CANADA LANDS COMPANY LIMITED

CORPORATE PLAN SUMMARY
2005-2006 TO 2009-2010
INCLUDING
CAPITAL AND OPERATING BUDGETS
FOR 2005-2006

May 13, 2005

Canada

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Executive Summary

Canada Lands Company Limited

Through its core real estate subsidiary, Canada Lands Company CLC Limited (CLC), Canada Lands Company Limited (CLCL) will continue to carry out its policy mandate as approved by the Government of Canada (the government) on reactivation in 1995 "to ensure the commercially oriented, orderly disposition of selected surplus federal real properties with optimal value to the Canadian taxpayer and the holding of certain properties".

In carrying out its activities, the company acts in line with government policy objectives and assists the government to ensure overall good stewardship of its real property resources. CLC's areas of expertise can also assist the government to meet some of its key priorities, such as contributing to the sustainability of cities and communities and environmental remediation of strategic federal sites.

As detailed in the following sections of this corporate plan summary, the key strategic priority facing CLCL is the removal of certain policy restrictions on the company's mandate, which prevent the company from providing requested assistance to federal custodians facing real property challenges in a number of areas. Another strategic priority for the company is maintaining its excellence in corporate governance.

Canada Lands Company CLC Limited

The key strategic priority facing CLC during the plan period continues to be addressing the low volume and slow rate of transfer of strategic surplus properties from the federal government. The historically slow rate of property transfers to CLC has prevented the government from divesting itself of many of the properties surplus to its needs.

CLC has been providing proactive support to the government as it works to improve its property transfer process, and it is hoped that this will improve the rate and volume of property transfers to the company.

During the five-year planning period, CLC anticipates that its projects will result in the following benefits for local communities and Canadian taxpayers:

- $74.8 million paid to the government as dividends,
- $74.7 million paid to the government and Crown corporations as cash acquisition payments and note repayments for properties;
- $364.6 million spent by CLC on capital expenditures, including investments in environmental remediation; and
- $36.6 million paid to the government in federal income taxes.

CLC has four strategic priorities for the planning period:

- support improvements to the property transfer process;
- clarify and address issues regarding land transfers and Aboriginal groups;
- leverage Canada's National Tower (the CN Tower) as a national asset; and
- improve service to federal government clients through seeking the removal of certain policy restrictions on the company's mandate and by leveraging core company competencies.

The company's projected financial results compared to the budget for the fiscal year ending March 31, 2005 are presented below.

	$ Millions	
	Outlook	**Budget**
Property sales	59.3	54.8
CN Tower attractions, food and beverage (gross)	42.2	40.7
Income before taxes	17.5	9.8
Expenditures on properties	38.3	82.2
Cash flow before note repayments and dividends	45.0	(32.8)
General & administrative expenses	19.6	18.6

1. Canada Lands Company Limited

1.1 Introduction

This corporate plan summary is structured to reflect the fact that Canada Lands Company Limited (CLCL) is a holding company for its three wholly owned subsidiaries, Canada Lands Company CLC Limited (CLC), Parc Downsview Park Inc. (PDP) and the Old Port of Montréal Corporation Inc. (OPMC). The latter two corporations report separately to the Parliament of Canada through the Minister of State (Infrastructure and Communities) (the Minister), as if they were themselves parent Crown corporations. Accordingly, PDP and OPMC autonomously prepare and submit their own corporate plans.

CLCL has virtually no assets or corporate resources other than the shares of its subsidiary companies. Although PDP and OPMC are subsidiaries of CLCL, they operate in diverse business environments with different business objectives. CLC shares the same policy mandate as CLCL and carries out the parent company's core real estate business. Consequently, this corporate plan will discuss CLCL's performance and future strategic directions primarily through the section dealing with its CLC subsidiary.

1.2 Mandate

The legal objects of CLCL, as contained within its letters patent of 1956, permit the company to "acquire, purchase, lease, hold, improve, manage, exchange, sell, turn to account or otherwise deal in or dispose of real or personal property or any interest therein."

CLCL's policy mandate, which was approved by the Government of Canada (the government) upon reactivation in 1995, states that the fundamental purpose or principal goal of the company is to ensure the commercially oriented, orderly disposition of surplus strategic real properties with best value to the Canadian taxpayer and the holding of certain properties. It also indicates that, in addition to financial and other strategic considerations, the government requires that the views of affected communities and other levels of government be taken into consideration by the company. A review of CLCL's mandate, with a special focus on the mandate of CLC, was carried out in June 2001 and the mandate was subsequently renewed.

CLCL and its CLC subsidiary ensure that all of their activities are consistent with this mandate. Although provincially regulated in many areas, the CLC subsidiary is guided by the spirit of such federal government policies in the areas of employment equity, official languages, heritage and the environment. The mandate of CLC is addressed in section 2.1 of this corporate plan.

CLC's 1995 policy mandate restricts it from acquiring the properties of other Crown corporations. In the spring of 2005, the government supported CLC's efforts to enter into negotiations with Canada Post Corporation (CPC) to acquire a surplus CPC property at 1500

Ottawa Street in Montréal. Further details on this transaction are included in section 1.4.1 of this plan.

1.3 Corporate Profile

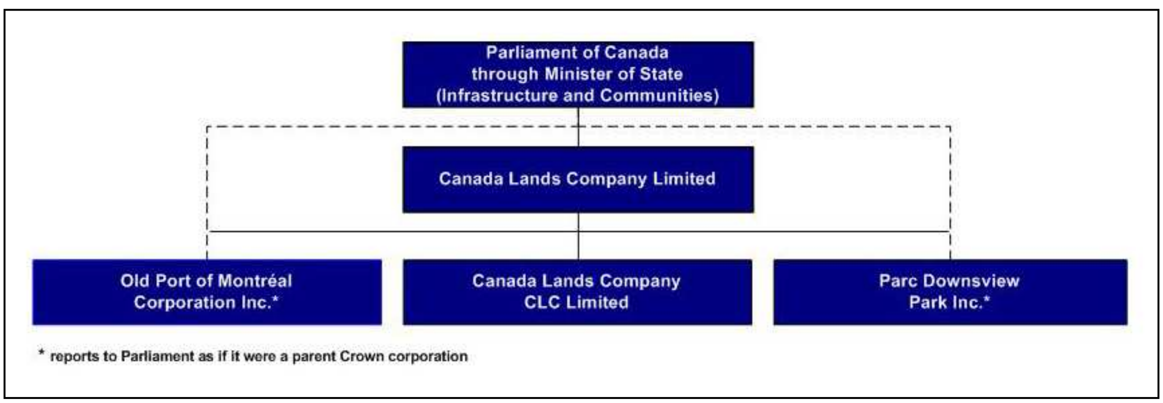
CLCL reports to the Parliament of Canada through the appropriate Minister and is an agent of Her Majesty. Through its commercially oriented non-agent CLC subsidiary, the company ensures the orderly disposition of surplus strategic properties, maintains ownership or management of certain strategic properties such as Canada's National Tower (CN Tower) in Toronto and pursues the realization of both financial and community objectives. In May 2005, Cabinet authorized CLC to negotiate acquisition of a CPC property in the havre de Montréal. The company's fiscal year end is March 31.

The three wholly-owned subsidiaries of CLCL are:

- CLC, a non-agent Crown corporation, which carries out the core real estate business;
- PDP, an agent Crown corporation, which was incorporated in 1998 to manage and develop the former Canadian Forces Base (CFB) Toronto lands as Downsview Park, and which reports to Parliament as a deemed parent Crown corporation; and
- OPMC, an agent Crown corporation, which is responsible for redeveloping the Old Port of Montréal and which also reports to Parliament as a deemed parent Crown corporation.

The reporting structure of CLCL and its subsidiaries is illustrated in Exhibit 1.

Exhibit 1: CLCL and Its Subsidiaries



1.4 Strategic Priorities for the Plan Period

1.4.1 Support Removal of Certain Policy Restrictions on Company Mandate

Federal custodians today face a number of challenges with respect to the management of their real property assets. As a result of CLC's proven track record of success, a number of federal custodians have sought the company's assistance in finding innovative solutions to these challenges, which would then allow them to focus their resources on their program needs or enhance their capacity to manage their real property portfolios.

The government has, over the past fiscal year, undertaken consultations with federal organizations on expanding CLCL's current policy mandate. CLC continues to provide proactive support to the government regarding this initiative through supporting research, expertise and participation where appropriate.

Over the past several months, there has been significant interest on the part of the government for CLC to be authorized to acquire the former postal distribution centre at 1500 Ottawa Street in Montréal from CPC. This 23.5 acre (9.51 hectare) property on the Lachine Canal provides an opportunity for federal involvement in starting a major redevelopment of the havre de Montréal. Keen support for CLC involvement has been provided by the City of Montréal and local community groups.

As a result of this support and the significant potential benefits of CLC's acquisition of this property, the government authorized CLC to enter into negotiations for this single transaction and agreed to defer payment of dividends to the Consolidated Revenue Fund to enable CLC to make full upfront payment to CPC for the fair market value of the property on closing. This commercial transaction will be conducted using standard business practices and is expected to result in additional net benefits to the Consolidated Revenue Fund over the life of the project.

This acquisition will not impact CLC's responsibilities to acquire the property of federal departments using upfront payments and promissory notes and to implement other departmental property initiatives.

1.4.2 Maintain Excellence in Corporate Governance

In the 2005-2006 fiscal year and throughout the five-year plan period, CLCL will strive to continue to be recognized as a leading organization that demonstrates excellence in corporate governance. It will continue to monitor and enhance its governance practices through its established governance action agenda, which is updated on a regular basis.

In 2004, CLCL was chosen by the Treasury Board Secretariat to participate in an Organisation for Economic Co-operation and Development (OECD) panel to make recommendations with respect to best practices in governance of state-run organizations. A continued major objective will be to continue to demonstrate the connection between excellence in governance and the company's bottom line results. This may involve, among other initiatives, developing categories of analysis and appropriate indicators that can be tracked over time.

In 2003-2004, the company's CLC subsidiary commenced the first stage of certification of financial statements by its President and Chief Executive Officer, and Vice President, Finance and Chief Financial Officer.

As a good governance initiative in line with its core commitment to the principle of corporate social responsibility, CLCL's subsidiary, CLC, is moving toward having its annual performance in non-financial areas assessed against best practices through a non-financial or "social" audit carried out by an independent outside party.

1.5 CLCL 2005-2006 Objectives and Performance Targets

CLCL's 2005-2006 objectives and performance targets are outlined in Appendix A. While the objective and performance target in this appendix is set for the budget year, it is recognized that they may flow through to the subsequent strategic plan years.

1.6 CLCL 2004-2005 Performance Assessment

CLCL's 2004-2005 performance assessment is located in Appendix B. CLCL assesses its performance on an ongoing basis and attempts to learn from its successes and failures alike. Where the company falls short of ambitious targets, it assesses why and acts appropriately to either meet these targets in the future, or adjust expectations to more reasonable levels.

1.7 Dividends

CLCL's forecasted dividend payments to the government during the plan period total $74.8 million. The payments will be made in years one, two, four and five of the plan in the amount of $7.5 million, $0.3 million, $37.2 million and $29.8 million respectively.

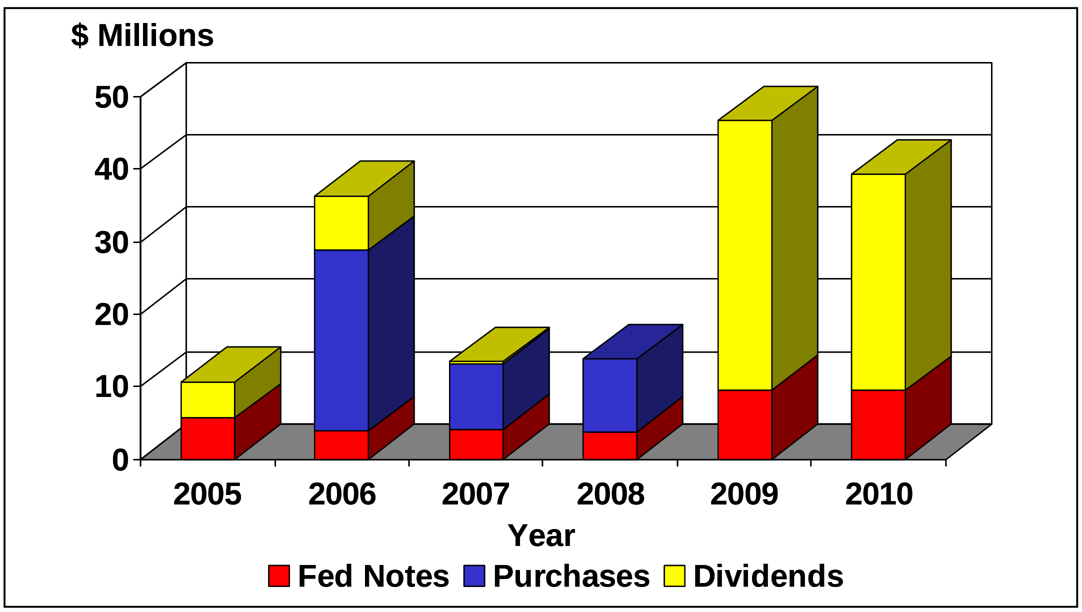
The company's dividend program will continue as established in the 2002-2003 to 2006-2007 corporate plan. Under the dividend program, working capital requirements are generally determined by the cash demands on CLC to carry out its business activities and are based on projected cash flow from operations for the subsequent three years, less note repayments during the same period.

The following principles are contained within the dividend program to ensure the most efficient use of cash generated from operations and the commercial viability of the corporation.

- Dividends are paid when the year ending cash balance is greater than the working capital requirement. The working capital requirement is the cash flow from normal business for the subsequent three years less any note repayments.
- The actual dividend payment in a given year can be different from the budgeted dividend estimated in the previous year.
- The amount of the dividend payment will never be of such amount that CLC will have to borrow funds to pay it but the corporation will, in the normal course of its business operations, fund major capital projects of the corporation through appropriate external financing, following acceptable industry practice.

The dividend paid in fiscal year 2004-2005 (for fiscal year 2003-2004) was $5 million.

Exhibit 2: Distributions to the Government of Canada



2. Canada Lands Company CLC Limited

2.1 Mandate

As the core real estate subsidiary of CLCL, CLC has the same principal goal in its policy mandate as its parent company, to ensure the commercially oriented, orderly disposition of selected surplus strategic federal real properties with optimal value to the Canadian taxpayer and the holding of certain properties. This was laid out by the government in 1995 and reconfirmed in 2001. The realization of optimal value recognizes financial value, economic stimulation and a contribution to the quality of life in communities where the company operates.

CLC ensures that all of its activities are consistent with this policy mandate, which does not include acquisition of Crown corporation properties. However, in the spring of 2005, the government authorized CLC to negotiate acquisition of a CPC property in the havre de Montréal.

CLC also follows transparent processes and ensures that it remains sensitive to local real estate market conditions. The company deals primarily with strategic properties possessing significant development potential, innovative planning, rezoning, servicing, environmental remediation, and community or government sensitivities.

In selling its properties, CLC ensures broad market exposure and competitive bidding whenever possible. It also maintains a commitment to environmental sustainability in its projects and respects heritage considerations.

2.2 Corporate Profile

In carrying out its mandate in a self-financing manner, CLC purchases properties at fair market value from government departments and agencies, then implements innovative property solutions while enhancing the quality of life in communities where it operates. It collaborates regularly with federal, provincial and municipal stakeholders, pays all applicable taxes at all levels of government and is subject to all provincial and municipal development legislation, regulations and processes.

CLC's three operating divisions are:

- Western Region — British Columbia, Alberta, Saskatchewan, Manitoba;
- Eastern Region — Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador; and
- CN Tower — located in Toronto, Ontario.

The company's current land portfolio totals over 3,500 acres (1,416 hectares), located in 22 municipalities across Canada. The company has no operations or properties in the Yukon, Northwest Territories, Nunavut or Saskatchewan.

CLC employs approximately 330 full time employees across the country, which includes approximately 240 employees at the CN Tower in Toronto. The CN Tower additionally employs 140 regular part-time employees year round. Due to the fact that the hospitality industry is of a seasonal nature, the number of employees at the CN Tower fluctuates from these numbers throughout the year.

While its head office is located in Toronto, CLC's operating divisions are headquartered in Vancouver (Western Region), Ottawa (Eastern Region) and Toronto (CN Tower). It also maintains a national capital office in Ottawa, along with ten additional project offices located across Canada in cities where major projects are located.

Central to the company's operating philosophy is its commitment to the principle of corporate social responsibility. This commitment acknowledges the company's pursuit of financial value optimization, but also ensures its activities are carried out in a way that benefits its major stakeholders, including the local community. The company uses a balanced scorecard measurement tool to document, measure, manage and report on performance in five key result areas. These key result areas are:

- shareholder/board of directors;
- business/financial;
- community/legacy;
- human resources; and
- municipal/provincial.

Appendices C and D are the company's balanced scorecard for the fiscal years 2005-2006 and 2004-2005 respectively. The former sets out the company's objectives for the coming year, while the latter highlights the company's performance with respect to the objectives set for the prior fiscal year.

2.3 Analysis of External Business Environment

2.3.1 Economic Outlook

CLC's business is driven by three major factors: economic activity (which in turn drives the demand for real estate), interest rates, and tourism. Anticipated GDP growth and housing starts in the provinces where CLC operates are two measures that indicate to the company how its property sales and real estate developments will perform. Based on industry and government forecasts in these areas, it is anticipated that the economic climate during the plan period will be very favourable for the company's operations overall.

Canada Mortgage and Housing Corporation forecasts that housing starts in Canada will reach 226,800 units in 2004, a 17-year high. Due to increasing interest rates, housing starts will slowly drift back toward more sustainable levels over the medium term, but will still remain high at 210,200 units in 2005.

The Minister of Finance reported in his Economic and Fiscal Update delivered on November 16, 2004 to the House of Commons Standing Committee on Finance, that Canada will enjoy stronger economic growth in both 2004 and 2005 as measured by GDP. On average, he expects growth of 3% in 2004, up from the 2.7% predicted at the time of the last budget. In 2005, he is forecasting that growth will reach 3.2%, and that this will culminate in a budget surplus of $29.5 billion over the next six-year period.

The commercial real estate market remained stable in 2004, as downtown office vacancy rates moved slightly higher to 12%, while the suburban office vacancy rate eased slightly to 15.5%.

Concerned about the dollar's dampening effect on growth, the Bank of Canada left interest rates unchanged at the end of the 2004 after a slight increase earlier in the year. It is anticipated that interest rates will grow slightly in 2005. Even with the increasing interest rates, the construction market remains extremely heated and is expected to continue to be vibrant.

Exhibit 3: Housing Starts and GDP for Provinces where CLC is Active

Province	2004 GDP	2005 GDP	Housing Starts 2004	Housing Starts 2005
British Columbia	3.2%	3.5%	31,700	32,400
Alberta	3.9%	3.8%	34,000	32,000
Manitoba	2.8%	3.0%	4,600	4,400
Ontario	2.5%	3.0%	85,200	79,000
Québec	2.8%	3.1%	56,000	48,000
New Brunswick	2.3%	2.6%	3,750	3,700
Prince Edward Island	2.2%	2.5%	900	750
Nova Scotia	2.1%	2.4%	4,450	4,225
Newfoundland	2.4%	1.8%	2,750	2,500

Source: GDP data from Scotiabank Group, *Forecast Update*, released September 23, 2004; housing start data from CMHC, *Housing Outlook*, National Edition, Fourth Quarter 2004, released October 28, 2004.

As presented in Exhibit 3, housing starts will continue to be strong over the coming year, supporting residential development in CLC's various projects across the country.

Atlantic Canada's energy resources continue to dominate the growth in that region. However, housing demand is concentrated in large centres like Halifax, Moncton and St. John's, all cities where CLC has or is about to acquire property.

While Ontario tourism is still suffering due to the impact of SARS, a higher Canadian dollar and the Iraq war, in 2004 the CN Tower achieved similar attendance numbers to pre-9/11. Tourism in Toronto is expected to grow at about 5% per annum over the planning period and the CN Tower expects to exceed that rate of growth.

2.4 Strategic Priorities for the Plan Period

2.4.1 Support Improvements to the Property Transfer Process

Expediting the flow of government department property transfers to CLC continues to be a priority. The Treasury Board Policy on the Disposal of Surplus Real Property came up for review in the summer of 2004. It was recognized that there were inefficiencies with respect to the policy and processes currently in place; therefore, the Treasury Board Secretariat (TBS) launched a review to identify and find solutions to these inefficiencies.

While some progress has been made to improve the transfer process, it still takes considerable time and effort on behalf of both the federal government and CLC to transfer these properties to the company. For example, although 14 strategic surplus properties have been endorsed by the Treasury Board Secretariat led Assistant Deputy Ministers Steering Committee on Real Property for transfer to CLC, it typically takes from three to five years to transfer title of a property to CLC, with the worst case, the former CFB Rockcliffe property in Ottawa, still in the process after nine years.

These inherent delays are causing a number of costs, inefficiencies and missed revenue-generating opportunities. Should CLC receive title to these 14 properties, significant benefits are anticipated in the way of $120 million paid to the government (and ultimately departments and agencies) by CLC to purchase the properties, along with reduced carrying costs for departments and agencies. In addition, CLC business plans for these 14 properties estimate profits before taxes of $157 million.

The TBS review is ongoing and CLC is one of many participants at the working group, Director General and Assistant Deputy Minister levels. The review is exploring a number of options for improvement.

2.4.2 Clarify/Address Issues Regarding Land Transfers and Aboriginal Groups

One major issue facing government surplus strategic real estate is the significant delay on property title transfer that typically occurs when there are outstanding issues of asserted Aboriginal rights, title or treaty rights.

In December 2001, title for Parcel A of CFB Chilliwack in British Columbia was successfully transferred to CLC. This transfer marked an important precedent, as it represented the first transfer to CLC from the federal Crown in British Columbia.

In early 2005, CLC contributed to a breakthrough related to the Department of Fisheries and Oceans (DFO) Richmond property. A compromise was reached whereby after transfer to CLC, 50% of the site will be conveyed to the City of Richmond at market value, and the remaining 50% will be dealt with by way of a joint venture between CLC and the Musqueam First Nation. This outcome was achieved within the existing mandate of CLC and in accordance with the Treasury Board Secretariat decision regarding the property.

In April 2003, the government published its best practices guidelines entitled *The Disposal of Surplus Real Property in the Context of Aboriginal Issues* to accompany the *Treasury Board Policy on the Disposal of Surplus Real Property*. The guidelines provide a risk assessment and management framework and are intended to help custodial departments and Crown corporations identify and assess Aboriginal interests and make decisions about if, when and how to consult with Aboriginal groups.

In April 2005, the federal government established two working groups to develop government-wide guidance on implementation of the Haida/Taku decision by federal officials. Treasury Board Secretariat Real Property and Matériel Policy Directorate is participating in order to provide input with respect to real property policy and operational issues and to refine the existing Treasury Board guidelines, as required, in light of this government-wide initiative.

While the company is hopeful that the DFO Richmond breakthrough will lead to future government transfers in which there are First Nations issues, it is anticipated that assertions of Aboriginal rights, title and treaty rights will remain a major challenge to development for many of the strategic, surplus government properties. While this issue is most prevalent in British Columbia, it has also surfaced with properties in other provinces, such as the Agriculture and Agri-Food Canada (AAFC) Home Farm property in Prince Edward Island and the Department of National Defence (DND) Shannon Park property in Halifax, Nova Scotia.

2.4.3 Leverage CN Tower Role as National Asset

The CN Tower defines the Toronto skyline, is a prominent symbol of both Toronto and Canada, and is one of the most recognized attractions worldwide. As such, it will contribute a strong voice and leadership role in the development of the tourism strategy of Toronto and Canada. CLC’s activities over the planning period will increase business opportunities for the CN Tower, while at the same time increasing the presence and visibility of the government with residents and visitors, both in Toronto and internationally. CLC will continue to promote and market the status of the CN Tower as a national icon and wonder of the modern world, and will continue to build its role in the municipal, provincial, and federal tourism economies.

2.4.4 Better Serve Clients by Leveraging Core Company Competencies

Over the past four years, CLC has focused on improving the quality of service it provides to both its "upstream" (i.e. government) and "downstream" (i.e. communities and local governments) clientele. While the company has always been financially successful, posting a return on investment comparable to the private sector since its reactivation in 1995, the recent emphasis on governance and client services has led to significant enhancements in service delivery for all core competencies.

In Ottawa, CLC has worked with both custodial departments and central agencies to provide a better understanding of how the company can be leveraged as an instrument of good government policy and fiscal prudence. In building relationships at both the working and management levels, officials now recognize the potential of CLC to significantly reduce carrying costs, contribute to departmental program financial requirements and provide optimal stewardship of the strategic federal real estate inventory. The company is a part of several committees working to achieve these goals, and is increasingly seen as a partner to departments and agencies of the government.

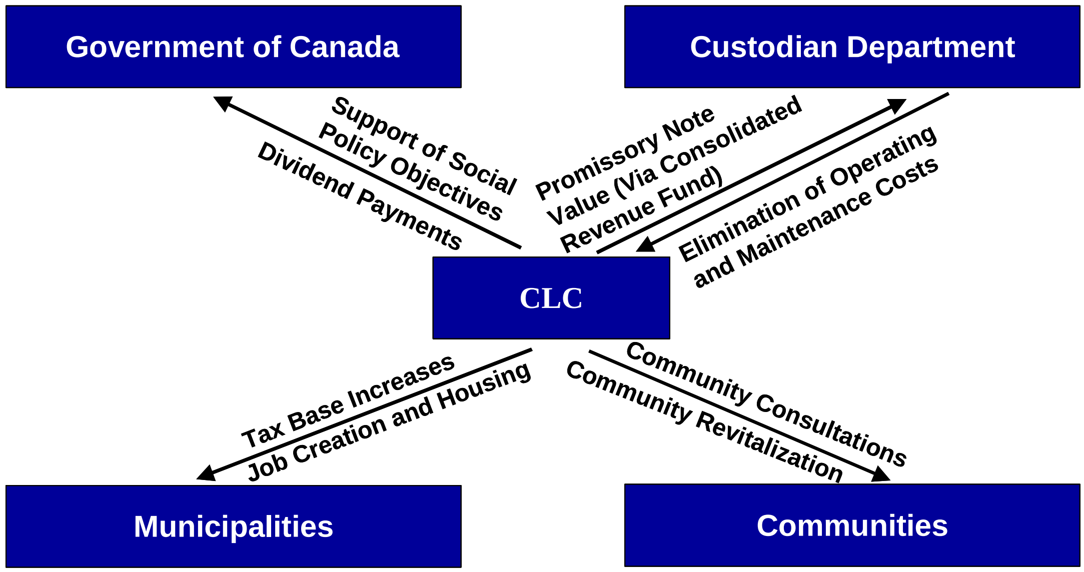
As discussed in section 1.4.1, the company will continue to work with the government to assess the merits of having certain policy restrictions, which were placed on its mandate, removed. This would allow the company to respond to various requests received from government departments, agencies and Crown corporations for assistance in the core competency areas of the company.

In the spring of 2005, the government supported CLC's efforts to enter into negotiations with CPC to acquire a surplus CPC property at 1500 Ottawa Street in Montréal. It has been recognized that CLC is ideally suited to create a project that will showcase the government's agenda of sustainable development and support to the revitalization of cities, support the harbour district revitalization objectives of the Société du havre de Montréal, while at the same time respond to the concerns and needs of the City and local groups.

Since CLC provides solutions for complex real estate issues to various parts of the federal government, the company very much views the government as its "upstream" client, over and above being the company's source of new product through the properties it purchases. Once the company owns the property and applies its areas of demonstrated expertise to optimize the value of each property, the primary clientele shifts "downstream" from the federal government to local governments and communities.

The process is in many ways circular because the financial gain made on these properties through remediation, redevelopment, construction, sales and property/site management flows back to both the custodian departments and the Consolidated Revenue Fund. Moreover, the government benefits from the legacy the company leaves on its properties, which reflects well on all parties involved. This is reflected in Exhibit 4.

Exhibit 4: The Value Creation Process



Through engaging in community consultations for its projects, CLC ensures that properties are redeveloped in a manner that aligns with the policy objectives of the government and the interests of local communities. This approach ensures a good public reputation of responsibility, credibility, reliability and trustworthiness for the company, the custodian department and the government in each real estate project.

The primary downstream beneficiaries of CLC's core competencies are local communities and governments as outlined in Exhibit 5.

Exhibit 5: Areas of Demonstrated CLC Core Competency

Area of Demonstrated Expertise	Example CLC Project
Property Sales	Acquisition of an office building on a 0.3 acre (0.12 hectare) site at 685 Cathcart in Montréal from Public Works and Government Services Canada. CLC redeveloped the building and sold it to a third party
Property Development	Redevelopment of the 450 acre (182 hectare) former Canadian Forces Base Calgary, which represents one of the most complex and innovative urban redevelopment projects in North America
Environmental Remediation	Remediation of the 285 acre (115 hectare) former Moncton Shops property using an innovative risk managemnet approach that completed the clean up in three years for less than one quarter of the initially estimated price
Build-to-Suit Construction	Redevelopment and building construction at the 133 acre (53.8 hectare) Glenlyon Business Park in Burnaby as the premier suburban office part in western Canada and home to some of Canada's highest profile companies – a prime example of CLC's commitment to sustainable development and high standards of environmental stewardship
Property Management	CLC is property manager for the 17 storey 277 Front Street office building in Toronto which forms part of the Metro Toronto Convention Centre Complex. Major tenants at 277 Front include CN, PWGSC and the Royal Bank
Tourism and Hospitality	Owner and operator of Canada's National Tower (CN Tower), the world's tallest freestanding structure, a wonder of the modern world, an important telecommunications hub, the centre of tourism in Toronto, and a first class dining and event centre

2.5 CLC 2005-2006 Objectives and Performance Targets

CLC's objectives, strategies and performance targets for the planning period 2005-2006 to 2009-2010 are outlined in Appendix C. While the objectives and performance measures in this appendix are all set for the budget year, it is recognized that the majority of the objectives will flow through to the subsequent strategic plan years as indicated in the financial schedules and other areas of this plan.

2.6 Assessment of Corporate Resources

2.6.1 Human Resources

The company's human resource programs and plans have continued to evolve significantly over the past year, specifically with the introduction of a Respect of the Workplace training initiative and integration of the new operating division of the CN Tower. Employee input and transparency continue to be at the forefront of changes that have been implemented. On an ongoing basis, the company will review its policies and programs to ensure that they continue to support the company's commitment to high morale and performance while remaining competitive and transparent in the marketplace. In order to help define and determine the mission, vision and core values of the company, an internal branding exercise was launched to extensively consult with employees. It is hoped that this process will contribute to develop a sense of common purpose among all CLC employees and form the basis for future external branding of the company.

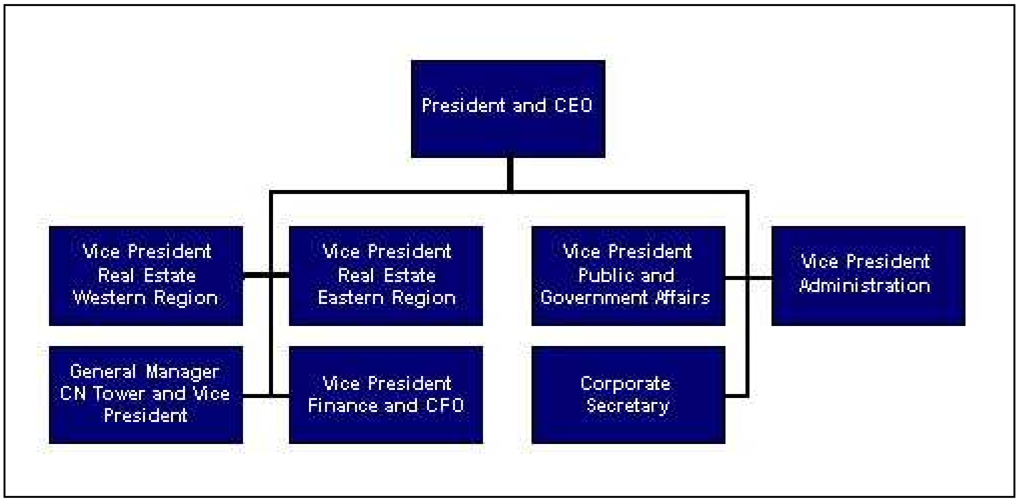
CLC is fortunate to have some of the top resources in the industry, and employee retention will continue to be a high priority for continued corporate success. Emphasis will continue to be placed on the company's succession plan, as there are a significant number of pending retirements at the senior management levels of the organization within the plan period.

Ongoing development and training will take high priority to ensure that CLC continues to have skilled resources available to fill vacancies as they arise. As CLC's inventory of property transfers increases, additional resources may need to be added in its regional operations, but its corporate overhead is not anticipated to grow substantially. In this way, a larger property inventory means relatively lower overhead costs and higher resultant profits per property, which financially benefits the government and all Canadians.

During the budget year, the company will continue to integrate, as appropriate, the human resource framework of the CN Tower to achieve consistency and efficiencies between the two business units. To date, many of the substantive programs have been updated, and/or integrated, including a total compensation review and comprehensive performance management and incentive programs.

CLC's senior management team structure is illustrated in Exhibit 6.

Exhibit 6: CLC Senior Management Team Organizational Structure



CLC continues to promote a safe and healthy work environment for employees. Given recent clarification that the company is subject to provincial jurisdiction related to this item, a team has been designated to lead the restatement of the company's health and safety policy and construction manual to ensure adherence to requirements in each of the provinces where it operates.

The company also continues to meet its commitments under the Official Languages Act and is acting to reaffirm this commitment in all possible areas of CLC's work environment.

2.6.2 Information Resources

During the plan period, CLC's Information Services (IS) team will deliver initiatives aligned with the company's strategic directions by supporting new business processes that assist with data management related to the acquisition of new properties and provide a mobile secure environment accessible to employees.

The focus for IS during the 2005-2006 fiscal year will be to simplify the company's technology environment and minimize risk by consolidating data and applications onto new storage technology. This will facilitate business continuity, data and information management, as well as data backup and recovery, while at the same time leveraging CLC's current investment in technology. The team will also take the company along its maturity path to prevent the obsolescence of office productivity tools by upgrading software to current industry standards.

In the 2005-2006 fiscal year, IS will also work to implement the next step in the company's records management initiative that will integrate electronic records with records management software and the company's retention schedule.

2.6.3 Financial Resources

Since inception, CLC has been able to fund capital requirements through internally generated funds rather than financing them from external sources. The company presently has a $50.0 million line of credit with a major bank, currently used for letters of credit totalling $15.3 million.

During the plan period, it is estimated that there will be acquisitions of $119.2 million of which notes will be issued for $75.2 million and capital expenditures of $364.6 million.

By year two of the five-year year plan period, the company is projecting that the value of its properties will be $352 million, which exceeds the company's asset base at inception in 1995. It is anticipated that borrowing will peak at $9.1 million; however, letters of credit (currently totalling $15.3 million) will be issued from the total financing capacity.

By the end of year one of the plan, CLC's bank indebtedness will be paid off. The company is anticipating having a cash balance of $96.9 million at the end of the plan period, which will be available for dividends the following year.

CLC's capital budget is illustrated in Exhibit 7.

Exhibit 7: CLC Capital Budget 2005-2006
(Expenditures on Properties)

	$ Millions
CLC expenditures on properties	57.8
CLC acquisitions	41.4

2.6.4 Enterprise Risk Management and Internal Controls

CLC has continued to place emphasis on its enterprise risk management function and has acted to bring the function in house in the form of an Internal Controls department. This function leads the risk management committee in ensuring that key risks are identified, assessed, mitigated, managed, monitored and where reasonable and cost-effective, insured, particularly for severe and catastrophic exposures to the company.

A high-level risk assessment process has been initiated which considers business/strategic, financial, operational and reputation risks, as well as those processes that support the creation of financial information used by management. Procedures have been implemented to address the four highest areas of risk in the budget year and plans are being updated/prepared to address areas of lower risk in future years.

In addition, business continuity planning is also underway to ensure that appropriate measures are taken to address areas of important risk to company operations.

2.7 CLC 2004-2005 Performance Assessment

CLC's 2004-2005 performance assessment is located in Appendix D. CLC assesses its performance on an ongoing basis and attempts to learn from its successes and failures alike. Where the company falls short of ambitious targets, it assesses why and acts appropriately to either meet these targets in the future, or adjust expectations to more reasonable levels.

3. Financial Schedule

3.1 CLC Statement of Operations and Cash Flow for 2004-2005 to 2009-2010

$ Millions	Actual 2004	YEO 2005	2006	2007	2008	2009	2010	Total
REVENUE								
Property sales	51.5	59.3	50.5	92.4	146.9	127.1	168.4	585.3
Cost of properties sold	30.0	39.6	36.9	70.2	111.5	98.0	126.7	443.3
Net property sales revenue	21.5	19.7	13.6	22.2	35.4	29.1	41.7	142.0
Net attractions, food and beverage	2.3	27.3	30.3	31.4	32.7	34.4	35.5	164.3
Property rental	5.6	5.3	5.2	5.3	5.9	4.6	4.0	25.0
Interest and other income	6.1	8.1	4.8	4.5	5.1	6.2	8.0	28.6
	35.5	60.4	53.9	63.4	79.1	74.3	89.2	359.9
EXPENSES								
General and administrative	13.4	19.6	21.7	22.2	22.1	23.3	24.7	114.0
Provisions	3.1	6.2	0.0	0.0	0.0	0.0	0.0	0.0
Interest	0.8	2.4	2.2	2.0	1.8	1.6	1.3	8.9
Land holding costs	1.0	1.1	1.5	1.0	0.5	0.5	0.4	3.9
Other CN Tower expenses	1.7	9.0	10.2	10.5	10.9	11.2	11.5	54.3
Depreciation	2.9	4.5	5.2	5.1	5.9	6.1	6.0	28.3
Capital taxes	0.2	0.1	0.4	0.4	0.4	0.4	0.5	2.1
	23.1	42.9	41.2	41.2	41.6	43.1	44.4	211.5
INCOME BEFORE TAXES	**12.4**	**17.5**	**12.7**	**22.2**	**37.5**	**31.2**	**44.8**	**148.4**
Income taxes	(4.8)	4.3	4.7	8.2	13.9	11.5	16.6	54.9
NET INCOME	**17.2**	**13.2**	**8.0**	**14.0**	**23.6**	**19.7**	**28.2**	**93.5**
Recovery of cost of properties sold	30.0	39.6	36.9	70.2	111.5	98.0	126.7	443.3
Depreciation	2.9	4.5	5.2	5.1	5.9	6.1	6.0	28.3
Provisions	3.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Expenditures on properties	(41.0)	(38.3)	(57.8)	(86.1)	(81.2)	(82.8)	(56.7)	(364.6)
Acquisitions	(49.2)	(2.8)	(41.4)	(28.9)	(33.9)	(7.5)	(7.5)	(119.2)
Debt repayment	0.0	(3.7)	(3.9)	(4.0)	(4.3)	(4.5)	(4.8)	(21.5)
Vendor mortgages	4.5	40.9	6.8	(0.2)	(3.6)	3.7	7.2	13.9
Government notes issued	13.1	2.8	16.4	19.9	23.9	7.5	7.5	75.2
Long term financing	47.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in working capital	(26.0)	(11.4)	(1.1)	(1.0)	(0.9)	(0.9)	(0.3)	(4.2)
CASH FLOW BEFORE DISTRIBUTIONS	**1.6**	**45.0**	**(30.9)**	**(11.0)**	**41.0**	**39.3**	**106.3**	**144.7**
Government notes repayment	14.7	5.6	3.9	4.1	3.8	9.5	9.4	30.7
Dividends	5.0	5.0	7.5	0.3	0.0	37.2	29.8	74.8
DISTRIBUTIONS	**19.7**	**10.6**	**11.4**	**4.4**	**3.8**	**46.7**	**39.2**	**105.5**
ACCUMULATED DISTRIBUTIONS								
Prior year's accumulated note repayments	136.0	150.7	156.3	160.2	164.3	168.1	177.6	156.3
Prior year's accumulated dividends	124.7	129.7	134.7	142.2	142.5	142.5	179.7	134.7
TOTAL ACCUMULATED DISTRIBUTIONS	**280.4**	**291.0**	**302.4**	**306.8**	**310.6**	**357.3**	**396.5**	**396.5**

Appendices

A CLCL 2005-2006 Objectives and Performance Targets

While the objective and performance measure in this appendix is set for the budget year, it is recognized that it may flow through to the subsequent strategic plan years.

2005-2006 OBJECTIVE	PERFORMANCE TARGET
Work with the government to remove certain policy restrictions on CLCL mandate	Demonstrate to the federal government the benefits of expanding CLCL's policy mandate

B CLCL 2004-2005 Performance Assessment

2004-2005 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
Demonstrate excellence in corporate governance	Address the last remaining outstanding item on the governance action plan, and audit committee member training	Audit committee member training held in November 2004
Connect excellence in governance to bottom line results	Further develop a measurement indicator to illustrate the connection between excellence in governance and company performance	The company continues to undertake research in this area and has not yet developed a measurement indicator

C CLC 2005-2006 Objectives and Performance Targets

While the objectives and performance measures in this appendix are all set for the budget year, it is recognized that the majority of the objectives will flow through to the subsequent strategic plan years as indicated in the financial schedules and other areas of this plan.

2005-2006 OBJECTIVES	PERFORMANCE TARGETS
SHAREHOLDER / BOARD OF DIRECTORS	
Operations	
Provide financial benefits to the Government of Canada	Pay dividends to the government of \$7.5 million for 2005-2006 and of \$74.8 for 2005-2006 to 2009-2010 Pay cash acquisitions and note repayments for properties to the government of \$28.9 million for 2005-2006 and \$74.7 million for 2005-2006 to 2009-2010 Pay federal income taxes to the government of \$3.1 million for 2005-2006 and \$36.6 million for 2005-2006 to 2009-2010
Ensure best practices in non-financial areas of the company	A completed, full social audit by external auditors to verify the validity of practices used to measure non-financial reporting
Bilingualism	
Ensure compliance with Government of Canada Official Languages action plan	Implement training plan for all bilingual positions once established
BUSINESS / FINANCIAL	
Financial Performance	

2005-2006 OBJECTIVES	PERFORMANCE TARGETS
Optimize financial value and returns	Achieve net income before tax of $12.7 million for 2005-2006 and $148.4 million for 2005-2006 to 2009-2010 Achieve revenues of $106.6 million for 2005-2006 and $889.4 million for 2005-2006 to 2009-2010 Projected CLC capital expenditures, including investments in environmental remediation of $57.8 million for 2005-2006 and $364.6 million for 2005-2006 to 2009-2010
Business Development	
Work with the government to improve the property transfer process	CLC concerns and input are reflected in the final outcome
Assist in expediting property transfers	Increase starting book value of property inventory, with measures and targets to be developed in 2005-2006
Optimize tourism attendance growth for the CN Tower	Increase overall attendance by 5.5% for 2005-2006 Off-season (November through April) to be at a minimum of 27% of overall 2005-2006 attendance
Customer Relations	
Continue to improve customer satisfaction for tenants and CN Tower visitors	Minimum overall customer satisfaction score of 75% for operating divisions
COMMUNITY / LEGACY	
Legacy Creation	
Implement legacy initiatives	Commemorate the heritage of company projects
Corporate Philanthropy	

2005-2006 OBJECTIVES	PERFORMANCE TARGETS
Evaluate and act upon potential areas of donations and sponsorships	Contribute up to 1% of net income before taxes (which equates to $175,000) towards corporate philanthropy in line with the company's corporate philanthropy policy
HUMAN RESOURCES	
Work Environment	
Maintain positive and safe work environment and recognize and reward employees appropriately	Maintain voluntary employee turnover at below 5% for real estate divisions Establish industry benchmark for voluntary turnover of non-seasonal CN Tower employees to be used in the future
Continued focus on integration of programs of the CN Tower	Expand Health and Safety program for each province Maintain the succession plan for real estate division and create one for the CN Tower with increased focus on development opportunities Increased communication and employee input at the CN Tower through introduction of HR Round Table and employee survey
MUNICIPAL / PROVINCIAL	
Economic Stimulation	
Promote timely and appropriate development and construction of sites, and track activity in line with the company's guidelines on tracking benefits beyond dividends	Increase cumulative development expenditures stimulated by CLC and its project associates to $200 million for 2005-2006 and $1 billion for 2005-2006 to 2009-2010 Increase cumulative person years of direct construction employment stimulated by CLC and its project associates by 1,750 for 2005-2006 and 8,750 for 2005-2006 to 2009-2010

2005-2006 OBJECTIVES	PERFORMANCE TARGETS
Social Policy Objectives	
Contribute to affordable housing and other social policy objectives where feasible, with each major project	Increase new or refurbished residential units stimulated by CLC and its project associates by 32 for 2005-2006 and 160 for 2005-2006 to 2009-2010
Sustainable Development	
Incorporate sound principles of sustainable development for each development initiative	Demonstrate sustainable development approaches for company projects
Recycling and or reusing demolition or construction wastes	Divert minimum of 60% of demolished materials from landfills for company projects

D CLC 2004-2005 Performance Assessment

2004-2005 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
SHAREHOLDER / BOARD OF DIRECTORS		
Operations		
Provide financial benefits to the Government of Canada	Increase total cumulative distributions to the government in the form of dividends, note repayments and cash acquisitions by $14.7 million	$10.6 million in distributions ($5.0 million in dividends, $5.6 million in note repayments, and no acquisitions)
	Increase cumulative annual operating expenses relieved from Government of Canada departments and agencies at point of purchase by CLC to $1.7 million	Annual operating expenses relieved increased to $1.6 million
Complete risk management assessment to identify risks to the company	Address all areas of significant risk, including: the implementation of an information services data recovery plan, a business continuity plan and a records management program	A data recovery plan will be in place; the internal controls function has been brought in-house for closer scrutiny and to continue development of a overall business continuity plan; and a records management program is now in place
Bilingualism		
Ensure compliance with Government of Canada Official Languages action plan	Training plan presented	New Official Languages policy developed by management Communications plan for application of Official Languages policy to employee base developed
	Assess all appropriate managers' bilingual skills and identify any further training required	All company positions reassessed in terms of bilingual requirements

2004-2005 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
		Bilingual skills and training requirements for designated positions are being assessed
BUSINESS / FINANCIAL		
Financial Performance		
Optimize financial value and returns	Achieve net income before tax of $9.8 million	Net income before tax of $17.5 million – the increase is due to unanticipated sales of properties and higher prices on some planned sales
	Achieve revenues of $107.1 million	Revenues of $114.9 million achieved – the increase is due to additional sales of properties
	Achieve capital expense of $82.2 million	Capital expense of $38.3 million – the decrease is due to transfers not being approved and delays at redevelopment projects in CFB Griesbach and Glenlyon
Business Development		
Achieve property transfers	Assist in expediting approvals for five property transfers	No property transfer approvals were given during 2004-2005
	Receive title transfers for eight properties	No title transfers received (other than 12 pre-arranged Seaway properties worth approximately $670,000)
Customer Relations		
Continue to improve customer satisfaction	Minimum overall customer satisfaction score of 75% for operating divisions	CN Tower achieved a score of 82%; real estate divisions did not conduct surveys

2004-2005 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
COMMUNITY / LEGACY		
Legacy Creation		
Implement legacy initiatives	Commemorate former CFB uses for the following projects: Calgary, Griesbach and Chilliwack	Held Peacekeepers' Day in Calgary – unveiled the Peacekeeper statue and the Wall of Remembrance Unveiled a statue of Mrs. Griesbach at the Village at Griesbach in Edmonton as part of Edmonton's centennial celebrations
Corporate Philanthropy and In-Kind Support		
Evaluate and act in potential areas of corporate philanthropy	Contribute up to 1% of net income before taxes ($124,000) to corporate philanthropy, in line with the company's corporate philanthropy policy	Contributed $141,805 to corporate philanthropy initiatives, including $59,320 to match employee contributions to the United Way
HUMAN RESOURCES		
Work Environment		
Create and maintain positive and safe work environment, and recognize and reward employees appropriately	Maintain voluntary employee turnover rate at less than 5% for real estate divisions Implement corporate wide Occupational Health and Safety program Establish a Respect in Workplace program	Voluntary employee turnover rate is 3% (includes corporate) Program established and implemented Program established and implemented
MUNICIPAL / PROVINCIAL		

2004-2005 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
Economic Stimulation		
Promote timely and appropriate development and construction of sites, and track activity in line with the company's guidelines on tracking benefits beyond dividends	Increase cumulative development expenditures stimulated by CLC and its project associates by $370 million	Increased by $400 million through the construction of residential units and industrial and commercial facilities
	Increase cumulative person-years of direct construction employment stimulated by CLC and its project associates by 2,960	Increased by 3,000 person-years
	Increase total area of non-residential construction stimulated by CLC and its project associates by 1,170,000 ft^2 (108,700 m^2)	Increased by 3 million ft^2 (278,709 m^2)
Social Policy Objectives		
Contribute to affordable housing and other social policy objectives, where feasible, with each major project	Increase the number of new or refurbished residential units stimulated by CLC and its project associates by 200	Increase of 1,000 housing units, including 147 affordable housing units
Utilize environmentally and fiscally responsible means of remediating contaminated sites	Increase environmental remediation investment in projects by CLC and its project associates by $366,000	Invested $6.1 million for future remediation of the City Place project in Toronto
Sustainable Development		

2004-2005 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
Incorporate sound principles of sustainable development for each development initiative	Demonstrate innovative sustainable development approaches for Garrison Green, Village at Griesbach and Garrison Crossing	Garrison Crossing – renovating former military quarters, saving trees, using sediment and grease separators to return water to replenish the city's aquifer Signed agreements for Benny Farm project, which led to the renovation of 78 previously uninhabitable units as affordable housing in 2004-2005
Recycling and/or reusing demolition and construction wastes	Divert a minimum of 60% of demolished materials from landfills	Successfully reused more than 80% of material at Benny Farm, former CFB Griesbach and former CFB Calgary