Campeau rides again

The stormy shareholders meeting in Toronto seemed to presage the blowup of the commercial real estate market.

The financial woes of speculator Robert Campeau have become front-page news again in Canada's financial press, after a prolonged publicity respite. The occasion was Campeau Corp.'s annual shareholders meeting in Toronto on July 30. As expected, press reports focused mainly on the shareholders' wrath against the 66-year-old Campeau.

In Canada and in the United States, the Campeau name has been associated with excess and greed. In the United States the name was also linked, in some circles, with hostile foreign takeovers. In Canada, before Campeau Corp.'s shares plunged from \$16 a year ago to \$1.50 today, the name evoked the image of the "local boy makes good in the big-time U.S. free-trade market."

Such popular perceptions are part of the camouflage that lets the looting continue. Typical was the comment of William Kennedy, the corporate secretary and general counsel of Campeau Corp., before he directed all press questions to a company publicist: "Look, I know you guys hate us."

Quite the contrary. The financial press, with few exceptions, has covered up for the Campeaus, their investment bankers, and especially for the politicians who have legislated the policies which have wrecked both the U.S. and Canadian productive economies, by praising the "geniuses" behind creative financing, and the "ethics" of the free-enterprise economy.

Since some of Campeau's earlier investments were in racetracks, it is fitting to describe the man as the front-runner for Canadian-British "fixers" of the race to carve up and cartelize what's left of the U.S. economy. Early in the race Campeau was told to run as fast as he could, on the shaky legs of LBOs and junk bonds provided him, from one retail chain to another, in a desperate attempt to garner the cash flows fast enough to make payments to the gangsters who bankrolled the pyramiding operation. The gangsters, knowing all along that Campeau would finish in Chapter 11 bankruptcy, covered all their bets.

Last Sept. 15, Robert Campeau defaulted on a \$401 million repayment to First Boston Corp. That spark blew up \$200 billion junk bond market in the U.S. On Sept. 18, Toronto's Reichmann brothers, whose hot money real estate firm Olympia and York, is still the biggest landlord in Manhattan, extended emergency funds totaling \$250 million to help Campeau Corp. pay for immediate debts, mostly to suppliers. That proved not enough to keep debt-strapped retailers like Federated and Allied Department Stores from having to file for Chapter 11 bankruptcy.

Campeau's U.S. holding company, Federated Department Stores Inc., reported losses of \$30.6 million for the five weeks ending July 7. The other Cincinnati-based retailer in the Campeau empire, Allied Stores Corp., posted a loss of \$18.6 million for that period.

The present strategy, as elaborated by Campeau at the shareholders meeting, was to sell off at least two-thirds of Campeau Corp.'s real estate portfolio in order to pay down its \$13.3 billion (U.S.) debt and bail out its U.S. retail division from Chapter 11 bankruptcy protection. The proposal was withdrawn by Robert Campeau, without a vote, when National Bank of Canada, which is both a major creditor and a major shareholder, unexpectedly withdrew its support.

"Bob was told that if he quietly and gracefully retired, we would go along with his plan, but he wouldn't go for it," an unidentified lender confided to Toronto's *Globe and Mail*.

Robert Campeau had to admit that it may have been "premature" to ask for shareholders' approval without a signed agreement from Campeau Corp.'s two largest lenders—E.J. DeBartolo, the Ohio shopping mall magnate, and Olympia and York Developments Inc.—that they would not force Campeau Corp. into bankruptcy court.

"It is our hope that, once our real estate sales are completed, we will be in a position to assist in the restructuring in the United States. That is the only place that we can really create values for the shareholders," claimed an embattled Mr. Campeau.

But lenders have been growing impatient with delays in the plan to sell off the corporation's real estate holdings. They blame Campeau personally for the meager \$194 million raised so far this year.

This is not just a case of lenders and shareholders trying to get some money back faster by pushing aside a man stubbornly "hanging on for dear life." The depressed values of commercial real estate are such that Robert Campeau could not possibly raise the \$11.4 billion required to meet payments on this secured portion of his total debt. To officially admit of such incapacity could be enough to trigger the explosion of the commercial real estate market—estimated to be two orders of magnitude larger than the junk bond market.