Canada Lands Company
Société immobilière du Canada

CANADA LANDS COMPANY LIMITED

SUMMARY OF CORPORATE PLAN

1998 – 1999 to 2002 - 2003

Including

CAPITAL BUDGET 1998-1999
OPERATING BUDGET 1998-1999

EXECUTIVE SUMMARY

The mandate of Canada Lands is to generate best value to the Canadian taxpayer through the:

- orderly disposal of strategic real properties no longer required by the Government; and
- the management of certain other select properties.

The mandate is carried out through the real estate operations of its principal subsidiary, Canada Lands Company CLC Limited ("CLC").

Despite the inability to market properties in British Columbia due to unresolved First Nations land claims, the Corporation continued with its successful disposal program in the rest of Canada. By the end of December 1997, 95 properties had been sold for gross sales proceeds of $260 million, since reactivation of the Corporation in August 1995. These sales include over 50% of the initial portfolio value transferred to Canada Lands as part of the commercialization process of Canadian National Railway Company ("CN"). The successful operations of the Corporation have resulted in distributions to the Shareholder of $11.8 million in 1996, and $20.4 million in 1997.

Major strategic issues facing the Corporation over the Plan period will be:

- expediting the transfer of real properties from custodial departments of the Federal Government in order to fulfil its mandate;
- resolution of land claims by First Nations on the Corporation's properties in British Columbia; and
- the appropriate structuring of a new subsidiary company, CLC Downsview Inc., to fulfill the Government's commitment to create a major park on the Downsview lands without Federal appropriations.

Canada Lands projects property sales of $638 million and other revenues of $70 million during the Plan period, with an estimated net income of $117 million before tax. The cash flow from operations is forecast to be $292 million after payment of $57 million of income and capital taxes.

All activities of Canada Lands will continue to be carried out in a financially self-reliant manner, and cash flow generated from operations should allow distributions of $286 million in various forms to the Government and/or Government agencies during the Plan period. The possible divestment of certain assets would also achieve elimination of all existing debt obligations which currently amount to $37 million.

This Corporate Plan contemplates the ability of the Company to sell its properties in British Columbia unhindered by First Nations land claims and assumes that the existing surplus land bank of Canada Mortgage and Housing Corporation ("CMHC") will be transferred to, and acquired by, CLC in early 1998.

Finally, it must be noted that many of the successes of the Corporation to date are not reflected in the financial results of the Corporation. These successes have occurred in the communities where Canada Lands conducts business, in partnership with the private sector, and have resulted in the added benefits of job creation, increased municipal tax bases and a revitalization of local economies.

CORPORATE PROFILE

Canada Lands was reactivated in August of 1995 as a Federal non-agent commercial Crown corporation to receive the transfer from CN of certain commercial real estate holdings, and to contribute to the Government's mandate of deficit reduction through the timely and orderly disposal of strategic real properties no longer required by the Government.

Canada Lands has three wholly-owned subsidiaries:

- Canada Lands Company CLC Limited, the core real estate operation of the parent company, currently owns 1,900 acres in 40 different municipalities across Canada.

- 3148131 Canada Limited ("3148131"), a subsidiary which was created to take over the remaining assets and liabilities of the Queens Quay West Land Corporation ("QQWLC") in Toronto. As a result of the 1996 Monahan report, these lands will remain with QQWLC in the near term. CLC has been retained to manage the operations of this Company.

- Société du Vieux Port de Montréal Inc. ("Vieux Port"), a subsidiary which has the mandate to redevelop the Old Port of Montréal through infrastructure work, as well as to provide recreational and cultural programming. This Corporation reports as a parent Crown corporation, and files its own Corporate Plan and Annual Report as decreed by the Governor-in-Council.

In addition:

- CN Tower Limited, formerly a wholly-owned subsidiary of Canada Lands, was amalgamated with CLC effective 1 December 1997.

- Vieux-Port de Québec, a wholly-owned subsidiary of Canada Lands, is to be dissolved by the end of March 1998.

- The Corporation has been authorized by Order-in-Council to incorporate a wholly-owned subsidiary, to be known as CLC Downsview Inc., to manage and develop the former CFB Downsview lands primarily as a unique urban park for the enjoyment of the present and future generations. Authority was also given by Treasury Board to incorporate a federal not-for-profit entity, the Downsview

Foundation, to be used to solicit donations for the future funding of the park operations.

ASSESSMENT OF OPERATIONS

Financial Results

In August 1997, an amended Corporate Plan for the period 1997 – 1998 to 2001 – 2002 ("amended Plan") was submitted. This amended Plan included the financial achievements for the year ended 31 March 1997 as follows:

$ millions

1996 – 1997 Plan	**Actual**	**Budget**
Property sales	$ 142.8	$ 121.7
Net income before tax	20.2	7.3
Capital expenditures	24.4	32.3
Cash flow for Shareholder	22.2	1.1

The following comparison of projected financial results for the year ending 31 March 1998 is with the budget results shown in the amended Plan:

$ millions

1997 – 1998 Plan	**Outlook**	**Budget**
Property sales	$ 161.8	$ 245.6
Net income before tax	14.0	23.3
Capital expenditures	11.7	17.8
Cash flow for Shareholder	43.2	26.4

CORPORATE PRIORITIES, ISSUES AND STRATEGIES

Crown Transfers

Based on current progress, it is anticipated that virtually all of the initial property portfolio transferred from CN will be successfully marketed within the next two to three years.

Canada Lands is currently playing an active role with, and awaiting title transfer for, properties in Moncton, Montréal, Ottawa, London, Calgary, Chilliwack and Vancouver Island.

The Corporation is proactively seeking to improve the Crown Transfer process and has made specific recommendations to the Treasury Board Secretariat regarding this matter.

The Corporation has established a senior position in Ottawa to facilitate the proactive participation by Canada Lands in the identification and transfer of strategic Federal properties.

First Nations Land Claims

Following an extensive consultation process with Government, First Nations, and other organizations doing business with First Nations, Canada Lands established Guidelines for dealing with First Nations land claims issues. The Guidelines are based on three basic principles: Respect for Aboriginal Interests; Open Communications; and Opportunities to participate in Canada Lands activities. These Guidelines were approved by Canada Lands' Board of Directors and key stakeholders in the Federal Government. They will be reviewed and monitored on an ongoing basis and amended as necessary based on experience.

During 1997, application of these Guidelines was commenced, whereby a number of First Nations bands were given rights of first offer on three properties in British Columbia. No First Nation elected to exercise this right of first offer, and marketing of these specific properties is now proceeding. There are continuing objections from First Nations related to the disposal of property by the Corporation in British Columbia. It is hoped that further dialogue with First Nations, Department of Indian and Northern Affairs ("DIAND") and the Federal Treaty Negotiating Office ("FTNO") will result in interim solutions to deal with this situation. This is key to fulfilling the Corporation's mandate in British Columbia, and the Plan assumes a successful resolution of the situation during the first year of the Plan period.

Year 2000

The Year 2000 ("Y2K") will have a pervasive impact on the business community as management and accounting information systems, which use two digit fields to hold year value in dates, will behave unpredictably, or in some cases, will cease to operate.

All of Canada Lands information systems will be Y2K compliant by the end of 1998. Canada Lands core business systems utilize J. D. Edwards software and are comprised of accounting, budgetting, property management and job costing modules. These systems will be upgraded to the most recent release of J. D. Edwards, which is Y2K compliant, by the summer of 1998.

Systems which have been developed in-house all contain four-digit date fields and are already Y2K compliant.

Extended Mandate

At the time of the reactivation of Canada Lands, it was mandated that the operations of the Company would be reviewed at the end of five years, namely the Year 2000, to determine whether the Company had been successful in its disposal activities and in the creation of value for the Shareholder. At a meeting of Treasury Board

Ministers held in November 1997, Canada Lands was directed to "elaborate on the mandate and future" of CLC.

Based on performance to date, the Corporation has been successful from a financial and governance perspective, and appears to be fulfilling Shareholder expectations. The operations of the Company have surpassed original forecasts and future projections indicate a continuation of this trend.

Due to the nature of certain projects currently underway, (e.g. Downsview, CN Tower, CFB Calgary), it is evident that ongoing management of these properties by CLC will be required well beyond the current five-year review date.

Given the already identified potential transfers in the near term, (Ottawa, Chilliwack, etc.), and the additional large potential for transfers in the longer term, further support is provided for the review of the mandate.

Beyond the financial benefits of value creation and cash generation for the Shareholder, there is a growing appreciation of the additional benefits created by Canada Lands' activities in co-operation with the private sector. The combination of environmental remediation, land servicing, building development and like activities, has resulted in job creation, an increased tax base and the revitalization of the local communities.

CMHC Property Transfers

Negotiations are currently underway to acquire approximately 30 residential land and building developments from CMHC, which properties have been declared surplus due to a change in that Corporation's mandate. Agreement has been substantially reached on pricing and method of payment, and it is the intention of both parties that the transfer take effect early in 1998. The agreement also provides for transfer of approximately ten employees, on terms equivalent to their current employment with CMHC.

Included in the portfolio are a number of subsidized Veterans' Housing units, and the success of the future management, marketing and value realization of these properties will be the continuing financial support programs administered by CMHC and funded by PWGSC.

It is acknowledged that there are sensitive issues associated with several of the properties in this portfolio which will require an extensive public consultation and communications process.

A number of the properties are owned in partnership arrangements with provincial governments, whereby CMHC has a 75% financial interest in each property, but day-to-day management control remains with the Province. It will be CLC's objective to negotiate transfer of this management responsibility to it, so as to enable the Corporation to better achieve its Plan objectives.

Millennium Programs

Canada Lands is participating in a Millennium task force with other Crown corporations and entities within the PWGSC portfolio. Preliminary suggestions on how the Corporation can contribute to Canada's celebration of the new Millennium have been submitted for consideration. The emphasis in the suggestions is on the themes of youth, education, the environment, technology and heritage. Some examples are: using the CN Tower as one of the great towers of the world on New Years Eve 1999; a competition to rename the CN Tower; making computer access and training available at military bases to people who do not currently have access to such facilities.

Corporate Governance

The Corporation and the Board of Directors have given priority to corporate governance matters during the formative period of the Corporation. Canada Lands and its Directors and officers are subject to Part X of the Financial Administration Act. Directors have received information, and have participated in a variety of educational seminars dealing with roles and responsibilities of Directors of Crown corporations.

Since reactivation, the Board has established Audit and Compensation Committees for the parent and its subsidiaries. The Compensation Committee annually sets and approves objectives for the President & CEO and evaluates performance against those objectives.

Policies have been established related to Conflict of Interest (for both Directors and employees), Environment, Land Sales, Official Languages, Outside Board Membership and Contracting. The scope for an internal audit function was recently approved and the first phase has been implemented through the use of outside consultants.

Balanced Scorecard

The Corporation has linked its strategic objectives to a set of financial and operational measures in order to clarify and communicate the objectives and use them for evaluating performance. The current scorecard measures cash flow, sales, net income, property sales preparation activities, the value added concept, and the property transfer process. It is planned to add measurements for First Nations land claim activities and for additional benefits accruing to other stakeholders as a result of CLC activities.

The Balanced Scorecard is published quarterly and is explained to all employees on the Intranet site. Management reviews the scorecard and performance measures are adjusted if required. The scorecard is regarded as a long-term activity and involves the monitoring of the use of the scorecard as well as the evolution of its key measures. In essence, the scorecard is a living document that must change as circumstances and the environment changes.

The Corporation's key performance measures are being developed to support the achievement of maximum Shareholder worth through value creation, ongoing management and disposition of assets, while meeting and respecting Federal Government social policy objectives and practices.

Downsview DND Lands – Toronto

The Downsview decommissioned defence base is a 640-acre property located in North York (now Toronto). It is anticipated that title to this property will be transferred and/or leased to CLC Downsview Inc.

The mandate of this Company will be to develop a 320-acre urban park to be financed by the proceeds of the sale or leasing of the remaining lands. The objective is to make the park financially self-sustaining with no Government appropriations.

A Request for Proposals process took place in 1997 and potential users of the property have been identified for residential, commercial, recreational and business park uses. Discussions are underway to finalize agreements which will be presented to the Department of National Defence later this year.

CANADA LANDS COMPANY LIMITED
FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDING 31 MARCH 1998
AND THE FIVE YEARS 1998-1999 TO 2002-2003

$ Millions	Actual 1996-1997	Outlook 1997-1998	Budget 1998-1999	Plan 1999-2003
Property Sales	142.8	161.8	247.0	638.3
Other Revenue	57.2	20.8	23.4	70.2
Net Income before Tax	20.2	14.0	26.7	117.1
Capital Expenditures	24.4	11.7	32.5	43.0
Income Tax	9.8	5.8	11.7	51.5
Cash Flow	22.2	43.2	34.5	291.6
Distribution to Shareholder:				
CMHC Notes Repayment	0.0	0.0	0.0	72.5
Government Notes Repayment	0.0	0.0	13.1	52.8
Dividends / Shares Redeemed	10.9	20.4	30.1 43.2	160.8
As at 31 March				
Assets	403.8	500.7	432.7	241.7
Debt	37.8	36.9	0.0	0.0
Equity / Loan Capital	286.7	390.2	374.0	190.3
Number of Employees	400*	80	90	

* Includes CN Tower employees

CANADA LANDS COMPANY LIMITED

CAPITAL BUDGET 1998-1999

$ million

Parent Company	NIL
Canada Lands Company CLC Limited	32.5
TOTAL	32.5

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OPERATING BUDGET 1998-1999

Parent Company	NIL
Canada Lands Company CLC Limited	26.7
TOTAL	26.7