 (1979—\$64,917,000). These costs will be financed through the proceeds of sale of these properties or by drawing on finance commitments of \$75,626,000 (1979—\$20,286,000).
- (e) The earnings of foreign subsidiaries may be subject to withholding taxes when they are distributed, however these taxes have not been provided for as the subsidiaries have no intention of declaring a dividend at this time.
- (f) The Company has no unfunded pension liabilities.

## 17. Other revenue

|  | 1980<br>(in thousands of dollars) | 1979<br>(in thousands of dollars) |
|--|-----------------------------------|-----------------------------------|
| Interest and other income                                  | \$ 29,139                         | \$ 7,888                          |
| Net gain on sales of marketable securities and investments | 13,453                            | 2,628                             |
| Management fee income                                      | 774                               | 5,242                             |
| Dividend income  | 544                               | 1,861                             |
|  | <u>\$ 43,910</u>                  | <u>\$ 17,619</u>                  |

## 18. Interest

|   | 1980<br>(in thousands of dollars) | 1979<br>(in thousands of dollars) |
|---|-----------------------------------|-----------------------------------|
| Interest charges were incurred from:  |                                   |                                   |
| Debt on properties  | \$128,482                         | \$ 63,878                         |
| Debentures  | 18,227                            | 8,252                             |
| Bank indebtedness and other secured debt  | 16,394                            | 7,476                             |
|   | <u>163,103</u>                    | <u>79,606</u>                     |
| less interest directly capitalized or allocated to properties under development and held for future development | <u>110,699</u>                    | <u>47,991</u>                     |
| Interest expense  | <u>\$ 52,404</u>                  | <u>\$ 31,615</u>                  |

## 19. Capitalized costs

During the year the Company capitalized the following indirect costs:

|                      | 1980<br>(in thousands of dollars) | 1979<br>(in thousands of dollars) |
|----------------------|-----------------------------------|-----------------------------------|
| Interest             | \$110,699                         | \$ 47,991                         |
| Property taxes, net  | 299                               | 1,979                             |
| Other indirect costs | 16,837                            | 8,286                             |
|                      | <u>\$127,835</u>                  | <u>\$ 58,256</u>                  |

These costs were capitalized to properties as follows:

|                                     |                  |                  |
|-------------------------------------|------------------|------------------|
| Income properties under development | \$ 22,730        | \$ 15,770        |
| Homes for sale                      | 44,991           | 14,719           |
| Land under development for sale     | 29,584           | 12,453           |
| Land held for future development    | 30,530           | 15,314           |
| Capitalized during the year         | <u>\$127,835</u> | <u>\$ 58,256</u> |

# Notes to Consolidated Financial Statements (continued)

October 31, 1980

## 19. Capitalized costs (continued)

The following summarizes the flow of capitalized costs through properties under development and held for future development:

|   | 1980<br>(in thousands of dollars) | 1979<br>(in thousands of dollars) |
|---|-----------------------------------|-----------------------------------|
| Balance, beginning of year                          | \$ 50,222                         | \$ 27,829                         |
| Capitalized during the year                         | 127,835                           | 58,256                            |
|   | 178,057                           | 86,085                            |
| Less—amounts included in cost of real estate sales  | 56,713                            | 25,647                            |
| —amounts transferred to income producing properties | 19,609                            | 10,216                            |
| Balance, end of year                                | <u>\$101,735</u>                  | <u>\$ 50,222</u>                  |

## 20. Joint ventures and partnerships

The following amounts included within the consolidated financial statements represent the Company's proportionate share of its interest in joint venture and partnership developments:

|             | 1980<br>(in thousands of dollars) | 1979<br>(in thousands of dollars) |
|-------------|-----------------------------------|-----------------------------------|
| Assets      | \$365,703                         | \$112,123                         |
| Liabilities | 291,342                           | 87,828                            |
| Revenue     | 80,164                            | 40,170                            |
| Expenses    | 70,820                            | 28,401                            |

## 21. Segmented information

The business of the Company is the investment in and development of real estate in Canada and the United States. The operations of the Company can be divided into three segments within this industry; the development, rental and sale of commercial properties, including office buildings, shopping centres and industrial/commercial buildings; the acquisition, development, rental and resale of residential income properties (primarily as condominium or co-operative units) and the acquisition, development and sale of land. The results of the operations and amounts invested in these segments are as follows:

|  | Commercial                |                  | Residential      |                  | Land             |                  | Total              |                    |
|--|---------------------------|------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|
|  | 1980                      | 1979             | 1980             | 1979             | 1980             | 1979             | 1980               | 1979               |
|  | (in thousands of dollars) |                  |                  |                  |                  |                  |                    |                    |
| Segmented revenue                                  |                           |                  |                  |                  |                  |                  |                    |                    |
| Real estate  |                           |                  |                  |                  |                  |                  |                    |                    |
| sales  | \$ 96,493                 | \$ 81,860        | \$322,552        | \$271,826        | \$189,903        | \$124,269        | \$ 608,948         | \$ 477,955         |
| Rental   | 24,891                    | 17,115           | 20,212           | 18,547           | —                | —                | 45,103             | 35,662             |
|  | <u>\$121,384</u>          | <u>\$ 98,975</u> | <u>\$342,764</u> | <u>\$290,373</u> | <u>\$189,903</u> | <u>\$124,269</u> | <u>\$ 654,051</u>  | <u>\$ 513,617</u>  |
| Segmented operating profit                         |                           |                  |                  |                  |                  |                  |                    |                    |
| Real estate  |                           |                  |                  |                  |                  |                  |                    |                    |
| sales  | \$ 19,671                 | \$ 11,276        | \$ 25,696        | \$ 43,044        | \$ 53,676        | \$ 36,722        | \$ 99,043          | \$ 91,042          |
| Rental   | 13,605                    | 8,660            | 8,327            | 7,794            | —                | —                | 21,932             | 16,454             |
|  | <u>\$ 33,276</u>          | <u>\$ 19,936</u> | <u>\$ 34,023</u> | <u>\$ 50,838</u> | <u>\$ 53,676</u> | <u>\$ 36,722</u> | <u>120,975</u>     | <u>107,496</u>     |
| Other revenue                                      |                           |                  |                  |                  |                  |                  | 43,910             | 17,619             |
| General and corporate expenses, including interest |                           |                  |                  |                  |                  |                  | (76,900)           | (48,765)           |
| Income taxes                                       |                           |                  |                  |                  |                  |                  | (36,645)           | (34,147)           |
| Net income   |                           |                  |                  |                  |                  |                  | <u>\$ 51,340</u>   | <u>\$ 42,203</u>   |
| Real estate assets                                 | <u>\$313,060</u>          | <u>\$247,084</u> | <u>\$463,841</u> | <u>\$308,596</u> | <u>\$421,801</u> | <u>\$291,497</u> | <u>\$1,198,702</u> | <u>\$ 847,177</u>  |
| Corporate assets                                   |                           |                  |                  |                  |                  |                  | 475,516            | 374,485            |
| Total assets                                       |                           |                  |                  |                  |                  |                  | <u>\$1,674,218</u> | <u>\$1,221,662</u> |

## 21. Segmented information (continued)

### Geographic Segments

The following summarizes the Company's operations on a geographic basis. There are no sales of real estate between the two geographic segments.

|   | Canada                    |                  | United States    |                  | Total              |                    |
|---|---------------------------|------------------|------------------|------------------|--------------------|--------------------|
|   | 1980                      | 1979             | 1980             | 1979             | 1980               | 1979               |
|   | (in thousands of dollars) |                  |                  |                  |                    |                    |
| Segmented revenue                                     |                           |                  |                  |                  |                    |                    |
| Real estate sales                                     | \$162,512                 | \$130,820        | \$446,436        | \$347,135        | \$ 608,948         | \$ 477,955         |
| Rental  | 27,313                    | 20,369           | 17,790           | 15,293           | 45,103             | 35,662             |
|   | <u>\$189,825</u>          | <u>\$151,189</u> | <u>\$464,226</u> | <u>\$362,428</u> | <u>\$ 654,051</u>  | <u>\$ 513,617</u>  |
| Segmented operating profit                            |                           |                  |                  |                  |                    |                    |
| Real estate sales                                     | \$ 37,771                 | \$ 32,946        | \$ 61,272        | \$ 58,096        | \$ 99,043          | \$ 91,042          |
| Rental  | 14,707                    | 10,304           | 7,225            | 6,150            | 21,932             | 16,454             |
|   | <u>\$ 52,478</u>          | <u>\$ 43,250</u> | <u>\$ 68,497</u> | <u>\$ 64,246</u> | 120,975            | 107,496            |
| Other revenue   |                           |                  |                  |                  | 43,910             | 17,619             |
| General and corporate expenses,<br>including interest |                           |                  |                  |                  | (76,900)           | (48,765)           |
| Income taxes  |                           |                  |                  |                  | (36,645)           | (34,147)           |
| Net income  |                           |                  |                  |                  | <u>\$ 51,340</u>   | <u>\$ 42,203</u>   |
| Real estate assets                                    |                           |                  |                  |                  |                    |                    |
| Commercial  | \$218,913                 | \$175,562        | \$ 94,147        | \$ 71,522        | \$ 313,060         | \$ 247,084         |
| Residential   | 16,106                    | 31,138           | 447,735          | 277,458          | 463,841            | 308,596            |
| Land  | 205,487                   | 138,894          | 216,314          | 152,603          | 421,801            | 291,497            |
|   | <u>\$440,506</u>          | <u>\$345,594</u> | <u>\$758,196</u> | <u>\$501,583</u> | 1,198,702          | 847,177            |
| Corporate assets                                      |                           |                  |                  |                  | 475,516            | 374,485            |
| Total assets  |                           |                  |                  |                  | <u>\$1,674,218</u> | <u>\$1,221,662</u> |

## 22. United States operations

The condensed balance sheet, expressed in Canadian dollars, of the Company's U.S. operations is as follows:

|   | 1980                      | 1979             |
|---|---------------------------|------------------|
|   | (in thousands of dollars) |                  |
| <b>Assets</b>                             |                           |                  |
| Properties                                | \$758,196                 | \$501,583        |
| Cash                                      | 61,248                    | 108,623          |
| Receivables                               | 164,419                   | 107,815          |
| Other assets                              | 8,094                     | 5,918            |
|   | <u>\$991,957</u>          | <u>\$723,939</u> |
| <b>Liabilities</b>                        |                           |                  |
| Debt on properties                        | \$538,584                 | \$373,615        |
| Accounts payable, accruals and other debt | 165,255                   | 120,497          |
| Debenture payable                         | 58,800                    | 59,275           |
| Deferred income taxes                     | 62,665                    | 40,908           |
| Term loan from affiliated company         | 87,152                    | 71,561           |
|   | <u>912,456</u>            | <u>665,856</u>   |
| <b>Shareholder's equity</b>               |                           |                  |
| Share capital                             | 17,640                    | 17,783           |
| Retained earnings                         | 61,861                    | 40,300           |
|   | <u>79,501</u>             | <u>58,083</u>    |
|   | <u>\$991,957</u>          | <u>\$723,939</u> |

Subsequent to October 31, 1980 Daon Development Corporation, through a wholly-owned subsidiary, made an additional investment of \$42,500,000 in the share capital of Daon Corporation.

# Notes to Consolidated Financial Statements (continued)

October 31, 1980

## 23. Per share calculations

Earnings and cash flow per Common Share have been calculated using the weighted average number of Common Shares outstanding during the year (net of shares held by subsidiary) after providing for dividends on the outstanding Preference Shares and 75¢ Class A Shares.

The outstanding stock options have no material dilutive effect on the earnings and cash flow per Common Share.

The earnings and cash flow per Common Share for the year ended October 31, 1979, have been restated to give effect to the change in accounting policy as described in Note 24 and to reflect the subdivision of Common Shares referred to in Note 14.

## 24. Change in accounting policy

During 1980, the Company retroactively adopted the policy of deferring gains or losses on the translation of its investment in foreign operations as described in paragraph K of the Summary of Accounting Policies. These gains or losses had formerly been included in the consolidated statement of income.

The consolidated financial statements have been restated to reflect this policy. The effect of the restatement on the 1979 financial statements is summarized below:

|   | (in thousands of dollars) |
|---|---------------------------|
| Retained earnings, beginning of year—                           |                           |
| As previously reported  | \$ 45,140                 |
| Adjustment for change in accounting policy for foreign exchange | 1,449                     |
| Retained earnings, beginning of year—as restated                | <u>43,691</u>             |
| Net income—   |                           |
| As previously reported  | 43,835                    |
| Adjustment for change in accounting policy for foreign exchange | 1,632                     |
| Net income—as restated  | <u>42,203</u>             |
|   | <u>85,894</u>             |
| Dividends and other deductions                                  | 5,941                     |
| Retained earnings, end of year—as restated                      | <u>\$ 79,953</u>          |

## 25. Related party transactions

The following is a summary of significant transactions between the Company, its directors and officers and other related parties, all of which took place at the then existing market values.

- (a) Pursuant to construction contracts, the Company paid \$9,354,000 during the year ended October 31, 1980 to a construction company controlled by the Chairman of the Board of Directors of the Company.
- (b) Directors, officers and employees of the Company purchased 380 units in the Daon Centre Limited Partnership. The Company is the General Partner of the Partnership and retains a 50.11% interest in the Partnership.
- (c) On July 31, 1980, the Company sold an 80,000 sq. ft. industrial building in Edmonton to a retired officer of the Company for \$2,452,000 in cash.
- (d) A director and officer of a subsidiary was formerly a shareholder, director and president of an electrical contracting company. Pursuant to electrical contracts the Company paid \$1,296,000 during the year ended October 31, 1980 to this company and another electrical contracting company, which is owned by this officer's family.
- (e) During the year, a company owned by the parents of a director and officer of the Company, was paid \$3,183,000 as real estate commissions in respect of the purchase or sale of eleven properties having an aggregate sale or purchase price of \$107,175,000 and a further \$368,000 in respect of aircraft and helicopter lease payments.
- (f) The Company purchased a 292 acre parcel of land in San Bernadino County, California for \$6,968,000 from a wholly-owned subsidiary of a U.S. company. A director of the Company is chairman of this company.
- (g) Amounts receivable at October 31, 1980 from officers and directors pursuant to stock purchase plans and house mortgage loans are \$722,000.

## 26. Remuneration of directors and senior officers

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The aggregate remuneration for the year paid or payable by the Company and its subsidiaries to the directors and senior officers of the Company amounted to \$2,291,000 (1979—\$1,848,000).

## 27. Material subsequent event

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Subsequent to October 31, 1980, a partnership, in which the Company has a 99.99% interest, offered to sell 65% of its equity as limited partnership units. The net proceeds of \$171,325,000 will be used to discharge interim financing on the development of three regional shopping centres and to fund the balance of the development, construction, initial leasing and interim financing of these centres.

If this amount of equity is sold to investors other than the Company and development costs and issue expenses incurred do not exceed \$177,625,000, the Company estimates it will record a pre-tax operating profit (before general and corporate expenses, including interest) in the range of \$50,000,000 to \$60,000,000 after the centres are open.

By December 8, 1980 the Partnership had received firm commitments for the purchase of units for in excess of \$100,000,000.

## 28. Comparative figures

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Certain 1979 comparative figures have been reclassified to conform with the 1980 presentation.

## Auditors' Report

To the Shareholders,  
Daon Development Corporation:

We have examined the consolidated balance sheet of DAON DEVELOPMENT CORPORATION (a British Columbia company) and subsidiaries, as of October 31, 1980 and 1979, and the related consolidated statements of income, retained earnings, cash flow from operations and changes in financial position for the years 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, the accompanying consolidated financial statements present fairly the financial position of Daon Development Corporation and subsidiaries as of October 31, 1980 and 1979, and the results of their operations and changes in financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change (with which we concur) in the method of accounting for translation of investments in foreign operations as explained in Note 24 to the consolidated financial statements.

ARTHUR ANDERSEN & CO.  
Chartered Accountants

Vancouver, B.C.  
December 8, 1980.

## Daon Development Corporation

### Directors

Mac D. Campbell,  
*Senior Vice-President and Chief Financial Officer*  
Daon Development Corporation, Vancouver

William J. Corcoran,  
*President*

W.J. Corcoran Company Ltd., Toronto

Graham R. Dawson,  
*President*  
Dawson Construction Limited, Vancouver

Roderick M. Hungerford,  
*President*  
Flex-Lox Industries Ltd., Vancouver

Edgar F. Kaiser, Jr.,  
*Chairman*  
Kaiser Steel Corporation, Vancouver

William B. Laurie,  
*Executive Vice-President and Secretary*  
Dawson Construction Limited, Vancouver

William H. Levine,  
*Executive Vice-President*  
Daon Development Corporation, Vancouver

George B. McKeen,  
*President*  
McKeen & Wilson Ltd., Vancouver

Russell A. L. Nunn,  
*Senior Vice-President*  
Daon Development Corporation, Calgary

John W. Poole,  
*President and Chief Executive Officer*  
Daon Development Corporation, Vancouver

James D. Stout,  
*President, U.S. Operations*  
Daon Corporation, Newport Beach

### Corporate Officers

Richard C. Benmore, *Vice-President,  
Financial Controls and Treasurer*

Wolf Bergelt, *Vice-President, Financial Accounting*

Mac D. Campbell, *Senior Vice-President  
and Chief Financial Officer*

Graham R. Dawson, *Chairman of the Board*

James H. Findlay, *Vice-President,  
Administration and Secretary*

Raymond J. Langrish, *Vice-President  
and Senior Controller*

William H. Levine, *Executive Vice-President*

Russell A. L. Nunn, *Senior Vice-President*

John W. Poole, *President and Chief Executive Officer*

Jonathan H. B. Rees, *Vice-President,  
Operations Accounting*

George C. Reifel, *Vice-President, Corporate Finance*

James D. Stout, *Senior Vice-President*

June E. Vassos, *Assistant Secretary*

## Daon Corporation

*Wholly-owned U.S. Subsidiary*

### Corporate Officers

William F. Garlock,  
*Senior Vice-President, Project Finance*

Ellen L. Guccione,  
*Vice-President, Residential Finance*

Robert R. Klein,  
*Vice-President, Taxation*

William H. Levine,  
*President*

John W. Poole,  
*Chairman and Chief Executive Officer*

Thomas J. Rielly,  
*Executive Vice-President, U.S. Operations*

William B. Seith,  
*Vice-President and Treasurer*

James D. Stout,  
*President, U.S. Operations*

Richard A. Verry,  
*Vice-President, Administration and Secretary*

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## Operating Management

### Canadian Operations

Russell A. L. Nunn,  
*President, Canadian Operations*  
Donald J. Schweitzer,  
*Vice-President, Office Development*  
Brenton R. Siddons,  
*Senior Vice-President, Industrial*  
James C. Whitehead,  
*Senior Vice-President, Land*

### United States Operations

James D. Stout,  
*President, U.S. Operations*  
Thomas J. Rielly,  
*Executive Vice-President, U.S. Operations*  
Warren A. Colton, III,  
*Senior Vice-President, Land*  
Jeffrey W. LeHecka,  
*Senior Vice-President, Commercial/Industrial*  
Daniel J. Liddiard,  
*Vice-President, Commercial/Industrial*  
Michael K. Ryan,  
*Vice-President, Land*  
Michael D. Shatsky,  
*Senior Vice-President, Residential Marketing*

### Shopping Centres

Rodney A. Schroeder, *Senior Vice-President*  
Donald R. Milliken, *Vice-President*  
Alvin G. Poettcker, *Vice-President*  
Laurence Sunderland, *Vice-President, Management*

### Office Centres

John E. Harris, *Senior Vice-President*  
John F. Markey, *Vice-President*  
Courtney L. Seepie, *Vice-President*

### Pacific Northwest

Kenneth V. Bellamy, *Senior Vice-President*  
Howard C. Cornell, *Vice-President, Land*  
James L. Ingersoll,  
*Vice-President, Commercial/Industrial*  
Richard Van der Peyl, *Vice-President, Residential*

### Daon Management

Donald H. Weber, *Senior Vice-President*  
Richard M. Tucker, *Regional Vice-President*

### Daon International

Francis C. Schoenborn, *Managing Director*

## Corporate Offices

### Daon Development Corporation

999 West Hastings Street  
Vancouver, B.C. V6C 2W7  
*Branch offices in Calgary and Edmonton*

### Daon Corporation

4041 MacArthur Boulevard  
Newport Beach  
California 92660  
*Branch offices in Seattle, San Francisco and Miami*

### Daon (Netherlands) B.V.

Keizergracht 560-562  
1017 EM Amsterdam  
The Netherlands  
*Branch offices in Geneva and Fribourg*

### Auditors

Arthur Andersen & Co.

### Transfer Agents and Registrars

Common Shares and 75¢ Class A Shares  
National Trust Company, Limited  
8<sup>5</sup>/<sub>8</sub>% Preference Shares, Senior Series A and  
9<sup>1</sup>/<sub>2</sub>% Preference Shares, Senior Series B  
The Canada Trust Company

### Trustees for Debentures

Daon Development Corporation  
National Trust Company, Limited  
Daon Corporation  
Crocker National Bank

### Stock Exchange Listings

Vancouver Stock Exchange  
Toronto Stock Exchange  
Montreal Stock Exchange  
Alberta Stock Exchange

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