U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

(Check One)

[ ] Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934

or

[ü] Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2008

Commission file number 1-15226

BROOKFIELD ASSET MANAGEMENT INC.

(Exact name of registrant as specified in its charter)

Ontario, Canada	**1121, 1031, 1061, 1311, 1321, 2421, 4939, 6311**	**Not applicable**
(Province or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number (if applicable))	(I.R.S. Employer Identification Number (if Applicable))

Suite 300, Brookfield Place, 181 Bay Street, P.O. Box 762, Toronto, Ontario, Canada M5J 2T3
(416) 363-9491
(Address and Telephone Number of Registrant's Principal Executive Offices)

Torys LLP, 237 Park Avenue, New York, NY 10017-3142
(212) 880-6000
(Name, Address (Including Zip Code) and Telephone Number
(Including Area Code) of Agent For Service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	**Name of each exchange on which registered**
Class A Limited Voting Shares	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act. **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. **Debt Securities**

For annual reports, indicate by check mark the information filed with this Form:

[ü] Annual Information Form [ü] Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Class A Limited Voting Shares	**579,909,652**
Class B Limited Voting Shares	**85,120**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.

Yes ü No____

Exhibits 99.1, 99.2 and 99.3 to this Annual Report on Form 40-F are hereby incorporated by reference as exhibits to the registrant's Registration Statement on Form F-9 (File No. 333-156499) under the Securities Act of 1933.

Principal Documents

The following documents, filed as Exhibits 99.1 through 99.4 hereto, are hereby incorporated by reference into this Annual Report on Form 40-F:

(a) Annual Information Form for the fiscal year ended December 31, 2008;

(b) Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") for the fiscal year ended December 31, 2008;

(c) Consolidated Financial Statements for the fiscal year ended December 31, 2008; and

(d) Differences between Canadian and United States of America generally accepted accounting principles.

ADDITIONAL DISCLOSURE

Certifications and Disclosure Regarding Controls and Procedures

(a) Certifications. See Exhibits 99.5 and 99.6 to this Annual Report on Form 40-F.

(b) Disclosure Controls and Procedures. As of the end of the registrant's fiscal year ended December 31, 2008, an evaluation of the effectiveness of the registrant's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was carried out by the registrant's principal executive officer and principal financial officer. Based upon that evaluation, the registrant's principal executive officer and principal financial officer have concluded that as of the end of that fiscal year, the registrant's disclosure controls and procedures are effective to ensure that information required to be disclosed by the registrant in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to the registrant's management, including its principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

It should be noted that while the registrant's principal executive officer and principal financial officer believe that the registrant's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the registrant's disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

(c) Management's Annual Report on Internal Control Over Financial Reporting.
Management of the registrant is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer and the Chief Financial Officer and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management assessed the effectiveness of the registrant's internal control over financial reporting as of December 31, 2008, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2008, the registrant's internal control over financial reporting is effective. Also, management determined that there were no material weaknesses in the registrant's internal control over financial reporting as of December 31, 2008. Management excluded from its assessment the internal control over financial reporting at Norbord Inc., which was acquired during 2008 and whose total assets, net assets, total revenues and net income on a combined basis constitute approximately 2%, 1%, nil% and nil%, respectively, of the consolidated financial statement amounts as of and for the year ended December 31, 2008.

(d) Attestation Report of the Registered Public Accounting Firm. Deloitte & Touche LLP, an independent registered public accounting firm, has audited the registrant's internal control over financial reporting as of December 31, 2008. The opinion of Deloitte & Touche on the registrant's internal control over financial reporting is included in Exhibit 99.9 attached hereto, which is incorporated by reference into this Annual Report on Form 40-F.

(e) Changes in Internal Control over Financial Reporting. During the fiscal year ended December 31, 2008, there were no changes in the registrant's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Notices Pursuant to Regulation BTR

None.

Audit Committee Financial Experts

The registrant's board of directors has determined that Mr. Marcel R. Coutu, Ms. Patricia M. Newson and Mr. George S. Taylor, all members of the registrant's audit committee, qualify as an "audit committee financial expert" (as such term is defined in Form 40-F).

Code of Ethics

The registrant has adopted a "code of ethics" (as that term is defined in Form 40-F), which it refers to as its Code of Business Conduct, that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions (together, the "Financial Supervisors").

The Code of Business Conduct, which complies with the requirements of the New York Stock Exchange, is available for viewing on the registrant's website at *www.brookfield.com* at *About Brookfield/Corporate Governance* and is available in print to any shareholder who requests it. Requests for copies of the Code of Business Conduct should be made by contacting: Catherine J. Johnston, Corporate Secretary, Brookfield Asset Management Inc., Suite 300, Brookfield Place, 181 Bay Street, P.O. Box 762, Toronto, Ontario, Canada M5J 2T3, Telephone: 416-363-9491. Alternatively, requests may be sent by email to *inquiries@brookfield.com*.

Since the adoption of the Code of Business Conduct, there have not been any amendments to the Code of Business Conduct, other than of a housekeeping nature, or waivers, including implicit waivers, from any provision of the Code of Business Conduct.

Principal Accountant Fees and Services

The information required is included under the heading "Principal Accountant Fees and Services" in the Audit Committee Information section of the registrant's Annual Information Form for the fiscal year ended December 31, 2008, incorporated by reference as Exhibit 99.1 to this Annual Report on Form 40-F.

Pre-Approval Policies and Procedures

The information required is included under the heading "Pre-Approval Policies and Procedures" in the Audit Committee Information section of the registrant's Annual Information Form for the fiscal year ended December 31, 2008, incorporated by reference as Exhibit 99.1 to this Annual Report on Form 40-F.

Off-Balance Sheet Arrangements

The registrant enters into derivative contracts in the normal course of its business, primarily to manage interest rate, currency and commodity price risks. The registrant also enters into financing commitments as part of its funds management business. These arrangements are disclosed in Part 7, "Supplemental Information", in the registrant's MD&A for the fiscal year ended December 31, 2008, and in Note 18 to the registrant's Consolidated Financial Statements for the fiscal year ended December 31, 2008, incorporated by reference as Exhibits 99.2 and 99.3, respectively, to this Annual Report on Form 40-F. The registrant does not have any other off-balance sheet arrangements.

Tabular Disclosure of Contractual Obligations

The information required is included under the heading "Contractual Obligations" in Part 7, "Supplemental Information," in the registrant's MD&A for the fiscal year ended December 31, 2008, incorporated by reference as Exhibit 99.2 to this Annual Report on Form 40-F.

Identification of the Audit Committee

The registrant has a separately designated standing audit committee established in accordance with section 3(a)(58)(A) of the Exchange Act. The members of the audit committee are: Marcel R. Coutu, who is the committee's Chairman, Jack M. Mintz, Patricia M. Newson and George S. Taylor.

Disclosure Pursuant to the Requirements of the New York Stock Exchange

Independence of Directors

The registrant's board of directors has determined that 12 of the registrant's 16 directors, comprising a majority of the board, are independent directors in accordance with the director independence standards of the New York Stock Exchange (the "NYSE"), and that none of these 12 directors has a material relationship with the registrant which would impair his independence from management or otherwise compromise his ability to act as an independent director. The directors who have been determined to be independent on this basis are: Marcel R. Coutu, J. Trevor Eyton, James K. Gray, Maureen Kempston Darkes, Lance Liebman, Philip B. Lind, G. Wallace F. McCain, Frank J. McKenna, Jack M. Mintz, Patricia M. Newson, James A. Pattison and George S. Taylor.

Presiding Director at Meetings of Independent Directors

The registrant schedules regular meetings in which the registrant's "independent" directors (as that term is defined in the rules of the NYSE) meet without the participation of management and non-independent directors. Mr. Frank McKenna serves as the lead director at such sessions (the "Lead Director").

Communication with Independent Directors

Shareholders may send communications to the registrant's independent directors by writing to the Lead Director, c/o Catherine J. Johnston, Corporate Secretary, Brookfield Asset Management Inc., Suite 300, Brookfield Place, 181 Bay Street, P.O. Box 762, Toronto, Ontario, Canada M5J 2T3, Telephone: (416) 363-9491. Alternatively, communications may be sent by e-mail to *inquiries@brookfield.com*. Communications will be referred to the Lead Director for appropriate action. The status of all outstanding concerns addressed to the Lead Director will be reported to the board of directors as appropriate.

Corporate Governance Guidelines

The rules of the NYSE require listed companies to adopt and disclose a set of corporate governance guidelines with respect to specified topics. Such guidelines are required to be posted on the listed company's website. The registrant operates under corporate governance principles that are consistent with the requirements of the NYSE rules, and which are summarized under the heading "Statement of Corporate Governance Practices" in the registrant's Management Information Circular dated March 9, 2009 in connection with its 2009 Annual and Special Meeting of Shareholders and are available for viewing on the registrant's web site at *www.brookfield.com* under *About Brookfield/Corporate Governance.*

Board and Committee Charters

The charter of the registrant's board of directors is set out in Schedule A to the registrant's Management Information Circular for its 2009 Annual and Special Meeting of Shareholders. The charter of the registrant's audit committee is set out in Appendix C of the Registrant's Annual Information Form for the fiscal year ended December 31, 2008. These documents are available for viewing on the registrant's web site at *www.brookfield.com* under *About Brookfield/Corporate Governance.*

The charters of the registrant's board of directors, audit committee, management resources and compensation committee and governance and nominating committee are each available for viewing on the registrant's web site at *www.brookfield.com* under *About Brookfield/Corporate Governance* and are available in print to any shareholder who requests them. Requests for copies of these documents should be made by contacting: Catherine J. Johnston, Corporate Secretary, Brookfield Asset Management Inc., Suite 300, Brookfield Place, 181 Bay Street, P.O. Box 762, Toronto, Ontario, Canada M5J 2T3, Telephone: (416) 363-9491. Alternatively, requests may be sent by email to *inquiries@brookfield.com*.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking.

The registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Securities and Exchange Commission (the "Commission") staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

B. Consent to Service of Process.

The Company has previously filed a Form F-X in connection with the class of securities in relation to which the obligation to file this report arises.

Any change to the name or address of the agent for service of process of the registrant shall be communicated promptly to the Securities and Exchange Commission by an amendment to the Form F-X referencing the file number of the registrant.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized, on April 2, 2009.

Brookfield Asset Management Inc.

By : /s/ Catherine J. Johnston

Name: Catherine J. Johnston
Title: Corporate Secretary and Legal Counsel

EXHIBIT INDEX

Exhibit	Description
99.1	Annual Information Form for the fiscal year ended December 31, 2008, including Appendices A, B and C
99.2	Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2008
99.3	Consolidated Financial Statements for the fiscal year ended December 31, 2008
99.4	Differences between Canadian and United States of America generally accepted accounting principles
99.5	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14 of the Securities Exchange Act of 1934
99.6	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14 of the Securities Exchange Act of 1934
99.7	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.8	Certification of Chief Financial Officer Form pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.9	Report of Independent Registered Chartered Accountants
99.10	Consent of Deloitte & Touche LLP

Exhibit 99.1

Brookfield Asset Management

Annual Information Form
Brookfield Asset Management Inc.
March 26, 2009



Brookfield Asset Management

ANNUAL INFORMATION FORM

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THE CORPORATION

Brookfield Asset Management Inc. (the "Corporation") is a global asset management company focussed on property, power and infrastructure assets, the Corporation has approximately $80 billion of assets under management. The Corporation is listed on the New York Stock Exchange ("NYSE") and the Toronto Stock Exchange ("TSX") under the symbol BAM and BAM.A, respectively, and on NYSE Euronext under the symbol BAMA.

Brookfield Asset Management Inc. was formed by articles of amalgamation dated August 1, 1997 and is organized pursuant to articles of amalgamation under the Business Corporations Act (Ontario) dated January 1,2005.

References in this Annual Information Form to the "Corporation" refer to Brookfield Asset Management Inc., including its predecessor companies. References to "Brookfield", "we", "us" and "our" refer to the Corporation and its consolidated subsidiaries unless the context requires otherwise. The Corporation's registered office and head office are located at Suite 300, Brookfield Place, 181 Bay Street, Toronto, Ontario, Canada M5J 2T3.

As an asset manager, we raise, invest and manage capital on behalf of ourselves and our co-investors, and develop and maintain operating platforms that enable us to effectively manage these assets and enhance their values over time. We operate and manage assets in the following areas:

i) **Commercial Properties** – We own and operate high quality commercial office and retail properties on behalf of ourselves and our co-investors in North America, Australasia, Europe and Brazil.

ii) **Renewable Power Generation** – Our power generating operations are predominantly hydroelectric facilities located on river systems in Canada, the United States and Brazil, along with a small number of co-generation and wind energy facilities.

iii) **Infrastructure** – Our infrastructure activities are currently concentrated in the timber and electricity transmission sectors and are located in the United States, Canada, Chile and Brazil.

iv) **Development and Other Properties** – Our development and other properties business includes opportunity investment funds, residential operations, properties under development and held for development and construction activities.

v) **Specialty Funds** – Our specialty funds business includes restructuring, real estate financing and bridge lending in the property, power and infrastructure areas and in related sectors where we have investment expertise.

vi) **Public Securities** – Our public securities activities include the management of $18 billion of fixed income and equity securities on an advisory basis for institutional and individual investors.

In addition, we also own direct interests in a number of investments (collectively referred to as "Investments"), which will be sold once value has been maximized, integrated into our core operations or used to seed new funds.

At December 31, 2008, we employed approximately 14,000 people.

All financial information in this Annual Information Form is expressed in United States dollars, unless otherwise noted. All references to C$ are to Canadian dollars. All reference to R$ are to Brazilian reais. All information is presented as at December 31,2008, unless otherwise noted.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Information Form contains forward-looking information within the meaning of Canadian provincial securities laws and other "forward-looking statements", within the meaning of certain securities laws including Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations. We may make such statements in this Annual Information Form, in other filings with Canadian regulators or the SEC or in other communications. The words "believe", "expect", "potentially", "principally", "tend", "primarily", "generally", "represent", "anticipate", "position", "intend", "endeavour", "seek", "often", "enable", "goal", "expand", "build", "continue", "scheduled", "typically", and other expressions of similar import, or the negative variations thereof, and similar expressions of future or conditional verbs such as "may", "will", "should", "would" or "could" are predictions of or indicate future events, trends or prospects and which do not relate to historical matters or identify forward-looking statements. Forward-looking statements in this Annual Information Form include among others, statements with respect to furthering our goal of building a world class asset management firm, the duration we intend to hold most of our assets, our financial and operating objectives and strategies to achieve them, capital committed to our funds, potential growth of our asset management business and related revenue streams therefrom, the likelihood that our commercial property rents will be paid, the strength of our tenant relationships, commencement of commercial operations at our new hydroelectric facilities in Brazil, changes in long-term power prices and the effect thereof on operating expenses and borrowing costs, the closing during the first quarter of 2009 of the sale of our interest in our United Kingdom reinsurance business within Imagine Insurance and recovery of capital from the balance of the Imagine business, scheduled occupancy of the Bay Adelaide Centre in Toronto, construction of commercial office space on Ninth Avenue in New York City, future growth of our residential development properties, our ability to create value for our shareholders and clients, enhance the long-term value of our existing businesses, capitalize on future opportunities, maintain or increase our net rental income, contract power into the future, generate revenue and margin from our transmission operations, attract new tenants for our commercial properties, convert our rural development properties into residential and other purpose land, and other statements with respect to our beliefs, outlooks, plans, expectations and intentions.

Although Brookfield believes that the anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.

Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include: economic and financial conditions in the countries in which we do business; the behaviour of financial markets, including fluctuations in interest and exchange rates; availability of equity and debt financing; strategic actions including dispositions; the ability to effectively integrate acquisitions into existing operations and the ability to attain expected benefits; our continued ability to attract institutional partners to our Specialty Investment Funds; adverse hydrology conditions; timber growth cycles; environmental matters; regulatory and political factors within the countries in which we operate; acts of God, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments including terrorist acts; changes in accounting policies to be adopted under International Financial Reporting Standards; and other risks and factors detailed in Management's Discussion and Analysis of Financial Results incorporated by reference in this Annual Information Form under the heading "Business Environment and Risks", in the Corporation's Form 40-F filed with the Securities and Exchange Commission as well as in other documents filed from time to time by the Corporation with the securities regulators in Canada and the United States.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Brookfield, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as may be required by law, the Corporation undertakes no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.

SUBSIDIARIES

The following is a list of the Corporation's main active subsidiaries, indicating the jurisdiction of incorporation and the percentage of voting securities owned, or over which control or direction is exercised directly or indirectly, by the Corporation:

Name	Jurisdiction of Incorporation	Percentage of Voting Securities Owned, Controlled or Directed
Property Operations		
Brookfield Homes Corporation	Delaware	58.2
Brookfield Properties Corporation	Canada	51.4
BPO Properties Limited	Canada	89.7
Power Generating Operations		
Brookfield Renewable Power Inc.	Ontario	100.0
Great Lakes Hydro Income Fund	Quebec	50.0
Other		
Brascan Brasil, S.A.	Brazil	100.0
Brookfield Investments Corporation	Ontario	100.0
Norbord Inc.	Ontario	60.3 [(a)]
Fraser Papers Inc.	Ontario	75.3

(a) The Corporation's direct and indirect ownership in Norbord Inc. increased to 75% in January 2009.

DEVELOPMENT OF THE BUSINESS

The following is a summary of recent developments since January 2006 in each of the Corporation's areas of business and in the Corporation's corporate and other activities.

Commercial Properties – Office

In July 2008, our North American property subsidiary, Brookfield Properties Corporation ("Brookfield Properties") sold its 50% interest in TD Canada Trust Tower in Toronto for C$425 million to OMERS Realty.

In the first quarter of 2008, Brookfield Properties completed the disposition of the non-core properties acquired in 2006 from Trizec Properties, Inc. ("Trizec Properties") and Trizec Canada Inc. ("Trizec Canada").

In January 2008, Brookfield Properties acquired minority interests in its 53 and 75 State Street office buildings in downtown Boston.

During 2008, we completed $1.2 billion of financings to refinance existing properties. Core office property debt at December 31,2008 had an average interest rate of 5.6% and an average term to maturity of seven years.

We leased 6.4 million square feet in our North American portfolio during 2008 at an average net rent of $25.44 per square foot, replacing expiring leases that averaged $17.80 per square foot, leading to increased rent. We continue to manage our portfolios and tenant relationships on a proactive basis which can lead to opportunities to re-lease space for increased yields while minimizing vacancies.

In November 2007, we completed the acquisition of the stapled securities of Multiplex Limited and Multiplex Property Trust (together "Multiplex"). Prior to this acquisition, Multiplex was a diversified owner and property manager based in Australia, with established operations in Australia, New Zealand, the United Kingdom and the Middle East. Multiplex's assets at the time of acquisition included approximately $3.6 billion of core office and retail properties within nine funds and a $3 billion high-quality office portfolio held within the Multiplex Property Trust. At the time of acquisition, Multiplex employed approximately 2,300 people.

In December 2006, Brookfield Properties issued $1.25 billion of common shares at $38 per share. Of the 33 million common shares issued, a syndicate of underwriters purchased 20,625,000 common shares and a subsidiary of the Corporation, Brookfield Investments Corporation, purchased the remaining 12,375,000 common shares for approximately $470 million.

In June 2006, Brookfield Properties announced that it signed a definitive agreement to acquire through a joint-venture with The Blackstone Group, all of the shares of Trizec Properties, a publicly-traded U.S. core office REIT, and Trizec Canada, a Canadian company that held, among other assets, an approximate 38% stake in Trizec Properties, which had a combined equity value of approximately $4.8 billion. The Trizec portfolio consisted of 58 high-quality office properties totalling 29 million square feet in nine U.S. markets including New York City, Washington D.C. and Los Angeles. The transaction closed on October 5,2006.

In January 2006, we acquired One Bethesda Center, a 168,000 square foot office building located in Bethesda, Maryland, for $69 million.

In January 2006, we sold the World Trade Center Denver for $116 million, which followed the sale of our 50% interest in the Colorado State Bank building in December 2005 for $22 million.

Commercial Properties – Retail

In the first quarter of 2008, we opened the 825,000 square foot Eden shopping centre complex, located in High Wycombe, U.K.

In December 2007, our retail property fund in Brazil, Brascan Brazil Real Estate Partners, entered into an agreement to acquire five high-quality shopping centres in São Paulo and Rio de Janeiro for R$1.7 billion Brazilian *reais* (approximately $965 million). This acquisition expanded the fund's portfolio to approximately 2.5 million square feet of retail centres in south-central Brazil. Many of the properties in this portfolio were undergoing significant developments during 2008.

In September 2006, we announced that we had formed a specialty real estate income fund focussed on the acquisition of commercial retail shopping centres in Brazil. The fund has more than $700 million of commitments, $200 million of which has been committed by the Corporation with the balance of the capital committed by four institutional investors.

Renewable Power Generation

In April 2008, Brookfield Renewable Power Inc. ("Brookfield Power") purchased the 18 megawatt ("MW") Twin Cities run-of-the-river hydroelectric facility located on the Mississippi River in St. Paul, Minnesota.

In March 2008, Brookfield Power was formed through the amalgamation of Brookfield Power Inc. and its wholly owned subsidiary, Brookfield Power Corporation.

During 2008, we commenced commercial operations at three new hydroelectric facilities in Brazil that have a combined capacity to generate 61 megawatts of electricity and we currently have three other projects under construction in the country, totalling 85 megawatts of installed capacity that are expected to commence commercial operations during 2009. The acquisitions completed during 2008 added 156 megawatts in Brazil and 18 megawatts in the United States.

In December 2007, Brookfield Power announced an agreement to acquire a 156 MW hydroelectric generating facility on the Itiquira River in Mato Grosso State in central Brazil for $288 million. All the power produced by this facility is sold under a long-term contract expiring in 2014. This acquisition closed in early 2008.

In November 2006, we completed both phases of the Prince Wind Energy Project located northwest of Sault Ste. Marie, Ontario. The Prince Wind Energy Project is comprised of 126 wind turbines extending over nearly 20,000 acres.

In August 2006, we entered into agreements to acquire two hydroelectric generating plants in West Virginia, which have a combined capacity of 107 MW and generate on average 526 gigawatt hours of electricity annually. These stations were acquired from Alloy Power LLC and West Virginia Alloy LLC ("WVA") and sell power to WVA under a 15-year contract.

In January 2006, Brookfield Power announced the acquisition of four hydroelectric generating stations in northern Ontario with a total generating capacity of 50 MW and two hydroelectric generating stations in Maine with a total generating capacity of approximately 40 MW. These acquisitions were conditional on regulatory agency approvals and closed in the second quarter of 2006.

Infrastructure Operations

In February 2009, we converted 4.5 million Class B interests of Katahdin Forest Management LLC into units of Acadian Timber Income Fund ("Acadian"), increasing our ownership of Acadian units to 45.3%. Our fully diluted ownership was unchanged.

In January 2009, the Public Utility Commission of Texas awarded to our infrastructure affiliate, Brookfield Infrastructure Partners L.P. ("Brookfield Infrastructure"), and its 50% partner, Isolux Corsan Concesiones S.A., the right to develop, construct, own and operate approximately $400 million of electricity transmission projects in Texas.

In the third quarter of 2008, we formed an investment fund into which a portion of our US Pacific Northwest freehold timberlands were sold.

In September 2008, Brookfield Infrastructure exercised its option to sell its minority interest in a group of five related transmission investments in Brazil.

In July 2008, we launched with Dow Jones the Dow Jones Brookfield Infrastructure Indexes.

In April 2008, Brookfield Infrastructure increased its ownership in its Chilean transmission operations, HQI Transelec Chile S.A. ("Transelec"), from 10.7% to 17.8%.

In the second quarter of 2008, we launched the Brookfield Redding Infrastructure Fund for investing in global infrastructure.

In January 2008, the Corporation completed the spin-off of a 60% interest in Brookfield Infrastructure to the holders of the Corporation's Class A Limited Voting Shares and Class B Limited Voting Shares. Initially, Brookfield Infrastructure held interests in five electricity transmission and timber operations in Canada, the United States, Chile and Brazil. In March 2008, Brookfield Infrastructure announced the purchase of certain Ontario Transmission Assets from the Corporation. Shareholders received on January 31, 2008 one partnership unit for every 25 Class A Limited Voting Shares or Class B Limited Voting Shares held at the close of business on January 14, 2008. The partnership units commenced trading on the New York Stock Exchange on January 31, 2008 under the stock symbol BIP.

In April 2007, we announced the completion of our acquisition of Longview Fibre Company, a U.S. forest products company, for approximately $2.15 billion including assumed debt. With this transaction, we acquired 588,000 acres of freehold timberlands in Washington and Oregon, as well as specialty paper and container manufacturing facilities. On acquisition, Longview Fibre Company employed approximately 2,400 people.

In June 2006, we acquired a 28% interest in Transelec for approximately $2.5 billion, including working capital, as part of a consortium including Canada Pension Plan Investment Board and British Columbia Investment Management Corporation. The consortium acquired 92% of the shares of Transelec from Hydro Québec International Inc. and the remaining 8% of the shares of Transelec from International Finance Corporation, the investment arm of the World Bank. Transelec is the largest electricity transmission system in Chile.

In February 2006, Acadian, under our sponsorship, completed an initial public offering of approximately 8.45 million fund units raising proceeds of approximately C$84 million. The proceeds were used by Acadian to acquire approximately 311,000 acres of freehold timberland in Maine from Brookfield and 765,000 of freehold timberlands and related assets in New Brunswick from Fraser Papers Inc. ("Fraser Papers"). We retained approximately 27% of the fund units and manage Acadian through a wholly-owned subsidiary. In December 2006, we increased our indirect ownership in Acadian to approximately 30%.

Development and Other Properties

During 2008, Brookfield Properties advanced construction and pre-leasing of the Bay Adelaide Centre West Tower in Toronto. The building was topped off in September 2008.

Also during 2008, Brookfield Properties completed two office projects in the Washington D.C. area, 1225 Connecticut Avenue, a 227,000 square foot redevelopment, and Two Reston Crescent, a 185,000 square foot new office building.

During 2008, we received development approval for one of largest commercial office complexes in Perth, West Australia, increased the number of our third-party construction projects in Australia and completed construction of the new Justice Department headquarters in Sydney.

We expanded our Brazilian residential property operations during 2008 through the acquisition of MB Engenharia and a merger with Company S.A. These transactions increased our market position in São Paulo and Rio de Janeiro and also established a presence in the mid-west region of Brazil, including Brasilia and Goiânia. The acquisitions also extended our product offerings into the middle income segment, thereby providing a complement to our existing presence in the higher income segment.

During the period from August to December 2007, we acquired approximately 1.4 million common shares of our housing subsidiary, Brookfield Homes Corporation ("Brookfield Homes"), increasing our ownership interest in Brookfield Homes to 58%.

In December 2007, we formed Brookfield Real Estate Opportunity Fund II (BREOF II), a $168 million fund formed to invest in underperforming real estate properties in North American including office, retail, industrial and multi-family properties.

In November 2006, we completed an initial public offering of common shares of our Brazilian subsidiary, Brascan Residential Properties S.A. ("BRP"). A total of 74.25 million shares were sold at R$16.00 per share for a total gross proceeds of R$1.2 billion, equivalent to approximately $557.6 million. The shares are listed for trading on the Novo Mercado segment of the São Paulo Stock Exchange in Brazil. Following the offering, we indirectly owned a 60% interest in BRP.

In September 2006, we announced the formation of a $240 million real estate opportunity fund (BREOF I) to invest in underperforming real estate in North America.

Specialty Funds

In January 2009, Tricap Management Limited ("Tricap"), an indirect wholly-owned subsidiary of Brookfield, acquired 4,303,788 additional common shares and 254,374,654 non-voting shares of Western Forest Products Inc. ("Western") for C$0.19 per share in connection with Western's rights offering. This acquisition increased Tricap's ownership of Western's common and non-voting shares to 49% and 100% respectively. Of the shares acquired, an aggregate of 236,500,018 shares are beneficially owned by the Corporation. Including the Tricap acquisition, the Corporation beneficially owns 49,124,547 common shares and 300,028,286 non-voting shares representing approximately 38% and 89% of the issued and outstanding common shares and non-voting shares of Western.

In April 2007, we formed Bridge II, a specialty lending fund offering tailored solutions to North American companies in need of access to short-term financing.

In May 2006, Tricap announced that it acquired 53.6 million common shares of Western on the exchange of a portion of the subscription receipts previously acquired by Tricap. Following this exchange, Tricap held an aggregate of 58.7 million common shares of Western, representing approximately 49% of the outstanding Western common shares.

In March 2006, Tricap completed the financial restructuring of Stelco Inc. ("Stelco"), a major Canadian integrated steel company, which resulted in Tricap owning a 37% equity interest in Stelco. In October 2007, Tricap sold its 37% interest in Stelco to U.S. Steel in conjunction with an offer from U.S. Steel to acquire 100% of Stelco. The Corporation's share of the gain on this sale was approximately $250 million.

In the fourth quarter of 2006, we formed Tricap Partners II ("Tricap II"), a $1 billion restructuring fund dedicated to acquiring significant interests in, and executing the restructuring of, underperforming and distressed companies.

Investments

In January 2009, we acquired 163 million common shares and 81 million common share warrants of our forest-products subsidiary Norbord Inc. ("Norbord") for approximately C$144 million, in conjunction with Norbord's rights offering. This acquisition increased Brookfield's direct and indirect ownership of Norbord's common shares to approximately 75%.

In the third quarter of 2008, we closed the sale of our Lloyds Insurance business and reached an agreement to sell our US property and casualty insurance business.

In January 2008, we announced the acquisition of 18,813,245 common shares of our paper products subsidiary, Fraser Papers, through an equity rights offering, increasing our direct and indirect interest in Fraser Papers to approximately 70%.

In July 2007, we announced the acquisition of 2,000,000 common shares of Fraser Papers, increasing our direct and indirect interest in Fraser Papers to 56%.

In December 2006, we announced that we entered into an agreement to sell our 40% interest in Ticket Serviços in Brazil, a business services provider and hotel operator, to Accor Group of France, the then owner of 50% of the company, for approximately $200 million. This transaction closed in March 2007.

During 2006, we disposed of 1.3 million common shares of Falconbridge Limited ("Falconbridge"), representing approximately 1% of its outstanding common shares, $570 million of junior preferred shares and $59 million of convertible debentures.

Corporate and Other

In November 2008, we finalized an agreement to extend the maturity of debt financing for our Australian operations and announced our intention to combine all our European development operations into a single operating platform.

In October 2008, we issued $150 million of unsecured term debt pursuant to a private placement, comprising $75 million of 5-year 6.65% notes and $75 million of 4-year 6.4% notes.

In June 2008, the Corporation issued 6,000,000 Class A Preference Shares, Series 21, in Canada at a price of C$25.00 per share paying quarterly dividends based on a fixed annual rate of 5.0%, for aggregate gross proceeds of C$150 million. These shares trade on the TSX under the symbol BAM.PR.O.

In April 2008, the Corporation received approval for a normal course issuer bid to purchase up to 49,500,000 Class A Limited Voting Shares representing approximately 9.9% of the public float of the Corporation's issued and outstanding shares in this series through open market purchases on the New York and Toronto Stock Exchanges. Under this bid, which commenced on April 21, 2008 and will expire on or before April 20, 2009, the Corporation has purchased, as of the date of this Annual Information Form, 13,251,052 Class A Limited Voting Shares for approximately $235 million at an average price of $17.73 per share. All Class A Limited Voting Shares purchased under this bid have been cancelled.

In March 2008, the Corporation's Class A Limited Voting Shares commenced trading on NYSE Euronext under the stock symbol BAMA.

In November 2007, we acquired KG Redding, an investment manager of North American and global real estate securities with over $6 billion in assets under management, for consideration including $80 million cash and the issue of Class A Limited Voting Shares.

In July 2007, the Corporation redeemed its 5,000,000 outstanding 8.30% Preferred Securities due June 30, 2051 for C$25.00 plus accrued interest of C$0.017055 per security, for a total redemption price per security of C$25.017055.

In June 2007, the Corporation completed a three-for-two stock split of its Class A Limited Voting Shares by way of a stock dividend of one-half a Class A Limited Voting Share for every Class A Limited Voting Share or Class B Limited Voting Share held. All share and per share information in this Annual Information Form for the period prior to June 1, 2007 has been adjusted to reflect this stock split, except as noted.

In May 2007, the Corporation issued 8,000,000 Class A Preferences Shares, Series 18, in Canada at a price of C$25.00 per share paying quarterly dividends based on a fixed annual rate of 4.75%, for aggregate gross proceeds of C$200 million. These shares trade on the TSX under the symbol BAM.PR.N.

In April 2007, the Corporation completed an offering in the United States of $250 million of 5.80% notes due April 2017 and an offering in Canada of C$250 million of 5.29% notes also due April 2017.

Also in April 2007, the Corporation received approval for a normal course issuer bid to purchase up to 49,500,000 Class A Limited Voting Shares representing approximately 10% of the public float of the Corporation's issued and outstanding shares in this series through open market purchases on the New York and Toronto Stock Exchanges. Under this bid, which commenced on April 21, 2007 and expired on April 20, 2008, the Corporation purchased 6,172,700 Class A Limited Voting Shares for approximately C$201 million at an

average price of C$32.53 per share. All Class A Limited Voting Shares purchased under this bid were cancelled.

In January 2007, the Corporation redeemed its 5,000,000 outstanding 8.35% Preferred Securities for C$25.00 principal value per security plus accrued interest of C$0.01144, for a total redemption price per security of C$25.01144.

In November 2006, the Corporation issued 8,000,000 Class A Preference Shares, Series 17, having a par value of C$25.00 and paying quarterly dividends based on a fixed annual rate of 4.75%, for aggregate gross proceeds of C$200 million. These shares trade on the TSX under the symbol BAM.PR.M.

In November 2006, the holders of the Corporation's Series 8 and 9 Preferred Shares exercised their conversion privilege, resulting in the conversion of 272,614 Series 8 Preferred Shares into an equivalent number of Series 9 Preferred Shares, and the conversion of 1,028,770 Series 9 Preferred Shares into an equivalent number of Series 8 Preferred Shares. In conjunction with this conversion, the annual interest rate payable on the Corporation's Series 9 Preferred Shares was reset to 4.35%.

In April 2006, the Corporation completed a three-for-two stock split of its Class A Limited Voting Shares by way of a stock dividend whereby shareholders received one-half a Class A Limited Voting Share for every Class A Limited Voting Share or Class B Limited Voting Share held. The Corporation also announced a 50% increase in the quarterly dividend on its Class A Limited Voting Shares to $0.16 (on a pre-split basis) commencing with the dividend paid on May 31,2006.

Also in April 2006, the Corporation received approval for a normal course issuer bid to purchase up to 31,200,000 Class A Limited Voting Shares (on a pre-split basis) representing approximately 10% of the public float of its issued and outstanding shares in this series, through open market purchases on the Toronto and New York Stock exchanges. Under this bid, which commenced on April 21, 2006 and expired on April 20, 2007, the Corporation purchased 291,600 Class A Limited Voting Shares for approximately C$16.7 million at an average price of C$57.09 per share. All Class A Limited Voting Shares acquired under this bid were cancelled.

BUSINESS OF THE CORPORATION

Overview

Brookfield is a global asset management company, with a primary focus on property, renewable power and infrastructure assets. We have established leading operating platforms in these sectors and, through them, own and manage a broad portfolio of high quality assets that generate long-term cash flows and opportunities to create value for our shareholders and our clients. We create value for shareholders by increasing, over time, the cash flows generated by these assets as well as income earned from managing the capital invested by our clients alongside our own.

Strategy

Our goal is to establish Brookfield as a global asset manager of choice for investment clients who wish to benefit from the ownership of property, renewable power and infrastructure assets. We have spent many years building high quality operating platforms that enable us to acquire, finance and optimize the value of assets for our own benefit, and for our clients whose capital we manage.

We believe that the best way to create long-term shareholder value is to generate increasing operating cash flows, measured on a per share basis, over a very long period of time. Accordingly, we concentrate on high quality long-life assets that generate sustainable cash flows, require minimal sustaining capital expenditures and tend to appreciate in value over time. Often these assets will benefit from some form of barrier to entry due to regulatory, physical or cost structure factors. While high quality assets may initially generate lower returns on capital, we believe that the sustainability and future growth of their cash flows are more assured over the long term, and as a result, warrant higher valuation levels. We also believe that the high quality of our asset base protects the Corporation against future uncertainty and enables us to invest with confidence when opportunities arise.

Consistent with this focus, we own and operate large portfolios of core office properties, hydroelectric power generating stations, private timberlands and regulated transmission systems that, in our opinion, share these common characteristics. These assets represent important components of the infrastructure that supports the global economy.

We believe the demand from institutional investors to own assets of this nature is increasing as they seek to earn increasing yields to meet their investment objectives. These assets, in our view, represent attractive alternatives to traditional fixed income investments, providing in many cases a "real return" that increases over time, relatively low volatility and strong capital protection. There is a substantial supply of investment opportunities in the form of existing assets as well as the need

for continued development in an ever expanding global economy. At the same time there are relatively few global organizations focused on managing assets of this nature as a primary component of their strategy.

Accordingly, an important component of our long-term strategy for growth is centred around expanding our assets under management, which should lead to increased fee revenues and long-term opportunities to earn performance returns. We plan to achieve this within our existing operating platforms, through geographic expansion beyond our current focus in North America, South America, Europe and Australia, and by developing and acquiring platforms to operate new asset classes that demonstrate characteristics that are similar to our existing assets. We also plan to achieve growth by expanding our distribution capabilities to access a broader range of investment partners, thereby increasing our access to capital. This increased capital, when coupled with new investment opportunities, should increase our assets under management and the associated income as well as direct investment returns, thereby increasing shareholder value.

Our Capabilities

We believe that we have the necessary capabilities to execute our business strategy and achieve our performance targets. We focus on disciplined and active hands-on management of assets and capital. We strive for excellence and quality in each of our core operating platforms in the belief that this approach will produce superior returns over the long term.

We endeavour to operate as a value investor and follow a disciplined investment approach. Our management team has considerable capabilities in investment analysis, mergers and acquisitions, divestitures and corporate finance that enable us to acquire assets for value, finance them effectively, and to ultimately realize value created during our ownership.

Our operating platforms and depth of experience in managing these assets differentiate us from some competitors that have shorter investment horizons and more of a financial focus. Over time we have established a number of high quality operating platforms that are fully integrated into our organization. This has required considerable investment in building the management teams and the necessary resources; however, we believe these platforms enable us to optimize the cash returns and values of the assets that we manage.

We have established strong relationships with a number of leading institutions and believe we are well positioned to expand our sources of co-investment capital and clients. In order to expand our assets under management, we are investing in our distribution capabilities to encourage existing and potential clients to commit capital to our investment strategies. We are devoting expanded resources to these activities, and our efforts continue to be assisted by strong investment performance.

The diversification within our operations allows us to offer a broad range of products and investment strategies to our clients. We believe this is of considerable value to investors with large amounts of capital to deploy. In addition, our commitment to transparency and governance as a well-capitalized public company listed on major North American and European stock exchanges positions us as a desirable long-term partner for our clients.

Finally, our commitment to invest a meaningful amount of capital alongside our investors creates a strong alignment of interest between us and our investment partners and also differentiates us from many of our competitors. Accordingly, our strategy calls for us to maintain considerable surplus financial resources relative to other managers. This capital also supports our ability to commit to investment opportunities on our own account when appropriate or in anticipation of future syndications.

Operating platforms

Our business is conducted primarily through six individual operating platforms: commercial properties, renewable power generation, infrastructure, development and other properties, specialty funds and public securities. The following sections provide information on each of these operating platforms, as well as a description of our private equity investments.

Commercial Properties

We own and operate high quality commercial office and retail properties on behalf of ourselves and our co-investors in North America, Australasia, Europe and Brazil.

Office Properties

We own and manage one of the highest quality commercial office portfolios in the world located in major financial, energy and government centre cities in North America, Australasia and Europe. Our strategy is to concentrate our operations in high growth, supply-constrained markets that have high barriers to entry and attractive tenant bases. Our goal is to maintain a meaningful presence in each of our primary markets so as to build on the strength of our tenant relationships.

Our North American operations are conducted through a 51%-owned subsidiary, Brookfield Properties, and our primary markets are New York, Boston, Houston, Los Angeles, Washington D.C., Toronto, Calgary and Ottawa. We also own a high quality portfolio of properties in Australia located primarily in Sydney, Brisbane, Melbourne and Perth. Our European operations are principally located in London, U.K. The properties in each of these geographic areas are held directly as well as through funds which we manage on behalf of ourselves and others on a contractual basis.

Leasing Profile

Our total portfolio worldwide occupancy rate at the end of 2008 increased to 97% compared to 96% at December 31, 2007, and the average term of the leases was seven years, unchanged from the prior year.

As at December 31, 2008, the average term of our in-place leases in North America was seven years. Annual lease expiries average 4% over the next four years with only 3% expiring in 2009. Average in-place net rents across the portfolio have remained unchanged at $23 per square foot from the end of last year, and continue to be at a significant discount to the average market rent of $32 per square foot. This discount provides greater assurance that we will be able to maintain or increase our net rental income in the coming years, notwithstanding the present difficult economic environment.

Average in-place rents in our Australian portfolio are $34 per square foot, approximately 10% below market rents. During the year we leased 1.3 million square feet of space at higher rates than the expiring leases. The occupancy rate across the portfolio remains high at 99.3% and the weighted average lease term is approximately eight years. Our fifteen largest tenants have a weighted average lease life of nine years and account for approximately 70% of our leaseable area. These tenants have an average rating profile of A+.

The high quality of our properties has enabled us to sign long-term leases with high quality tenants that have strong credit profiles. The contractual terms of these leases provide a high level of assurance that rents will be paid as expected unless a bankruptcy event occurs. Notwithstanding the recent economic turmoil, only 400,000 square feet, representing less than 1% of our net rentable area and annualized net operating income of $3.5 million, were returned to us as a result of credit events, and we subsequently re-leased 110,000 square feet of this space at equivalent or better rents. Furthermore, the competitive positions of our properties in their respective markets enable us to attract new tenants from lower quality buildings to fill any excess in vacant space and we are in active negotiations to lease the remainder of the space returned.

Retail

Our Brascan Brasil Real Estate Partners Fund was formed in late 2006 and has $830 million of committed capital (Brookfield's share – 25%). The fund is almost fully invested with $1.3 billion of total assets representing one of the largest retail portfolios in Brazil. The portfolio consists of interests in 15 shopping centres and associated office space totalling 4.1 million square feet of net leasable area, located primarily in Rio de Janeiro and São Paulo as well as Curitiba, Belo Horizonte, Mogi das Cruzes and Piracicaba.

Renewable Power Generation

We have assembled one of the largest privately owned hydroelectric power generating portfolios in the world. Our power generating operations are predominantly hydroelectric facilities located on river systems in the U.S., Canada and Brazil. As at December 31, 2008, we owned and managed 162 conventional hydroelectric generating stations with a combined generating capacity of approximately 3,129 megawatts. Our power stations are located in Ontario, Quebec, British Columbia, New York, New England, Louisiana and Brazil. This geographic distribution provides diversification of water flows to minimize the overall impact of hydrology fluctuations. Our storage reservoirs contain sufficient water to produce approximately 22% of our total annual generation and provide partial protection against short-term changes in water supply. The reservoirs also enable us to optimize selling prices by generating and selling power during higher-priced peak periods. We also own and operate two natural gas-fired plants, a 600 megawatt pumped storage facility and a 189 megawatt wind energy project. Overall, our assets represent 4,133 megawatts of generating capacity.

Contract Profile

Consistent with our strategy to establish lower volatility revenue streams, the prices for approximately 75% of our projected hydroelectric generation for 2009 and 2010 are contracted pursuant to long-term bilateral power sales agreements or shorter-term financial contracts. The remaining generation is sold into wholesale electricity markets when certainty of generation is confirmed.

Our long-term sales contracts, which account for more than 50% of total generation, have an average term of 12 years. The majority of our counterparties are investment grade in nature, including a number of government agencies. The financial contracts typically have a term of less than two years and are with high credit-worthy counterparties.

The average selling price for contracted power increases to $76 per megawatt hour from $67 per megawatt hour over the next five years, reflecting contractual step-ups in long duration contracts with locked-in prices and the expiry of lower priced contracts during the period. The decrease in these prices from those reported in prior quarters reflects the impact of lower currency exchange rates on non-U.S. contracts which should also have a mitigating impact on operating expenses and borrowing costs.

Infrastructure

Our infrastructure activities are currently concentrated in the timber and electricity transmission sectors, although we expect that, over time, we will expand into new sectors that provide similar investment characteristics. Our operations are located in the United States, Canada, Chile and Brazil and are primarily owned through managed funds.

Timber

We manage 2.6 million acres of high quality private freehold timberlands with an aggregate underlying value of $4.2 billion. These assets are held primarily through two private funds that currently hold operations located on the west coast of Canada and in the U.S. Pacific Northwest. We also manage a listed specialty issuer that operates in Eastern North America and a $280 million private timber fund focused on Brazil, which is largely uninvested at this time, and hold direct interests in timber assets in Brazil.

Transmission

Our electricity transmission operations include the largest transmission system in Chile, a smaller transmission and distribution system in Northern Ontario and interests in transmission lines in Brazil which have been sold in a transaction which is expected to close in March 2009. Our direct and indirect interests in these operations, which are held through funds managed by us, are as follows: 17% in the Chilean operations; 40% and 100% in the Northern Ontario transmission and distribution operations, respectively; and 8% in the Brazilian operations.

Our transmission operations generate stable revenues that are largely governed by regulated frameworks and long-term contracts. Accordingly, we expect this segment to produce consistent revenue and margins that should increase with inflation and other factors such as operational improvements. We also expect to achieve continued growth in revenues and income by investing additional capital into our existing operations.

Development and Other Properties

Development and other properties include our opportunity investment funds, residential operations, properties under development and held for development and construction activities.

Opportunity Investments

We manage niche real estate opportunity funds with $435 million of committed capital (Brookfield's share – $247 million).

Total property assets within the funds were approximately $1.3 billion at year end. The portfolio of 99 properties is comprised predominantly of office properties in a number of cities across North America as well as smaller investments in industrial, student housing, multi-family and other property asset classes.

Residential

We conduct residential property operations in Canada, Brazil, Australia and the United States, in which we hold the following interests: Canada – 51%; Brazil – 42%; Australia – 100%; and United States – 58%.

Total assets, which include property assets as well as housing inventory, cash and cash equivalents and other working capital balances, increased since 2007 reflecting expansion within our Brazil operations offset by lower levels of activities in the United States.

Canada

We continue to benefit from our strong market position and low-cost land bank, particularly in Alberta where we hold a 23% market share in Calgary. We own approximately 15,538 acres (December 31, 2007 – 14,864 acres) of which approximately 901 acres (December 31, 2007 – 1,004 acres) were under active development at year end. The balance of 14,637 acres (December 31, 2007 – 13,860 acres) is included in "Held for Development" because of the length of time that will likely pass before they are actively developed.

Australia

Our Australian operations are comprised of master planned community and condominium operations in five regions, New South Wales, Western Australia, Queensland, Southern Australia and New Zealand, that are consistent with our overall strategy and management expertise. We hold approximately 17,000 residential lots, homes and condominium units in these regions which provide the basis for continued growth.

United States

Our U.S. operations are comprised of master planned communities and infill developments. Our portfolio of approximately 24,000 owned or controlled lots in California and the Washington D.C. area provide a foundation for future growth. We also sell serviced and unserviced lots to other homebuilders on an opportunistic basis and acquire unentitled land options to create value.

Under Development

Properties under development include both active development projects as well as properties that we are redeveloping to enhance their value. We are also developing a number of hydroelectric generating plants and retail properties which are discussed under "Renewable Power Generation" and "Commercial Properties – Retail", respectively.

Current development initiatives in North America include a 1.2 million square foot premier office property on the Bay Adelaide Centre site located in Toronto's downtown financial district, and properties in Washington, D.C. Bay Adelaide Centre is 72% leased and scheduled for occupancy in the third quarter of 2009. We are also continuing the redevelopment of a 269,000 square foot property in Washington D.C.

We have 2.7 million square feet of commercial property space under development in Australia. Current developments include a 350,000 square foot office project fully leased to Macquarie Bank in Sydney, which is 86% complete, as well as three properties in Sydney, Melbourne, and Auckland, all of which are substantially preleased to tenants such as Sydney Water, Australia Post and Deloitte. We have also commenced the construction of a 900,000 square foot premier office property in Perth, which is 82% leased to BHP Billiton.

In the United Kingdom, we own a proportionate share of approximately 7.9 million square feet of commercial space development density at Canary Wharf in London of which 1.3 million is currently under active development, and substantially pre-leased.

Held for Development

We acquire land and long-term rights on land, seek entitlements to construct, and then either sell the development once it has been improved or build the project ourselves. We typically hold these developments directly, given that they do not generate current cash flow until the project is completed, at which time it can be transferred to an existing portfolio or sold outright. Accordingly, we do not typically record ongoing cash flow in respect of properties held for development and the associated development costs are capitalized until this event occurs, at which time any disposition gain or loss is recognized.

Commercial Office Properties

We own well-positioned land on Ninth Avenue between 31st Street and 33rd Street in New York City which is entitled for 5.4 million square feet of commercial office space. We will commence construction of this property once the necessary pre-leasing has occurred, similar to our strategy with other commercial developments.

Residential Lots

Residential development properties include land, both owned and optioned, which is in the process of being developed for sale as residential lots, but not expected to enter the homebuilding process for more than three years. We utilize options to control lots for future years in our higher land cost markets in order to reduce risk. To that end, we hold options on approximately 11,000 lots which

are located predominantly in California and Virginia. We invested additional capital into development land in Alberta to maintain our market position and hold 14,637 acres. We also hold approximately 17,000 residential lots, homes and condominium units in our markets in Australia and New Zealand, which will provide the basis for continued growth. We increased our holdings in Brazil through a corporate acquisition and a merger during the year.

Rural Development Lands

We own approximately 372,000 acres of prime agricultural development land in the Brazilian States of São Paulo, Minas Gerais, Mato Grosso do Sul and Mato Grosso. These properties are being used for agricultural purposes, including the harvest of sugar cane for its use in the production of ethanol, which is used largely as a gasoline substitute. We also hold 33,200 acres of potentially higher and better use land adjacent to our Western North American timberlands, included within our Timberlands segment, which we intend to convert into residential and other purpose land over time.

Construction Activities

We conduct the majority of our construction activities in Australia and the Middle East with each region accounting for approximately one-half of the outstanding backlog. Our construction activities are focused on large scale construction of real estate and infrastructure assets.

The revenue work book totalled $4.8 billion at the end of the year (December 31, 2007 – $6.0 billion) and represented 3.5 years of scheduled activity.

Specialty Funds

We conduct bridge lending, restructuring and real estate finance activities, particularly where we have expertise as a result of previous investment experience. As at December 31, 2008, we managed specialty funds with total committed capital of $4.4 billion.

Restructuring

Our first fund, Tricap Restructuring Fund ("Tricap I") completed its investment period last year and we continue to manage and harvest the remaining invested capital of $295 million. Our two most significant investments in Tricap I are Western and Concert Industries Ltd. We also raised additional capital for Tricap II, which now has C$1 billion of committed capital.

Real Estate Finance

We operate real estate finance funds with total committed capital of approximately $1.9 billion, of which our share is approximately $400 million. Our first fund, the $600 million Brookfield Real Estate Finance Partners (BREF I) completed its investment period in 2007. We raised $275 million of additional capital for our second fund (BREF II) during the year, bringing the total commitments to $727 million. We had $298 million of capital invested in these operations at year end (2007 – $263 million).

Bridge Lending

Our first fund had commitments of C$700 million at the end of the year which have been fully invested and the remaining loans will mature through 2011. We have raised C$940 million in commitments and pledges for our senior and junior follow-on funds, including a C$240 million commitment from Brookfield.

Our portfolio at year end was comprised of 11 loans with an aggregate value of $188 million, and our largest single exposure at that date was $68 million. The average term at December 31, 2008 was 18 months excluding extension privileges and generated an average spread of 10% over the relevant base rate.

Investments

We own a number of investments which will be sold once value has been maximized, integrated into our core operations or used to seed new funds. Although not core to our broader strategy, we expect to continue to make new investments of this nature and dispose of more mature assets.

Forest Products

We own a net beneficial interest in approximately 152 million shares of Norbord representing a 57% interest. We further increased our net beneficial interest in Norbord to 73% in early January through additional subscriptions to the same rights offering at an additional cost of $120 million.

Infrastructure

We own the coal rights under approximately 475,000 acres of freehold lands in central Alberta. These lands supply approximately 25% of Alberta's total power generation through the production of approximately 13 million tonnes of coal annually. Royalties from this production generate $6 million of operating cash flow and provide a stable source of income as they are free of crown royalties. In addition, we own a 3.5% net profit interest in 75 million tonnes of proven reserves, and 34 million tonnes of potential reserves of high quality metallurgical coal in British Columbia.

Business Services

Our insurance operations are conducted through 80%-owned Imagine Insurance ("Imagine"), a specialty reinsurance business which operates internationally; Hermitage Insurance Company ("Hermitage"), a property and casualty insurer which operates principally in the Northeast United States; and Trisura Guarantee Insurance Company, a surety company based in Toronto. We manage the securities portfolios of these companies, which totalled $1.0 billion and consist primarily of highly rated government and corporate bonds, through our public securities operations. We completed the sale of the United Kingdom reinsurance business within Imagine, thereby recovering capital of $200 million, and negotiated the sale of Hermitage for proceeds of $125 million, which closed in the first quarter of 2009. We intend to recover the balance of the capital from the Imagine business over time through an orderly run-off of the business.

Public Securities

We specialize in fixed income and equity securities with a particular focus on distressed real estate and infrastructure. Our fixed income mandates are managed primarily by New York-based Brookfield Hyperion Asset Management Inc. Our real estate equity securities are managed by Brookfield Redding LLC, based in Chicago, a leading, well-established real estate equity securities manager with a wide variety of clients throughout North America and Australia. Brookfield Soundvest Capital Management Ltd., based in Ottawa, Canada, manages fixed income and equity securities on behalf of a number of Canadian institutional investors.

Revenue, Net Income and Assets by Reportable Segment

The following table depicts revenue, net income and assets by reporting segment of the Corporation for the two most recently completed financial years:

AS AT AND FOR THE YEARS ENDED DECEMBER 31,	***2008***			*2007*		
(MILLIONS)	***Revenue***	***Net Income***	***Assets***	*Revenue*	*Net Income*	*Assets*
Commercial properties	**$3,075**	**$203**	**$23,699**	$2,891	$24	$23,571
Power generation	**1,286**	**328**	**6,778**	971	106	7,106
Infrastructure	**616**	**37**	**4,414**	622	4	4,230
Development and other properties	**3,654**	**(7)**	**9,822**	1,751	138	12,115
Specialty funds	**2,139**	**126**	**3,943**	1,368	187	2,676
Cash, financial assets, fee revenues and other	**2,098**	**(38)**	**4,955**	1,740	328	5,899
	$12,868	**$649**	**$53,611**	$9,343	$787	$55,997

CODE OF BUSINESS CONDUCT AND ETHICS

For information about the Corporation's Code of Business Conduct and Ethics, reference is made to the section entitled "Code of Business Conduct and Ethics" on page 27 of the Corporations's Management Information Circular dated March 9, 2009 ("the Circular") which is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. A copy of the Circular can also be obtained from the Corporation and is available on our web site *www.brookfield.com* at *Investor Centre/Other disclosure reports*.

BUSINESS ENVIRONMENT AND RISKS

For information about the risk factors related to the Corporation and its business, reference is made to the section entitled "Business Environment and Risks" on pages 58 to 65 of Management's Discussion and Analysis in the Corporation's 2008 Annual Report (the "Annual Report") which is available on SEDAR at www.sedar.com. A copy of the Annual Report can also be obtained from the Corporation and is available on our web site *www.brookfield.com* at *Investor Centre/Financial reports*.

DIRECTORS AND OFFICERS

The Corporation's directors are elected annually and hold office until the next annual meeting of shareholders of the Corporation or until their successors are elected or appointed. As of the date of this Annual Information Form, the Board has 16 directors. Particulars relating to each of the 16 directors nominated for election at the Annual and Special Meeting of Shareholders to be held on May 5, 2009 are set out in the Circular on pages 9 to 17, which are incorporated herein by reference.

Executive and Corporate Officers of the Corporation

The names of the executive and corporate officers of the Corporation, their location of residence, their current offices and their dates of appointment are shown in the following tables:

Executive and Corporate Officers

Name	*Residence*	*Current Office*	*Date of Appointment*
Jeffrey M. Blidner[(a)]	Ontario, Canada	Senior Managing Partner	2003
Denis Couture[(b)]	Ontario, Canada	Senior Vice President, Investor Relations and Corporate and International Affairs	2007
J. Bruce Flatt[(a)]	Ontario, Canada	Senior Managing Partner and Chief Executive Officer	2002
Joseph S. Freedman[(b)]	Ontario, Canada	Senior Managing Partner and General Counsel	2003
Robert J. Harding[(a)]	Ontario, Canada	Chairman of the Board	1997
Catherine J. Johnston[(b)]	Ontario, Canada	Corporate Secretary and Legal Counsel	2008
Brian D. Lawson[(a)]	Ontario, Canada	Senior Managing Partner and Chief Financial Officer	2002
George E. Myhal[(a)]	Ontario, Canada	Senior Managing Partner	2003
Samuel J.B. Pollock[(a)]	Ontario, Canada	Senior Managing Partner	2003

(a) Executive Officer
(b) Corporate Officer

Each of the executive and corporate officers has had the principal occupation referred to opposite his or her name during the past five years except is follows:

(a) Prior to their appointment as Managing Partners of the Corporation in 2003, Mr. Myhal was Chief Executive Officer of Brascan Financial and Messrs. Blidner, Freedman, Myhal and Pollock held various other executive positions with Brascan Financial, positions which they continued to hold until the amalgamation of Brascan Financial with the Corporation in January 2005.

(b) Prior to his appointment in 2007, Mr. Couture was Senior Vice President of Investor Relations and Communications of Falconbridge Limited and Noranda Inc.

(c) Prior to her appointment in 2008, Ms. Johnston was Assistant Secretary and Legal Counsel of Canadian Tire Corporation, Limited.

As at March 9, 2009, the directors and executive officers of the Corporation together owned, or controlled or directed, directly or indirectly, approximately 22.3 million Class A Limited Voting Shares, representing approximately 3.9% of the Corporation's issued and outstanding shares in this series. These ownership interests do not include the pro rata interests of related directors and other executive officers held beneficially through Partners Limited and BAM Investments Corp. None of the Corporation's directors or executive officers own directly any of the Corporation's Class B Limited Voting Shares.

Mr. Lawson served as a director of American Resource Corporation Limited ("ARCL") until April 2005. During that time, ARCL failed to file financial statements on a timely basis, and accordingly ARCL and its directors and officers became subject to management cease trade orders imposed by the Ontario Securities Commission and other provincial securities regulatory authorities. The Corporation controls all of the voting and 99% of the non-voting shares of ARCL. ARCL has corrected the filing deficiencies that led to the management cease trade orders and has made application to the relevant provincial securities regulatory authorities to have the management cease trade orders, which are still in effect, lifted.

MARKET FOR SECURITIES

The Corporation's publicly traded securities that are currently issued and outstanding as of the date of this Annual Information Form are listed on the following exchanges under the symbols shown below:

Security	Symbol	Stock Exchange
Class A Limited Voting Shares	**BAM**	New York
	BAM.A	Toronto
	BAMA	NYSE Euronext [(a)]
Class A Preference Shares		
Series 2	**BAM.PR.B**	Toronto
Series 4	**BAM.PR.C**	Toronto
Series 8	**BAM.PR.E**	Toronto
Series 9	**BAM.PR.G**	Toronto
Series 10	**BAM.PR.H**	Toronto
Series 11	**BAM.PR.I**	Toronto
Series 12	**BAM.PR.J**	Toronto
Series 13	**BAM.PR.K**	Toronto
Series 14	**BAM.PR.L**	Toronto
Series 17	**BAM.PR.M**	Toronto
Series 18	**BAM.PR.N**	Toronto
Series 21 [(b)]	**BAM.PR.O**	Toronto

(a) The Corporation's Class A Limited Voting Shares were listed for trading on NYSE Euronext on March 18, 2008.

(b) The Corporation's Class A Preference Shares, Series 21 were listed for trading on the TSX on June 25, 2008.

Security information on the trading prices and volumes for each of the above securities for each month of the calendar year ended December 31,2008 is set out in Appendix A to this Annual Information Form.

RATINGS

The credit ratings for the Corporation's securities as at the date of this Annual Information Form were as follows:

	DBRS		*Standard & Poor's*		*Moody's*	
Securities of the Corporation	*Rating*	*Outlook*	*Rating*	*Outlook*	*Rating*	*Outlook*
Commercial paper	R-1 (low)	Stable	A-1 (low)	Stable	Not rated	Not rated
Senior notes and debentures [(a)]	A (low)	Stable	A-	Stable	Baa2	Stable
Subordinated notes and debentures	BBB (high)	Stable	BBB	Stable	Not rated	Not rated
Preferred shares	Pfd-2 (low)	Stable	P-2	Stable	Not rated	Not rated

(a) The Corporation's senior debt is also rated by Fitch Ratings Ltd.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. Each of the Corporation's debt and preferred securities are rated by DBRS Limited ("DBRS") and by Standard & Poor's ("S&P"), and its senior notes and debentures are also rated by Moody's Investor Service ("Moody's"). The following is a brief description of each rating agency's rating schedule.

DBRS rates commercial paper, long-term debt and preferred shares with ratings of "R-1", "AAA" and "Pfd-1", respectively, which represent the highest ratings, to "R-3", "CCC" and "Pfd -5", which represent the lowest, with "D" for issues in payment default. To show relative rankings within these rating categories, DBRS may modify them by the addition of "(high)" or "(low)".

S&P rates commercial paper, long-term credit and preferred shares with ratings of "A-1", "AAA" and "P-1", respectively, which represent the highest ratings, to "C", "CCC" and "P-5", which represent the lowest, with "D" for issues in payment default. To show

relative rankings within these rating categories, S&P may modify them by the addition of a plus "(+)" or minus "(-)". DBRS and S&P further modify their ratings by indicating the stability of an assigned rating with terms such as "stable," "positive" and "negative".

Moody's rates long-term obligations with ratings of "Aaa", which represents the highest rating, to "C", which represents the lowest. To show relative rankings within these rating categories, Moody's may modify them by the addition of a "1", "2" or "3" to indicate relatively higher, middle or lower ranking.

Fitch Ratings Ltd. ("Fitch") has assigned a "BBB+" rating with a "Stable" outlook to the Corporation's senior unsecured debt.

The ratings discussed above for the Corporation's debt and securities are not a recommendation to purchase, hold or sell the Corporation's debt and securities and do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings shown above will remain in effect for any given period of time or that the ratings will not be revised or withdrawn in their entirety by any or all of DBRS, S&P, Moody's or Fitch in the future if, in their judgment, circumstances so warrant.

The investment ratings of our publicly traded subsidiaries are presented in the Annual Information Forms of these subsidiaries, which are available on SEDAR at *www.sedar.com.*

DIVIDENDS AND DIVIDEND POLICY

Class A Limited Voting Shares and Class B Limited Voting Shares

The declaration and payment of dividends on the Corporation's Class A Limited Voting Shares and Class B Limited Voting Shares are at the discretion of the Board of Directors. Dividends on the Class A Limited Voting Shares and Class B Limited Voting Shares are paid quarterly, normally at the end of February, May, August and November of each year. The Board of Directors supports a stable and consistent dividend policy for these shares, and will consider increasing dividends from time to time at a rate based on a portion of the growth rate in cash flow from operations per share. Special dividends may also be declared from time to time to implement corporate strategic initiatives.

On February 7, 2008, the Board of Directors approved an increase to the quarterly dividend paid on its Class A Limited Voting Shares and Class B Limited Voting Shares from $0.12 to $0.13, commencing with the dividend paid on May 31,2008.

On January 3, 2008, the Board of Directors announced a special dividend of 25 units of Brookfield Infrastructure for each Class A Limited Voting Share or Class B Limited Voting Share held at the close of business on January 14, 2008. This special dividend was distributed to the holders of Class A Limited Voting Shares and Class B Limited Voting Shares on January 31, 2008, and the Brookfield Infrastructure units commenced trading on the NYSE on that date. Fractional units were paid in February 2008 in cash at the rate of $20.5565 per unit, which was the weighted average trading price of the partnership units on the NYSE for the five trading days following the commencement of trading.

On June 1, 2007, the Corporation completed a three-for-two stock split of its Class A Limited Voting Shares by way of a special dividend of one Class A Limited Voting Share for each two Class A Limited Voting Shares or Class B Limited Voting Shares held at the close of business on May 24, 2007. Fractional shares were paid in cash at the rate of C$22.72 or US$20.95 per share, being the closing price of a Class A Limited Voting Share on the TSX on May 24, 2007.

On February 8, 2007, the Board of Directors approved an increase to the quarterly dividend paid on its Class A Limited Voting Shares and Class B Limited Voting Shares from $0.16 to $0.18, expressed on a pre-split basis, commencing with the dividend paid on May 31, 2007. On a post-split basis, reflecting the three-two-stock split on June 1,2007, this increased dividend was $0.12.

Increases to the quarterly dividends paid on the Corporation's Class A Limited Voting Shares were approved in each of the three prior years, namely an increase from $0.15 to $0.24 in February 2006, an increase from $0.14 to $0.15 in February 2005, and an increase of C$0.25 to C$0.26 in February 2004. The quarterly dividends shown for these prior years are shown as declared, that is, prior to the impact of the three-for-two stock splits in June 2004, April 2006 and June 2007.

In April 2004, the Board of Directors decided to change the declaration currency for the dividend payable on its Class A Limited Voting Shares and Class B Limited Voting Shares from Canadian to US funds, commencing with the dividend paid on August 31, 2004 of $0.14 per share. Registered Canadian shareholders receive their dividends in Canadian funds, unless they elect otherwise. This declared dividend was also pro-rated to reflect the three-for-two stock split implemented in June 2004.

The Corporation has a Dividend Reinvestment Plan which enables registered holders of Class A Limited Voting Shares who are resident in Canada to receive their dividends in the form of newly issued Class A Limited Voting Shares. The price of the new shares is equal to the weighted average price at which board lots of Class A Limited Voting Shares have traded on the TSX during the five trading days immediately preceding the relevant dividend payment date. Our Dividend Reinvestment Plan allows current shareholders of the Corporation who are resident in Canada to increase their investment in the Corporation free of commissions.

Preferred Shares

The declaration and payment of dividends on the Corporation's preferred shares are at the discretion of the Board of Directors. Dividends on the Corporation's Class A Preference Shares, Series 2, 4, 5, 7, 10, 11, 12, 13, 15 17, 18, 19, 20, and 21 are paid quarterly, normally at the end of March, June, September and December of each year. Dividends on the Corporation's Class A Preference Shares, Series 9 are paid quarterly, normally at the beginning of February, May, August and November. Dividends on the Corporation's Class A Preference Shares, Series 8, 14 and 16 are paid monthly. Dividends on the Corporation's preferred shares are currently declared in Canadian dollars. Additional information on the dividends payable on the Corporation's currently issued and outstanding preferred shares can be found in the summary share conditions contained in Appendix B to this Annual Information Form.

The following table summarizes the dividends paid per share for each of the three years ended December 31, 2006, 2007 and 2008, on each class and series of securities of the Corporation that was outstanding at December 31, 2008, all expressed in United States dollars.

	Distribution per Security		
	2008	*2007*	*2006*
Per Class A Limited Voting Share and Class B Limited Voting Share [(a)]			
Regular	$ 0.51	$ 0.47	$ 0.40
Special [(b)]	0.94	—	—
Per Class A Preferred Share [(c)]			
Series 2	0.83	0.99	0.88
Series 4 + Series 7	0.83	0.99	0.88
Series 5	0.77	0.92	0.82
Series 8	1.18	1.10	1.10
Series 9	1.02	1.01	1.25
Series 10	1.35	1.34	1.27
Series 11	1.29	1.28	1.22
Series 12	1.27	1.26	1.19
Series 13	0.83	0.99	0.88
Series 14	3.06	3.57	3.10
Series 15	0.99	1.15	1.00
Series 16	1.17	1.08	1.01
Series 17 [(d)]	1.12	1.11	0.12
Series 18 [(e)]	1.12	0.71	—
Series 19 [(f)]	0.86	—	—
Series 20 [(f)]	0.86	—	—
Series 21 [(g)]	0.58	—	—

(a) Dividend amounts per Class A Limited Voting Share and Class B Limited Voting Share for 2007 and 2006 have been adjusted retroactively to show the impact of the three-for-two share splits on April 27, 2006 and June 1, 2007.

(b) This represents the special dividend of units of Brookfield Infrastructure Partners L.P. distributed on January 31, 2008.

(c) The dividends on these preferred shares are declared in Canadian funds. All Canadian dollar dividends for 2008 have been converted to United States dollars using the average quarterly exchange rates, and for the preceding years using the average annual exchange rates.

(d) These shares were issued on November 20, 2006. The dividends paid in 2006 were for the initial period from the date of issue.

(e) These shares were issued on May 9, 2007. The dividends paid in 2007 were for the period from the date of issue.

(f) These shares were issued on December 20, 2007.

(g) These shares were issued on June 25, 2008. The dividends paid in 2008 were for the period from the date of issue.

The Corporation's Class A Preference Shares, Series 17 were issued on November 20, 2006. The Corporation commenced paying dividends on this series of shares on December 31, 2006.

The Corporation's Class A Preference Shares, Series 18 were issued on May 9, 2007. The Corporation commenced paying dividends on this series of shares on June 30, 2007.

The Corporation's Class A Preference Shares, Series 19 and 20, were issued on December 20, 2007. The Corporation commenced paying dividends on this series of shares on March 31, 2008.

The Corporation's Class A Preference Shares, Series 21, were issued on June 25, 2008. The Corporation commenced paying dividends on this series of shares on September 30, 2008.

The Corporation redeemed its 8.30% preferred securities due December 31, 2051 on January 2, 2007; its 8.35% preferred securities due December 31, 2050 on January 2, 2007; and its Class A Preference Shares, Series 3 on November 8, 2005.

Information relating to the dividends and dividend policies of the Corporation's publicly traded subsidiaries can be found in the Annual Information Forms of these subsidiaries, which are available on SEDAR at *www.sedar.com*.

DESCRIPTION OF CAPITAL STRUCTURE

The following is a summary of the components of the Corporation's share capital. Additional summary information on the terms and conditions attached to or affecting each class of the Corporation's authorized securities is contained in Appendix B to this Annual Information Form. Reference should also be made to the articles of the Corporation for a complete description of all terms and conditions of our share capital. These articles can be found on our web site *www.brookfield.com* at *About Brookfield/Articles and Bylaws* and are filed on SEDAR at *www.sedar.com.*

The Corporation's authorized share capital consists of:

a) an unlimited number of preference shares designated as Class A Preference Shares, issuable in series:

- the first series, which consists of 23,391 Class A Preference Shares, Series 1;
- the second series, which consists of 10,465,100 Class A Preference Shares, Series 2;
- the third series, which consists of 2,000 Class A Preference Shares, Series 3;
- the fourth series, which consists of 4,000,000 Class A Preference Shares, Series 4;
- the fifth series, which consists of 2,600,000 Class A Preference Shares, Series 5;
- the sixth series, which consists of 111,633 Class A Preference Shares, Series 6;
- the seventh series, which consists of 4,000,000 Class A Preference Shares, Series 7;
- the eighth series, which consists of 8,000,000 Class A Preference Shares, Series 8;
- the ninth series, which consists of 8,000,000 Class A Preference Shares, Series 9;
- the tenth series, which consists of 10,000,000 Class A Preference Shares, Series 10;
- the eleventh series, which consists of 31,500,000 Class A Preference Shares, Series 11;
- the twelfth series, which consists of 8,000,000 Class A Preference Shares, Series 12;
- the thirteenth series, which consists of 9,999,000 Class A Preference Shares, Series 13;
- the fourteenth series, which consists of 665,000 Class A Preference Shares, Series 14;
- the fifteenth series, which consists of 4,000,000 Class A Preference Shares, Series 15;
- the sixteenth series, which consists of 7,835,200 Class A Preference Shares, Series 16;
- the seventeenth series, which consists of 8,000,000 Class A Preference Shares, Series 17;

- the eighteenth series, which consists of 8,000,000 Class A Preference Shares, Series 18;
- the nineteenth series, which consists of 13,700,000 Class A Preference Shares, Series 19;
- the twentieth series, which consists of 13,513,510 Class A Preference Shares, Series 20; and
- the twenty-first series, which consists of 6,000,000 Class A Preference Shares, Series 21.

b) an unlimited number of preference shares designated as Class AA Preference Shares, issuable in series, of which no series have been created or issued;

c) an unlimited number of Class A Limited Voting Shares; and

d) 85,120 Class B Limited Voting Shares.

As at February 28, 2009, the following shares of the Corporation were issued and outstanding: nil Class A Preference Shares, Series 1; 10,465,100 Class A Preference Shares, Series 2; nil Class A Preference Shares, Series 3; 4,000,000 Class A Preference Shares, Series 4; 2,600,000 Class A Preference Shares, Series 5; nil Class A Preference Shares, Series 6; 4,000,000 Class A Preference Shares, Series 7; 1,805,948 Class A Preference Shares, Series 8; 6,194,052 Class A Preference Shares, Series 9; 10,000,000 Class A Preference Shares, Series 10; 4,032,401 Class A Preference Shares, Series 11; 7,000,000 Class A Preference Shares, Series 12; 9,999,000 Class A Preference Shares, Series 13; 665,000 Class A Preference Shares, Series 14; 4,000,000 Class A Preference Shares, Series 15; 7,810,200 Class A Preference Shares, Series 16; 8,000,000 Class A Preference Shares, Series 17; 8,000,000 Class A Preference Shares, Series 18; 13,700,000 Class A Preference Shares, Series 19; 13,513,510 Class A Preference Shares, Series 20; 6,000,000 Class A Preference Shares, Series 21; nil Class AA Preference Shares; 572,987,632 Class A Limited Voting Shares; and 85,120 Class B Limited Voting Shares.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Corporation is CIBC Mellon Trust Company at its principal office in Toronto, Ontario, Canada. CIBC Mellon Trust Company maintains registers for the transfer of the Corporation's public securities at its offices in Toronto, Ontario, in Montreal, Quebec and in Vancouver, British Columbia in Canada and through BNY Mellon Shareowner Services LLC in Jersey City, New Jersey in the U.S.A.

MATERIAL CONTRACTS

The following is the only material contract, other than contracts entered into in the ordinary course of business, which has been entered into by the Corporation or any of its subsidiaries or their predecessors within the most recently completed financial year, or was entered into before the most recently completed financial year and is still in effect, or which is proposed to be entered into:

- The Trust Agreement referred to under "Principal Holders of Voting Shares" in the Corporation's Management Information Circular dated March 9, 2009 on page 6.

A copy of this document has been filed on SEDAR as a material contract and is available at *www.sedar.com.*

INTERESTS OF EXPERTS

Deloitte & Touche LLP, the Corporation's external auditor, is independent of the Corporation in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

AUDIT COMMITTEE INFORMATION

Responsibilities of the Audit Committee

The Corporation's board of directors has established an Audit Committee with the responsibility for monitoring the Corporation's systems and procedures for financial reporting, risk management and internal controls, for reviewing all public disclosure documents containing financial information, and for monitoring the performance of the Corporation's external and internal auditors. The responsibilities of the Audit Committee are set out in a written charter, which is reviewed and approved annually by the board of directors. The current Charter of the Audit Committee was reviewed and confirmed by the board on February 12, 2009 and is set out in full in Appendix C to this Annual information Form.

Composition of the Audit Committee

As at the date of this Annual Information Form, the Audit Committee is comprised of the following four directors: Marcel R. Coutu, who is the Committee's chairman, Jack M. Mintz, Patricia M. Newson, and George S. Taylor. The Corporation's board of directors has determined that all of these directors are independent and financially literate, and that Mr. Coutu, Ms. Newson and Mr. Taylor each qualify as an "audit committee financial expert". Mr. Coutu has a Masters Degree in Business Administration and over 15 years' experience in investment banking and corporate finance. He is currently President and Chief Executive Officer of Canadian Oil Sands Limited. Ms. Newson is a Chartered Accountant with over 25 years' experience in finance in the energy and utility industries. She is currently President and Chief Executive Officer of AltaGas Utility Group Inc. and the former Senior Vice-President Finance and Chief Financial Officer of AltaGas Income Trust. Mr. Taylor is a Certified Management Accountant and has extensive financial and senior management experience with a public company as an executive of John Labatt Limited from 1977 to 1995. He has served as an audit committee member and audit committee chairman for a number of public companies and non-profit organizations during his business career. Mr. Mintz has had an extensive academic career in business economics and taxation and has served on the boards and audit committees of several public companies and non-profit organizations.

Additional information on the members of the Audit Committee is contained in the Corporation's Management Information Circular dated March 9, 2009.

Principal Accountant Fees and Services

Deloitte and Touche LLP, the member firms of Deloitte Touche Tohmatsu and their respective affiliates (collectively "Deloitte & Touche") are the principal external auditors of the Corporation and its consolidated reporting issuer subsidiaries. The following table provides information about the aggregate fees billed to the Corporation and its consolidated subsidiaries for professional services rendered by Deloitte & Touche during 2008 and 2007:

	2008			*2007*		
YEARS ENDED DECEMBER 31 (MILLIONS)	*Brookfield*	*Subsidiaries of Brookfield*	*Total*	*Brookfield*	*Subsidiaries of Brookfield*	*Total*
Audit fees	$ 4.0	$ 15.3	$ 19.3	$ 6.3	$ 11.5	$ 17.8
Audit-related fees	0.1	8.4	8.5	0.2	10.3	10.5
Tax fees	0.1	0.7	0.8	—	1.0	1.0
All other fees	0.2	0.3	0.5	0.2	0.3	0.5
Total	$ 4.4	$ 24.7	$ 29.1	$ 6.7	$ 23.1	$ 29.8

All Canadian dollar amounts included in the above totals have been converted to United States dollars at the exchange rate of US$1.00 to C$1.0665, which was the average exchange rate during 2008.

Audit Fees. Audit fees include fees for services that would normally be provided by the external auditor in connection with statutory and regulatory filings or engagements, including fees for services necessary to perform an audit or review in accordance with generally accepted auditing standards. This category also includes services that generally only the external auditor reasonably can provide, including comfort letters, statutory audits, attest services, consents and assistance with and review of certain documents filed with securities regulatory authorities.

Audit-Related Fees. Audit-related fees are for assurance and related services, such as due diligence services, that traditionally are performed by the external auditor. More specifically, these services include, among others: assistance in preparing for the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, employee benefit plan audits, due diligence related to mergers and

acquisitions, accounting consultations and audits in connection with acquisitions, attest services that are not required by statute or regulation, and consultation concerning financial accounting and reporting standards.

Tax Fees. Tax fees are principally for assistance in tax return preparation and tax advisory services.

All Other Fees. All other fees include fees for translation, litigation and advisory support services.

Pre-Approval Policies and Procedures

The Audit Committee of the Corporation's board of directors has adopted a policy regarding the provision of services by its external auditors, currently Deloitte & Touche. This policy requires audit committee pre-approval of all permitted audit, audit-related and non-audit services. It also specifies a number of services that may not be provided by the Corporation's external auditors, including all services prohibited by law from being provided by the external auditors.

Under the policy, all permitted services to be provided by the external auditors must be pre-approved by the Audit Committee or a designated member of the Audit Committee. Any pre-approval granted by a designated member must be reported to the Audit Committee at its next scheduled meeting. The pre-approval of services may be given at any time up to a year before commencement of the specified service.

The Audit Committee may delegate its pre-approval authority and responsibility to the audit committee of any consolidated subsidiary of the Corporation in respect of services to be provided to such subsidiary, provided that such subsidiary's audit committee members are independent from the Corporation and its management, such subsidiary adopts pre-approval policies and procedures that are substantially similar to those of the Corporation, and such subsidiary's audit committee makes certain reports to the Corporation's audit committee.

Subject to the above mentioned policy, the Audit Committee may establish fee thresholds for a group of pre-approved services, provided that such fees will, when combined with all such fees that have not been specifically approved by the audit committee, aggregate less than 25% of the anticipated audit fees for the Corporation and its subsidiaries for the same year. In such cases, the description of services must be sufficiently detailed as to the particular services to be provided to ensure that (i) the Audit Committee knows precisely what services it is being asked to pre-approve and (ii) the Audit Committee's responsibilities are not delegated to management. All such services will be ratified at the next scheduled meeting of the Audit Committee, and upon such ratification will no longer be included in determining the aggregate fees covered by this limited approval.

Of the fees reported in this Annual Information Form under the heading "Principal Accountant Fees and Services", none of the fees billed by Deloitte & Touche were approved by the Audit Committee of the board of directors of the Corporation pursuant to the de *minimis* exception provided by Section (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

ADDITIONAL INFORMATION

Additional information relating to the Corporation, including information as to directors' and executive officers' remuneration and indebtedness, the principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, is set out in the Corporation's Management Information Circular dated March 9, 2009.

Additional financial information on the Corporation is provided in our Financial Statements and in our Management's Discussion and Analysis for the most recently completed financial year, which are contained in our 2008 Annual Report.

The Corporation's most recent Management Information Circular and Annual Report, as well as other information on the Corporation, may be found on our web site *www.brookfield.com* and on SEDAR at *www.sedar.com.*

APPENDIX A

TRADING INFORMATION FOR THE CORPORATION'S PUBLICLY-LISTED SECURITIES

The following sets out trading information for 2008 for the Corporation's publicly traded securities outstanding as at December 31, 2008, all of which are listed on the Toronto Stock Exchange ("TSX"), based on information provided by the TSX and, in the case of the Corporation's Class A Limited Voting Shares, information provided by the New York Stock Exchange ("NYSE") and NYSE Euronext.

Class A Limited Voting Shares (TSX: BAM.A)

	Price Per Share			
Period	*High*	*Low*	*Average*	*Volume Traded* [(a)]
2008	*C$*	*C$*	*C$*	*#*
December	19.27	16.48	17.88	22,016,456
November	22.51	15.80	18.62	26,172,305
October	28.97	20.50	23.49	36,054,470
September	33.91	26.98	29.69	43,841,403
August	34.20	31.52	32.81	17,935,582
July	34.50	29.82	32.28	19,443,991
June	36.70	33.10	35.18	20,359,544
May	36.50	34.33	35.32	28,811,141
April	32.85	27.21	29.20	24,027,547
March	28.82	26.62	27.90	30,228,912
February	33.46	29.12	31.30	19,148,986
January	35.41	29.85	28.01	29,914,307

(a) Volume traded refers to volume traded on TSX only.

Class A Limited Voting Shares (NYSE: BAM)

	Price Per Share			
Period	*High*	*Low*	*Average*	*Volume Traded* [(a)]
2008	*US$*	*US$*	*US$*	*#*
December	15.51	13.04	14.34	50,763,221
November	19.69	12.30	14.61	59,167,311
October	27.42	15.89	19.70	54,992,423
September	31.83	25.69	28.00	38,088,580
August	32.95	29.83	31.15	18,184,293
July	33.69	29.81	31.68	31,131,508
June	36.26	32.54	34.59	26,560,550
May	36.88	33.91	35.27	28,953,044
April	32.72	26.75	28.90	27,277,472
March	28.88	26.22	27.73	33,344,855
February	33.58	29.65	31.46	19,042,779
January	35.68	29.69	26.00	33,235,232

(a) Volume traded refers to volume traded on NYSE only.

Class A Limited Voting Shares (NYSE Euronext: BAMA)

Period	Price Per Share			Volume Traded [(a)]
2008	*High* Euros€	*Low* Euros€	*Average* Euros€	#
December	—	—	—	—
November	—	—	—	—
October	15.97	15.97	15.97	300
September	—	—	—	—
August	—	—	—	—
July	—	—	—	—
June	24.11	24.11	24.11	3,618
May	25.44	20.62	25.22	107
April	19.73	16.90	17.94	2,621
March [(b)]	17.75	17.06	17.44	655

(a) Volume traded refers to volume traded on NYSE Euronext only.

(b) The Corporation's Class A Limited Voting Shares commenced trading on NYSE Euronext on March 18, 2008.

Class A Preference Shares, Series 2 (TSX: BAM.PR.B)

Period	Price Per Share			Volume Traded
2008	*High* C$	*Low* C$	*Average* C$	#
December	9.99	5.95	6.72	526,921
November	10.71	6.85	8.92	347,741
October	15.49	9.21	10.59	179,257
September	19.50	15.49	17.19	91,092
August	20.09	18.90	19.42	32,925
July	20.30	18.50	19.05	96,571
June	21.20	20.00	20.72	88,293
May	21.00	18.75	19.86	62,925
April	19.03	18.00	18.61	49,164
March	19.40	18.24	18.99	91,218
February	19.40	19.00	19.11	96,999
January	19.75	17.79	18.60	127,269

Class A Preference Shares, Series 4 (TSX: BAM.PR.C)

Period	Price Per Share			Volume Traded
2008	*High* C$	*Low* C$	*Average* C$	*#*
December	10.00	6.11	7.31	167,639
November	11.00	6.90	8.66	62,696
October	14.50	9.60	12.06	75,428
September	19.50	14.50	16.65	58,735
August	19.50	18.50	18.80	17,906
July	19.50	18.50	19.03	31,837
June	20.90	19.00	19.95	72,752
May	20.25	18.30	19.65	69,081
April	19.00	17.71	18.29	37,035
March	19.35	18.51	18.73	61,999
February	19.48	18.45	18.90	29,531
January	19.75	17.75	17.26	57,434

Class A Preference Shares, Series 8 (TSX: BAM.PR.E)

Period	Price Per Share			Volume Traded
2008	*High* C$	*Low* C$	*Average* C$	*#*
December	10.25	7.50	8.35	85,627
November	12.00	9.50	10.72	38,670
October	21.26	10.30	11.95	13,490
September	23.65	22.25	22.83	8,960
August	23.50	22.80	23.21	16,800
July	23.70	20.50	21.59	7,500
June	24.00	23.50	23.76	5,300
May	23.65	22.34	23.09	40,550
April	23.00	22.75	22.88	1,200
March	23.50	22.50	23.02	5,475
February	24.00	23.01	23.43	9,125
January	23.50	22.10	22.59	8,270

Class A Preference Shares, Series 9 (TSX: BAM.PR.G)

Period	Price Per Share			Volume Traded
	High	*Low*	*Average*	*Volume Traded*
2008	*C$*	*C$*	*C$*	*#*
December	10.50	9.40	9.77	145,847
November	11.98	9.25	10.63	53,158
October	16.60	9.00	12.37	31,425
September	20.00	16.51	18.14	21,784
August	20.75	19.79	20.32	7,590
July	21.81	19.00	20.24	24,150
June	23.65	21.61	22.75	23,945
May	24.00	21.50	23.15	23,068
April	21.50	20.40	21.06	27,702
March	22.00	21.05	21.25	30,601
February	21.25	20.02	20.43	59,803
January	20.30	18.85	19.95	44,915

Class A Preference Shares, Series 10 (TSX: BAM.PR.H)

Period	Price Per Share			Volume Traded
	High	*Low*	*Average*	*Volume Traded*
2008	*C$*	*C$*	*C$*	*#*
December	21.50	18.85	19.95	428,160
November	23.90	21.00	22.76	184,286
October	24.39	20.50	21.44	232,218
September	25.15	24.25	24.64	112,321
August	25.29	24.60	24.84	96,327
July	25.60	24.55	25.00	283,067
June	26.25	25.50	25.76	52,189
May	26.23	25.53	25.91	83,528
April	26.00	25.32	25.62	68,923
March	25.89	25.14	25.47	71,470
February	25.90	25.45	25.56	35,283
January	26.08	25.00	25.44	47,533

Class A Preference Shares, Series 11 (TSX: BAM.PR.I)

Period	Price Per Share			Volume Traded
	High	*Low*	*Average*	*Volume Traded*
2008	*C$*	*C$*	*C$*	*#*
December	20.00	17.50	18.60	256,511
November	22.25	18.25	20.76	89,243
October	23.60	19.00	21.18	98,098
September	25.50	23.61	24.86	52,628
August	25.55	23.50	24.35	65,021
July	25.05	23.78	24.69	77,739
June	26.69	25.06	25.75	58,254
May	26.69	25.50	25.76	84,184
April	26.00	25.31	25.65	198,473
March	25.71	25.31	25.64	63,616
February	27.00	25.15	25.60	28,888
January	25.95	24.90	25.45	67,574

Class A Preference Shares, Series 12 (TSX: BAM.PR.J)

Period	Price Per Share			Volume Traded
	High	*Low*	*Average*	*Volume Traded*
2008	*C$*	*C$*	*C$*	*#*
December	15.80	11.40	13.50	494,494
November	19.00	12.86	15.77	195,439
October	20.58	14.50	17.07	194,447
September	24.03	21.55	23.43	68,039
August	24.00	22.35	23.61	83,417
July	24.20	22.26	22.78	80,271
June	25.40	23.76	24.83	99,683
May	25.75	25.02	25.26	128,158
April	25.60	24.95	25.25	179,935
March	25.87	25.00	25.49	52,407
February	25.88	25.26	25.64	67,822
January	25.65	25.05	24.04	82,715

Class A Preference Shares, Series 13 (TSX: BAM.PR.K)

Period	Price Per Share			Volume Traded
2008	*High* C$	*Low* C$	*Average* C$	*Volume Traded* #
December	9.24	6.50	7.38	327,098
November	10.90	6.83	9.05	261,772
October	16.00	10.00	11.66	186,058
September	19.20	15.50	17.99	38,422
August	19.92	19.11	19.38	28,783
July	20.24	18.21	19.57	180,826
June	21.29	19.20	20.39	325,569
May	20.67	18.61	19.84	125,210
April	18.95	17.81	18.26	75,948
March	20.35	18.75	19.57	32,613
February	19.83	19.10	19.32	50,264
January	19.54	17.80	18.39	79,972

Class A Preference Shares, Series 14 (TSX: BAM.PR.L)

There were no trades of the Corporation's Class A Preference Shares, Series 14 during 2008.

Class A Preference Shares, Series 17 (TSX: BAM.PR.M)

Period	Price Per Share			Volume Traded
2008	*High* C$	*Low* C$	*Average* C$	*Volume Traded* #
December	10.72	8.29	9.35	574,770
November	13.10	10.00	11.83	337,934
October	15.90	12.00	13.24	244,578
September	17.62	15.88	16.68	113,269
August	17.15	16.50	16.83	76,885
July	16.67	15.90	16.37	184,143
June	18.23	16.55	17.42	260,419
May	19.00	18.00	18.40	213,052
April	18.69	18.05	18.35	210,429
March	20.00	18.69	19.67	272,545
February	19.50	18.86	19.02	308,495
January	19.00	18.29	17.31	322,197

Class A Preference Shares, Series 18 (TSX: BAM.PR.N)

Period	Price Per Share			Volume Traded
2008	*High* C$	*Low* C$	*Average* C$	*Volume Traded* #
December	10.67	8.25	9.26	647,367
November	12.99	10.00	11.81	350,666
October	15.93	12.30	12.84	485,360
September	17.39	15.95	16.62	166,896
August	17.07	16.43	16.75	162,322
July	16.50	15.80	16.29	273,917
June	18.21	16.55	17.31	225,730
May	18.42	18.13	18.32	461,257
April	18.79	18.00	18.27	162,072
March	19.32	18.56	18.99	322,628
February	19.08	18.65	18.88	1,026,822
January	18.80	17.75	17.08	407,812

Class A Preference Shares, Series 21 (TSX: BAM.PR.O)

Period	Price Per Share			Volume Traded
2008	*High* C$	*Low* C$	*Average* C$	*Volume Traded* #
December	18.50	15.50	16.69	448,772
November	20.75	17.75	19.40	202,520
October	21.50	18.50	20.13	158,948
September	22.95	21.25	22.46	1,166,698
August	23.05	22.75	22.94	462,869
July	24.25	23.00	23.18	338,226
June [(a)]	24.50	24.00	24.22	12,725

(a) The Corporation's Class A Preference Shares, Series 21 commenced trading on the TSX on June 25, 2008.

APPENDIX B

SUMMARY OF TERMS AND CONDITIONS OF THE CORPORATION'S AUTHORIZED SECURITIES

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CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES AS A CLASS

The following is a summary of certain provisions attaching to or affecting the Class A Preference Shares as a class.

Series
The Class A Preference Shares may be issued from time to time in one or more series. The board of directors of the Corporation will fix the number of shares in each series and the provisions attached to each series before issue.

Priority
The Class A Preference Shares rank senior to the Class AA Preference Shares, the Class A Limited Voting Shares, the Class B Limited Voting Shares and other shares ranking junior to the Class A Preference Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs. Each series of Class A Preference Shares ranks on a parity with every other series of Class A Preference Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs.

Shareholder Approvals
The Corporation shall not delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Class A Preference Shares as a class or create preference shares ranking in priority to or on parity with the Class A Preference Shares except by special resolution passed by at least 66 2/3% of the votes cast at a meeting of the holders of the Class A Preference Shares duly called for that purpose, in accordance with the provisions of the articles of the Corporation.

Each holder of Class A Preference Shares entitled to vote at a class meeting of holders of Class A Preference Shares, or at a joint meeting of the holders of two or more series of Class A Preference Shares, has one vote in respect of each C$25.00 of the issue price of each Class A Preference Share held by such holder.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 1 AS A SERIES

Dividends
The holders of the Class A Preference Shares, Series 1 are entitled to receive cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors, payable quarterly on the last day of March, June, September and December in each year, in an amount per share equal to C$25.00 multiplied by one-quarter of 65% of the average “Prime Rate” (as defined in the share conditions).

Redemption
Each of the Class A Preference Shares, Series 1 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Retraction
Subject to the restrictions imposed by applicable law, each of the Class A Preference Shares, Series 1 is retractable by the holder on any January 1, April 1, July 1 and October 1 at a price of C$25.00 per share together with all accrued and unpaid dividends to the applicable retraction date. Notice of retraction must be given by the holder to the transfer agent at least 15 days prior to the date fixed for retraction.

Purchase for Cancellation
The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 1 in the open market or by invitation for tenders at a price not exceeding C$25.00 per share plus accrued and unpaid dividends and costs of purchase.

Conversion
The holders of the Class A Preference Shares, Series 1 have the right at any time and from time to time, but effective on the next following January 1, April 1, July 1 or October 1 to convert any or all of the Class A Preference Shares, Series 1 held by them into Class A Preference Shares, Series 2 of the Corporation, on a one-for-one basis. Notice of conversion must be given by the holder to the transfer agent at least 15 days prior to the next following conversion date.

Voting
At any time dividends have not been paid for two years on the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 or Class A Preference Shares, Series 3 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 are paid, the holders of Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 shall be entitled to receive notice of and to attend all meetings of shareholders and to one vote in respect of each Class A Preference Share, Series 1, Class A Preference Share, Series 2 and Class A Preference Share, Series 3 held and in addition shall be entitled to elect two members of the board of directors of Brascan if the board consists of seven or fewer directors or three members of the board of directors if the board consists of more than seven directors; subject to the foregoing, when entitled to vote in the election of directors, the holders of Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 will vote with the holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 1 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares
The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 1:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 1) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 1;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 1, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 1;

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares of the Corporation from time to time issued, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 1; or

(d) redeem or call for redemption, purchase or otherwise pay off or retire for value less than all of the Class A Preference Shares, Series 1;

unless, in each such case, all dividends then payable on the Class A Preferences Shares, Series 1 then outstanding and on all other shares of the Corporation ranking as to dividends on a parity with the Class A Preference Shares, Series 1 accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up
In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 1 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior as to capital to the Class A Preference Shares, Series 1. Upon such payment, the holders of Class A Preference Shares, Series 1 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 2 AS A SERIES

Dividends
The holders of the Class A Preference Shares, Series 2 are entitled to receive cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to C$25.00 multiplied by one-quarter of 70% of the average “Prime Rate” (as defined in the share conditions).

Redemption
Each of the Class A Preference Shares, Series 2 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all accrued and unpaid dividends thereon up to but

excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 2 in the open market or by invitation for tenders at a price not exceeding C$25.00 per share plus accrued and unpaid dividends and costs of purchase.

Voting

At any time dividends have not been paid for two years on the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 or Class A Preference Shares, Series 3 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 are paid, the holders of Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 shall be entitled to receive notice of and to attend all meetings of shareholders and to one vote in respect of each Class A Preference Share, Series 1, Class A Preference Share, Series 2 and Class A Preference Share, Series 3 held and in addition shall be entitled to elect two members of the board of directors of the Corporation if the board consists of seven or fewer directors or three members of the board of directors if the board consists of more than seven directors; subject to the foregoing, when entitled to vote in the election of directors, the holders of Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 will vote with the holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 2 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 2:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 2) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 2;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 2, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 2;

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares of the Corporation from time to time issued, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 2; or

(d) redeem or call for redemption, purchase or otherwise pay off or retire for value less than all of the Class A Preference Shares, Series 2;

unless, in each such case, all dividends then payable on the Class A Preferences Shares, Series 2 then outstanding and on all other shares of the Corporation ranking as to dividends on a parity with the Class A Preference Shares, Series 2 accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon, shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 2 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior as to capital to the Class A Preference Shares, Series 2. Upon such payment, the holders of Class A Preference Shares, Series 2 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 3 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 3 are entitled to receive cumulative preferential cash dividends, accruing from the date of issue, as and when declared by the board of directors, on the Thursday following the second Wednesday of each month in each year in an amount equal to the product of (a) C$100,000, (b) a dividend rate determined by an auction of Class A Preference Shares, Series 3 conducted on the business day next preceding the commencement of each dividend period, and (c) the number of days in the dividend period, all divided by 365. The dividend rate is subject to a maximum dividend rate equal to the Bankers' Acceptance Rate (as defined in the share conditions) in effect on the business day next preceding the commencement of the dividend period plus 0.40% and provided that if the Corporation fails to pay a dividend on the Class A Preference Shares, Series 3 (whether or not declared) or fails to redeem any Class A Preference Shares, Series 3 after giving notice to do so, dividends become payable at the said maximum dividend rate.

Redemption

Each of the Class A Preference Shares, Series 3 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$100,000 per share, provided that the Corporation may not redeem such shares unless the board of directors shall have declared a dividend on the Class A Preference Shares, Series 3 equal to all accrued and unpaid dividends thereon to the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 10 days prior to the date fixed for redemption.

Voting

At any time dividends have not been paid for two years on the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 or Class A Preference Shares, Series 3 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 are paid, the holders of Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 shall be entitled to receive notice of and to attend all meetings of shareholders and to one vote in respect of each Class A Preference Share, Series 1, Class A Preference Share, Series 2 and Class A Preference Share, Series 3 held and in addition shall be entitled to elect two members of the board of directors of the Corporation if the board consists of seven or fewer directors or three members of the board of directors if the board consists of more than seven directors; subject to the foregoing, when entitled to vote in the election of directors, the holders of Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 will vote with the holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 3 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 3:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 3) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 3;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 3, redeem or call for redemption, purchase or otherwise pay off or retire any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 3;

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares of the Corporation, redeem or call for redemption, purchase or otherwise pay off or retire any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 3; or

(d) redeem or call for redemption, purchase or otherwise retire for value less than all of the Class A Preference Shares, Series 3;

unless, in each such case, all dividends then payable on the Class A Preference Shares, Series 3 then outstanding and on all other shares of the Corporation ranking as to dividends on a parity with the Class A Preference Shares, Series 3 accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon shall be payable, shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up
In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 3 will be entitled to payment of an amount equal to C$100,000 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior as to capital to the Class A Preference Shares, Series 3. Upon such payment, the holders of Class A Preference Shares, Series 3 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 4 AS A SERIES

Dividends
The holders of the Class A Preference Shares, Series 4 are entitled to receive cumulative preferential cash dividends, accruing daily from the date of issue, as and when declared by the board of directors, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to C$25.00 multiplied by one-quarter of 70% of the "Average Prime Rate" (as defined in the share conditions).

Redemption
Each of the Class A Preference Shares, Series 4 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all unpaid dividends accrued thereon up to the date of redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation
The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 4 in the open market or by invitation for tenders at a price not exceeding C$25.00 plus accrued and unpaid dividends and costs of purchase.

Voting
At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 4 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 4 are paid, the holders of Class A Preference Shares, Series 4 shall be entitled to receive notice of and to attend all meetings of shareholders at which directors are to be elected and to one vote in respect of each Class A Preference Share, Series 4 held, voting with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid and as provided by law, the holders of Class A Preference Shares, Series 4 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares
The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 4:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 4) on shares of the Corporation ranking as to capital or dividends junior to the Class A Preference Shares, Series 4;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 4, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital or dividends junior to the Class A Preference Shares, Series 4;

(c) call for redemption, redeem, purchase or otherwise pay off or retire for value less than all of the Class A Preference Shares, Series 4; or

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares of the Corporation, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 4;

unless, in each such case, all dividends then payable for the Class A Preference Shares, Series 4 then outstanding and on all other shares of the Corporation ranking as to dividends on parity with the Class A Preference Shares, Series 4 accrued up to

and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 4 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of any other shares ranking junior as to capital to the Class A Preference Shares, Series 4. Upon such payment, the holders of Class A Preference Shares, Series 4 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 5 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 5 are entitled to receive cumulative preferential cash dividends, accruing daily from the date of issue, as and when declared by the board of directors, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to C$25.00 multiplied by one-quarter of 65% of the "Average Prime Rate" (as defined in the share conditions).

Redemption

Each of the Class A Preference Shares, Series 5 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all unpaid dividends accrued thereon up to the date of redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 5 in the open market or by invitation for tenders at a price not exceeding C$25.00 per share plus accrued and unpaid dividends and costs of purchase.

Retraction

Subject to the restrictions imposed by applicable law, each of the Class A Preference Shares, Series 5 is retractable by the holder on any March 1, June 1, September 1 and December 1 at a price of C$25.00 together with all accrued and unpaid dividends thereon to but excluding the date of retraction. Notice of retraction must be given by the holder to the transfer agent at least 15 days prior to the date fixed for retraction.

Voting

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 5 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 5 are paid, the holders of Class A Preference Shares, Series 5 shall be entitled to receive notice of and to attend all meetings of shareholders at which directors are to be elected and to one vote in respect of each Class A Preference Share, Series 5 held, voting with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid and as permitted by law, the holders of Class A Preference Shares, Series 5 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 5:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 5) on shares of the Corporation ranking as to capital or dividends junior to the Class A Preference Shares, Series 5;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 5, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital or dividends junior to the Class A Preference Shares, Series 5;

(c) call for redemption, redeem, purchase or otherwise pay off or retire for value less than all of the Class A Preference Shares, Series 5; or

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares from time to time issued, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 5;

unless, in each such case, all dividends then payable on the Class A Preference Shares, Series 5 then outstanding and on all other shares of the Corporation ranking as to dividends on a parity with the Class A Preference Shares, Series 5 accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon shall have been declared and paid or set apart for payment.

Creation or Issue of Additional Shares

The Corporation will not, without the approval of the holders of the Class A Preference Shares, Series 5, create or issue any shares ranking as to capital or dividends prior to or on a parity with the Class A Preference Shares, Series 5, provided that the Corporation may without such approval issue additional series of Class A Preference Shares if all dividends then payable on the Class A Preference Shares, Series 5 then outstanding and on all other shares of the Corporation ranking as to dividends prior to or on a parity with the Class A Preference Shares, Series 5 shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 5 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of any other shares ranking junior as to capital to the Class A Preference Shares, Series 5. Upon such payment, the holders of Class A Preference Shares, Series 5 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 6 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 6 are entitled to receive fixed cumulative preferential cash dividends, accruing daily from the date of issue, as and when declared by the board of directors, payable quarterly on the last day of March, June, September and December in each year in an aggregate annual amount equal to C$1.875 per share, being a rate of 7 1/2% per annum on the price of C$25.00 per share.

Redemption

Each of the Class A Preference Shares, Series 6 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all unpaid dividends accrued thereon up to the date of redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to but excluding the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 6 through the facilities of a stock exchange on which the Class A Preferred Shares, Series 6 are listed, or in any other manner, at a price not exceeding C$25.00 per share plus accrued and unpaid dividends and costs of purchase.

Voting

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 6 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 6 are paid, the holders of Class A Preference Shares, Series 6 shall be entitled to receive notice of and to attend all annual and other general meetings of shareholders, but shall not be entitled to vote thereat except in the election of directors in which case the holders of Class A Preference Shares, Series 6 shall be entitled to one vote in respect of each Class A Preference Share, Series 6 held, voting with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 6 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement and Issue of Shares
The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 6:

(a) declare, pay or set apart for payment any dividends on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 6 (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 6);

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 6, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 6;

(c) redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of less than all of the Class A Preference Shares, Series 6;

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provision attaching thereto, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 6; or

(e) issue any additional Class A Preference Shares or any shares ranking as to dividends or capital on a parity with the Class A Preference Shares, Series 6;

unless at the date of such declaration, payment, setting apart for payment, redemption, call for redemption, purchase or reduction, return of capital or issuance, as the case may be, all accrued and unpaid cumulative dividends up to and including the dividend payment for the last completed period for which such dividends shall be payable, shall have been declared and paid or set apart for payment on the Class A Preference Shares, Series 6 and any accrued and unpaid cumulative dividends which have become payable and any declared and unpaid non-cumulative dividends shall have been paid or set apart for payment on all other shares ranking as to dividends prior to or on a parity with the Class A Preference Shares, Series 6. The Corporation will not, without the prior approval of the holders of Class A Preference Shares, Series 6 issue any shares ranking as to dividends or capital prior to the Class A Preference Shares, Series 6.

Liquidation, Dissolution and Winding Up
In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 6 will be entitled to payment of an aggregate amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of any other shares of the Corporation ranking junior as to capital to the Class A Preference Shares, Series 6. Upon such payment, the holders of Class A Preference Shares, Series 6 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 7 AS A SERIES

Dividends
The holders of the Class A Preference Shares, Series 7 are entitled to receive fixed cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to 8 1/2% per annum applied to the price of C$25.00 per share.

Redemption
Each of the Class A Preference Shares, Series 7 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all unpaid dividends accrued thereon up to but excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation
The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 7 through the facilities of a stock exchange on which the Class A Preferred Shares, Series 7 are listed, or in any other manner, at a price not exceeding C$25.00 per share plus accrued and unpaid dividends and costs of purchase.

Right to Exchange
The holders of the Class A Preference Shares, Series 7 shall have the right ("Exchange Right"), on each date on which a closing (a "Closing") occurs of:

(a) a distribution (a "Public Offering") by the Corporation of its Class A Limited Voting Shares pursuant to a prospectus or other similar document ("prospectus") filed with any appropriate securities regulatory agency or stock exchange;

(b) a rights offering (a "Rights Offering") by the Corporation; or

(c) a private placement (a "Private Placement") by the Corporation;

to exchange Class A Preference Shares, Series 7 held by them for up to a certain maximum aggregate number of Class A Limited Voting Shares at an exchange rate per Class A Preference Share, Series 7 which is A divided by B, where A is the price per Class A Limited Voting Share which would have been payable by the holder exercising the exchange right to acquire Class A Limited Voting Shares in connection with the Public Offering, Rights Offering or Private Placement and B is C$25.00.

Voting
At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 7 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 7 are paid, the holders of Class A Preference Shares, Series 7 shall be entitled to receive notice of and to attend all annual and other general meetings of shareholders, but shall not be entitled to vote thereat except in the election of directors in which case the holders of Class A Preference Shares, Series 7 shall be entitled and to one vote in respect of each Class A Preference Share, Series 7 held, voting with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid, the holders of Class A Preference Shares, Series 7 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement and Issue of Shares
The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 7:

(a) declare, pay or set apart for payment any dividends on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 7 (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 7);

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 7, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 7;

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provision attaching thereto, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 7; or

(d) issue any additional Class A Preference Shares or any shares ranking as to dividends or capital on a parity with the Class A Preference Shares, Series 7;

unless at the date of such declaration, payment, setting apart for payment, redemption, call for redemption, purchase or reduction, return of capital or issuance, as the case may be, all accrued and unpaid cumulative dividends up to and including the dividend payment for the last completed period for which such dividends shall be payable, shall have been declared and paid or set apart for payment on the Class A Preference Shares, Series 7 and any accrued and unpaid cumulative dividends which have become payable and any declared and unpaid non-cumulative dividends shall have been paid or set apart for payment on all other shares ranking as to dividends prior to or on a parity with the Class A Preference Shares, Series 7.

Liquidation, Dissolution and Winding Up
In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 7 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of any other shares ranking junior as to capital to the Class A Preference Shares, Series 7. Upon such payment, the holders of Class A Preference Shares, Series 7 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 8 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 8 were initially entitled to receive fixed cumulative preferential cash dividends, accruing daily from the date of issue, to and including October 31, 2001, as and when declared by the board of directors, payable quarterly on the first day of February, May, August and November in each year in an amount per share equal to 6.25% per annum applied to the price of C$25.00 per share, and thereafter are entitled to receive monthly floating cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors on the 12th day of each month in an amount per share equal to the product of C$25.00 per share and one-twelve of an annual floating dividend rate equal to between 50% and 100% of the Prime Rate, as provided in the share conditions.

Redemption

The Class A Preference Shares, Series 8 were not redeemable by the Corporation prior to November 1, 2001. Subject to applicable law and certain restrictions and to the rights, privileges, restrictions and conditions attaching to other shares of the Corporation, all, but not less than all, of the Class A Preference Shares, Series 8 are redeemable at the option of the Corporation on November 1, 2001 at a redemption price of C$25.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date of redemption and after November 1, 2001 at a redemption price of C$25.50 together with all accrued and unpaid dividends thereon up to but excluding the date of redemption. Notice of any redemption must be given by the Corporation at least 45 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 8 in the open market or by private agreement or otherwise, at the lowest price obtainable, in the opinion of the board of directors, plus accrued and unpaid dividends and costs of purchase.

Conversion

Subject to certain restrictions, the holders of the Class A Preference Shares, Series 8 have the right, on November 1, 2001, and on November 1 in every fifth year thereafter, to convert any or all of the Class A Preference Shares, Series 8 held by them into Class A Preference Shares, Series 9 of Brascan, on a one-for one basis. A conversion of Class A Preference Shares, Series 8 into Class A Preference Shares Series 9 must be initiated not less than 14 days and not more than 45 days prior to a conversion date. Under certain circumstances, the Class A Preference Shares, Series 8 automatically convert into Class A Preference Shares, Series 9, on a one-for-one basis.

Voting

At any time that during the fixed rate period eight quarterly dividends, or during the floating rate period twenty-four monthly dividends, as applicable, whether or not consecutive, on the Class A Preference Shares, Series 8 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 8 are paid, the holders of Class A Preference Shares, Series 8 shall be entitled to receive notice of and to attend each meeting of shareholders which takes place more than 60 days after the date such failure first occurs and to one vote in respect of each Class A Preference Share, Series 8 held, voting, with respect to directors, with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 8 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 8:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Class A Preference Shares, Series 8) on shares of the Corporation ranking junior to the Class A Preference Shares, Series 8;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Class A Preference Shares, Series 8, redeem, purchase or otherwise retire or make any capital distribution on or in respect of shares of the Corporation ranking junior to the Class A Preference Shares, Series 8;

(c) purchase or otherwise retire less than all of the Class A Preference Shares, Series 8 then outstanding;

(d) except pursuant to any retraction privilege, mandatory redemption or purchase obligation attaching thereto, redeem, purchase or otherwise retire any shares of any class or series ranking on a parity with the Class A Preference Shares, Series 8; or

(e) issue any additional Class A Preference Shares or any shares ranking as to dividends or capital on a parity with the Class A Preference Shares, Series 8;

unless, in each such case, all dividends on outstanding Class A Preference Shares, Series 8 accrued up to and including the dividend payable for the last completed period for which dividends were payable shall have been declared and paid.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 8 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior to the Class A Preference Shares, Series 8. Upon such payment, the holders of Class A Preference Shares, Series 8 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 9 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 9 are entitled to receive fixed cumulative preferred cash dividends, as and when declared by the board of directors, payable quarterly on the first day of February, May, August and November in each year, in an amount per share per annum equal to the product of C$25.00 and a percentage (which shall not be less than 80%) of the yield on certain Government of Canada bonds, as provided in the share conditions.

Redemption

The Corporation may not redeem the Class A Preference Shares, Series 9 on or prior to November 1, 2006. Subject to applicable law and certain restrictions and to the rights, privileges, restrictions and conditions attaching to any other shares of the Corporation, on November 1, 2006 and on November 1 in every fifth year thereafter, all, but not less than all, of the Class A Preference Shares, Series 9 are redeemable at the option of the Corporation at a redemption price of C$25.00 per share together with all accrued and unpaid dividends up to but excluding the date of redemption. Notice of any redemption must be given by the Corporation at least 45 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 9 in the open market or by private agreement, or otherwise, at the lowest price obtainable, in the opinion of the board of directors, plus accrued and unpaid dividends and costs of purchase.

Conversion

Subject to certain restrictions, the holders of the Class A Preference Shares, Series 9 have the right on November 1, 2006, and on November 1 in every fifth year thereafter, to convert any or all of the Class A Preference Shares, Series 9 held by them into Class A Preference Shares, Series 8 of the Corporation, on a one-for-one basis. A conversion of Class A Preference Shares, Series 9 into Class A Preference Shares, Series 8 must be initiated not less than 14 days and not more than 45 days prior to a conversion date. Under certain circumstances, the Class A Preference Shares, Series 9 automatically convert into Class A Preference Shares, Series 8, on a one-for-one basis.

Voting

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 9 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 9 are paid, the holders of Class A Preference Shares, Series 9 shall be entitled to receive notice of and to attend each meeting of shareholders which takes place more than 60 days after the date of such failure first occurs and to one vote in respect of each Class A Preference Share, Series 9 held, voting, with respect to directors, with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 9 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement and Issue of Shares
The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 9:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Class A Preference Shares, Series 9) on shares of the Corporation ranking junior to the Class A Preference Shares, Series 9;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Class A Preference Shares, Series 9, redeem, purchase or otherwise retire or make any capital distribution on or in respect of shares of the Corporation ranking junior to the Class A Preference Shares, Series 9;

(c) purchase or otherwise retire less than all of the Class A Preference Shares, Series 9 then outstanding;

(d) except pursuant to any retraction privilege, mandatory redemption or purchase obligation attaching thereto, redeem, purchase or otherwise retire any shares of any class or series ranking on a parity with the Class A Preference Shares, Series 9; or

(e) issue any additional Class A Preference Shares or any shares ranking as to dividends or capital on a parity with the Class A Preference Shares, Series 9;

unless in each such case, all dividends on outstanding Class A Preference Shares, Series 9 accrued up to and including the dividend payable for the last completed period for which dividends were payable shall have been declared and paid.

Liquidation, Dissolution and Winding Up
In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 9 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior to the Class A Preference Shares, Series 9. Upon such payment, the holders of Class A Preference Shares, Series 9 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 10 AS A SERIES

Dividends
The holders of the Class A Preference Shares, Series 10 are entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the board of directors of the Corporation, in an amount equal to C$1.4375 per share per annum, accruing daily from the date of issue, payable quarterly on the last day of March, June, September and December in each year.

Redemption
The Class A Preference Shares, Series 10 are not redeemable on or prior to September 30, 2008. On or after this date, but subject to applicable law and to the provisions described under “Certain Provisions of the Class A Preference Shares, Series 10 as a Series – Restrictions on Dividends and Retirement and Issue of Shares” the Corporation may, at its option, at any time redeem all, or from time to time any part, of the outstanding Class A Preference Shares, Series 10, by the payment of an amount in cash for each such share so redeemed of C$25.75 if redeemed before September 30, 2009, of C$25.50 if redeemed on or after September 30, 2009 but before September 30, 2010, of $25.25 if redeemed on or after September 30, 2010 but before September 30, 2011, and of C$25.00 thereafter plus, in each case, all accrued and unpaid dividends up to but excluding the date fixed for redemption.

Conversion at the Option of the Corporation
The Class A Preference Shares, Series 10 are not convertible at the option of the Corporation prior to September 30, 2008. On or after this date, the Corporation may, subject to applicable law and, if required, to stock exchange approval, convert all, or from time to time any part, of the outstanding Class A Preference Shares, Series 10 into that number of Class A Limited Voting Shares determined (per Class A Preference Share, Series 10) by dividing the then applicable redemption price, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$2.00 or 95% of the weighted average trading price of the Class A Limited Voting Shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on: (i) the fourth day prior to the date specified for conversion, or (ii) if such fourth day is not a trading day, the immediately preceding trading day (the “Current Market Price”). Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 10, but in lieu thereof the Corporation will make cash payments.

Conversion at the Option of the Holder

Subject to applicable law and the rights of the Corporation described below, on and after March 31, 2012, each Class A Preference Share, Series 10 is be convertible at the option of the holder on the last day of each of March, June, September and December in each year on at least 30 days notice (which notice shall be irrevocable) into that number of Class A Limited Voting Shares determined by dividing C$25.00, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$2.00 or 95% of the Current Market Price. Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 10, but in lieu thereof the Corporation will make cash payments.

The Corporation, subject to the provisions described under "Certain Provisions of the Class A Preference Shares, Series 10 as a Series – Restrictions on Dividends and Retirement and Issue of Shares", as applicable, may by notice given not later than 20 days before the date fixed for conversion to all holders who have given a conversion notice, either (i) redeem on the first business day after the date fixed for conversion all or any part of the Class A Preference Shares, Series 10 forming the subject matter of the applicable conversion notice, or (ii) cause the holder of such Class A Preference Shares, Series 10 to sell on the first business day after the date fixed for conversion all or any part of such Class A Preference Shares, Series 10 to another purchaser or purchasers in the event that a purchaser or purchasers willing to purchase all or any part of such Class A Preference Shares, Series 10 is or are found. Any such redemption or purchase shall be made by the payment of an amount in cash of C$25.00 per share, together with all accrued and unpaid dividends up to but excluding the date fixed for redemption or purchase. The Class A Preference Shares, Series 10 to be so redeemed or purchased shall not be converted on the date set forth in the conversion notice.

Purchase for Cancellation

Subject to applicable law and to the provisions described under "Certain Provisions of the Class A Preference Shares, Series 10 as a Series – Restrictions on Dividends and Retirement and Issue of Shares", the Corporation may at any time purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 10 at the lowest price or prices at which in the opinion of the board of directors of the Corporation such shares are obtainable.

Voting

The holders of the Class A Preference Shares, Series 10 are not (except as otherwise provided by law and except for meetings of the holders of Class A Preference Shares as a class and meetings of the holders of Class A Preference Shares, Series 10 as a series) entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation unless and until the Corporation shall have failed to pay eight quarterly dividends on the Class A Preference Shares, Series 10, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends. In that event, and for only so long as any such dividends remain in arrears, the holders of the Class A Preference Shares, Series 10 are entitled to receive notice of and to attend each meeting of the Corporation's shareholders other than any meetings at which only holders of another specified class or series are entitled to vote, and to one vote for each Class A Preference Share, Series 10 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 10 will vote with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect).

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 10:

(a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 10) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 10;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to return of capital and dividends junior to the Class A Preference Shares, Series 10, redeem or call for redemption, purchase or otherwise pay off or retire any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 10;

(c) redeem or call for redemption, purchase or otherwise retire for value less than all of the Class A Preference Shares, Series 10 then outstanding;

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off or retire any Class A Preference Shares, ranking as to the payment of dividends or return of capital on a parity with the Class A Preference Shares, Series 10; or

(e) issue any additional Class A Preference Shares, Series 10 or any shares ranking as to dividends or return of capital prior to or on a parity with the Class A Preference Shares, Series 10;

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Class A Preference Shares, Series 10 and on all other shares of the Corporation ranking prior to or on a parity with the Class A Preference Shares, Series 10 with respect to the payment of dividends have been declared paid or set apart for payment.

Liquidation, Dissolution and Winding-Up

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Preference Shares, Series 10 will be entitled to receive C$25.00 per share, together with all accrued and unpaid dividends up to but excluding the date fixed for payment, before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Class A Preference Shares, Series 10. The holders of the Class A Preference Shares, Series 10 will not be entitled to share in any further distribution of the assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 11 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 11 are entitled to receive fixed non-cumulative preferential cash dividends, if, as and when declared by the board of directors of the Corporation, in an amount per share per annum equal to C$1.375, accruing daily from the date of issue payable quarterly on the last day of March, June, September and December in each year.

Redemption

The Class A Preference Shares, Series 11 are not redeemable before June 30, 2009. On or after this date, but subject to applicable law and to the provisions described under “Certain Provisions of the Class A Preference Shares, Series 11 as a Series – Restrictions on Dividends and Retirement and Issue of Shares”, the Corporation may, at its option, at any time redeem all, or from time to time any part, of the then outstanding Class A Preference Shares, Series 11, by the payment of an amount in cash for each such share so redeemed of C$25.75 if redeemed before June 30, 2010, of C$25.50 if redeemed on or after June 30, 2010 but before June 30, 2011, of C$25.25 if redeemed on or after June 30, 2011, but before June 30, 2012, and of C$25.00 thereafter, in each case together with, all declared and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation).

Conversion at the Option of the Corporation

The Class A Preference Shares, Series 11 are not convertible at the option of the Corporation prior to June 30, 2009. On or after this date, the Corporation may, subject to applicable law and any requirement to obtain regulatory relief, and upon notice, convert all, or from time to time any part, of the then outstanding Class A Preference Shares, Series 11 into that number of Class A Limited Voting Shares determined (per Class A Preference Share, Series 11) by dividing the then applicable redemption price, together with all declared and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$2.00 or 95% of the then Current Market Price. Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 11, but in lieu thereof the Corporation will make cash payments.

Conversion at the Option of the Holder

Subject to applicable law and to the rights of the Corporation described below, on or after December 31, 2013, each Class A Preference Share, Series 11 is convertible at the option of the holder on the last day of each of March, June, September and December in each year on at least 30 days notice (which notice shall be irrevocable) into that number of Class A Limited Voting Shares determined (per Class A Preference Share, Series 11) by dividing C$25.00, together with all declared and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$2.00 or 95% of the then Current Market Price. Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 11, but in lieu thereof the Corporation will make cash payments.

The Corporation, subject to the provisions described under “Certain Provisions of the Class A Preference Shares, Series 11 as a Series – Restrictions on Dividends and Retirement and Issue of Shares”, as applicable, may by notice given not later than 20 days before the date fixed for conversion to all holders who have given a conversion notice, either (i) redeem on the first business day after the date fixed for conversion all or any part of the Class A Preference Shares, Series 11 forming the subject matter of the applicable conversion notice, or (ii) cause the holder of such Class A Preference Shares, Series 11 to sell on the first business day after the date fixed for conversion all or any part of such Class A Preference Shares, Series 11 to another purchaser or purchasers

in the event that a purchaser or purchasers willing to purchase all or any part of such Class A Preference Shares, Series 11 is or are found. Any such redemption or purchase shall be made by the payment of an amount in cash of C$25.00 per share, together with all declared and unpaid dividends up to but excluding the date fixed for redemption or purchase (less any tax required to be deducted and withheld by the Corporation). The Class A Preference Shares, Series 11 to be so redeemed or purchased shall not be converted on the date set forth in the conversion notice.

Purchase for Cancellation

Subject to applicable law and to the provisions described under "Certain Provisions of the Class A Preference Shares, Series 11 as a Series – Restrictions on Dividends and Retirement and Issue of Shares" below, the Corporation may at any time purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 11 at the lowest price or prices at which in the opinion of the board of directors of the Corporation such shares are obtainable.

Voting

The holders of the Class A Preference Shares, Series 11 are not (except as otherwise provided by law and except for meetings of the holders of Class A Preference Shares as a class and meetings of all holders of Class A Preference Shares, Series 11 as a series) entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation unless and until the Corporation shall have failed to pay eight quarterly dividends on the Class A Preference Shares, Series 11, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends. In the event of such non-payment, until such time as the Corporation pays the whole amount of a quarterly dividend, the holders of the Class A Preference Shares, Series 11 will be entitled to receive notice of and to attend each meeting of the Corporation's shareholders (other than any meetings at which only holders of another specified class or series are entitled to vote), and to one vote for each Class A Preference Shares, Series 11 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 11 will vote with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). The voting rights of the holders of the Class A Preference Shares, Series 11 shall forthwith cease upon payment by the Corporation of the whole amount of a quarterly dividend on the Class A Preference Shares, Series 11 subsequent to the time such voting rights first arose.

Restrictions on Dividends and Retirement and Issue of Shares

So long as any of the Class A Preference Shares, Series 11 are outstanding, the Corporation will not, without the approval of the holders of the Class A Preference Shares, Series 11:

(a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 11) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 11;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to return of capital and dividends junior to the Class A Preference Shares, Series 11, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 11;

(c) redeem or call for redemption, purchase or otherwise retire for value or make any return of capital in respect of less than all of the Class A Preference Shares, Series 11 then outstanding;

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any Class A Preference Shares, ranking as to the payment of dividends or return of capital on a parity with the Class A Preference Shares, Series 11; or

(e) issue any additional Class A Preference Shares, Series 11 or any shares ranking as to the payment of dividends or the return of capital prior to or on a parity with the Class A Preference Shares, Series 11;

unless, in each such case, all declared and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Class A Preference Shares, Series 11 and on all other shares of the Corporation ranking prior to or on a parity with the Class A Preference Shares, Series 11 with respect to the payment of dividends have been declared paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Preference Shares, Series 11 will be entitled to receive C$25.00 per share, together with all declared and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Class A Preference Shares, Series 11. Upon payment of such amounts, the holders of the Class A Preference Shares, Series 11 will not be entitled to share in any further distribution of the assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 12 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 12 are entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the board of directors of the Corporation, in an amount per share per annum equal to C$1.35, accruing daily from the date of issue payable quarterly on the last day of March, June, September and December in each year.

Redemption

The Class A Preference Shares, Series 12 are not redeemable before March 31, 2014. On or after this date, but subject to applicable law and to the provisions described under “Certain Provisions of the Class A Preference Shares, Series 12 as a Series – Restrictions on Dividends and Retirement and Issue of Shares”, the Corporation may, at its option, at any time redeem all, or from time to time any part, of the then outstanding Class A Preference Shares, Series 12, by the payment of an amount in cash for each such share so redeemed of C$26.00 if redeemed before March 31, 2015 of C$25.75 if redeemed on or after March 31, 2015 but before March 31, 2016, of C$25.50 if redeemed on or after March 31, 2016 but before March 31, 2017, of C$25.25 if redeemed on or after March 31, 2017, but before March 31, 2018, and of C$25.00 thereafter, in each case together with, all declared and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation).

Conversion at the Option of the Corporation

The Class A Preference Shares, Series 12 are not convertible at the option of the Corporation prior to March 31, 2014. On or after this date, the Corporation may, subject to applicable law and any requirement to obtain regulatory relief, and upon notice, convert all, or from time to time any part, of the then outstanding Class A Preference Shares, Series 12 into that number of Class A Limited Voting Shares determined (per Class A Preference Share, Series 12) by dividing the then applicable redemption price, together with all declared and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$2.00 or 95% of the then Current Market Price. Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 12, but in lieu thereof the Corporation will make cash payments.

Conversion at the Option of the Holder

Subject to applicable law and to the rights of the Corporation described below, on or after March 31, 2018, each Class A Preference Share, Series 12 is convertible at the option of the holder on the last day of each of March, June, September and December in each year on at least 30 days notice (which notice shall be irrevocable) into that number of Class A Limited Voting Shares determined (per Class A Preference Share, Series 12) by dividing C$25.00, together with all declared and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$2.00 or 95% of the then Current Market Price. Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 12, but in lieu thereof the Corporation will make cash payments.

The Corporation, subject to the provisions described under “Certain Provisions of the Class A Preference Shares, Series 12 as a Series – Restrictions on Dividends and Retirement and Issue of Shares”, as applicable, may by notice given not later than 20 days before the date fixed for conversion to all holders who have given a conversion notice, either (i) redeem on the first business day after the date fixed for conversion all or any part of the Class A Preference Shares, Series 12 forming the subject matter of the applicable conversion notice, or (ii) cause the holder of such Class A Preference Shares, Series 12 to sell on the first business day after the date fixed for conversion all or any part of such Class A Preference Shares, Series 12 to another purchaser or purchasers in the event that a purchaser or purchasers willing to purchase all or any part of such Class A Preference Shares, Series 12 is or are found. Any such redemption or purchase shall be made by the payment of an amount in cash of C$25.00 per share, together with all declared and unpaid dividends up to but excluding the date fixed for redemption or purchase (less any tax required to be deducted and withheld by the Corporation). The Class A Preference Shares, Series 12 to be so redeemed or purchased shall not be converted on the date set forth in the conversion notice.

Purchase for Cancellation
Subject to applicable law and to the provisions described under "Certain Provisions of the Class A Preference Shares, Series 12 as a Series – Restrictions on Dividends and Retirement and Issue of Shares" below, the Corporation may at any time purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 12 at the lowest price or prices at which in the opinion of the board of directors of the Corporation such shares are obtainable.

Voting
The holders of the Class A Preference Shares, Series 12 will not (except as otherwise provided by law and except for meetings of the holders of Class A Preference Shares as a class and meetings of all holders of Class A Preference Shares, Series 12 as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation unless and until the Corporation shall have failed to pay eight quarterly dividends on the Class A Preference Shares, Series 12, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends. In the event of such non-payment, until such time as the Corporation pays the whole amount of a quarterly dividend, the holders of the Class A Preference Shares, Series 12 will be entitled to receive notice of and to attend each meeting of the Corporation's shareholders (other than any meetings at which only holders of another specified class or series are entitled to vote), and to one vote for each Class A Preference Shares, Series 12 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 12 will vote with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Upon payment of the entire amount of all Class A Preference Shares, Series 12 dividends in arrears, the voting rights of the holders of the Class A Preference Shares, Series 12 shall forthwith cease.

Restrictions on Dividends and Retirement and Issue of Shares
So long as any of the Class A Preference Shares, Series 12 are outstanding, the Corporation will not, without the approval of the holders of the Class A Preference Shares, Series 12:

(a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 12) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 12;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to return of capital and dividends junior to the Class A Preference Shares, Series 12, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 12;

(c) redeem or call for redemption, purchase or otherwise retire for value or make any return of capital in respect of less than all of the Class A Preference Shares, Series 12 then outstanding;

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any Class A Preference Shares, ranking as to the payment of dividends or return of capital on a parity with the Class A Preference Shares, Series 12; or

(e) issue any additional Class A Preference Shares, Series 12 or any shares ranking as to the payment of dividends or the return of capital prior to or on a parity with the Class A Preference Shares, Series 12;

unless, in each such case, all declared and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Class A Preference Shares, Series 12 and on all other shares of the Corporation ranking prior to or on a parity with the Class A Preference Shares, Series 12 with respect to the payment of dividends have been declared paid or set apart for payment.

Liquidation, Dissolution and Winding Up
In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Preference Shares, Series 12 will be entitled to receive C$25.00 per share, together with all declared and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Class A Preference Shares, Series 12. Upon payment of such amounts, the holders of the Class A Preference Shares, Series 12 will not be entitled to share in any further distribution of the assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 13 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 13 are entitled to receive cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors of the Corporation, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to C$25.00 multiplied by one quarter of 70% of the "Average Prime Rate" (as defined in the share conditions).

Redemption

Each of the Class A Preference Shares, Series 13 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 13 in the open market or by invitation for tenders at a price not exceeding C$25.00 per share plus accrued and unpaid dividends and reasonable costs of purchase.

Voting

At any time the Corporation fails to pay in the aggregate eight quarterly dividends on the Class A Preference Shares, Series 13 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 13 are paid, the holders of the Corporation Class A Preference Shares, Series 13 shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation other than any meeting of the holders of any other class or series of shares of the Corporation held separately as a class or series, but shall not be entitled to vote thereat, except in the election of directors in which case the holders of the Class A Preference Shares, Series 13 shall be entitled to one vote per share (provided that holders of the Series 13 Preference Shares shall vote together with holders of Class A Limited Voting Shares in the election of one-half of the board of directors). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 13 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

At a class meeting of holders of Class A Preference Shares, or at a joint meeting of the holders of two or more series of Class A Preference Shares, each Class A Preference Share, Series 13 will have one vote.

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 13:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 13) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 13; pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 13) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 13;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 13, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 13;

(c) redeem or call for redemption, purchase or otherwise pay off or retire for value less than all of the Class A Preference Shares, Series 13;

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 13; or

(e) issue any additional Class A Preference Shares, Series 13 or any shares ranking as to dividends or capital on a parity with the Class A Preference Shares, Series 13;

unless, in each such case, all dividends then payable on the Class A Preferences Shares, Series 13 then outstanding and on all other shares of the Corporation ranking as to dividends on a parity with the Class A Preference Shares, Series 13 accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon, shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up
In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Preference Shares, Series 13 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior as to capital to the Class A Preference Shares, Series 13. Upon such payment, the holders of Class A Preference Shares, Series 13 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 14 AS A SERIES

Dividends
The holders of the Class A Preference Shares, Series 14 are entitled to receive cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors of the Corporation, payable monthly in respect of each calendar month in an amount per share equal to C$100.00 multiplied by one twelfth of 63% of the "Average Prime Rate" (as defined in the share conditions).

Redemption
Each of the Class A Preference Shares, Series 14 is redeemable on any March 1, June 1, September 1 and December 1 in whole or in part from time to time at the option of the Corporation at a redemption price of C$100.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Retraction
Subject to the restrictions imposed by applicable law, each of the Class A, Preference Shares, Series 14 is retractable by the holder on any March 1, June 1, September 1 and December 1 at a price of C$100.00 per share together with all accrued and unpaid dividends to the applicable retraction date. Notice of retraction must be given by the holder to the transfer agent at least 15 days prior to the date fixed fro retraction.

Purchase for Cancellation
The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 14 in the open market or by invitation for tenders at a price not exceeding C$100.00 per share plus accrued and unpaid dividends thereon.

Voting
At any time the Corporation fails to pay in the aggregate 24 monthly dividends on the Class A Preference Shares, Series 14 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 14 are paid, the holders of Class A Preference Shares, Series 14 shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation other than any meetings of the holders of any other class or series of shares of the Corporation held separately as a class or series, but shall not be entitled to vote thereat except in the election of directors in which case the holders of the Class A Preference Shares, Series 14 shall be entitled to four votes in respect of each C$100.00 of the issue price of the Class A Preference Shares, Series 14 held. Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 14 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting (provided that holders of the Series 14 Preference Shares shall vote together with holders of Class A Limited Voting Shares in the election of one-half of the board of directors).

At a class meeting of holders of Class A Preference Shares, or at a joint meeting of the holders of two or more series of Class A Preference Shares, each Class A Preference Share, Series 14 will have four votes.

Restrictions on Dividends and Retirement and Issue of Shares
The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 14:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 14) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 14;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 14, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 14;

(c) except pursuant to the retraction privilege attaching thereto, redeem or call for redemption or purchase or otherwise reduce or make any return of capital in respect of less than all the Class A Preference Shares, Series 14;

(d) pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 14; or

(e) issue any additional Class A Preference Shares, Series 14 or any shares ranking as to dividends or capital on a parity with the Class A Preference Shares, Series 14;

unless, in each such case, all dividends then payable on the Class A Preferences Shares, Series 14 then outstanding and on all other shares of the Corporation ranking as to dividends on a parity with the Class A Preference Shares, Series 14 accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon, shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Preference Shares, Series 14 will be entitled to payment of an amount equal to C$100.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior as to capital to the Class A Preference Shares, Series 14. Upon such payment, the holders of Class A Preference Shares, Series 14 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 15 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 15 are entitled to receive cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors of the Corporation, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to C$25.00 multiplied by the rate determined by negotiation, bid or auction. If the amount is not determinable by negotiation, bid or auction, it shall be the Bankers' Acceptable Rate (defined in the share conditions) plus 0.40%.

Redemption

Each of the Class A Preference Shares, Series 15 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 15 in the open market or by invitation for tenders at a price not exceeding C$25.00 per share plus accrued and unpaid dividends and reasonable costs of purchase.

Voting

At any time the Corporation fails to pay in the aggregate dividends for 24 months on the Class A Preference Shares, Series 15 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 15 are paid, the holders of Class A Preference Shares, Series 15 shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation other than any meetings of the holders of any other class or series of shares of the Corporation held separately as a class or series, but shall not be entitled to vote thereat except in the election of directors in which case the holders of the Class A Preference Shares, Series 15 shall be entitled to one vote per share (provided that holders of the Series 15 Preference Shares shall vote together with holders of Class A Limited Voting Shares in the election of one-half of the board of directors). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 15 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

At a class meeting of holders of Class A Preference Shares, or at a joint meeting of the holders of two or more series of Class A Preference Shares, each Class A Preference Share, Series 15 will have one vote.

Restrictions on Dividends and Retirement and Issue of Shares
The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 15:

(a) pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 15) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 15;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 15, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 15;

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 15;

(d) redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of less than all of the Class A Preference Shares, Series 15; or

(e) issue any additional Class A Preference Shares, Series 15 or any shares ranking as dividends or capital on a parity with the Class A Preference Shares, Series 15;

unless, in each such case, all dividends then payable on the Class A Preferences Shares, Series 15 then outstanding and on all other shares of the Corporation ranking as to dividends on a parity with the Class A Preference Shares, Series 15 accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon, shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up
In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Preference Shares, Series 15 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior as to capital to the Class A Preference Shares, Series 15. Upon such payment, the holders of Class A Preference Shares, Series 15 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 16 AS A SERIES

Dividends
The holders of the Class A Preference Shares, Series 16 are entitled to receive annual floating rate cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors of the Corporation, payable monthly in respect of each calendar month, equal to 75% of the "Prime Rate" (as defined in the share conditions). The dividend rate will be adjusted upwards or downwards on a monthly basis whenever the inferred trading price of the Class A Preference Shares, Series 16 (as determined by the Corporation's management based on the trading price of the Class A Preference Shares, Series 8) is C$24.875 or less, or C$25.125 or more, respectively. The maximum monthly adjustment for changes will be 4% of the Prime Rate, subject to a floor of 50% of the Prime Rate and a ceiling of 150% of the Prime Rate.

Redemption
Each of the Class A Preference Shares, Series 16 is redeemable at any time in whole from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all accrued and unpaid dividends up to but excluding the date of redemption. Notice of any redemption must be given by the Corporation at least 45 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation
The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 16 in the open market or by private agreement or otherwise, at the lowest price obtainable, in the opinion of the board of directors of the Corporation plus accrued and unpaid dividends and reasonable costs of purchase.

Voting
At any time that the Corporation fails to pay in the aggregate dividends for 24 months on the Class A Preference Shares, Series 16 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 16 are paid, the holders of Class

A Preference Shares, Series 16 shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation which takes place more than 60 days after the date such failure first occurs and to one vote for each Class A Preference Share, Series 16 held (provided that holders of the Series 16 Preference Shares shall vote together with holders of Class A Limited Voting Shares in the election of 1/2 of the board of directors). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 16 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

At a class meeting of holders of Class A Preference Shares, or at a joint meeting of the holders of two or more series of Class A Preference Shares, each Class A Preference Share, Series 16 will have one vote.

Restrictions on Dividends and Retirement and Issue of Shares
The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 16:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 16) on shares of the Corporation ranking junior as to dividends to the Class A Preference Shares, Series 16;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 16, redeem or call for redemption, purchase or otherwise retire or make any capital distribution on or in respect of any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 16;

(c) except pursuant to any purchase obligation, retraction privilege or mandatory redemption provisions attaching thereto, redeem, purchase or otherwise retire any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 16;

(d) purchase or otherwise retire less than all of the Class A Preference Shares, Series 16 then outstanding; or

(e) issue any additional Class A Preference Shares or any shares ranking as to dividends or capital on a parity with the Class A Preference Shares, Series 16;

unless, in each such case, all dividends then payable on the Class A Preference Shares, Series 16 then outstanding accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon, shall have been declared and paid.

Liquidation, Dissolution and Winding Up
In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class Preference Shares, Series 16 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior as to capital to the Class A Preference Shares, Series 16. Upon such payment, the holders of Class A Preference Shares, Series 16 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 17 AS A SERIES

Dividends
The holders of Class A Preference Shares, Series 17 are entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the board of directors of the Corporation, at a rate of C$0.296875 per share per quarter, to accrue from the date of original issue, payable quarterly on the last day of December, March, June and September of each year.

Redemption
The Class A Preference Shares, Series 17 may not be redeemed by the Corporation prior to December 31, 2011. On and after December 31, 2011, the Corporation may, at its option upon not less than 30 days and not more than 60 days prior notice, redeem for cash the Class A Preference Shares, Series 17, in whole at any time or in part from time to time, at C$26.00 per share if redeemed before December 31, 2012, C$25.75 per share if redeemed on or after December 31, 2012 but before December 31, 2013, at C$25.50 per share if redeemed on or after December 31, 2013, but before December 31, 2014, at C$25.25 per share if redeemed on or after December 31, 2014, but before December 31, 2015 and at C$25.00 per share if redeemed on or after December 31, 2015, in each case, together with all accrued and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation).

If less than all of the outstanding Class A Preference Shares, Series 17 are at any time to be redeemed, the shares will be redeemed on a pro rata basis.

Conversion
The Corporation may at any time give the holders of Class A Preference Shares, Series 17 the right, at their option, to convert such shares into a further series of preferred shares designated by the Corporation.

The Class A Preference Shares, Series 17 are not convertible by the Corporation prior to December 31, 2011. On and after December 31, 2011 and subject to approval of the TSX, the Corporation may, at its option, upon not less than 30 days and not more than 60 days prior notice, convert, in whole at any time or in part from time to time, the outstanding Class A Preference Shares, Series 17 into Class A Limited Voting Shares of the Corporation. The number of Class A Limited Voting Shares into which each Class A Preference Share, Series 17 may be so converted will be determined by dividing the then applicable redemption price together with all accrued and unpaid dividends to but excluding the date of conversion, by the greater of C$2.00 and 95% of the Current Market Price. Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 17 but in lieu thereof the Corporation will make cash payments.

Purchase for Cancellation
Subject to applicable law and to the provisions described under "– Restrictions on Dividends and Retirement and Issue of Shares'' below, the Corporation may at any time purchase for cancellation the whole or any part of the Class A Preference Shares, Series 17 at the lowest price or prices at which in the opinion of the board of directors of the Corporation such shares are obtainable.

Rights on Liquidation
In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Preference Shares, Series 17 will be entitled to receive C$25.00 per share, together with all accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Class A Preference Shares, Series 17. Upon payment of such amounts, the holders of the Class A Preference Shares, Series 17 will not be entitled to share in any further distribution of the assets of the Corporation.

Restrictions on Dividends and Retirement and Issue of Shares
So long as any of the Class A Preference Shares, Series 17 are outstanding, the Corporation will not, without the approval of the holders of the Class A Preference Shares, Series 17:

(a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 17) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 17;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to return of capital and dividends junior to the Class A Preference Shares, Series 17, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 17;

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any Class A Preference Shares, ranking as to the payment of dividends or return of capital on a parity with the Class A Preference Shares, Series 17; or

(d) issue any additional Class A Preference Shares, Series 17 or any shares ranking as to the payment of dividends or the return of capital prior to or on a parity with the Class A Preference Shares, Series 17;

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Class A Preference Shares, Series 17 and on all other shares of the Corporation ranking prior to or on a parity with the Class A Preference Shares, Series 17 with respect to the payment of dividends have been declared and paid or set apart for payment.

Shareholder Approvals
In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 17 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 17 may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the

votes cast at a meeting at which the holders of a majority of the outstanding Class A Preference Shares, Series 17 are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class A Preference Shares, Series 17 then present would form the necessary quorum. At any meeting of holders of Class A Preference Shares, Series 17 as a series, each such holder shall be entitled to one vote in respect of each Class A Preference Share, Series 17 held.

Voting Rights

The holders of the Class A Preference Shares, Series 17 will not (except as otherwise provided by law and except for meetings of the holders of Class A Preference Shares as a class and meetings of all holders of Class A Preference Shares, Series 17 as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation unless and until the Corporation shall have failed to pay eight quarterly dividends on the Class A Preference Shares, Series 17, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Class A Preference Shares, Series 17 will be entitled to receive notice of and to attend each meeting of the Corporation's shareholders (other than any meetings at which only holders of another specified class or series are entitled to vote), and to one vote for each Class A Preference Share, Series 17 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 17 will vote with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 2 may be entitled to elect if dividends on such shares are in arrears). Upon payment of the entire amount of all Class A Preference Share, Series 17 dividends in arrears, the voting rights of the holders of the Class A Preference Shares, Series 17 shall forthwith cease.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 18 AS A SERIES

Dividends

The holders of Class A Preference Shares, Series 18 are entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the board of directors of the Corporation, at a rate of C$0.296875 per share per quarter, to accrue from the date of original issue, payable quarterly on the last day of March, June, September and December of each year.

Redemption

The Class A Preference Shares, Series 18 may not be redeemed by the Corporation prior to June 30, 2012. On and after June 30, 2012, the Corporation may, at its option upon not less than 30 days and not more than 60 days prior notice, redeem for cash the Class A Preference Shares, Series 18, in whole at any time or in part from time to time, at C$26.00 per share if redeemed before June 30, 2013, at C$25.75 per share if redeemed on or after June 30, 2013 but before June 30, 2014, at C$25.50 per share if redeemed on or after June 30, 2014 but before June 30, 2015, at C$25.25 per share if redeemed on or after June 30, 2015 but before June 30, 2016 and at C$25.00 per share if redeemed on or after June 30, 2016, in each case, together with all accrued and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation).

If less than all of the outstanding Class A Preference Shares, Series 18 are at any time to be redeemed, the shares will be redeemed on a pro rata basis.

Conversion

The Corporation may at any time give the holders of Class A Preference Shares, Series 18 the right, at their option, to convert such shares into a further series of preferred shares designated by the Corporation.

The Class A Preference Shares, Series 18 will not be convertible by the Corporation prior to June 30, 2012. On and after June 30, 2012 and subject to approval of the TSX, the Corporation may, at its option, upon not less than 30 days and not more than 60 days prior notice, convert, in whole at any time or in part from time to time, the outstanding Class A Preference Shares, Series 18 into Class A Limited Voting Shares. The number of Class A Limited Voting Shares into which each Class A Preference Share, Series 18 may be so converted will be determined by dividing the then applicable redemption price together with all accrued and unpaid dividends to but excluding the date of conversion, by the greater of C$2.00 and 95% of the Current Market Price. Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 18 but in lieu thereof the Corporation will make cash payments.

Purchase for Cancellation
Subject to applicable law and to the provisions described under "— Restrictions on Dividends and Retirement and Issue of Shares" below, the Corporation may at any time purchase for cancellation the whole or any part of the Class A Preference Shares, Series 18 at the lowest price or prices at which in the opinion of the board of directors of the Corporation such shares are obtainable.

Rights on Liquidation
In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Preference Shares, Series 18 will be entitled to receive C$25.00 per share, together with all accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Class A Preference Shares, Series 18. Upon payment of such amounts, the holders of the Class A Preference Shares, Series 18 will not be entitled to share in any further distribution of the assets of the Corporation.

Restrictions on Dividends and Retirement and Issue of Shares
So long as any of the Class A Preference Shares, Series 18 are outstanding, the Corporation will not, without the approval of the holders of the Class A Preference Shares, Series 18:

(a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 18) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 18;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to return of capital and dividends junior to the Class A Preference Shares, Series 18, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 18;

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any Class A Preference Shares, ranking as to the payment of dividends or return of capital on a parity with the Class A Preference Shares, Series 18; or

(d) issue any additional Class A Preference Shares, Series 18 or any shares ranking as to the payment of dividends or the return of capital prior to or on a parity with the Class A Preference Shares, Series 18;

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Class A Preference Shares, Series 18 and on all other shares of the Corporation ranking prior to or on a parity with the Class A Preference Shares, Series 18 with respect to the payment of dividends have been declared and paid or set apart for payment.

Shareholder Approvals
In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 18 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 18 may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the votes cast at a meeting at which the holders of a majority of the outstanding Class A Preference Shares, Series 18 are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class A Preference Shares, Series 18 then present would form the necessary quorum. At any meeting of holders of Class A Preference Shares, Series 18 as a series, each such holder shall be entitled to one vote in respect of each Class A Preference Share, Series 18 held.

Voting Rights
The holders of the Class A Preference Shares, Series 18 will not (except as otherwise provided by law and except for meetings of the holders of Class A Preference Shares as a class and meetings of all holders of Class A Preference Shares, Series 18 as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation unless and until the Corporation shall have failed to pay eight quarterly dividends on the Class A Preference Shares, Series 18, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Class A Preference Shares, Series 18 will be entitled to receive notice of and to attend each meeting of the Corporation's shareholders (other than any meetings at which only holders of another

specified class or series are entitled to vote), and to one vote for each Class A Preference Share, Series 18 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 18 will vote with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 2 may be entitled to elect if dividends on such shares are in arrears). Upon payment of the entire amount of all Class A Preference Share, Series 18 dividends in arrears, the voting rights of the holders of the Class A Preference Shares, Series 18 shall forthwith cease.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 19 AS A SERIES

Dividends
The holders of the Class A Preference Shares, Series 19 are entitled to receive fixed cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to 9% per annum applied to the price of C$10.00 per share.

Redemption
Each of the Class A Preference Shares, Series 19 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$10.00 per share together with all unpaid dividends accrued thereon up to but excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days prior to the date fixed for redemption.

Purchase for Cancellation
Subject to the Business Corporation Act (Ontario) and the articles of the Corporation, the Corporation may at any time purchase for cancellation all or any Class A Preference Shares, Series 19 by invitation for tenders or in any other manner at the lowest price or prices at which, in the opinion of the board of directors of the Corporation, such shares are obtainable, but not exceeding C$10.00 per share plus accrued and unpaid dividends up to but excluding the date fixed for purchase together with the costs of purchase. If, in response to an invitation for tenders, more Class A Preference Shares, Series 19 are tendered at a price or prices acceptable to the Corporation than the Corporation is prepared to purchase, then the Class A Preference Shares, Series 19 to be purchased by the Corporation shall be purchased as nearly as may be pro rata according to the number of Class A Preference Shares, Series 19 tendered by each holder who submits a tender to the Corporation, provided that when Class A Preference Shares, Series 19 are tendered at different prices, the pro rating shall be effected with reference to the Class A Preference Shares, Series 19 tendered at the price at which more Class A Preference Shares, Series 19 were tendered than the Corporation is prepared to purchase only after the Corporation has purchased all Class A Preference Shares, Series 19 which were tendered at lower prices.

Rights on Liquidation
In the event of a Distribution of Assets (as defined in the share conditions) of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Preference Shares, Series 19 will be entitled to receive C$10.00 per share held by them, plus any accrued and unpaid dividends up to but excluding the date of payment or distribution, before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Class A Preference Shares, Series 19. Upon payment of such amounts, the holders of the Class A Preference Shares, Series 19 will not be entitled to share in any further distribution of the property or assets of the Corporation upon a Distribution of Assets.

Restrictions on Dividends and Retirement and Issue of Shares
The Corporation will not without the approval of the Class A Preference Shares, Series 19 redeem or call for redemption and/or purchase and/or make any capital distribution in respect of any shares ranking junior to the Class A Preference Shares, Series 19 in respect of a Distribution of Assets except entirely through the issuance of shares ranking junior to the Class A Preference Shares, Series 19 with respect to a Distribution of Assets or through the use of proceeds from the issuance of shares ranking junior to the Class A Preference Shares, Series 19 with respect to a Distribution of Assets.

Shareholder Approvals
In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 19 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 19 may be given by resolution signed by all the holders of outstanding Class A Preference Shares, Series 19 or passed by the affirmative vote of at least 66 2/3% of the votes cast by the holders of Class A Preference Shares, Series 19 who voted in respect of that resolution at a meeting at which the holders of a majority of the outstanding Class A Preference Shares, Series 19 are represented or, if no quorum is present at such meeting, at any adjourned meeting at which the holders of Class A Preference Shares, Series 19 then represented would form the quorum. At any meeting of holders of Class

A Preference Shares, Series 19, each holder of Class A Preference Shares, Series 19 is entitled to vote and will have one vote in respect of each Class A Preference Shares, Series 19 held.

Voting Rights
Each holder of Class A Preference Shares, Series 19 is entitled to notice of, and to attend and vote at, all meetings of the Corporation's shareholders, other than meetings at which holders of only a specified class or series may vote, and shall be entitled to cast one vote per Class A Preference Share, Series 19 held.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 20 AS A SERIES

Dividends
The holders of the Class A Preference Shares, Series 20 are entitled to receive fixed cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to 9% per annum applied to the price of C$10.00 per share.

Redemption
Each of the Class A Preference Shares, Series 20 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$10.00 per share together with all unpaid dividends accrued thereon up to but excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days prior to the date fixed for redemption.

Purchase for Cancellation
Subject to the Business Corporations Act (Ontario) and the articles of the Corporation, the Corporation may at any time purchase for cancellation all or any Class A Preference Shares, Series 20 by invitation for tenders or in any other manner at the lowest price or prices at which, in the opinion of the board of directors of the Corporation, such shares are obtainable, but not exceeding C$10.00 per share plus accrued and unpaid dividends up to but excluding the date fixed for purchase together with the costs of purchase. If, in response to an invitation for tenders, more Class A Preference Shares, Series 20 are tendered at a price or prices acceptable to the Corporation than the Corporation is prepared to purchase, then the Class A Preference Shares, Series 20 to be purchased by the Corporation shall be purchased as nearly as may be pro rata according to the number of Class A Preference Shares, Series 20 tendered by each holder who submits a tender to the Corporation, provided that when Class A Preference Shares, Series 20 are tendered at different prices, the pro rating shall be effected with reference to the Class A Preference Shares, Series 20 tendered at the price at which more Class A Preference Shares, Series 20 were tendered than the Corporation is prepared to purchase only after the Corporation has purchased all Class A Preference Shares, Series 20 which were tendered at lower prices.

Rights on Liquidation
In the event of a Distribution of Assets (as defined in the share conditions) of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Preference Shares, Series 20 will be entitled to receive C$10.00 per share held by them, plus any accrued and unpaid dividends up to but excluding the date of payment or distribution, before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Class A Preference Shares, Series 20. Upon payment of such amounts, the holders of the Class A Preference Shares, Series 20 will not be entitled to share in any further distribution of the property or assets of the Corporation upon a Distribution of Assets.

Restrictions on Dividends and Retirement and Issue of Shares
The Corporation will not without the approval of the Class A Preference Shares, Series 20 redeem or call for redemption and/or purchase and/or make any capital distribution in respect of any shares ranking junior to the Class A Preference Shares, Series 20 in respect of a Distribution of Assets except entirely through the issuance of shares ranking junior to the Class A Preference Shares, Series 20 with respect to a Distribution of Assets or through the use of proceeds from the issuance of shares ranking junior to the Class A Preference Shares, Series 20 with respect to a Distribution of Assets.

Shareholder Approvals
In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 20 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 20 may be given by resolution signed by all the holders of outstanding Class A Preference Shares, Series 20 or passed by the affirmative vote of at least 66 2/3% of the votes cast by the holders of Class A Preference Shares, Series 20 who voted in respect of that resolution at a meeting at which the holders of a majority of the outstanding Class A Preference Shares, Series 20 are represented or, if no quorum is present at such meeting, at any adjourned meeting at which the holders of Class A Preference Shares, Series 20 then represented would form the quorum. At any meeting of holders of Class

A Preference Shares, Series 20, each holder of Class A Preference Shares, Series 20 is entitled to vote and will have one vote in respect of each Class A Preference Shares, Series 20 held.

Voting Rights
Except as required by law and except for meetings of the holders of Class A Preference Shares as a class and meetings of all holders of Class A Preference Shares, Series 20 as a series, the holders of Class A Preference Shares, Series 20 shall not be entitled of, to attend or to vote at any meeting of the shareholders of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 21 AS A SERIES

Dividends
The holders of Class A Preference Shares, Series 21 are entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the board of directors of the Corporation, at a rate of $1.2500 per share per annum, to accrue from the date of original issue, payable quarterly on the last day of March, June, September and December of each year.

Redemption
The Class A Preference Shares, Series 21 may not be redeemed by the Corporation before June 30, 2013. On or after this date, but subject to applicable law and to the provisions described under "— Restrictions on Dividends and Retirement and Issue of Shares", the Corporation may, at its option, at any time redeem all, or from time to time any part, of the then outstanding Class A Preference Shares, Series 21, by the payment of an amount in cash for each such share so redeemed of $25.00 per Class A Preference Share, Series 21 together with, all accrued and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation).

Notice of any redemption will be given by the Corporation not less than 30 days and not more than 60 days prior to the date fixed for redemption. If less than all the outstanding the Class A Preference Shares, Series 21 are at any time to be redeemed, the shares will be redeemed on a pro-rata basis.

Conversion at the Option of the Corporation
The Class A Preference Shares, Series 21 are not convertible at the option of the Corporation prior to June 30, 2013. On or after this date, the Corporation may, subject to applicable law and other regulatory approvals, and upon notice, convert all, or from time to time any part, of the then outstanding Class A Preference Shares, Series 21 into that number of Class A Limited Voting Shares determined (per Class A Preference Share, Series 21) by dividing the then applicable redemption price, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion, by the greater of $2.00 or 95% of the weighted average trading price of such Class A Limited Voting Shares on the TSX for the period of 20 consecutive trading days ending on the fourth day prior to the date specified for conversion or, if that fourth day is not a trading day, on the trading day immediately preceding such fourth day (the "Current Market Price"). Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 21, but in lieu thereof the Corporation will make cash payments.

Notice of any conversion will be given by the Corporation not less than 30 days and not more than 60 days prior to the date fixed for conversion. If less than all the outstanding Class A Preference Shares, Series 21 are at any time to be converted, the shares to be converted will be selected on a pro-rata basis.

Upon exercise by the Corporation of its right to convert Class A Preference Shares, Series 21 into Class A Limited Voting Shares, the Corporation reserves the right not to issue Class A Limited Voting Shares to any person whose address is in, or whom the Corporation or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require compliance by the Corporation with the securities or other laws of such jurisdiction.

Conversion at the Option of the Holder
Subject to applicable law and to the rights of the Corporation described below, on or after June 30, 2013, each Class A Preference Share, Series 21 will be convertible at the option of the holder on the last day of each of March, June, September and December in each year on at least 30 days notice (which notice shall be irrevocable) into that number of Class A Limited Voting Shares determined (per Class A Preference Share, Series 21) by dividing $25.00, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion, by the greater of $2.00 or 95% of the then Current Market Price. Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 21, but in lieu thereof the Corporation will make cash payments.

Upon exercise of the conversion privilege by the holder of Class A Preference Shares, Series 21, the Corporation reserves the right not to issue Class A Limited Voting Shares to any person whose address is in, or whom the Corporation or its transfer agent has

reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require compliance by the Corporation with the securities or other laws of such jurisdiction.

The Corporation, subject to the provisions described under "— Restrictions on Dividends and Retirement and Issue of Shares", as applicable, may by notice given not later than 20 days before the date fixed for conversion to all holders who have given a conversion notice, either (i) redeem on the first business day after the date fixed for conversion all or any part of the Class A Preference Shares, Series 21 forming the subject matter of the applicable conversion notice, or (ii) cause the holder of such Class A Preference Shares, Series 21 to sell on the first business day after the date fixed for conversion all or any part of such Class A Preference Shares, Series 21 to another purchaser or purchasers in the event that a purchaser or purchasers willing to purchase all or any part of such Class A Preference Shares, Series 21 is or are found. Any such redemption or purchase shall be made by the payment of an amount in cash of $25.00 per share, together with all accrued and unpaid dividends up to but excluding the date fixed for redemption or purchase (less any tax required to be deducted and withheld by the Corporation). The Class A Preference Shares, Series 21 to be so redeemed or purchased shall not be converted on the date set forth in the conversion notice.

If the Corporation elects to redeem or arrange for the purchase of any Class A Preference Shares, Series 21 that are the subject of a conversion notice ("Subject Shares"), the Corporation shall, at least 20 days prior to the conversion date, give notice to all holders who have given a conversion notice to the Corporation, stating:

(a) the number of Subject Shares to be redeemed for cash by the Corporation;

(b) the number of Subject Shares to be sold to another purchaser; and

(c) the number of Subject Shares to be converted into Class A Limited Voting Shares;

such that all of the Subject Shares will be redeemed, purchased or converted on or before the first business day after the date fixed for conversion and that the proportion of the Subject Shares which are either redeemed, purchased or converted on that conversion date shall, to the extent practicable, be the same for each holder delivering a conversion date.

Purchase for Cancellation

Subject to applicable law and to the provisions described under "— Restrictions on Dividends and Retirement and Issue of Shares" below, the Corporation may at any time purchase for cancellation the whole or any part of the Class A Preference Shares, Series 21 at the lowest price or prices at which in the opinion of the board of directors of the Corporation such shares are obtainable.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Preference Shares, Series 21 will be entitled to receive $25.00 per share, together with all accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Class A Preference Shares, Series 21. Upon payment of such amounts, the holders of the Class A Preference Shares, Series 21 will not be entitled to share in any further distribution of the assets of the Corporation.

Restrictions on Dividends and Retirement and Issue of Shares

So long as any of the Class A Preference Shares, Series 21 are outstanding, the Corporation will not, without the approval of the holders of the Class A Preference Shares, Series 21:

(a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 21) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 21;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to return of capital and dividends junior to the Class A Preference Shares, Series 21, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 21;

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any Class A Preference Shares, ranking as to the payment of dividends or return of capital on a parity with the Class A Preference Shares, Series 21; or

(d) issue any additional Class A Preference Shares, Series 21 or any shares ranking as to the payment of dividends or the return of capital prior to or on a parity with the Class A Preference Shares, Series 21;

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Class A Preference Shares, Series 21 and on all other shares of the Corporation ranking prior to or on a parity with the Class A Preference Shares, Series 21 with respect to the payment of dividends have been declared and paid or set apart for payment.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 21 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 21 may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the votes cast at a meeting at which the holders of a majority of the outstanding Class A Preference Shares, Series 21 are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class A Preference Shares, Series 21 then present would form the necessary quorum. At any meeting of holders of Class A Preference Shares, Series 21 as a series, each such holder shall be entitled to one vote in respect of each Class A Preference Share, Series 21 held.

Voting Rights

The holders of the Class A Preference Shares, Series 21 will not (except as otherwise provided by law and except for meetings of the holders of Class A Preference Shares as a class and meetings of all holders of Class A Preference Shares, Series 21 as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation unless and until the Corporation shall have failed to pay eight quarterly dividends on the Class A Preference Shares, Series 21, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Class A Preference Shares, Series 21 will be entitled to receive notice of and to attend each meeting of the Corporation's shareholders (other than any meetings at which only holders of another specified class or series are entitled to vote), and to one vote for each Class A Preference Shares, Series 21 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 21 will vote with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 2 may be entitled to elect if dividends on such shares are in arrears). Upon payment of the entire amount of all Class A Preference Shares, Series 21 dividends in arrears, the voting rights of the holders of the Class A Preference Shares, Series 21 shall forthwith cease.

CERTAIN PROVISIONS OF THE CLASS A LIMITED VOTING SHARES AND THE CLASS B LIMITED VOTING SHARES

The following is a summary of certain provisions attaching to or affecting the common equity of the Corporation, consisting of the Class A Limited Voting Shares (into which certain series of the Corporation's Preference Shares may be converted) and the Class B Limited Voting Shares. The attributes of the Class A Limited Voting Shares and the Class B Limited Voting Shares are substantially equivalent, except for the differing voting rights attached to the two classes of shares.

The sole holder of the Class B Limited Voting Shares of the Corporation is a party to a trust agreement with Computershare Trust Corporation of Canada (formerly, Montreal Trust Corporation of Canada) (as trustee for the holders of the Corporation's Class A Limited Voting Shares) dated August 1, 1997. The trust agreement provides, among other things, that holder agrees not to sell any Class B Limited Voting Shares, directly or indirectly, pursuant to a takeover bid, unless a concurrent bid is made to all holders of Class A Limited Voting Shares. The concurrent offer must be: (i) for the same percentage of Class A Limited Voting Shares as the percentage of Class B Limited Voting Shares offered to be purchased from that holder; and (ii) the same in all material respects as the offer for the Class B Limited Voting Shares. Among other things, the trust agreement permits: (i) a sale by the sole holder of Class B Limited Voting Shares at a price per share less than 115% of the market price of Class A Limited Voting Shares and as part of a transaction involving not more than five persons in the aggregate; and (ii) a direct or indirect sale of shares of the sole holder of the Class B Limited Voting Shares to a purchaser who is or will become a shareholder of that holder and will not hold more than 20% of that holders' outstanding shares as a result of the transaction.

Priority

Subject to the prior rights of the holders of the Class A Preference Shares, the Class AA Preference Shares and any other senior-ranking shares outstanding from time to time, holders of Class A Limited Voting Shares and Class B Limited Voting Shares rank on a parity with each other with respect to the payment of dividends (if, as and when declared by the board of directors of the Corporation) and the return of capital on the liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs.

Voting Rights

Except as set out below under "Election of Directors", each holder of Class A Limited Voting Shares and Class B Limited Voting Shares is entitled to notice of, and to attend and vote at, all meetings of the Corporation's shareholders, other than meetings at which holders of only a specified class or series may vote, and shall be entitled to cast one vote per share. Subject to applicable law and in addition to any other required shareholder approvals, all matters to be approved by shareholders (other than the election of directors), must be approved: by a majority or, in the case of matters that require approval by a special resolution of shareholders, at least 66 2/3%, of the votes cast by holders of Class A Limited Voting Shares who vote in respect of the resolution or special resolution, as the case may be; and by a majority or, in the case of matters that require approval by a special resolution of shareholders, at least 66 2/3%, of the votes cast by holders of Class B Limited Voting Shares who vote in respect of the resolution or special resolution, as the case may be.

Election of Directors

In the election of directors, holders of Class A Limited Voting Shares, together, in certain circumstances, with the holders of certain series of Class A Preference Shares, are entitled to elect one-half of the board of directors of the Corporation, provided that if the holders of Class A Preference Shares, Series 1, Series 2 or Series 3 become entitled to elect two or three directors, as the case may be, the numbers of directors to be elected by holders of Class A Limited Voting Shares, together, in certain circumstances with the holders of certain series of Class A Preference Shares, shall be reduced by the number of directors to be elected by holders of Class A Preference Shares, Series 1, Series 2 and Series 3. Holders of Class B Limited Voting Shares are entitled to elect the other one-half of the board of directors of the Corporation.

OTHER PROVISIONS REGARDING THE SHARE CAPITAL OF THE CORPORATION

The Corporation's articles provide that each holder of shares of a class or series of shares of the Corporation entitled to vote in an election of directors has the right to cast a number of votes equal to the number of votes attached to the shares held by the holder multiplied by the number of directors to be elected by the holder and the holders of shares of the classes or series of shares entitled to vote with the holder in the election of directors. A holder may cast all such votes in favour of one candidate or distribute such votes among its candidates in any manner the holder sees fit. Where a holder has voted for more than one candidate without specifying the distribution of votes among such candidates, the holder shall be deemed to have divided the holder's votes equally among the candidates for whom the holder voted.

APPENDIX C

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF THE CORPORATION

A committee of the board of directors of the Corporation to be known as the Audit Committee (the "Committee") shall have the following terms of reference.

MEMBERSHIP AND CHAIRPERSON

Following each annual meeting of shareholders, the board of directors of the Corporation (the "board") shall appoint from its number three or more directors (the "Members" and each a "Member") to serve on the Committee until the close of the next annual meeting of shareholders of the Corporation or until the Member ceases to be a director, resigns or is replaced, whichever occurs first.

The Members will be selected by the board on the recommendation of the Governance and Nominating Committee. Any Member may be removed from office or replaced at any time by the board. All of the Members will be Independent Directors. In addition, every Member will be Financially Literate and at least one Member will be an Audit Committee Financial Expert. Members may not serve on more than two other public company audit committees, except with the prior approval of the board.

The board shall appoint one Member as the chairperson of the Committee. If the chairperson is absent from a meeting, the Members shall select a chairperson from those in attendance to act as chairperson of the meeting.

RESPONSIBILITIES

The Committee shall:

a) oversee the work of the Corporation's external auditor (the "auditor") engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation;

b) review and evaluate the auditor's independence, experience, qualifications and performance and determine whether the auditor should be appointed or re-appointed and nominate the auditor for appointment or re-appointment by the shareholders;

c) where appropriate, terminate the auditor;

d) when a change of auditor is proposed, review all issues related to the change, including the information to be included in the notice of change of auditor required, and the orderly transition of such change;

e) review the terms of the auditor's engagement and the appropriateness and reasonableness of the proposed audit fees;

f) at least annually, obtain and review a report by the auditor describing:

   (i) the auditor's internal quality-control procedures; and

   (ii) any material issues raised by the most recent internal quality control review, or peer review, of the auditor, or review by any independent oversight body such as the Canadian Public Accountability board or the Public Company Accounting Oversight board, or governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the auditor, and the steps taken to deal with any issues raised in any such review;

g) at least annually, confirm that the auditor has submitted a formal written statement describing all of its relationships with the Corporation; discuss with the auditor any disclosed relationships or services that may affect its objectivity and independence; obtain written confirmation from the auditor that it is objective within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of Chartered Accountants to which it belongs and is an independent public accountant within the meaning of the federal securities legislation administered by the United States Securities and Exchange Commission and of the Independence Standards of the Canadian Institute of Chartered Accountants, and is in compliance with any independence requirements adopted by the Public Company Accounting Oversight board; and, confirm that it has complied with applicable laws with the rotation of certain members of the audit engagement team;

h) review and evaluate the lead partner of the auditor;

i) ensure the regular rotation of the audit engagement team members as required by law, and periodically consider whether there should be regular rotation of the auditor firm;

j) meet privately with the auditor as frequently as the Committee feels is appropriate to fulfill its responsibilities, which will not be less frequently than annually, to discuss any items of concern to the Committee or the auditor, including:

   (i) planning and staffing of the audit;

   (ii) any material written communications between the auditor and management;

   (iii) whether or not the auditor is satisfied with the quality and effectiveness of financial recording procedures and systems;

   (iv) the extent to which the auditor is satisfied with the nature and scope of its examination;

   (v) whether or not the auditor has received the full co-operation of management of the Corporation;

   (vi) the auditor's opinion of the competence and performance of the Chief Financial Officer and other key financial personnel;

   (vii) the items required to be communicated to the Committee in accordance with generally accepted auditing standards;

   (viii) all critical accounting policies and practices to be used by the Corporation;

   (ix) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor;

   (x) any difficulties encountered in the course of the audit work, any restrictions imposed on the scope of activities or access to requested information, any significant disagreements with management and management's response; and

   (xi) any illegal act that may have occurred and the discovery of which is required to be disclosed to the Committee pursuant to the United States Securities Exchange Act of 1934;

k) pre-approve or approve, if permitted by law, the appointment of the auditor to provide any audit service or non-prohibited non-audit service and, if desired, establish detailed policies and procedures for the pre-approval of audit services and non-prohibited non-audit services by the auditor. The Committee may delegate this responsibility to one or more Members to the extent permitted by applicable law provided that any pre-approvals granted pursuant to such delegation must be detailed as to the particular service to be provided, may not delegate Committee responsibilities to management and must be reported to the full Committee at its next scheduled meeting;

l) resolve any disagreements between management and the auditor regarding financial reporting;

m) review, and, where appropriate, recommend for approval by the board, the following:

   (i) audited annual financial statements, in conjunction with the report of the external auditor;

   (ii) interim financial statements;

   (iii) annual and interim management discussion and analysis of financial condition and results of operation;

   (iv) reconciliations of the annual or interim financial statement; and

   (v) all other audited or unaudited financial information contained in public disclosure documents, including without limitation, any prospectus, or other offering or public disclosure documents and financial statements required by regulatory authorities;

n) discuss earnings press releases and other press releases containing financial information (to ensure consistency of the disclosure to the financial statements), as well as financial information and earnings guidance provided to analysts and rating agencies including the use of "pro forma" or "adjusted" non-GAAP information in such press releases and financial information. Such review may consist of a general discussion of the types of information to be disclosed or the types of presentations to be made;

o) review the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements;

p) review disclosures made to the Committee by the Chief Executive Officer and Chief Financial Officer during their certification process for applicable securities law filings about any significant deficiencies and material weaknesses

in the design or operation of the Corporation's internal control over financial reporting which are reasonably likely to adversely affect the Corporation's ability to record, process, summarize and report financial information, and any fraud involving management or other employees;

q) review the effectiveness of management's policies and practices concerning financial reporting, any proposed changes in major accounting policies, the appointment and replacement of management responsible for financial reporting and the internal audit function;

r) review the adequacy of the internal controls that have been adopted by the Corporation to safeguard assets from loss and unauthorized use and to verify the accuracy of the financial records and any special audit steps adopted in light of material control deficiencies;

s) meet privately with the person responsible for the Corporation's internal audit function as frequently as the Committee feels appropriate to fulfill its responsibilities, which will not be less frequently than annually, to discuss any items of concern;

t) review the mandate, budget, planned activities, staffing and organizational structure of the internal audit function (which may be outsourced to a firm other than the auditor) to confirm that it is independent of management and has sufficient resources to carry out its mandate. The Committee will discuss this mandate with the auditor; review the appointment and replacement of the person in charge of the Corporation's internal audit and review the significant reports to management prepared by the internal auditor and management's responses;

u) review the controls and procedures that have been adopted to confirm that material information about the Corporation and its subsidiaries that is required to be disclosed under applicable law or stock exchange rules is disclosed and to review the public disclosure of financial information extracted or derived from the issuer's financial statements and periodically assess the adequacy of these procedures;

v) review periodically, the Corporation's policies with respect to risk assessment and management, particularly financial risk exposure, including the steps taken to monitor and control risks;

w) review periodically, the status of taxation matters of the Corporation;

x) set clear policies for hiring partners and employees and former partners and employees of the external auditor;

y) review, with legal counsel where required, such litigation, claims, tax assessments, transactions, material inquiries from regulators and governmental agencies or other contingencies which may have a material impact on financial results or which may otherwise adversely affect the financial well-being of the Corporation;

z) review periodically the Corporation's susceptibility to fraud and oversee management's processes for identifying and managing the risks of fraud; and

aa) consider other matters of a financial nature as directed by the board.

REPORTING

The Committee will regularly report to the board on:

a) the auditor's independence;

b) the performance of the auditor and the Committee's recommendations regarding its reappointment or termination;

c) the performance of the internal audit function department;

d) the adequacy of the Corporation's internal controls and disclosure controls;

e) its recommendations regarding the annual and interim financial statements of the Corporation and any reconciliation of the Corporation's financial statements, including any issues with respect to the quality or integrity of the financial statements;

f) its review of any other public disclosure document including the annual information form and the annual and interim management's discussion and analysis of financial condition and results of operations;

g) the Corporation's compliance with legal and regulatory requirements, particularly those related to financial reporting; and

h) all other significant matters it has addressed and with respect to such other matters that are within its responsibilities.

COMPLAINTS PROCEDURE
The Committee will establish a procedure for the receipt, retention and follow-up of complaints received by the Corporation regarding accounting, internal controls, disclosure controls or auditing matters and a procedure for the confidential, anonymous submission of concerns by employees of the Corporation regarding such matters.

REVIEW AND DISCLOSURE
The Committee will review this Charter at least annually and submit it to the Governance and Nominating Committee together with any proposed amendments. The Governance and Nominating Committee will review the Charter and submit it to the board for approval with such further amendments as it deems necessary and appropriate.

This Charter will be posted on the Corporation's web site and the annual report or the management information circular of the Corporation will state that this Charter is available on the web site or is available in print to any shareholder who requests a copy.

ASSESSMENT
At least annually, the Governance and Nominating Committee will review the effectiveness of this Committee in fulfilling its responsibilities and duties as set out in this Charter and in a manner consistent with the corporate governance guidelines adopted by the board. The Committee will also conduct its own assessment of the Committee's performance on an annual basis.

ACCESS TO OUTSIDE ADVISORS AND SENIOR MANAGEMENT
The Committee may retain any outside advisor including legal counsel, at the expense of the Corporation, without the board's approval, at any time. The Committee has the authority to determine any such advisor's fees.

The Corporation will provide for appropriate funding, for payment of compensation to any auditor engaged to prepare or issue an audit report or perform other audit, review or attest services, and ordinary administrative expenses of the Committee.

Members will meet privately with senior management as frequently as they feel is appropriate to fulfill the Committee's responsibilities, but not less than annually.

MEETINGS
Meetings of the Committee may be called by any Member, the Chairman of the board, the Chief Executive Officer or Chief Financial Officer of the Corporation, the internal auditor or the auditor. Meetings will be held each quarter and at such additional times as is necessary for the Committee to fulfill its responsibilities. The Committee shall appoint a secretary to be the secretary of each meeting of the Committee and to maintain minutes of the meeting and deliberations of the Committee.

The powers of the Committee shall be exercisable at a meeting at which a quorum is present. A quorum shall be not less than a majority of the Members from time to time. Matters decided by the Committee shall be decided by majority vote. Subject to the foregoing, the Business Corporations Act (*Canada*) and the by-laws, and unless otherwise determined by the board, the Committee shall have the power to regulate its procedure.

Notice of each meeting shall be given to each Member, the internal auditor, the auditor, and to the Chairman of the board and the Chief Executive Officer of the Corporation. Notice of meeting may be given orally or by letter, facsimile or telephone not less than 24 hours before the time fixed for the meeting. Members may waive notice of any meeting and attendance at a meeting is deemed waiver of notice. The notice need not state the purpose or purposes for which the meeting is being held.

The Committee may invite from time to time such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee. The Committee may require the auditors to attend any or all meetings.

DEFINITIONS
Capitalized terms used in this Charter and not otherwise defined have the meaning attributed to them below:

"**Independent Director**" means a director who has been affirmatively determined by the board to have no material relationship with the Corporation, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Corporation. In addition to any other requirement of applicable securities laws or stock exchange provisions, a director who:

a) is an employee, or whose immediate family member is an executive officer, of the Corporation is not independent until three years after the end of such employment relationship;

b) is receiving, or whose immediate family member receives, more than US$50,000 per year in direct compensation from the Corporation, other than director and committee fees and pension or other forms of deferred compensation for prior

service (provided such compensation is not contingent in any way on continued service) is not independent until three years after he or she ceases to receive more than US$50,000 per year in compensation;

c) is affiliated with or employed by, or whose immediate family member is employed in a professional capacity by, a present or former internal or external auditor of the Corporation is not independent until three years after the end of the affiliation or employment relationship with the auditor;

d) is employed as, or whose immediate family member is employed as, an executive officer of another company where any of the present (at the time of review) members of senior management of the Corporation serve on that company's compensation committee is not independent until three years after the end of such service or the employment relationship; and

e) is an executive officer or an employee of, or whose immediate family member is an executive officer of, another company for which the Corporation accounts for at least 2% or US$1 million, whichever is greater, of such other company's consolidated gross revenues, in each case is not independent until three years after falling below such threshold.

Additionally, an Independent Director for the purpose of the Audit Committee specifically may not:

a) accept any consulting, advisory, or other compensatory fee from the Corporation or any of its subsidiaries, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); or

b) be an affiliated person of the Corporation or any of its subsidiaries (within the meaning of applicable rules and regulations).

For the purposes of the definition above, the term Corporation includes any parent, subsidiary or other affiliated entity of the Corporation.

In addition to the requirements for independence set out in paragraph (c) above, Members of the Audit Committee must disclose any other form of association they have with a current or former external or internal auditor of the Corporation to the Governance and Nominating Committee of the board of directors for a determination as to whether this association affects the Member's status as an independent director.

"Financially Literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

"Audit Committee Financial Expert" means a person who has the following attributes:

a) an understanding of generally accepted accounting principles and financial statements;

b) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;

c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more persons engaged in such activities;

d) an understanding of internal controls and procedures for financial reporting; and

e) an understanding of audit committee functions;

acquired through any one or more of the following:

f) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;

g) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;

h) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or other relevant experience; or

i) other relevant experience.

This charter of the Audit Committee was reviewed and approved by the board of directors of the Corporation on February 12, 2009.

Exhibit 99.2

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Management Discussion and Analysis of Financial Results ("MD&A") contains forward-looking information within the meaning of Canadian provincial securities laws and other "forward-looking statements" within the meaning of certain securities laws including Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations. We may make such statements in this report, in other filings with Canadian regulators or the SEC or in other communications. The words "believe", "typically", "expect", "potentially", "encourage", "tend", "primarily", "generally", "represent", "anticipate", "position", "likely", "pending", "might", "intend", "estimate", "expand", "scheduled", "endeavour", "seeking", "usually", "often" derivations thereof and other expressions of similar import, or the negative variations thereof, and similar expressions of future or conditional verbs such as "may", "will", "can", "should", "likely", "would" or "could" are predictions of or indicate future events, trends or prospects and which do not relate to historical matters or identify forward-looking statements. Forward-looking statements in this MD&A include, among others, statements with respect to our ownership interest in our U.S. residential operations, future investments of institutional clients, procedures and assumptions that we intend to follow in preparing our pro forma opening balance sheet for our adoption of International Financial Reporting Standards ("IFRS"), the duration we intend to hold most of our assets, our financial and operating objectives and strategies to achieve them, capital committed to our funds, potential growth of our asset management business and related revenue streams therefrom, our core liquidity levels, the likelihood that our commercial property rents will be paid, the strength of our tenant relationships, commencement of commercial operations at our new hydroelectric facilities in Brazil, changes in long-term power prices and the effect thereof on operating expenses and borrowing costs, the expected closings during the first quarter of 2009 of the sale of our interest in transmission lines in Brazil and our United Kingdom reinsurance business within Imagine Insurance and recovery of capital from the balance of the Imagine business, residential construction levels in relation to our Brazilian operations, residential construction margins in relation to our Australian operations, scheduled occupancy of the Bay Adelaide Centre in Toronto, construction of commercial office space on Ninth Avenue in New York City, future growth of our residential development properties, the underlying value of our development assets, expected returns from disposition gains in our restructuring funds, future income tax rates, future realization gains, planned expansion of our transmission operations, the impact of the current downturn in the economy on operating margins and opportunities, our ability to create value for our shareholders and clients, enhance the long-term value of our existing businesses, capitalize on future opportunities, achieve strong performance in our power generating operations, maintain or increase our net rental income, contract power into the future, generate revenue and margin from our transmission operations, attract new tenants for our commercial properties, pre-lease our commercial office properties under development, convert our rural development properties into residential and other purpose land, finance our assets and operations on a long-term basis and repay or refinance debt maturities, expand our infrastructure activities into new sectors, maintain the necessary level of liquidity to manage our financial commitments and capitalize on opportunities, as well as the outlook for the company's businesses and other statements with respect to our beliefs, outlooks, plans, expectations and intentions.

Although Brookfield believes that the anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.

Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include: economic and financial conditions in the countries in which we do business; the behaviour of financial markets, including fluctuations in interest and exchange rates; availability of equity and debt financing; strategic actions including dispositions; the ability to effectively integrate acquisitions into existing operations and the ability to attain expected benefits; the company's continued ability to attract institutional partners to its specialty funds; adverse hydrology conditions; timber growth cycles; environmental matters; regulatory and political factors within the countries in which the company operates; acts of God, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments including terrorist acts; changes in accounting policies to be adopted under IFRS; and other risks and factors detailed from time to time in the company's form 40-F filed with the Securities and Exchange Commission and Management's Discussion and Analysis of Financial Results as well as other documents filed by the company with the securities regulators in Canada and the United States.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Brookfield, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as may be required by law, the company undertakes no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.

CAUTIONARY STATEMENT REGARDING USE OF NON-GAAP ACCOUNTING MEASURES

This MD&A makes reference to cash flow from operations on a total and per share basis. Management uses cash flow from operations as a key measure to evaluate performance and to determine the underlying value of its businesses. Brookfield's consolidated statements of cash flow from operations provides a full reconciliation between this measure and net income. Readers are encouraged to consider both measures in assessing Brookfield's results. Operating cash flow is not a generally accepted accounting principle measure and differs from net income, and may differ from definitions of operating cash flow used by other companies. We define operating cash flow as net income prior to such items as depreciation and amortization, future income tax expense and certain non-cash items that in our view are not reflective of the underlying operations.

Management's Discussion and Analysis of Financial Results

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PART 1 – INTRODUCTION

The information in Management's Discussion and Analysis of Financial Results ("MD&A") should be read in conjunction with our audited consolidated financial statements, which are included on pages 79 through 111 of this report. Additional information, including the company's Annual Information Form, is available on the Corporation's web site at *www.brookfield.com* and on SEDAR's web site at *www.sedar.com*. For additional information on each of the five most recently completed financial years, please refer to the table on page 112 of this report.

BUSINESS OVERVIEW

Brookfield is a global asset management company, with a primary focus on property, power and infrastructure assets. We have established leading operating platforms in these sectors and, through them, own and manage a broad portfolio of high quality assets that generate long-term cash flows and opportunities to create value for our shareholders and our clients. We create value for shareholders by increasing, over time, the cash flows generated by these assets as well as income earned from managing the capital invested by our clients alongside our own.

BASIS OF PRESENTATION

We have organized the MD&A on a basis that is consistent with how we operate the business. We organize our activities into individual Operating Platforms which focus on a specific business segment. These platforms include commercial properties, power generation, infrastructure, development and other properties, specialty funds and public securities.

We use operating cash flow as a key measure of our financial performance. This is not a generally accepted accounting principle ("GAAP") measure and differs from net income, and may differ from definitions of operating cash flow used by other companies. We define operating cash flow as net income prior to such items as depreciation and amortization, future income tax expense and certain non-cash items that in our view are not reflective of the underlying operations. We provide this measure to investors as a measurement tool which we believe assists in analysis of the company, in addition to other traditional measures, which we also provide. We recognize the importance of net income as a GAAP measure to investors and provide a full reconciliation between these measures.

We present invested capital and operating cash flows on both a "total" and "net" basis. The "total" basis is similar to our consolidated financial statements with the exception that the assets and cash flows are organized by operating platforms. Total operating cash flow includes revenues from our operating platforms less direct operating costs, together with fees earned and investment and other income.

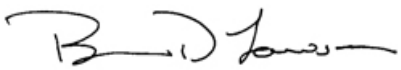
Net invested capital and net operating cash flows represent our pro rata interest in the underlying net assets and cash flows. They are, with the exception of the operations of Brookfield Properties Corporation, presented on a deconsolidated basis meaning that assets are presented net of associated liabilities and non-controlling interests. Similarly, cash flows are represented net of carrying charges associated with related liabilities and cash flow attributable to related non-controlling interests. Net invested capital and net operating cash flow are therefore representative of the amount of capital invested by us in each operation or fund and the operating cash flow that we are entitled to from the underlying activities. Furthermore, in our view, this presentation provides a more consistently comparable basis of presentation than our consolidated financial statements which include our operations under various methods, including equity accounting, proportionate consolidation and full consolidation.

We provide reconciliations between the basis of presentation in our MD&A and our consolidated financial statements in the tables on pages 54 and 55 and the accompanying discussion. We specifically reconcile operating cash flow and net income on page 39.

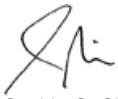
Assets under management include assets managed by us on behalf of our clients, as well as our own assets. We invest capital alongside our clients in many of our funds, and we continue to own a number of assets that we acquired prior to the formation of our asset management operations and are therefore not part of any fund. Assets under management include the assets reflected in our consolidated financial statements and, as a result, are based on book values that may differ materially from current market values, particularly in the case of long-life assets that we have owned for many years. Assets under management also include capital commitments that have not yet been drawn. Our calculation of assets under management may differ from that employed by other asset managers and, as a result, this measure may not be comparable to similar measures presented by other asset managers.

Co-investor commitments represent capital that has been committed to us to invest on behalf of the client. We typically earn base management fees on this capital from the time that the commitment to the fund is effective, during the period of time until the capital is invested (commonly referred to as the investment period) until such time as the investments are monetized and the capital returned to the client. Committed capital includes invested capital and commitments that have not yet been invested. Uninvested commitments represent capital available to us to invest and form part of our overall liquidity for these purposes.

Unless the context indicates otherwise, references in this MD&A to the “Corporation” refer to Brookfield Asset Management Inc., and references to “Brookfield” or “the company” refer to the Corporation and its direct and indirect subsidiaries and consolidated entities. All financial data included in the MD&A has been prepared in accordance with Canadian GAAP and specified non-GAAP measures unless otherwise noted. All figures are presented in U.S. dollars, unless otherwise noted.



Brian D. Lawson
Managing Partner and Chief Financial Officer



Sachin G. Shah
Senior Vice President, Finance

February 13, 2009

PART 2 – PERFORMANCE REVIEW

SUMMARY

We achieved solid performance during 2008, notwithstanding the difficult economic environment, and undertook a number of initiatives to protect and enhance the long-term value of our existing businesses and to better position the company to capitalize on opportunities that we expect will arise in the coming years.

Our financial results reflected the strong performance from our two largest business units, renewable power generation and commercial office properties. These results more than offset the lower cash flows generated from some of our smaller business units.

Our conservative approach to financing enables us to concentrate on running our businesses and executing our business strategies. We maintain substantial financial liquidity and finance our operations primarily at the asset level on a long-term, investment grade, non-recourse basis. During the year, we were successful in refinancing many of our near-term maturities with longer-dated debt to extend our maturity profile. Finally, the flexibility inherent in our asset base and our continued access to capital enabled us to further enhance our liquidity position.

Operating Cash Flow

Operating cash flow totalled $1.4 billion for the year compared with $1.9 billion in 2007 and $1.8 billion in 2006. On a more comparable basis, which excludes major disposition gains, operating cash flow was $1.2 billion or $1.98 per share compared with $1.1 billion or $1.79 per share in 2007, representing an 8% increase.

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	***2008***	*2007*	*2006*
Operating cash flow			
Total	**$ 1,423**	$ 1,907	$ 1,801
– per share	**2.33**	3.11	2.95
Excluding major disposition gains	**1,214**	1,120	1,191
– per share	**1.98**	1.79	1.93

Our power generating operations produced net operating income prior to debt service of $886 million, a record for this business and a significant increase over the $611 million generated in 2007. This increase was due to increased water flows and higher realized prices. We have locked in prices at attractive levels for approximately 75% of our power sales over the next two years and therefore we expect to achieve continued strong performance, assuming water flows are consistent with long-term averages.

Our office properties produced solid and stable results during 2008. Net operating cash flow increased to $782 million from $583 million due to increases in rental income from existing properties, the contribution from recently acquired properties and disposition gains. The overall occupancy level of the properties was 97% at year end, with an average lease term of seven years with high quality tenants and average in-place rents that are, by our estimation, 30% below comparable average market rents.

The strong performance of these two businesses provided significant stability to our results during the difficult economic environment of 2008, and the stable contracted revenue profiles of these businesses provide us with a high level of visibility and confidence for 2009 and 2010, and confidence in our ability to achieve our long-term objectives in future years as well.

Balance Sheet, Liquidity and Capitalization

We undertook a number of measures to strengthen our liquidity and capitalization. In aggregate, we completed $8 billion of financings during the year to extend existing maturities and provide liquidity to pursue business opportunities.

Our net invested capital is financed with a substantial equity base and only modest amounts of corporate borrowings.

	Shareholders' Equity	
AS AT DECEMBER 31, 2008 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	*Total*	*Per share*
Underlying value – excluding future taxes	$ 15,021	$ 24.32
Underlying value – including future taxes	12,801	20.62
Book value	5,788	8.93

At the corporate level, we extended $1.2 billion of our revolving credit facilities until 2012, with the remaining $0.2 billion not due until 2011. We also refinanced the one debt maturity that we had, of $300 million, with C$150 million of perpetual preferred shares and a $150 million private placement of notes with an average term of 4.3 years. We have no maturities at the corporate level until March 2010.

Our core liquidity is approximately $3.5 billion at the date of this report, up from $2.8 billion at the beginning of 2008, of which $1.8 billion is at the corporate level, $1.0 billion is at our principal operating platforms and $0.7 billion is under contract or has been received since year end.

The underlying values presented in this MD&A are prepared using the procedures and assumptions that we intend to follow in preparing our pro forma opening balance sheet for our adoption of International Financial Reporting Standards ("IFRS"). Accordingly, the underlying values reflect most of our tangible assets at fair value as of the balance sheet date, with corresponding adjustments to minority interests and shareholders' equity, but do not include any adjustments to reflect value attributable to our asset management franchise and do not reflect any upward revaluation of inventories to reflect current value. We have not adjusted the carrying values of our borrowings at this time. The underlying values are reduced by accounting provisions in respect of the theoretical tax liability that might arise if we were to liquidate the business based on the underlying values at the balance sheet date, consistent with IFRS accounting principles. Our intention, however, is to hold most of our assets for extended periods of time or otherwise defer this liability. The deferred tax balance is similar in this sense to the float in an insurance company which is available for investment for extended periods of time or even indefinitely. Accordingly, we also provide our underlying values on a pre-tax basis because, in our opinion, these are more reflective of the capital that is actually deployed on behalf of shareholders.

Net Income

The following table presents net income for the past three years determined in accordance with Canadian GAAP. We do not utilize net income as a key metric in assessing the performance of our business because, in our view, it contains measures that may distort the ongoing performance and intrinsic value of the underlying operations. Nevertheless we recognize the importance of net income as a key measure for many users and provide a discussion of net income and a reconciliation to operating cash flow in this review.

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	***2008***	*2007*	*2006*
Net income			
Total	**$ 649**	$ 787	$ 1,170
– per share	**1.02**	1.24	1.90
Excluding major disposition gains	**525**	349	624
– per share	**0.81**	0.51	0.99

Net income excluding major disposition gains increased to $525 million from $349 million on a comparable basis. In total, after taking major disposition gains into consideration, net income was lower than in 2007 due to a higher level of gains in prior years.

The increase on a comparable basis reflects the growth in operating cash flow discussed above, offset by a higher level of non-cash items. In particular, we recorded increased depreciation relating to a large office property portfolio acquired in 2007 as well as the revaluation for accounting purposes of certain hedging transactions. These items were partially offset by non-cash tax credits that reflect the increased value of our tax assets and a reduction in anticipated future taxes payable.

Performance Metrics

Annualized growth over the last five years was 16% excluding major disposition gains and 20% including such items, which exceeds our long-term objective.

	Long-term	*Five-Year*	*Annual Results*				
FOR THE YEARS ENDED DECEMBER 31	*Objective*	*Results*	***2008***	*2007*	*2006*	*2005*	*2004*
Operating cash flow per share							
– excluding major disposition gains	12%	16%	**$ 1.98**	$ 1.79	$ 1.93	$ 1.46	$ 1.03
– total	12%	20%	**$ 2.33**	$ 3.11	$ 2.95	$ 1.46	$ 1.03

The following table presents our cash return on equity, based on our operating cash flow as a percentage of average common shareholders' equity at book values:

FOR THE YEARS ENDED DECEMBER 31	Long-term Objective	Five-Year Results	Annual Results 2008	2007	2006	2005	2004
Cash return on book equity per share	20%	26%	**23%**	30%	34%	21%	19%

We achieved a 23% cash return on equity during 2008 and a 26% average return over the past five years. We exceeded our target by a considerable amount in 2007 and 2006 due to the higher level of disposition gains recorded in those years.

Asset Management Activities

We continued to expand our asset management activities during the year, increasing the number of funds, third-party capital under management and associated management fees. The following table presents key metrics relating to our asset management activities over the past three years:

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2008	2007	2006
Asset management revenues	**$ 449**	$ 415	$ 257
Base management and performance returns	**140**	112	71
Third-party capital commitments			
– Unlisted fund and specialty issuers	**9,174**	7,996	5,722
– Fixed income and real estate securities	**18,040**	26,237	20,460

Asset management revenues increased by 8% due to a higher level of base management fees, which increased by $30 million or 29%. The increase in base management fees reflects the growth in higher margin funds and capital under management, which offset the impact of lower fixed income and equity securities, which typically pay lower fees.

Capital committed by third-party clients to our unlisted funds and specialty issuers increased by $1.2 billion, however this was more than offset by a reduction in the value of assets under management within our fixed income and real estate securities management operations. Assets under management as measured in U.S. currency was also impacted by changes in foreign currency exchange rates on non-U.S. assets under management.

Summary of Financial Results

The following table summarizes our underlying values, net invested capital and net operating cash flows from our operations over the past two years:

AS AT AND FOR THE YEARS ENDED DECEMBER 31	*Underlying Value*	*Net Invested Capital*		*Net Operating Cash Flow*	
(MILLIONS, EXCEPT PER SHARE AMOUNTS)	***2008***	***2008***	*2007*	***2008***	*2007*
Asset management income				**$ 449**	$ 415
Operating platforms					
Commercial properties	**$ 7,798**	**$ 4,575**	$ 4,598	**763**	602
Power generation	**6,639**	**1,215**	1,425	**466**	261
Infrastructure	**974**	**761**	1,645	**141**	102
Development and other properties	**3,313**	**3,334**	3,464	**205**	301
Specialty funds	**903**	**870**	1,112	**126**	341
Investments	**701**	**702**	1,336	**180**	312
Cash and financial assets	**1,073**	**1,073**	892	**487**	693
Other assets	**2,650**	**2,568**	3,013	**—**	—
	$ 24,051	**$ 15,098**	$ 17,485	**$ 2,817**	$ 3,027
Liabilities					
Corporate borrowings	**$ 2,284**	**$ 2,284**	$ 2,048	**$ 163**	$ 146
Subsidiary borrowings	**733**	**733**	711	**77**	66
Capital securities	**1,425**	**1,425**	1,570	**88**	90
Other liabilities	**3,267**	**2,654**	3,482	**616**	450
	7,709	**7,096**	7,811	**944**	752
Capitalization					
Co-investor interests in consolidated operations	**3,541**	**2,214**	2,160	**450**	368
Preferred equity	**870**	**870**	870	**44**	44
Common equity	**11,931**	**4,918**	6,644	**1,379**	1,863
	16,342	**8,002**	9,674	**1,873**	2,275
	$ 24,051	**$ 15,098**	$ 17,485	**$ 2,817**	$ 3,027
Per Share					
– including future tax liability	**$ 20.62**	**$ 8.93**	$ 11.64	**$ 2.33**	$ 3.11
– excluding future tax liability	**$ 24.32**				

The table above includes the assets, liabilities and operating results of our North American property company, Brookfield Properties Corporation ("Brookfield Properties"), on a consolidated basis, with interests of minority shareholders in these operations presented as "co-investor interests in consolidated operations".

The common shareholders' equity, on an underlying value basis, is presented in the following table prior to and after reflecting accounting provisions for future tax liabilities.

AS AT DEC EMBER 31, 2008		
(MILLIONS, EXCEPT PER SHARE AMOUNTS)	*Total*	*Per Share*
Common equity – including future tax liability	$11,931	$ 20.62
Add back: future tax liability	2,220	3.70
Common equity – excluding future tax liability	$14,151	$ 24.32

We provide a detailed review of the invested capital and operating cash flows on both a consolidated basis, as well as on a net basis as presented above, in the balance of the Performance Review contained on the following pages. We also provide a reconciliation between operating cash flows and net income beginning on page 39 and a reconciliation to our consolidated financial statements beginning on pages 54 and 55.

OPERATING PLATFORMS

Commercial Properties

We own and operate high quality commercial office and retail properties on behalf of ourselves and our co-investors in North America, Australasia, Europe and Brazil.

The following table summarizes the invested capital and operating cash flows contributed by our commercial property operations:

	Invested Capital				Operating Cash Flow			
	Consolidated		Net Invested		Total		Net	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Office properties	**$19,657**	$20,922	**$4,485**	$4,495	**$1,773**	$1,518	**$782**	$583
Retail properties	**1,326**	1,698	**90**	103	**110**	48	**(19)**	19
	$20,983	$22,620	**$4,575**	$4,598	**$1,883**	$1,566	**$763**	$602
Underlying value	**$23,877**		**$7,798**					

Office Properties

We own and manage one of the highest quality commercial office portfolios in the world located in major financial, energy and government centre cities in North America, Australasia and Europe. Our strategy is to concentrate our operations in high growth, supply-constrained markets that have high barriers to entry and attractive tenant bases. Our goal is to maintain a meaningful presence in each of our primary markets so as to build on the strength of our tenant relationships.

AS AT DECEMBER 31, 2008	# of Properties	Total Area (000's Sq ft)	Consolidated Owned Interest (000's Sq ft)
North America			
U.S.	**79**	**54,177**	**46,975**
Canada	**29**	**20,258**	**20,258**
	108	**74,435**	**67,233**
Australasia	**27**	**9,581**	**6,829**
Europe			
Canary Wharf, London U.K.	**16**	**7,900**	**1,185**
Direct	**2**	**732**	**644**
	18	**8,632**	**1,829**
Total portfolio	**153**	**92,648**	**75,891**

Our North American operations are conducted through a 51%-owned subsidiary, Brookfield Properties, and our primary markets are New York, Boston, Houston, Los Angeles, Washington D.C., Toronto, Calgary and Ottawa. We also own a high quality portfolio of properties in Australia located primarily in Sydney, Brisbane, Melbourne and Perth. Our European operations are principally located in London, U.K. The properties in each of these geographic areas are held directly as well as through funds which we manage on behalf of ourselves and others on a contractual basis.

The following table sets out the consolidated assets and net capital invested in our office property operations by region:

	2008				2007			
AS AT DECEMBER 31 (MILLIONS)	**Consolidated Assets**	**Consolidated Liabilities**	**Co-Investor Interests**	**Net Invested Capital**	Consolidated Assets	Consolidated Liabilities	Co-Investor Interests	Net Invested Capital
Office properties								
North America	**$ 7,887**	**$ 5,675**	**$ —**	**$ 2,212**	$ 8,737	$ 6,297	$ —	$ 2,440
U.S. Core Office Fund	**7,395**	**5,729**	**923[1]**	**743**	7,247	5,502	955[1]	790
Australasia	**2,458**	**1,283**	**102**	**1,073**	2,927	2,077	127	723
Europe	**986**	**642**	**—**	**344**	796	561	—	235
Working capital	**931**	**818**	**—**	**113**	1,215	908	—	307
	$ 19,657	**$ 14,147**	**$ 1,025**	**$ 4,485**	$ 20,922	$ 15,345	$ 1,082	$ 4,495

1 Includes $711 million (2007 – $739 million) of co-investor interests that are classified as liabilities for accounting purposes

Consolidated office property assets decreased from $20.9 billion to $19.7 billion. Consolidated assets and liabilities within our Canadian and Australian operations declined due to lower currency exchange rates and property sales. Net invested capital in all regions was relatively unchanged. The consolidated carrying value of our North American properties is approximately $221 per square foot, substantially less than the estimated replacement cost of these assets.

During the year we completed $1.2 billion of financings to refinance existing properties. Core office property debt at December 31,2008 had an average interest rate of 5.6% and an average term to maturity of seven years.

Working capital assets include rents receivable as well as a portion of the purchase price of properties totalling $841 million that has been attributed to items such as above-market leases and tenant relationships. Similarly, working capital liabilities include $760 million in respect of items such as below-market tenant and land leases.

The following table shows the sources of operating cash flow by geographic region:

	Operating Cash Flow							
	2008				2007			
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**Total**	**Interest Expense**	**Co-investor Interests**	**Net**	Total	Interest Expense	Co-investor Interests	Net
North America	**$1,485**	**$ 673**	**$ 97[1]**	**$715**	$1,416	$ 718	$ 125[1]	$573
Australasia	**213**	**178**	**9**	**26**	62	57	—	5
Europe	**75**	**34**	**—**	**41**	40	34	1	5
	$1,773	**$ 885**	**$ 106**	**$782**	$1,518	$ 809	$ 126	$583

1 Includes $23 million (2007 – $55 million) attributable to co-investor interests classified as liabilities and interest expenses for accounting purposes

The following table sets out the variances in operating cash flows:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2008**	Total 2007	Variance
Same properties	**$1,323**	$1,301	$ 22
Acquired properties	**268**	62	206
Dividend from Canary Wharf	**31**	—	31
Disposition gains	**164**	145	19
Other	**(13)**	10	(23)
Total operating cash flow	**1,773**	1,518	255
Interest expense and co-investor interests			
– Existing properties	**(793)**	(878)	85
– Acquired properties	**(198)**	(57)	(141)
Net operating cash flow	**$ 782**	$ 583	$ 199

We leased 6.4 million square feet in our North American portfolio during 2008 at an average net rent of $25.44 per square foot, replacing expiring leases that averaged $17.80 per square foot, leading to increased rent. We continue to manage our portfolios and tenant relationships on a proactive basis which can lead to opportunities to re-lease space for increased yields while minimizing vacancies.

Property acquisitions were responsible for most of the increase in operating cash flows, which is to be expected given the stable nature of our long-term lease portfolio and the high credit quality of our tenants. The increase was $65 million on a net basis after taking incremental borrowing costs into consideration. The Australian portfolio contributed total operating cash flows of $213 million (2007 – $62 million) and net operating cash flows of $26 million (2007 – $5 million).

The disposition gains occurred largely in our North American portfolio and in 2008 included $164 million from the sale of a partial interest in the Canada Trust office property in Toronto while the 2007 results reflect the sale of non-core properties in Washington D.C., Toronto and Ottawa.

Interest expense and co-investors' interests decreased by $85 million over 2007 due largely to the impact of lower interest rates on floating rate debt. Interest expense on borrowings associated with acquisitions increased by $141 million.

Leasing Profile

Our total portfolio worldwide occupancy rate at the end of 2008 increased to 97% compared to 96% at December 31, 2007, and the average term of the leases was seven years, unchanged from the prior year.

AS AT DECEMBER 31, 2008	*Current Occupancy*	*Average Term*	*Net Rental Area*	*Currently Available*	*Expiring Leases (000's Sq ft) 2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*2015+*
Core North American markets											
United States	96%	7.0	46,975	2,002	1,397	1,650	2,797	3,432	7,745	3,141	24,811
Canada	99%	7.1	18,620	179	528	933	1,199	1,230	3,111	400	11,040
Other North American	99%	7.5	1,638	21	41	181	142	90	104	45	1,014
United Kingdom	92%	18.9	644	53	—	—	35	—	—	—	556
Australasia	99%	7.6	6,829	46	360	367	334	279	276	343	4,824
Total/Average	97%	7.2	74,706	2,301	2,326	3,131	4,507	5,031	11,236	3,929	42,245
Percentage of Total			100%	3%	3%	4%	6%	7%	15%	5%	57%

As at December 31, 2008, the average term of our in-place leases in North America was seven years. Annual lease expiries average 4% over the next four years with only 3% expiring in 2009. Average in-place net rents across the portfolio have remained unchanged at $23 per square foot from the end of last year, and continue to be at a significant discount to the average market rent of $32 per square foot. This discount provides greater assurance that we will be able to maintain or increase our net rental income in the coming years, notwithstanding the present difficult economic environment.

Average in-place rents in our Australian portfolio are $34 per square foot, approximately 10% below market rents. During the year we leased 1.3 million square feet of space at higher rates than the expiring leases. The occupancy rate across the portfolio remains high at 99.3% and the weighted average lease term is approximately eight years. Our fifteen largest tenants have a weighted average lease life of nine years and account for approximately 70% of our leaseable area. These tenants have an average rating profile of A+.

The high quality of our properties has enabled us to sign long-term leases with high quality tenants that have strong credit profiles. The contractual terms of these leases provide a high level of assurance that rents will be paid as expected unless a bankruptcy event occurs. Notwithstanding the recent economic turmoil, only 400,000 square feet, representing less than 1% of our net rentable area and annualized net operating income of $3.5 million, were returned to us as a result of credit events, and we subsequently re-leased 110,000 square feet of this space at equivalent or better rents. Furthermore, the competitive positions of our properties in their respective markets enable us to attract new tenants from lower quality buildings to fill any excess in vacant space and we are in active negotiations to lease the remainder of the space returned.

Retail

Our Brascan Brasil Real Estate Partners Fund was formed in late 2006 and has $830 million of committed capital (Brookfield's share – 25%). The fund is almost fully invested with $1.3 billion of total assets representing one of the largest retail portfolios in Brazil. The portfolio consists of interests in 15 shopping centres and associated office space totalling 4.1 million square feet of net leasable area, located primarily in Rio de Janeiro and São Paulo as well as Curitiba, Belo Horizonte, Mogi das Cruzes and Piracicaba.

	Invested Capital				*Operating Cash Flow*			
	Total		*Net*		*Total*		*Net*	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*
Retail properties	**$ 962**	$ 1,489	**$ 962**	$ 1,489	**$110**	$ 48	**$ 110**	$ 48
Working capital/operating costs	**364**	209	**(136)**	(662)			**(15)**	(10)
Borrowings/interest expense			**(614)**	(462)			**(125)**	(6)
Co-investor interests			**(122)**	(262)			**11**	(13)
	$1,326	$ 1,698	**$ 90**	$ 103	**$110**	$ 48	**$ (19)**	$ 19

Total operating cash flows increased to $110 million in 2008 compared to $48 million in 2007. The increase reflects the contribution from properties acquired in late 2007 and higher sales within existing properties. Many of the properties were undergoing significant redevelopment during the year, which reduced net rent and increased costs. Net operating cash flow also reflects integration and borrowing costs associated with the acquired assets. The 2007 results reflect a disposition gain of $8 million.

The declines in consolidated assets and net invested capital are due primarily to the impact of lower currency exchange rates. Borrowings also include $121 million of debt incurred by the fund to finance the purchase of the initial portfolio assets, which is guaranteed by the obligations of ourselves and our partners to subscribe for capital in the fund equal to the outstanding balance.

Underlying Value

The underlying values of the consolidated assets and net equity of our commercial portfolio were determined to be $23.9 billion and $7.8 billion, respectively, as at December 31, 2008. The key metrics used in each geographic region are set out in the following table:

	North America			*Australia*			*United Kingdom*		
	Minimum	*Maximum*	*Average*	*Minimum*	*Maximum*	*Average*	*Minimum*	*Maximum*	*Average*
Discount rate	6.5%	13.0%	8.2%	6.3%	9.4%	7.0%	5.5%	8.5%	6.2%
Terminal capitalization rate	5.7%	9.0%	6.9%	8.5%	11.0%	8.9%	5.5%	8.5%	6.2%
Exit date	2010	2041	2017	2018	2018	2018	n/a[1]	n/a[1]	n/a[1]

1 U .K. valuations assume properties held in perpetuity

The underlying value of our combined commercial office and retail portfolio represents a 7.2% “going in” capitalization rate based on the 2008 total operating cash flows, excluding gains, of $1.7 billion. The valuations are most sensitive to changes in the discount rate. A 100-basis point change in the discount rate results in a $1.4 billion change in our common equity value after reflecting the interests of minority shareholders.

Renewable Power Generation

We have assembled one of the largest privately owned hydroelectric power generating portfolios in the world. Our power generating operations are predominantly hydroelectric facilities located on river systems in the U.S., Canada and Brazil. As at December 31, 2008, we owned and managed 162 conventional hydroelectric generating stations with a combined generating capacity of approximately 3,129 megawatts. Power stations are located in Ontario, Quebec, British Columbia, New York, New England, Louisiana and Brazil. This geographic distribution provides diversification of water flows to minimize the overall impact of hydrology fluctuations. Our storage reservoirs contain sufficient water to produce approximately 22% of our total annual generation and provide partial protection against short-term changes in water supply. The reservoirs also enable us to optimize selling prices by generating and selling power during higher-priced peak periods. We also own and operate two natural gas-fired plants, a 600 megawatt pumped storage facility and a 189 megawatt wind energy project. Overall, our assets represent 4,133 megawatts of generating capacity.

	Capacity (MW)		*# of Stations*		*Long-Term Average Generation (GWh)*	
AS AT DEC EMBER 31	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*
Hydroelectric generation						
North America						
United States	**1,303**	1,284	**99**	98	**6,072**	5,927
Canada	**1,314**	1,308	**32**	32	**4,971**	4,931
Brazil	**512**	295	**31**	26	**2,152**	1,257
Total hydroelectric generation	**3,129**	2,887	**162**	156	**13,195**	12,115
Wind energy	**189**	189	**1**	1	**534**	534
Co-generation and pump storage	**815**	815	**3**	3	**1,264**	1,168
	4,133	3,891	**166**	160	**14,993**	13,817

The following table summarizes our invested capital and the net operating cash flow generated by our power generating operations during 2008 and 2007:

	Invested Capital				Operating Cash Flow			
	Total		Net		Total		Net	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*
Hydroelectric generation	**$ 4,223**	$4,299	**$ 4,223**	$ 4,299	**$796**	$531	**$ 796**	$ 531
Wind, pump storage and cogeneration	**479**	602	**479**	602	**90**	80	**90**	80
Development	**253**	236	**253**	236	**—**	—	**—**	—
	4,955	5,137	**4,955**	5,137	**886**	611	**886**	611
Cash and financial assets	**357**	784	**357**	784			**—**	—
Working capital	**1,161**	881	**335**	2			**(21)**	(7)
Unsecured corporate power borrowings			**(653)**	(797)			**(40)**	(41)
Property-specific debt/interest expense			**(3,587)**	(3,488)			**(273)**	(248)
Co-investor interests			**(192)**	(213)			**(86)**	(54)
	$ 6,473	$6,802	**$ 1,215**	$ 1,425	**$886**	$611	**$ 466**	$ 261
Underlying value	**$12,051**		**$ 6,639**					

Total assets in this segment decreased $0.3 billion to $6.5 billion from $6.8 billion during the year due to accounting depreciation and the impact of translating non-U.S. dollar denominated assets at lower currency exchange rates, offset by the acquisition and development of facilities in North America and Brazil. In aggregate, we invested $24 million in development and $372 million in acquisitions during the year.

During 2008, we commenced commercial operations at three new hydroelectric facilities in Brazil that have a combined capacity to generate 61 megawatts of electricity and we currently have three other projects under construction in the country, totalling 85 megawatts of installed capacity that are expected to commence commercial operations during 2009. The acquisitions completed during 2008 added 156 megawatts in Brazil and 18 megawatts in the United States.

Property-specific debt has an average interest rate of 7%, an average term of 12 years and is all investment grade quality. The corporate unsecured notes bear interest at an average rate of 5%, have an average term of eight years and are rated BBB by S&P, BBB (high) by DBRS and BBB by Fitch.

The following table highlights the variances in operating cash flow between 2008 and 2007:

	Net Operating Cash Flow		
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*	*Variance*
Hydroelectric generation			
North America			
United States	**$ 397**	$ 292	$ 105
Canada	**271**	171	100
Brazil	**128**	68	60
Total hydroelectric generation	**796**	531	265
Other generation			
Wind energy	**32**	33	(1)
Co-generation and pump storage	**58**	47	11
Total operating cash flow	**886**	611	275
Cash taxes and other expenses	**(21)**	(7)	(14)
Interest expenses	**(313)**	(289)	(24)
Non-controlling interests	**(86)**	(54)	(32)
Net operating cash flow	**$ 466**	$ 261	$ 205

Total operating cash flows increased by $275 million to $886 million due to a 9% increase in realized prices and a 24% increase in generation. Net operating cash flow increased by $205 million to $466 million, as the increase in total cash flows was partially offset by increased financing costs, cash taxes and other expenses, and the interests of co-investors in the increased profitability.

Realized Prices and Operating Margins

The following table illustrates revenues and operating costs for our hydroelectric facilities:

FOR THE YEARS ENDED DECEMBER 31 (GIGAWATT HOURS AND $ MILLIONS)	**2008** Actual Production	Realized Revenues	Operating Costs	Operating Cash Flows	2007 Actual Production	Realized Revenues	Operating Costs	Operating Cash Flows
Canada	**5,277**	**$ 360**	**$ 89**	**$ 271**	3,892	$ 250	$ 79	$ 171
United States	**6,681**	**551**	**154**	**397**	5,673	420	128	292
Brazil	**2,267**	**182**	**54**	**128**	1,326	105	37	68
Total	**14,225**	**$ 1,093**	**$ 297**	**$ 796**	10,891	$ 775	$ 244	$ 531
Per MWh		**$ 77**	**$ 21**	**$ 56**		$ 71	$ 22	$ 49

Realized prices from our hydro portfolio increased by 9% to $77 per megawatt hour compared to 2007 levels, due to recontracting power (including short-term financial contracts) at higher prices, higher volumes for capacity and other ancillary services and our ability to surface higher revenue by generating power during peak price periods. The higher water levels provided us with a greater amount of generation that had not been previously contracted, allowing us to benefit from the high energy price environment by selling the additional energy generated at the higher spot prices. Our ability to capture peak pricing and sell other energy products, such as capacity, also contributed to higher realized prices.

Operating costs declined slightly on a per unit basis. In Canada, higher generation levels reduced the per unit impact of fixed costs. Costs in Brazil benefited from a lower currency exchange rate over the year although this also reduced the associated revenues. Operating costs in the United States were relatively unchanged on a per unit basis.

Cash flows from our non-hydro facilities, as shown in the following table, increased due to higher realized prices, despite lower generation levels. The higher realized price is a result of our ability to participate in the forward reserve market using our pump storage facility, thereby receiving incremental cash payments in return for committing our generating capacity, in addition to the revenues from actual generation.

FOR THE YEARS ENDED DECEMBER 31 (GIGAWATT HOURS AND $ MILLIONS)	**2008** Actual Production	Realized Revenues	Operating Costs	Operating Cash Flows	2007 Actual Production	Realized Revenues	Operating Costs	Operating Cash Flows
Co-generation and pump storage	**1,249**	**$ 156**	**$ 98**	**$ 58**	1,493	$ 147	$ 100	$ 47
Wind energy	**456**	**40**	**8**	**32**	478	41	8	33
Total	**1,705**	**$ 196**	**$ 106**	**$ 90**	1,971	$ 188	$ 108	$ 80
Per MWh		**$ 115**	**$ 62**	**$ 53**		$ 95	$ 55	$ 40

Generation

The following table summarizes generation over the past two years:

FOR THE YEARS ENDED DECEMBER 31 (GIGAWATT HOURS)	Long-Term Average	**Actual Production** **2008**	2007	Variance to Long-Term Average	Variance to Actual 2007
Existing capacity	11,851	**12,921**	10,665	1,070	2,256
Acquisitions – during 2007 and 2008	1,344	**1,304**	226	(40)	1,078
Total hydroelectric operations	13,195	**14,225**	10,891	1,030	3,334
Wind energy	534	**456**	478	(78)	(22)
Co-generation and pump storage	1,264	**1,249**	1,493	(15)	(244)
Total generation	14,993	**15,930**	12,862	937	3,068

Total hydroelectric generation increased by 3,334 gigawatt hours or 31% over 2007 due to increased generation from our conventional hydroelectric facilities. Approximately two-thirds of the increase (2,256 additional gigawatt hours) came from existing hydroelectric capacity owned throughout 2008 and 2007 (i.e. “same store” basis) due to higher water flows while approximately one-third (1,078 gigawatt hours) came from recently acquired or developed facilities. Hydroelectric generation was 8% above expected long-term averages, whereas the 2007 results were 10% below long-term averages. Our wind facilities generated 456 gigawatt hours, which was lower than the long-term average. However availability has averaged 97% since its commissioning in

2006. With respect to 2009, our reservoirs are at normal levels for this time of year and, as a result, we believe that we are in a good position to be able to operate our facilities at long-term average levels during the year, assuming normal water conditions prevail.

Contract Profile

Consistent with our strategy to establish lower volatility revenue streams, the prices for approximately 75% of our projected generation for 2009 and 2010 are contracted pursuant to long-term bilateral power sales agreements or shorter-term financial contracts. The remaining generation is sold into wholesale electricity markets when certainty of generation is confirmed.

Our long-term sales contracts, which account for more than 50% of total generation, have an average term of 12 years. The majority of our counterparties are investment grade in nature, including a number of government agencies. The financial contracts typically have a term of less than two years and are with high credit-worthy counterparties.

The following table sets out the profile of our contracts over the next five years from our existing facilities, assuming long-term average hydrology:

	Years ended December 31				
	2009	*2010*	*2011*	*2012*	*2013*
Generation (GWh)					
Contracted					
Power sales agreements	7,566	7,534	7,065	6,296	6,061
Financial contracts	4,366	2,873	—	—	—
Uncontracted	2,954	4,373	7,721	8,482	8,717
	14,886	14,780	14,786	14,778	14,778
Contracted generation					
% of total	80%	70%	48%	43%	41%
Revenue ($millions)	805	733	495	466	461
Price ($/MWh)	67	70	70	74	76

The average selling price for contracted power increases to $76 per megawatt hour from $67 per megawatt hour over the next five years, reflecting contractual step-ups in long duration contracts with locked-in prices and the expiry of lower priced contracts during the period. The decrease in these prices from those reported in prior quarters reflects the impact of lower currency exchange rates on non-U.S. contracts which should also have a mitigating impact on operating expenses and borrowing costs.

Underlying Value

The underlying value of our power generation portfolio was determined to be $6.6 billion as at December 31, 2008 in total after deducting borrowings and minority interests. The key metrics are set out in the following table:

	United States			*Canada*			*Brazil*		
	Minimum	*Maximum*	*Average*	*Minimum*	*Maximum*	*Average*	*Minimum*	*Maximum*	*Average*
Discount rate	9.0%	12.0%	10.5%	9.0%	12.0%	10.7%	13.0%	13.0%	13.0%
Terminal capitalization rate	11.0%	12.0%	11.1%	11.0%	12.0%	11.0%	14.0%	14.0%	14.0%
Exit date	2028	2028	2028	2014	2028	2027	2028	2028	2028

The total valuation of our hydroelectric facilities of $12.1 billion represents a “going-in” capitalization rate of 7.6% based on 2008 cash flows adjusted to reflect long-term average hydrology. The valuations are impacted primarily by the discount rate and long-term power prices. A 100-basis point change in the discount rate and a 10% change in long-term power prices will each impact the value of our net invested capital by $0.9 billion.

INFRASTRUCTURE

Our infrastructure activities are currently concentrated in the timber and electricity transmission sectors, although we expect that, over time, we will expand into new sectors that provide similar investment characteristics. Our operations are located in the United States, Canada, Chile and Brazil and are primarily owned through managed funds. The invested capital and net operating cash flows contributed by these operations are summarized in the following table:

	Invested Capital				Operating Cash Flow			
	Total		Net		Total		Net	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Timberlands	**$ 3,557**	$ 3,675	**$ 439**	$ 1,025	**$ 169**	$ 158	**$ 61**	$ 40
Transmission	**856**	760	**322**	620	**166**	160	**80**	62
	$ 4,413	$ 4,435	**$ 761**	$ 1,645	**$ 335**	$ 318	**$141**	$102
Underlying value	**$ 5,059**		**$ 974**					

Timber

We manage 2.6 million acres of high quality private freehold timberlands with an aggregate underlying value of $4.2 billion. These assets are held primarily through two private funds that currently hold operations located on the west coast of Canada and the U.S. Pacific Northwest. We also manage a listed specialty issuer that operates in Eastern North America and a $280 million private timber fund focused on Brazil, which is largely uninvested at this time, and hold direct interests in timber assets in Brazil.

	Invested Capital				Operating Cash Flow			
	Total		Net		Total		Net	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Timberlands								
Western North America	**$ 2,613**	$ 2,708			**$ 146**	$ 130		
Eastern North America	**150**	185			**15**	20		
Brazil	**63**	66			**8**	8		
	2,826	2,959	**$ 2,826**	$ 2,959	**169**	158	**$169**	$158
Working capital/other expenses	**731**	716	**158**	74			**(5)**	—
Property-specific debt/interest expense			**(1,550)**	(1,691)			**(89)**	(85)
Co-investor interests			**(995)**	(317)			**(14)**	(33)
	$ 3,557	$ 3,675	**$ 439**	$ 1,025	**$ 169**	$ 158	**$ 61**	$ 40
Underlying value	**$ 4,164**		**$ 613**					

Consolidated assets held within our timber operations and related borrowing levels were relatively unchanged during the year. Net invested capital declined with the transfer of 30% of our U.S. Pacific Northwest operations and three-quarters of our interest in our Western Canadian operations to 40%-owned Brookfield Infrastructure Partners L.P. ("Brookfield Infrastructure Partners") as well as the subsequent transfer of our remaining 70% interest in the U.S. Pacific Northwest operations to a global timber fund in which we hold a 37% direct and indirect interest. This resulted in a corresponding increase in third-party interests and the receipt by us of $590 million in cash proceeds.

Total operating cash flow increased to $169 million, reflecting a full year contribution from the U.S. Pacific Northwest operations, which were acquired in April 2007, as well as a $24 million gain from the partial sale of these assets to our global timber fund. These factors were offset by lower prices due to the slowdown in the U.S. homebuilding industry, which resulted in lower demand and prices for premium species such as high quality Douglas fir. In response, we continue to exploit the flexibility inherent in timber management which allows us to defer harvesting until prices recover and also allows the trees to continue to grow. Our Western North American operations have also increased on exports to Asia, which provided higher margins.

Interest costs were in line with the prior year while co-investor interests in operating cash flows declined in line with the reduction in operating margins and net operating cash flows. During the year we raised $1.0 billion of non-recourse debt secured by our U.S. Pacific Northwest operations which has an average term of 7 years and a 5.2% interest rate to replace shorter-term debt that was maturing later in the year. The overall duration of timber borrowings is 9 years, compared to 5 years at the end of 2007.

The following table summarizes the operating results from our timber operations:

FOR THE YEARS ENDED DECEMBER 31	2008 Sales ($000's m³)	2008 Revenue ($ millions)	2007 Sales ($000's m³)	2007 Revenue ($ millions)
Western North America				
Douglas fir	**2,397**	**$ 210**	2,092	$ 191
Whitewood	**1,249**	**74**	1,318	87
Other species	**657**	**71**	353	51
	4,303	**355**	3,763	329
Eastern North America and Brazil	**2,535**	**82**	1,920	89
	6,838	**$ 437**	5,683	$ 418

We sold 6.8 million cubic metres of timber during 2008, up 20% compared to 2007, reflecting a full year contribution from the U.S. Pacific Northwest timberlands, partially offset by lower volumes of Douglas fir and Whitewood due to the slowdown in the U.S. homebuilding industry. Sales volumes of other species increased as a result of better relative market conditions for pulp logs and cedar. Eastern North America and Brazil volume increased relative to 2007 with higher volumes in Brazil being partly offset by the lower volumes in Eastern North America.

Realized prices across our operations declined by approximately 13% while operating costs per unit were higher due to product mix and to a lesser extent higher fuel costs. The average realized price for Douglas fir decreased by 4% compared to the prior year. Declines in prices of products sold to the domestic market were offset by a higher percentage of high value appearance and export grade products sold to off-shore markets. The average selling price for Whitewood decreased by 10% over 2007 reflecting North American market conditions. The change in the average realized price for other species is mostly attributable to alternations in the mix of products included in that category.

Transmission

Our electricity transmission operations include the largest transmission system in Chile, a smaller transmission and distribution system in Northern Ontario and interests in transmission lines in Brazil which have been sold in a transaction which is expected to close in March 2009. Our direct and indirect interests in these operations, which are held through funds managed by us, are as follows: 17% in the Chilean operations; 40% and 100% in the Northern Ontario transmission and distribution operations, respectively; and 8% in the Brazilian operations.

Our transmission operations generate stable revenues that are largely governed by regulated frameworks and long-term contracts. Accordingly, we expect this segment to produce consistent revenue and margins that should increase with inflation and other factors such as operational improvements. We also expect to achieve continued growth in revenues and income by investing additional capital into our existing operations.

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Invested Capital Total 2008	Invested Capital Total 2007	Invested Capital Net 2008	Invested Capital Net 2007	Operating Cash Flow Total 2008	Operating Cash Flow Total 2007	Operating Cash Flow Net 2008	Operating Cash Flow Net 2007
Transmission facilities and investments								
Chile	**$324**	$330			**$ 37**	$114		
North America	**158**	193			**37**	31		
Brazil	**207**	205			**91**	15		
	689	728	**$ 689**	$ 728	**165**	160	**$165**	$160
Working capital/other expenses	**167**	32	**116**	6	**1**	—	**(22)**	(4)
Property-specific debt/interest expense			**(237)**	(114)	**—**	—	**(13)**	(65)
	856	760	**568**	620	**166**	160	**130**	91
Co-investor interests			**(246)**	—	**—**	—	**(50)**	(29)
	$856	$760	**$ 322**	$ 620	**$166**	$160	**$ 80**	$ 62
Underlying value	**$895**		**$ 361**					

Consolidated assets held within our transmission operations were relatively unchanged during the year. Net invested capital declined with the transfer of our Northern Ontario transmission operations, the majority of our interest in our Chilean operations, and our interests in the Brazilian transmission lines to 40%-owned Brookfield Infrastructure Partners. This resulted in a corresponding increase in co-investor interests.

Transmission operations contributed $80 million of net operating cash flow, after deducting carrying charges and co-investor interests, compared with $62 million during 2007. Total operating cash flows in each year were $166 million and $160 million, respectively.

The operating cash flows from our Chilean operations are recorded on an equity basis (i.e. our proportionate share of the net operating cash flows after deducting interest expense and co-investor interests) for all of 2008 whereas they were fully consolidated for the first six months of 2007. This resulted in an apparent decline in reported revenue, interest expenses and co-investor interests. The contribution from these operations on a comparable basis (i.e. equity accounted), however, was $37 million in 2008 and $28 million in 2007. The increase reflects non-recurring revenue as a result of a retroactive rate base increase, as well as the ongoing benefit of the rate base increase, inflation indexation and capital investments which is partially offset by a decrease in our ownership interest. After adjusting for non-recurring items, the operating margins at our Chilean transmission operations were 82% which is in line with historical levels.

We exercised our rights to sell our Brazilian investment pursuant to our original purchase agreement for an inflation adjusted return of 14.8%, giving rise to a revaluation gain of $71 million in 2008. We expect to receive total proceeds of approximately $274 million inclusive of hedge proceeds. To date, we have received $68 million of proceeds, of which $41 million was received subsequent to year end. We expect to receive the balance upon closing, which should occur during the first quarter of 2009, subject to receipt of regulatory and other approvals.

Underlying Value

The net asset value of our infrastructure operations was determined to be $0.4 billion as at December 31, 2008 after deducting borrowings and minority interests.

The valuations of our timberlands are based on independent appraisals. Key assumptions include a weighted average discount and terminal capitalization rate of 6.5% at a terminal valuation date of 72 years on average. Timber prices were based on a combination of forward prices available in the market and the price forecasts of each appraisal firm.

The valuation of our transmission operations is based on the contractual sale price for our Brazilian interests, an independent valuation of our Chilean transmission business, and an internal valuation of our Northern Ontario operations based on the regulated rate base. In valuing our Chilean transmission business, key assumptions included a weighted average discount rate of 11.0%, a terminal capitalization rate of 8.6% and an average terminal valuation date of 2023.

DEVELOPMENT AND OTHER PROPERTIES

Development and other properties include our opportunity investment funds, residential operations, properties under development and held for development and construction activities.

	Invested Capital				*Operating Cash Flow*			
	Total		*Net*		*Total*		*Net*	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*
Opportunity investments	**$ 1,295**	$ 1,571	**$ 183**	$ 225	**$ 115**	$ 137	**$ 45**	$ 38
Residential	**3,820**	3,453	**171**	548	**38**	272	**106**	260
Under development	**1,970**	2,431	**742**	734	**(25)**	3	**(27)**	3
Held for development	**2,260**	1,801	**1,693**	1,355	**—**	—	**—**	—
Construction activities	**1,299**	1,517	**545**	602	**81**	—	**81**	—
	$ 10,644	$ 10,773	**$ 3,334**	$ 3,464	**$ 209**	$ 412	**$ 205**	$ 301
Underlying value	**$ 10,619**		**$ 3,313**					

Opportunity Investments

We manage niche real estate opportunity funds with $435 million of committed capital (Brookfield's share – $247 million).

Total property assets within the funds were approximately $1.3 billion at year end, a decrease of $0.3 billion from the end of 2007, due to asset sales. The portfolio of 99 properties is comprised predominantly of office properties in a number of cities across North America as well as smaller investments in industrial, student housing, multi-family and other property asset classes.

	Invested Capital				*Operating Cash Flow*			
	Total		*Net*		*Total*		*Net*	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*
Properties	**$ 1,295**	$ 1,571	**$ 1,082**	$ 1,280	**$ 72**	$ 67	**$ 72**	$ 67
Disposition gains	**—**	—	**—**	—	**43**	70	**23**	28
Property-specific mortgages/interest expense	**—**	—	**(773)**	(934)	**—**	—	**(42)**	(54)
Co-investor interests	**—**	—	**(126)**	(121)	**—**	—	**(8)**	(3)
	$ 1,295	$ 1,571	**$ 183**	$ 225	**$ 115**	$ 137	**$ 45**	$ 38

Due to the focus on value enhancement and the relatively short hold period for properties, we expect that most of our returns will come from disposition gains, as opposed to net rental income. Our first fund is fully invested and is continuing to sell properties that have been successfully repositioned while we continue to invest the capital committed to our second fund.

Residential

We conduct residential property operations in Canada, Brazil, Australia and the United States, in which we hold the following interests: Canada – 51%; Brazil – 42%; Australia – 100%; and United States – 58%.

We benefited from the diversification of our residential operations as the impact of the slowdown in the U.S. was offset by profitable contributions from our Canadian and Brazilian operations.

	Invested Capital				*Operating Cash Flow*			
	Total		*Net*		*Total*		*Net*	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*
Residential properties								
Canada	**$ 478**	$ 516	**$ 478**	$ 516	**$ 144**	$ 237		
Brazil	**1,878**	1,009	**735**	612	**69**	92		
Australia	**486**	544	**486**	98	**(7)**	—		
United States	**978**	1,384	**821**	1,224	**(15)**	46		
Impairment charge – U.S. operations					**(153)**	(103)		
	3,820	3,453	**2,520**	2,450	**38**	272	**$ 38**	$ 272
Subsidiary borrowings/interest expense [1]			**(1,727)**	(1,363)	**—**	—	**(6)**	(18)
Cash taxes			**—**	—	**—**	—	**73**	18
Co-investor interests			**(622)**	(539)	**—**	—	**1**	(12)
	$ 3,820	$ 3,453	**$ 171**	$ 548	**$ 38**	$ 272	**$ 106**	$ 260

1 Portion of interest expensed through cost of sales

Total assets, which include property assets as well as housing inventory, cash and cash equivalents and other working capital balances, increased since 2007 reflecting expansion within our Brazil operations offset by lower levels of activities in the United States. Subsidiary borrowings consist primarily of construction financings which are repaid with the proceeds received from sales of building lots, single-family houses and condominiums, and are generally renewed on a rolling basis as new construction commences.

The net operating cash flows attributable to each of these business units are as follows:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*	*Variance*
Canada	**$ 144**	$ 237	$ (93)
Brazil	**31**	44	(13)
– Dilution loss	**(18)**	—	(18)
Australia	**(7)**	—	(7)
United States	**(44)**	(21)	(23)
	106	260	(154)
Less: minority interests of Brookfield Properties in Canadian operations	**(71)**	(116)	45
	$ 35	$ 144	$ (109)

Canada

We continue to benefit from our strong market position and low-cost land bank, particularly in Alberta where we hold a 23% market share in Calgary. We own approximately 15,538 acres (December 31, 2007 – 14,864 acres) of which approximately 901 acres (December 31, 2007 – 1,004 acres) were under active development at year end. The balance of 14,637 acres (December 31, 2007 – 13,860 acres) is included in "Held for Development" because of the length of time that will likely pass before they are actively developed.

The Canadian operations contributed $144 million of net operating cash flow for the year, compared to a record $237 million in 2007. We share approximately 50% of the cash flows (and the changes therein) with the minority shareholders of Brookfield Properties. The net contribution, reflecting these interests, was $73 million in 2008 and $121 million in 2007. The decrease in cash flows is due primarily to lower lot sales, which declined from 2,089 in 2007 to 1,399 in 2008 as well as the impact of the lower Canadian dollar. Operating margins decreased to 29% compared with the record high of 34% in 2007 and 31% margin in 2006.

Brazil

The strong financial position of our Brazilian operations, bolstered by an equity issue completed in late 2006, enabled us to expand these operations through the acquisition of MB Engenharia and a merger with Company S.A. These transactions increased our market position in São Paulo and Rio de Janeiro and also established a meaningful presence in the mid-west region of Brazil, including Brasilia and Goiânia. The acquisitions also extended our product offerings into the important middle income segment, thereby providing a strong complement to our existing presence in the higher income segment.

Combined launches totalled more than R$2.7 billion ($1.4 billion) of sales value, and contracted sales during 2008 totalled R$1.1 billion ($600 million) representing gross sales revenues to be earned in current and future periods. The net operating cash flow from the business during 2008 was $31 million compared with $44 million during 2007. The decline is due to a lower level of construction, which reduced the amount of income recognized under the percentage-of-completion basis, however, the current construction schedule should enable this business to increase returns in 2009. We recorded a dilution loss of $18 million for accounting purposes on the merger with Company S.A.

Australia

Our Australian operations generated $4 million of operating cash flow during 2008, however these results were offset by an impairment charge of $11 million. The carrying values of projects reflect our acquisition of this business in 2007 and therefore already include much of the expected development profits. Accordingly, margins are expected to be lower in the first few years of ownership.

United States

Our U.S. operations incurred $15 million of cash outflows before interest, taxes and non-controlling interests during 2008 as demand for new homes slowed and margins narrowed, compared to $46 million of cash inflows during 2007. The operations also recorded an impairment charge of $153 million to reduce the carrying value of higher cost land and option positions. Our share of the net operating loss, after taking into consideration interest, taxes and non-controlling interests was $44 million, compared with a net operating loss of $21 million during 2007. The gross margin from housing sales was approximately 13% compared with 17% last year. We closed on 750 units during the year (2007 – 839 units) at an average selling price of $562,000 (2007 – $662,000). The backlog at the end of 2008 was 134 units compared to 155 units in 2007. In aggregate, we own or control 24,100 lots through direct ownership, options and joint ventures.

Under Development

Properties under development include both active development projects as well as properties that we are redeveloping to enhance their value. We are also developing a number of hydroelectric generating plants and retail properties which are included under "Renewable Power Generation" and "Commercial Properties – Retail", respectively.

	Invested Capital			
	Total		*Net*	
AS AT DECEMBER 31 (MILLIONS)	***2008***	*2007*	***2008***	*2007*
Commercial properties				
North America				
– Bay Adelaide office tower	**$ 510**	$ 416	**$ 510**	$ 416
– Other	**324**	465	**324**	465
Australasia				
– Macquarie Tower	**230**	195	**230**	195
– Others	**496**	660	**496**	660
United Kingdom	**102**	533	**102**	533
Brazil	**308**	162	**308**	162
Borrowings	**—**	—	**(1,228)**	(1,697)
	$ 1,970	$ 2,431	**$ 742**	$ 734

Current development initiatives in North America are focused on the construction of a 1.2 million square foot premier office property on the Bay Adelaide Centre site located in Toronto's downtown financial district, representing a book value of $510 million (2007 – $416 million), and properties in Washington, D.C. Bay Adelaide Centre is 72% leased and scheduled for occupancy in the third quarter of 2009. We are also continuing the redevelopment of a 269,000 square foot property in Washington D.C.

We have 2.7 million square feet of commercial property space under development in Australia. Current developments include a 350,000 square foot office project fully leased to Macquarie Bank in Sydney, representing a book value of $230 million (2007 – $195 million), which is 86% complete, as well as three properties in Sydney, Melbourne, and Auckland, all of which are substantially preleased to tenants such as Sydney Water, Australia Post and Deloitte, with a collective book value of $262 million. We have also commenced the construction of a 900,000 square foot premier office property in Perth, which is 82% leased to BHP Billiton, representing invested capital at year end of $94 million (2007 – $25 million).

In the United Kingdom, we own a proportionate share of approximately 7.9 million square feet of commercial space development density at Canary Wharf in London of which 1.3 million is currently under active development, and substantially pre-leased. Invested capital declined during the year with the completion of two projects that were then transferred to our active commercial portfolios.

Property-specific financing includes debt secured by Bay Adelaide Centre in North America as well as debt associated with developments in Australia and the United Kingdom.

Held for Development

We acquire land and long-term rights on land, seek entitlements to construct, and then either sell the development once it has been improved or build the project ourselves. We typically hold these developments directly, given that they do not generate current cash flow until the project is completed, at which time it can be transferred to an existing portfolio or sold outright. Accordingly, we do not typically record ongoing cash flow in respect of properties held for development and the associated development costs are capitalized until this event occurs, at which time any disposition gain or loss is recognized.

AS AT DECEMBER 31 (MILLIONS)	Invested Capital – Total 2008	Invested Capital – Total 2007	Invested Capital – Net 2008	Invested Capital – Net 2007
Commercial office properties				
Ninth Avenue, New York	**$ 269**	$ 207	**$ 269**	$ 207
Other North America	**122**	105	**122**	105
Australia and U.K.	**310**	195	**310**	195
Residential lots				
North America	**718**	712	**718**	712
Brazil	**352**	92	**352**	92
Australia and U.K.	**353**	300	**353**	300
Rural development lands				
Brazil	**136**	190	**136**	190
Borrowings / working capital	**—**	—	**(567)**	(446)
	$ 2,260	$ 1,801	**$ 1,693**	$ 1,355

Commercial Office Properties

We own well-positioned land on Ninth Avenue between 31st Street and 33rd Street in New York City which is entitled for 5.4 million square feet of commercial office space. We will commence construction of this property once the necessary pre-leasing has occurred, similar to our strategy with other commercial developments.

Residential Lots

Residential development properties include land, both owned and optioned, which is in the process of being developed for sale as residential lots, but not expected to enter the homebuilding process for more than three years. We utilize options to control lots for future years in our higher land cost markets in order to reduce risk. To that end, we hold options on approximately 11,000 lots which are located predominantly in California and Virginia. We invested additional capital into development land in Alberta to maintain our market position and hold 14,637 acres. We also hold approximately 17,000 residential lots, homes and condominium units in our markets in Australia and New Zealand, which will provide the basis for continued growth. We increased our holdings in Brazil through a corporate acquisition and a merger during the year.

Rural Development Lands

We own approximately 372,000 acres of prime agricultural development land in the Brazilian States of São Paulo, Minas Gerais, Mato Grosso do Sul and Mato Grosso. These properties are being used for agricultural purposes, including the harvest of sugar cane for its use in the production of ethanol, which is used largely as a gasoline substitute. We also hold 33,200 acres of potentially higher and better use land adjacent to our Western North American timberlands, included within our Timberlands segment, which we intend to convert into residential and other purpose land over time. The decrease in carrying values during 2008 reflects lower currency exchange rates.

Construction Activities

The following table summarizes the operating results from our construction operations during the past two years:

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Invested Capital – Total 2008	Invested Capital – Total 2007	Invested Capital – Net 2008	Invested Capital – Net 2007	Operating Cash Flow – Total 2008	Operating Cash Flow – Total 2007	Operating Cash Flow – Net 2008	Operating Cash Flow – Net 2007
Australia	**$ 1**	$ —			**$ 32**	$ —		
Middle East	**49**	20			**48**	—		
United Kingdom	**74**	104			**1**	—		
	124	124	**$ 124**	$ 124	**81**	—	**$ 81**	$ —
Working capital	**1,175**	1,393	**421**	478			**—**	—
	$ 1,299	$ 1,517	**$ 545**	$ 602	**$ 81**	$ —	**$ 81**	$ —

We conduct the majority of our construction activities in Australia and the Middle East with each region accounting for approximately one-half of the outstanding backlog. Our construction activities are focused on large scale construction of real estate and infrastructure assets.

The revenue work book totalled $4.8 billion at the end of the year (December 31, 2007 – $6.0 billion) and represented 3.5 years of scheduled activity. The decline reflects early completions and the impact of foreign exchange revaluation on Australian revenues.

The following table summarizes the work book at the end of the year:

AS AT DECEMBER 31 (MILLIONS)	***2008***	*2007*
Australia	**$ 2,254**	$ 3,143
Middle East	**1,828**	1,693
United Kingdom	**727**	1,177
	$ 4,809	$ 6,013

Underlying Value

The underlying value of our development assets after deducting borrowings and minority interests was $3.3 billion as at December 31,2008 equal to the net book value of our invested capital.

The valuation of residential development lots, which are considered inventory for these purposes, reflects the lower of the existing carrying value and their expected net realizable value. Net realization value is determined as the value at the anticipated time of sale less costs to complete, discounted at a rate of 12%-15%. Many of our land holdings, particularly those located in Alberta, were acquired many years ago. Accordingly, while we believe the fair value of these lands significantly exceeds existing carrying value, the carrying value for IFRS purposes will be the lower amount.

Values attributable to commercial office property developments reflect the estimated value at completion less the remaining capital expenditures, all discounted to the current period using discount rates of 7%-9%.

SPECIALTY FUNDS

We conduct bridge lending, restructuring and real estate finance activities. Although our primary focus throughout the broader organization is property, power and infrastructure assets, our mandates within our bridge lending and restructuring funds also include related industries which have tangible assets and visible cash flows, particularly where we have expertise as a result of previous investment experience. As at December 31, 2008, we managed eight specialty funds with total committed capital of $4.4 billion.

Specialty investment funds generated net operating cash flow of $126 million during 2008 compared with $341 million in 2007. The 2007 results also included a $231 million gain on our restructuring of Stelco Inc. (“Stelco”).

	Invested Capital				*Operating Cash Flow*			
	Total		*Net*		*Total*		*Net*	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*
Restructuring	**$ 1,625**	$ 1,538	**$ 384**	$ 361	**$ 82**	$ 54	**$ 13**	$ 16
Real estate finance	**2,045**	685	**298**	263	**128**	26	**26**	24
Bridge lending	**269**	488	**188**	488	**97**	70	**87**	70
	3,939	2,711	**870**	1,112	**307**	150	**126**	110
Stelco disposition gain					**—**	231	**—**	231
	$ 3,939	$ 2,711	**$ 870**	$ 1,112	**$ 307**	$ 381	**$ 126**	$ 341
Underlying value	**$ 4,023**		**$ 903**					

Restructuring

We operate two restructuring funds. Our first fund, Tricap Restructuring Fund (“Tricap I”) completed its investment period last year and we continue to manage and harvest the remaining invested capital of $295 million. We also raised additional capital for Tricap Partners II (“Tricap II”), which now has C$1 billion of committed capital.

Our two most significant investments in Tricap I are Western Forest Products Inc. ("Western Forest Products") and Concert Industries Ltd. ("Concert Industries"). Western Forest Products experienced a difficult year due to the economic downturn and, in particular, weakness in the U.S. homebuilding sector. Concert Industries, a leading producer of air-laid woven fabric, continues to perform well. Investments in Tricap II include Ainsworth Lumber Company Ltd., which is a Canadian-based panelboard company, and several investments in the oil and gas sector.

The following table summarizes the results from our restructuring operations:

	Invested Capital				*Operating Cash Flow*			
	Total		*Net*		*Total*		*Net*	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*
Assets/operating cash flow	**$ 1,625**	$ 1,538	**$ 1,625**	$ 1,538	**$ 82**	$ 54	**$ 82**	$ 54
Payables/other expenses			**(341)**	(433)			**(1)**	(4)
Borrowings/interest expense			**(381)**	(293)			**(29)**	(20)
Non-controlling interests			**(519)**	(451)			**(39)**	(14)
	$ 1,625	$ 1,538	**$ 384**	$ 361	**$ 82**	$ 54	**$ 13**	$ 16

Net operating cash flows were $13 million in 2008 compared to $16 million during 2007. In 2007, we completed the sale of Stelco, an integrated steel company, for a net disposition gain of $231 million.

Similar to our opportunity property funds, we expect that the majority of our returns will come in the form of disposition gains as cash flows during the restructuring period are often below normalized levels.

Real Estate Finance

We operate three real estate finance funds with total committed capital of approximately $1.9 billion, of which our share is approximately $400 million. Our first fund, the $600 million Brookfield Real Estate Finance Partners (BREF I) completed its investment period in 2007. We raised $275 million of additional capital for our second fund (BREF II) during the year, bringing the total commitments to $727 million. We had $298 million of capital invested in these operations at year end (2007 – $263 million).

The real estate finance group increased the level of invested assets by originating a number of high quality investment opportunities resulting in a greater contribution to operating cash flows. The portfolio continues to perform in line with expectations notwithstanding difficult credit markets, and credit losses have been negligible. These activities contributed $26 million of net operating cash flow during 2008 compared to $24 million in 2007.

	Invested Capital				*Operating Cash Flows*			
	Total Assets		*Net Assets*		*Total*		*Net*	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*
Real estate finance investments	**$ 2,023**	$ 650	**$ 2,023**	$ 650	**$ 126**	$ 21	**$ 126**	$ 21
Less: borrowings			**(1,130)**	(345)			**(58)**	(2)
Less: co-investor interests			**(617)**	(77)			**(44)**	—
Real estate finance fund	**2,023**	650	**276**	228	**126**	21	**24**	19
Securities – directly held	**21**	21	**21**	21	**1**	2	**1**	2
Financial assets – Mortgage REIT	**1**	14	**1**	14	**1**	3	**1**	3
	$ 2,045	$ 685	**$ 298**	$ 263	**$ 128**	$ 26	**$ 26**	$ 24

Bridge Lending

We operate three bridge lending funds. Our first fund had commitments of C$700 million at the end of the year which have been fully invested and the remaining loans will mature through 2011. We have raised C$940 million in commitments and pledges for our two follow-on funds, consisting of a senior and junior fund, and including a C$240 million commitment from Brookfield.

The net capital invested by us in bridge loans declined to $188 million from $488 million due to collections and our adoption of a more cautious approach to new loan commitments. Notwithstanding the difficult environment, we recorded net gains of $48 million on convertible securities acquired through one of our financing mandates, which offset the reduction in interest income that arose from the lower level of invested assets during the year.

Our portfolio at year end was comprised of 11 loans, and our largest single exposure at that date was $68 million. Our share of the portfolio at year end has an average term of 18 months excluding extension privileges and generates an average spread of 10% over the relevant base rate.

Underlying Value

The net asset value of our specialty fund operations was $0.9 billion as at December 31, 2008 for the purposes of preparing our pro forma IFRS balance sheet. The values are based on publicly available share prices where available as well as comparable valuations and internal calculations.

INVESTMENTS

We own a number of investments which will be sold once value has been maximized, integrated into our core operations or used to seed new funds. Although not core to our broader strategy, we expect to continue to make new investments of this nature and dispose of more mature assets.

The net operating cash flow generated by our investments declined to $115 million from $127 million in 2007, prior to disposition gains. Disposition gains in 2007 arose on the sale of stock and commodity exchange seats and joint venture interests within our Brazil operations. The gain in 2008 arose from the disposition of 10 million common shares of Norbord Inc. ("Norbord") as settlement for exchangeable debentures issued in September 2004.

		Invested Capital				*Operating Cash Flow*			
		Total		*Net*		*Total*		*Net*	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	*Location*	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*
Forest products									
Norbord Inc.	North America/U.K.	**$ 1,024**	$ 180	**$ 179**	$ 19	**$ 22**	$ 21	**$ 14**	$ 11
Fraser Papers Inc.	North America	**415**	477	**118**	109	**(40)**	(15)	**(33)**	(22)
Privately held	North America	**126**	162	**91**	113	**(26)**	11	**(26)**	11
Infrastructure									
Coal lands	Alberta	**70**	85	**70**	85	**6**	6	**6**	6
Business services									
Insurance	Various	**1,428**	2,513	**157**	661	**81**	113	**67**	93
Privately held	Various	**133**	229	**2**	223	**95**	71	**63**	22
Publicly listed	Canada	**60**	52	**38**	26	**40**	5	**24**	4
Property									
Privately held	Brazil	**75**	153	**47**	100	**—**	6	**—**	2
		3,331	3,851	**702**	1,336	**178**	218	**115**	127
Gain on sale of exchange seats	Brazil	**—**	—	**—**	—	**—**	204	**—**	168
Norbord debenture exchange	North America/U.K.	**—**	—	**—**	—	**65**	—	**65**	—
Gain on sale of joint venture interests	Brazil	**—**	—	**—**	—	**—**	27	**—**	17
Net Investment		**$ 3,331**	$ 3,851	**$ 702**	$ 1,336	**$ 243**	$ 449	**$ 180**	$ 312
Underlying value		**$ 3,549**		**$ 701**					

Consolidated assets and net invested capital decreased to $3.3 billion at the end of 2008 compared to $3.9 billion at the end of 2007 due to the sale of a portion of the insurance business. The impact on consolidated assets was offset in part by the consolidation of Norbord following the increase in our net beneficial interest to 57% at year end.

Forest Products

We own a net beneficial interest in approximately 152 million shares of Norbord representing a 57% interest. Norbord completed a rights offering at the end of December 2008, through which we invested $72 million. This increased our net beneficial interest from the 29% that we previously held. This also resulted in our commencing to account for this investment on a consolidated basis whereas we had previously treated it as an equity-accounted investment. We further increased our net beneficial interest in Norbord to 73% in early January through additional subscriptions to the same rights offering at an additional cost of $120 million.

Our net beneficial interest and net invested capital are reduced by debentures issued by us that are exchangeable into 10 million Norbord shares and which are recorded at the market value of the Norbord shares. The reduction in the value of debenture liability resulted in a commensurate increase in our net carrying value. The 2008 operating cash flows from Norbord reflect only the dividends received on our common shares.

Fraser Papers Inc. ("Fraser Papers") and our privately held forest products operations faced a particularly difficult environment for their products during 2008, which resulted in operating losses.

Infrastructure
We own the coal rights under approximately 475,000 acres of freehold lands in central Alberta. These lands supply approximately 25% of Alberta's total power generation through the production of approximately 13 million tonnes of coal annually. Royalties from this production generate $6 million of operating cash flow and provide a stable source of income as they are free of crown royalties. In addition, we own a 3.5% net profit interest in 75 million tonnes of proven reserves, and 34 million tonnes of potential reserves of high quality metallurgical coal in British Columbia.

Business Services
Our insurance operations are conducted through 80%-owned Imagine Insurance ("Imagine"), a specialty reinsurance business which operates internationally; Hermitage Insurance Company ("Hermitage"), a property and casualty insurer which operates principally in the Northeast United States; and Trisura Guarantee Insurance Company, a surety company based in Toronto. We manage the securities portfolios of these companies, which totalled $1.0 billion and consist primarily of highly rated government and corporate bonds, through our public securities operations. We completed the sale of the United Kingdom reinsurance business within Imagine, thereby recovering capital of $200 million, and negotiated the sale of Hermitage for proceeds of $125 million, which is expected to close in the first quarter of 2009. We intend to recover the balance of the capital from the Imagine business over time through an orderly run-off of the business.

Underlying Value
The underlying values are determined by market values, actuarial valuations and internal calculations, and total $3.5 billion compared to our carrying value of $3.3 billion.

CASH AND FINANCIAL ASSETS

We hold a substantial amount of financial assets, cash and equivalents that are available to fund operating activities and investment initiatives.

	Invested Capital				*Operating Cash Flow*			
	Total		*Net*		*Total*		*Net*	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*
Financial assets								
Government bonds	**$ 177**	$ 420	**$ 177**	$ 420				
Corporate bonds	**123**	286	**123**	286				
Fixed income	**10**	22	**10**	22				
High-yield bonds	**88**	112	**88**	112				
Preferred shares	**25**	40	**25**	40				
Common shares	**230**	51	**230**	51				
Loans receivable	**317**	101	**317**	101				
Total financial assets	**970**	1,032	**970**	1,032	**$ 519**	$ 709	**$ 519**	$ 709
Cash and cash equivalents	**290**	360	**290**	360			**—**	—
Deposits and other liabilities	**—**	—	**(187)**	(500)			**(32)**	(16)
Net investment	**$ 1,260**	$ 1,392	**$ 1,073**	$ 892	**$ 519**	$ 709	**$ 487**	$ 693
Underlying value	**$ 1,260**		**$ 1,073**					

Net cash and financial asset balances increased to $1.1 billion during 2008 from $0.9 billion at the end of 2007 due to the sale of government and corporate bonds. We have selectively established a number of common share positions in undervalued companies. In addition to the carrying values of financial assets, we hold common equity positions with a notional value of $nil

(2007 – $70 million) through total return swaps and hold protection against widening credit spreads through credit default swaps with a total notional value of $2.5 billion (2007 – $2.4 billion). The credit default swaps have limited downside and the market value of the instruments reflected in our financial statements at December 31,2008 was $30 million (2007 – $85 million).

Net invested capital includes liabilities such as broker deposits and a small number of borrowed securities that have been sold short.

Operating cash flow in 2008 included a substantial amount of unrealized gains of which $134 million (2007 – $129 million) were recognized in respect of credit default swaps that protected us against widening credit spreads. We also realized gains of $119 million in respect of foreign currency positions. Operating cash flow in 2007 also included gains of $378 million from the sales of our holdings of debentures exchangeable into common shares of a major natural resources company.

ASSET MANAGEMENT ACTIVITIES

The following table summarizes asset management income for the past two years on a "total" basis, which includes income in respect of our own capital invested in funds, as well as the income earned solely from third-party clients. The portion of the income that is earned in respect of our own capital is eliminated in determining our financial results in accordance with GAAP. On the other hand, our financial results reflect 100% of the operating costs that we incur in managing these funds. Accordingly, we present both "total" income, which includes the income earned in respect of the capital we have invested in these funds, as well as "third-party" income, which is the income earned from our clients. We believe the operating margins are more accurate if they are based on 100% of both the expenses and the associated income.

	Total [1]		*Third Party*	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*	***2008***	*2007*
Asset management				
Base management fees	**$ 178**	$ 137	**$ 134**	$ 104
Performance returns	**10**	12	**6**	8
Transaction fees	**18**	116	**15**	103
Property services	**301**	184	**277**	166
Investment banking	**18**	34	**17**	34
	525	483	**$ 449**	$ 415
Direct operating costs	**(392)**	(264)		
	$ 133	$ 219		

1 Includes fees on Brookfield invested capital

Asset Management Income

Asset management income is dependent on the amount of capital managed by us on behalf of our clients (base management fees) and our investment performance (performance returns). Base management fees typically reflect a fixed percentage of assets or capital, including committed but uninvested capital and therefore vary based on the level of such assets or capital. Performance returns include contractual arrangements whereby we are entitled to a variable amount based on the relationship between actual investment returns and a predetermined benchmark, as well as carried interests whereby we participate in investment returns through an ownership interest in the assets being managed.

Base Management Fees

Base management fees include $134 million (2007 – $104 million) earned from third-party clients and $44 million (2007 – $33 million) from the capital that we have invested in existing funds. The increase was due to new funds launched during the past two years and an increase in capital committed to existing mandates, offset in part by the return of capital from more mature funds as investments are realized as well as the decline in value of fixed income and equity portfolios under management. As at December 31, 2008, annualized base management fees on existing funds and assets under management totalled $170 million (2007 – $160 million), of which $130 million (2007 – $120 million) relates to client capital. Annualized base management fees are an important measure of the expected contribution from these activities to our overall results and represent a stable source of cash flow that we believe adds considerable value to our business.

The following table presents the base management fees earned in respect of each of our operating platforms together with the associated capital commitments:

	Base Management Fees				Capital Commitments			
	Total		Third Party		Total		Third Party	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Commercial properties	**$ 41**	$ 30	**$ 27**	$ 16	**$ 4,591**	$ 4,540	**$ 2,869**	$ 2,898
Infrastructure	**31**	14	**21**	11	**3,818**	1,801	**2,736**	1,192
Development properties	**7**	3	**4**	2	**818**	817	**388**	359
Specialty funds	**41**	44	**26**	31	**4,411**	5,269	**3,118**	3,488
Other	**6**	6	**6**	6	**84**	84	**63**	59
	126	97	**84**	66	**13,722**	12,511	**9,174**	7,996
Public securities	**52**	40	**50**	38	**18,040**	26,237	**18,040**	26,237
	$ 178	$ 137	**$ 134**	$ 104	**$ 31,762**	$ 38,748	**$ 27,214**	$ 34,233

Base management fees within our commercial property sector are earned in respect of two North American core office funds, our Brazil retail property fund, and a number of smaller Australian and European property funds. Fees increased during the year due primarily to the addition of the Australian and European funds.

The fees earned in respect of our infrastructure operations increased due to the launch of Brookfield Infrastructure Partners, an infrastructure investment partnership listed on the New York Stock Exchange at the beginning of the year, as well as the contribution from a global timber fund that commenced operations in October.

Specialty funds include the fees from our restructuring, real estate finance and bridge lending funds. The decrease during the year is due to the impact of the higher U.S. dollar on Canadian dollar fee streams and capital commitments, notwithstanding the launch of new funds in each of these areas and additional closings on third-party capital.

In our public securities group, we manage $18 billion of fixed income and equity securities on an advisory basis for a large number of institutional and individual investors. These activities produced third-party revenues of $50 million, which consist largely of base management fees. Management fees increased over 2007 levels due to a higher level of average assets under management following the acquisition of a real estate and equities securities manager in late 2007. Average fees earned as a percentage of assets under management also increased with the shift of our activities from traditional fixed income to equities and more value-added services such as distress portfolio management.

Performance Returns

The level of performance returns recorded in our results continues to be modest because they tend to materialize later in the life cycle of a fund and because we have elected to follow accounting guidelines that typically defer recognition in our financial statements. The following table includes performance returns from third parties on established funds that we believe have accumulated, but are not included in our reported results.

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2008**	2007
Accumulated returns, beginning of year	**$ 138**	$ 54
Net accumulation/(reduction) during the year	**(73)**	84
Total accumulated performance returns	**$ 65**	$ 138

We estimate that approximately $9 million of direct expenses will arise on the realization of the returns that have accumulated to date. The average period of time over which these accumulated returns may be realized is six years, based on the terms of the relevant contracts. We expect that the ultimate receipt of these amounts will not result in any meaningful cash taxes.

Other Fees and Services Income

Transaction Fees

Transaction fees in 2007 include a fee of $71 million earned in connection with our efforts to establish a North American retail property platform and an associated capital commitment. Transaction fees also include investment fees earned in respect of financing activities and include commitment fees, work fees and exit fees.

Property Services Income

Property services fees include property and facilities management, leasing and project management and a range of real estate services. The increase reflects a higher level of activity within our facilities management operations and the expansion of our operating base into Australia.

	Total		Third Party	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*	***2008***	*2007*
Property services revenues	**$ 301**	$ 184	**$ 277**	$ 166
Direct operating costs	**(234)**	(153)	**(234)**	(153)
	$ 67	$ 31	**$ 43**	$ 13

Investment Banking Fees

Our investment banking services are provided by teams located in Canada and Brazil and contributed $17 million of fees during 2008. The group advised on transactions totalling $9.3 billion in value during the year, and secured a number of prominent mandates. The 2007 revenues reflect the higher level of activity reflective of the capital markets at that time.

Assets Under Management

The following table summarizes total assets under management and net invested capital at the end of the past two years:

	Total Assets Under Management		Brookfield's Net Invested Capital		Third-Party Commitments	
AS AT DECEMBER 31 (MILLIONS)	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*
Unlisted funds and specialty issuers						
Commercial properties	**$ 11,960**	$ 13,519	**$ 1,290**	$ 1,410	**$ 2,869**	$ 2,898
Infrastructure	**6,201**	3,766	**696**	609	**2,736**	1,192
Development properties	**2,273**	2,955	**366**	475	**388**	359
Specialty funds	**4,817**	7,362	**870**	1,126	**3,118**	3,488
Other	**140**	125	**21**	25	**63**	59
	25,391	27,727	**3,243**	3,645	**9,174**	7,996
Public securities mandates	**18,161**	26,237	**20**	21	**18,040**	26,237
Total fee bearing assets/capital	**43,552**	53,964	**3,263**	3,666	**27,214**	34,233
Directly held						
Operating assets	**31,525**	36,496	**8,215**	9,939		
Other assets	**3,620**	3,880	**3,620**	3,880		
	$ 78,697	$ 94,340	**$ 15,098**	$ 17,485	**$ 27,214**	$ 34,233

Total assets under management decreased by $15.6 billion during the year. Approximately 50% of the decline occurred within our public securities operations and 33% of the decrease occurred within our directly held assets, which reflects the impact of the higher U.S. dollar on assets in international regions as well as the transfer of timber and transmission assets into new unlisted funds and specialty issuers during the year. The balance of the decline occurred within our unlisted funds and specialty issuers.

Unlisted Funds and Specialty Issuers

This segment includes the unlisted funds and specialty listed issuers through which we own and manage a number of property, power, infrastructure and specialized investment strategies on behalf of our clients and ourselves. The funds are listed in more detail on page 76 and elsewhere in this MD&A.

Third-party capital commitments to these funds increased by $1.2 billion during the year, reflecting commitments to the establishment of Brookfield Infrastructure Partners, a global timber fund and a Brazil timber fund, as well as additional commitments to our restructuring and real estate finance funds. These activities more than offset the impact of the higher U.S. dollar on international funds and the return of capital to investors from more mature funds. The decline in total assets under management also reflects the currency revaluations as well as a lower level of bridge loans and real estate securities, offset by the higher level of timber and transmission assets under management.

Public Securities

We specialize in fixed income and equity securities with a particular focus on distress real estate and infrastructure. Our fixed income mandates are managed primarily by New York-based Brookfield Hyperion Asset Management Inc. Brookfield Redding LLC, based in Chicago, which has a well-established record as a leading real estate equity securities manager with a wide variety of clients throughout North America and Australasia. Brookfield Soundvest Capital Management Ltd., based in Ottawa, Canada, manages fixed income and equity securities on behalf of a number of Canadian institutional investors.

The following table summarizes assets under management within these operations. We typically do not invest our own capital in these strategies as the assets under management tend to be securities as opposed to physical assets.

	Total Assets Under Management		*Third-Party Commitments*	
AS AT DECEMBER 31 (MILLIONS)	***2008***	*2007*	***2008***	*2007*
Real estate and fixed income securities				
Fixed income	**$ 15,199**	$ 20,210	**$ 15,078**	$ 20,210
Equity	**2,962**	6,027	**2,962**	6,027
	$ 18,161	$ 26,237	**$ 18,040**	$ 26,237

Co-investor commitments declined by $8 billion during 2008 primarily due to a reduction in market prices of securities under management. We secured $3.4 billion of new advisory mandates during the year offset by $4.2 billion of redemptions.

Directly Held

Operating assets and the associated net invested capital declined by $6.0 billion and $2.1 billion, respectively, reflecting the transfer of infrastructure assets into Brookfield Infrastructure Partners and the global timber fund, as well as currency revaluations. We hope to transfer more of the remaining operations into funds over time.

FINANCING AND OPERATING COSTS

Interest

Interest costs include interest expense on corporate borrowings, certain subsidiary borrowings, property-specific borrowings and capital securities as set out in the following table:

	Total			*Net*		
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*	*Variance*	***2008***	*2007*	*Variance*
Corporate borrowings	**$ 163**	$ 146	$ 17	**$ 163**	$ 146	$ 17
Subsidiary borrowings [2]	**384**	324	60	**771**	661	11
Property-specific borrowings	**1,349**	1,226	123	**—**	—	—
Capital securities	**88**	90	(2)	**88**	90	(2)
	$ 1,984	$ 1,786	$ 198	**$ 328**	$ 302	$ 26

1 Relates to financial obligations that are guaranteed by the Corporation or issued by direct corporate subsidiaries

Interest on corporate borrowings and net interest expense both increased during the year due to a higher level of average balances. The increase in interest on subsidiary and property-specific borrowings is related to financings incurred and assumed with the acquisition of property assets in Australia, Europe, and Brazil as well as renewable power facilities in North America and Brazil.

Average borrowing costs during the past two years are as follows:

	2008			*2007*		
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***Average Outstanding***	***Interest Expense***	***Average Rate***	*Average Outstanding*	*Interest Expense*	*Average Rate*
Corporate borrowings	**$ 2,301**	**$ 163**	**7%**	$ 1,885	$ 146	8%
Subsidiary borrowings	**6,894**	**384**	**6%**	4,905	324	7%
Property-specific borrowings	**22,542**	**1,349**	**6%**	18,281	1,226	7%
Capital securities	**1,565**	**88**	**6%**	1,560	90	6%
Preferred equity	**870**	**44**	**5%**	798	44	6%
	$ 34,172	**$ 2,028**	**6%**	$ 27,429	$ 1,830	7%

The average rate declined from 7% to 6% due to lower rates on floating rate debt.

Operating
Operating costs relate to our asset management and corporate activities.

	Total			Net		
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*	*Variance*	***2008***	*2007*	*Variance*
Asset management						
Asset management activities	**$ 158**	$ 111	$ 47	**$ 152**	$ 111	$ 41
Property services	**234**	153	81	**234**	153	81
	392	264	128	**386**	264	122
Corporate and other costs	**248**	200	48	**220**	180	40
	$ 640	$ 464	$ 176	**$ 606**	$ 444	$ 162

Operating costs include those of Brookfield Properties, and reflect the costs of our asset management activities as well as costs which are not directly attributable to specific business units. Asset management costs increased from $111 million in 2007 to $152 million in 2008 on a net basis, reflecting the establishment of new funds and the continued increase in invested assets. Property services expenses in 2008 reflect the addition of Australian operations to this business. The increase in corporate and other costs from $180 million to $220 million reflects the continued growth of our business including expansion into new geographic areas such as Australia and a number of major corporate initiatives.

We have continued to expand our resources as we grow our business which has resulted in higher operating costs, and we have also incurred a number of transaction and other costs related to growth initiatives. We believe these investments will enable us to expand our business without further commensurate increases in costs, thereby resulting in expanded margins.

Interests of Other Investors in Consolidated Operations
Co-investor interests relate primarily to the 49% minority equity interest held by others in our North American property subsidiary, Brookfield Properties.

	Operating Cash Flow					
	Total			*Net*		
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*	*Variance*	***2008***	*2007*	*Variance*
Commercial properties						
Brookfield Properties	**$ 419**	$ 368	$ 51	**$ 419**	$ 368	$ 51
Property funds and other	**99**	71	28	**31**	—	31
Renewable power generation	**82**	47	35	**—**	—	—
Infrastructure	**64**	38	26	**—**	—	—
Development and other properties	**28**	70	(42)	**—**	—	—
Specialty funds	**89**	13	76	**—**	—	—
Investments	**10**	29	(19)	**—**	—	—
	$ 791	$ 636	$ 155	**$ 450**	$ 368	$ 82

The increase in operating cash flows reflects increased returns and gains within our North American office property portfolios offset by lower operating cash flows from our Canadian residential property business, both of which are owned through Brookfield Properties. The decrease in cash flows related to development properties is due to lower returns in our U.S. homebuilding operations and the increase in cash flows related to specialty funds is due in part to the consolidation of one of our real estate finance funds.

NET INCOME
Net income was $649 million in 2008, compared to $787 million in 2007. The higher results in 2007 reflected a larger amount of disposition gains. Net income in 2008 also reflects depreciation and amortization with respect to assets purchased since the beginning of 2007 offset by accounting income arising from changes in future tax balances.

The following table reconciles net income and operating cash flow on a total basis and also by presenting the reconciling items on a basis that is net of non-controlling and minority interests:

	Total		Net [1]		
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*	***2008***	*2007*	*Variance*
Operating cash flow and gains	**$ 1,423**	$ 1,907			
Less: dividends from equity accounted investments	**(22)**	(21)			
exchangeable debenture gain	**—**	(331)			
	$ 1,401	$ 1,555	**$ 1,401**	$ 1,555	$ (154)
Non-cash items					
Depreciation and amortization	**(1,330)**	(1,034)	**(773)**	(553)	(220)
Equity accounted results	**(46)**	(72)	**(46)**	(72)	26
Revaluation and other items	**(267)**	(112)	**(207)**	(95)	(112)
Future income taxes	**461**	(88)	**274**	(48)	322
Non-controlling interests	**430**	538	**—**	—	—
Net income	**$ 649**	$ 787	**$ 649**	$ 787	$ (138)

1 Net of non-controlling and minority interests

Depreciation and Amortization

Depreciation and amortization prior to non-controlling interests increased due to the acquisition of additional assets in a number of segments during 2007 and 2008. Depreciation and amortization for each principal operating segment is summarized in the following table:

	Total		Net [1]		
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*	***2008***	*2007*	*Variance*
Commercial properties	**$ 765**	$ 572	**$ 362**	$ 212	$ 150
Power generation	**191**	164	**168**	141	27
Infrastructure	**137**	138	**94**	102	(8)
Development and other properties	**94**	65	**55**	33	22
Specialty funds and investments	**137**	89	**88**	59	29
Other	**6**	6	**6**	6	—
	$ 1,330	$ 1,034	**$ 773**	$ 553	$ 220

1 Net of non-controlling and minority interests

The Australian property operations contributed $140 million of depreciation and amortization towards the increase in total and net depreciation and amortization, of $296 million and $220 million, respectively.

Equity Accounted Results

We recorded net equity accounted losses of $46 million during the year from our investment in Norbord. Norbord faced a weak price environment for its principal products due to the weakness in the U.S. homebuilding sector, in addition to higher input costs. We increased our interest in Norbord to 60% at year end and commenced accounting for this business on a consolidated basis at that time. We also increased our interest in Fraser Papers to 56% during the third quarter of 2007 and began to consolidate our interest at that time, and sold our interest in Stelco during the fourth quarter of 2007 for a gain of $231 million.

The following table summarizes the contribution from our equity accounted investments for the past two years:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*
Norbord	**$ (46)**	$ (17)
Fraser Papers	**—**	(23)
Stelco	**—**	(32)
	$ (46)	$ (72)

Revaluation And Other Items

Revaluation and other items are comprised primarily of revaluation items which are non-cash accounting adjustments that we are required to record under GAAP to reflect changes in the value of certain contractual arrangements.

	Total		Net [1]		
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*	***2008***	*2007*	*Variance*
Norbord exchangeable debentures	**$ 65**	$ (9)	**$ 65**	$ (9)	$ 74
Interest rate contracts	**(252)**	(64)	**(244)**	(64)	(180)
Power contracts	**94**	(63)	**70**	(48)	118
Commercial office revaluation	**(147)**	—	**(73)**	—	(73)
Other	**(27)**	24	**(25)**	26	(51)
	$ (267)	$ (112)	**$ (207)**	$ (95)	$ (112)

1 Net of non-controlling and minority interests

We recorded a $65 million accounting gain from the decline in value of debentures issued by us that are exchangeable into Norbord common shares, and are valued based on the Norbord share price. We hold an equivalent number of shares into which the debentures are exchangeable, but are not permitted under GAAP to mark the hedged investment to market.

We hold interest rate contracts to provide an economic hedge against the impact of possible higher interest rates on the value of our long duration interest sensitive physical assets. The U.S. 10-year treasury rate moved from 4.02% to 2.21% during 2008, which led to a $252 million decline in the net value of these contracts of which our share was $244 million. Accounting rules require that we revalue these contracts each period even if the corresponding assets are not revalued.

In our power operations, we enter into long-term contracts to provide generation capacity, and are required to record changes in the market value of these contracts through net income whereas we are not permitted to record the corresponding increase in the value of the capacity and generation that we have pre-sold.

We adjusted the carrying value of commercial office properties located in Minneapolis based on our intention to restructure the ownership of these properties. This led to a non-cash provision of $147 million, of which 49% is shared with the other owners of our North American office property business.

Future Income Taxes

Future income taxes in 2008 reflected a gain of $479 million (our share – $238 million) arising from the conversion of the entity owning a number of our U.S. office properties to an internal REIT, thereby lowering the applicable effective tax rate on future taxable income from these properties. Previously the taxable income from these properties had been offset by tax depreciation and other tax shelter carried forward from prior years. The tax provision also reflects the benefits from increases in tax loss pools, principally in Canada, which increase the amount of taxable income that we will be able to offset in future years.

Realization and Disposition Gains

Realization gains represent amounts recorded for accounting purposes that represent the appreciation in value that we expect to achieve in many of our long-life assets and which along with current cash flows is included in assessing the expected total return on our initial investment. This portion of the total return may not be recognized for many years, if ever, and a realization event usually takes the form of gains on a direct or indirect disposition of the assets, including the transfer of assets to funds. This appreciation in value represents an important component of our long-term investment returns, but is only recognized in our results at irregular points in time.

We recognize disposition gains on investments held within our operating platforms that are not necessarily held for the long-term, such as investments in our restructuring operations.

The following table summarizes major realization and disposition items included in our operating results:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Operating Platform	Cash Flow from Operations 2008	Cash Flow from Operations 2007	Net Income 2008	Net Income 2007
Realization gains/(losses), net of taxes and minority interest					
Longview sale	Infrastructure	**$ 24**	$ —	**$ 15**	$ —
Brazil Residential dilution loss	Development	**(18)**	—	**(18)**	—
Core office properties – disposition	Real Estate	**80**	—	**48**	—
Private equity – other operations	Private Equity	**58**	—	**58**	—
Brazil exchange seats sale	Private Equity	**—**	168	**—**	168
Core office properties – debt breakage	Real Estate	**—**	(14)	**—**	(8)
Banco Brascan joint venture gain	Private Equity	**—**	17	**—**	17
		144	171	**103**	177
Disposition gains/(losses), net of taxes and minority interest					
Norbord exchangeable debenture	Private Equity	**65**	—	**21**	—
Office properties – disposition	Real Estate	**—**	54	**—**	32
Sale of Stelco	Specialty Funds	**—**	231	**—**	229
Disposition gains included in opening retained earnings	Cash and Financial Assets	**—**	331	**—**	—
		65	616	**21**	261
Total		**$ 209**	$ 787	**$ 124**	$ 438

OUTLOOK

The consequences of the current downturn in the economy, including a rise in unemployment, a drop in consumer and business confidence and spending, and ongoing disruption and uncertainty within the capital markets are having an adverse effect on many industries as a whole. While we are not immune to these factors, we attempt to organize our operations in a manner that provides an important measure of stability, consistent with our long-term business strategy. In particular, we believe that our focus on owning high quality assets, backing revenue streams with long-term contractual arrangements, match funding long life assets with long-term financings and maintaining a high level of liquidity will benefit us during these difficult times.

Accordingly, while these events may constrain our ability to increase operating cash flows in the near term, we remain confident in our ability to achieve our long-term objectives in that regard. Furthermore, we believe we will have the opportunity to make investments during this period at very favourable values that will create attractive shareholder value in the future.

Our renewable power operations experienced higher water levels during 2008 which resulted in generation levels that were 8% above long-term averages. We believe we are well positioned to achieve our targets of long-term average generation in 2009 based on current storage levels if normal hydrology conditions prevail. The forecast for natural gas and electricity prices during 2009 is lower than the spot prices realized by us in 2008, however, we have contracted pricing for approximately 75% of our generation over the next two years at favourable prices, which significantly mitigates the impact of lower spot electricity prices.

In our office property sector, leasing demand in most of our markets has tempered and we are beginning to see increasing direct and sublease availabilities and associated downward pressure on rents and economic fundamentals. Our occupancy levels, however, are at 97% across our portfolio and only 3% of the space within our managed portfolio is scheduled to come off lease in 2009 of which a large portion is customarily renewed in the normal course. The high quality of our properties relative to others in our markets should enable us to attract new tenants if we are unsuccessful in extending leases with the existing tenants. Furthermore, we believe our in-place rents continue to be below market. In North America, the average expiring rates in 2009 are $19 per square foot compared with an estimated average market rate of $32 per square foot, representing a substantial discount. A general lack of development, especially in central business districts, has also created stability from a supply perspective. Nevertheless, a prolonged economic downturn could lead to tenant bankruptcies and lower market rents which could reduce our cash flows. Our strong tenant lease profile, low vacancies and rental rates that in most properties are substantially below current market rates give us a high level of confidence that we can achieve our operating targets in 2009.

Within our infrastructure operations, we expect our transmission businesses to provide operating returns consistent with those recorded in 2008. We expect our timber operations to continue to experience reduced demand and pricing due to weakness in the U.S. homebuilding sector, which has caused us to reduce harvest levels in order to preserve value and increase exports to Asia.

Residential markets remain difficult in our core markets. The current supply/demand imbalance in North American markets has reduced operating margins and must be worked through before we experience margin improvements and volume growth. Most of the land holdings within our Canadian land operations were purchased in the mid-1990s or earlier and as a result have an embedded cost advantage today. This has led to favourable margins in this region. We expanded our Brazilian operations during 2008 which we expect will lead to an increased contribution from these markets during 2009.

We continue to expand our specialty funds operations by committing additional resources and launching new funds. We will focus on maintaining a high level of invested capital by deploying the capital from new funds, which should lead to continued growth. We expect that the current difficulties in credit markets will lead to a greater number of opportunities for our restructuring operations, and more attractive pricing for our real estate finance group, although the same conditions will likely reduce opportunities to monetize investments and the opportunity to recognize disposition gains.

Within our asset management activities, our goal is to expand our distribution capabilities, our client base and the amount of capital committed to us, which should, over time, increase the capital available to invest and lead to growth in asset management income. The current environment has made it more challenging to raise additional capital commitments and earn performance income, however we expect to record a stable contribution from base management fees.

The increase in the value of the U.S. dollar against various currencies is likely to reduce the contribution from our operations that are denominated in these other currencies, notably the Canadian dollar, the Brazilian real and the Australian dollar. The recent reductions in interest rates in most economies has a beneficial impact on our results, although this is limited because most of our financings are fixed rate in nature. Similarly, the long-term nature of our borrowing base and the relatively low proportion of annual debt maturities lessens the impact of higher credit spreads on new financings.

The investment market has become less competitive and acquisition prices have declined due in large part to reduced availability of capital for many owners and investors. The access to liquidity from our own balance sheet as well as from our clients, financial partners and the capital markets has provided us with available funds to invest in our own operations and in new opportunities. We believe the breadth of our operating platform and our disciplined approach should enable us to invest this capital on a favourable basis.

We have endeavoured to extend debt maturities on a proactive basis and reduce near-term financing requirements. Although we expect to renew or replace most of our existing financings at equivalent levels, we may reduce leverage in certain areas of our business. While we expect that any deleveraging will likely have a limited impact on our short term operating results it would reduce the capital available for investment. We maintain a high level of liquidity as further discussed in Part 3 of this MD&A, and regularly replenish our liquidity through operating cash flow and asset monetizations.

There are many factors that could impact our performance in 2009, both positively and negatively. We describe the material aspects of our business environment and risks in Part 5 of this MD&A.

Summary

In the short term, we recognize that the current economic environment will likely result in continued downward pressure on operating margins and provide fewer opportunities to increase operating returns. We believe, however, that our approach to business, which includes backing revenue streams with contractual obligations and the use of long-term fixed rate financings, among other strategies, is an important mitigating factor and should provide considerable stability in our cash flows from year to year.

We also believe that there will be a number of opportunities over the next two years to invest capital in our existing operations as well as in new assets and businesses on values that will generate increased cash flow per share and shareholder values over the longer term.

As a result, we believe that our businesses are well positioned to not only withstand the difficult short term environment but to invest and build for the future. This provides us with confidence that we will meet our long-term performance objectives with respect to cash flow growth and value creation, and continue to build Brookfield as a world-class asset manager.

PART 3 – CAPITALIZATION AND LIQUIDITY

The strength of our capital structure and the liquidity that we maintain enable us to achieve a low cost of capital for our shareholders and at the same time provide us with the flexibility to react quickly to potential investment opportunities and adverse changes in economic circumstances, such as we have witnessed over the past 18 months.

The following are the key elements of our capital strategy:

- Match fund our long-life assets with long-duration mortgage financings with a diversified maturity schedule;
- Provide recourse only to the specific assets being financed, with limited cross collateralization or parental guarantees;
- Limit borrowings to investment grade levels based on anticipated performance throughout a business cycle;
- Structure our affairs to facilitate access to capital and liquidity at multiple levels of the organization; and
- Maintain access to a broad range of financing markets.

As a result of the foregoing, most of our borrowings are in the form of long-term property-specific financings such as mortgages or project financings secured only by the specific assets. The diversification of our maturity schedule means that financing requirements in any given year are manageable. Limiting recourse to specific assets or business units ensures that weak performance by one asset or business unit does not compromise our ability to finance the balance of the operations.

Our focus on structuring financings with investment grade characteristics ensures that debt levels on any particular asset or business can typically be maintained throughout a business cycle, and also enables us to limit covenants and other performance requirements, thereby reducing the risk of early payment requirements or restrictions on the distribution of cash from the assets being financed. Furthermore, our ability to finance at the parent, operating unit, and asset level on a private or public basis means that we are not overly dependent on any particular segment of the capital markets or the performance of any particular unit.

The sustainability of our capital strategy has been demonstrated by the $8 billion in debt financings raised during 2008 and $10 billion since August 2007, with proceeds used largely to extend the term of existing obligations and renew financings in the normal course.

To enable us to react to attractive investment opportunities and deal with contingencies when they arise, we typically maintain a high level of liquidity at the corporate level and within our key operating platforms. Our primary sources of liquidity, which we refer to as “core liquidity”, consist of our cash and financial assets, net of deposits and other associated liabilities, and undrawn committed credit facilities.

We generate substantial liquidity within our operations on an ongoing basis through our operating cash flow, which typically exceeds $1.5 billion on an annual basis, as well as from the turnover of assets with shorter investment horizons and periodic monetization of our longer-dated assets through sales, refinancings or co-investor participations. Accordingly, we believe we have the necessary liquidity to manage our financial commitments and to capitalize on opportunities to invest capital at attractive returns. Nevertheless, we are cognizant of the current instability in the capital markets and continue to place a premium on liquidity and allocate capital in a cautious manner.

LIQUIDITY

Core Liquidity

Our core liquidity was $2.8 billion as at December 31, 2008, supplemented by a further $0.7 billion of transactions that have closed or are pending in early 2009. These transactions include the sale of an insurance subsidiary and Brazil transmission lines and recently completed equity and debt financings.

Corporate level liquidity consists of $1.1 billion of cash and financial assets and $0.7 billion of undrawn capacity on committed credit facilities as at December 31, 2008. We maintain $1.4 billion of committed four-year term credit facilities with a group of major financial institutions. These facilities are typically renewed annually for the following four years. Facilities aggregating $1.2 billion mature in 2012 and $0.2 billion mature in 2011.

Core liquidity in our main operating units is approximately $1.0 billion, represented primarily by undrawn credit facilities, with the balance being cash and financial assets. Our North American office property operations maintain $500 million of committed bank facilities, of which $234 million was undrawn at year end. Similarly, our renewable power operations hold $357 million of cash and financial assets and maintain $375 million of facilities to support forward power sales arrangements and general corporate purposes of which $129 million was undrawn at year end. We also maintain $450 million of committed bank facilities within our infrastructure operations, of which $311 million was undrawn at year end.

Corporate and Subsidiary Debt Maturities

This section summarizes our corporate and subsidiary debt maturities. Corporate maturities and our proportionate share of subsidiary maturities prior to 2012 totalled $2.3 billion. We expect to refinance or roll over most, if not all, of this debt in the normal course, and that we can fund reductions with our current liquidity.

As shown in the table below, we have no corporate maturities in 2009, a $200 million bond maturity in 2010 and borrowings under a small number of bank facilities in 2011 that expire if not renewed earlier.

AS AT DECEMBER 31, 2008 (MILLIONS)	*2009*	*2010*	*2011*	*2012 and After*
Term debt	$ —	$200	$ —	$ 1,435
Commercial paper and bank borrowings	—	—	84	565
Corporate maturities	$ —	$200	$ 84	$ 2,000

The following table presents our proportionate share of subsidiary borrowings, based on our ownership interest in the borrowing entity, adjusted to reflect amortizations and repayments to the date of this report:

AS AT DECEMBER 31, 2008 (MILLIONS)	*2009*	*2010*	*2011*	*2012 and After*
Brookfield Renewable Power term debt	$ 282	$ —	$ —	$ 370
Brookfield Australia/term bank facility	231	529	—	—
Brookfield Properties corporate bank facilities	51	—	108	—
Retractable preferred shares	57	—	—	—
Other subsidiary borrowings	261	131	358	1,277
	$ 882	$ 660	$ 466	$ 1,647

Brookfield Renewable Power has $282 million of public term notes that mature in December 2009 which we expect to refinance prior to maturity. The substantial cash flow generated within this business and the high quality of its asset base facilitates access to capital markets notwithstanding current volatility and in that regard, we completed a public offering of C$300 million of 3-year notes in February 2009. The remaining borrowings consist of public notes that mature in 2018 and 2036.

The Brookfield Australia bank facility represents a loan-to-value ratio of less than 50% and the portfolio is well leased with 99% occupancy and an average lease term of seven years. We intend to permanently finance the business with asset-specific mortgages on the properties and corporate facilities prior to 2010.

Brookfield Properties maintains term credit facilities of $500 million with a group of major financial institutions. The company recently extended $388 million of the facilities until 2011 and is in discussions to extend the balance. The retractable preferred shares have no mandatory redemption date, although holders have the right to have them redeemed at any time.

Property-specific Debt Maturities

Our debt capitalization is largely in the form of long-term property specific financings that represent low loan-to-value, have few restrictive covenants, are secured by our high quality assets and have no recourse to either the Corporation or our subsidiaries. The following table presents our proportionate share of maturities that occur prior to 2012. We believe these maturities should be refinanceable at the current levels on an overall basis.

AS AT DECEMBER 31, 2008 (MILLIONS)	*2009*	*2010*	*2011*	*2012 and After*
Commercial properties				
Office – North America	$ 277	$ 29	$ 1,028	$ 2,698
Office – Australia	190	972	4	—
Office – Europe	142	56	7	520
Retail – Brazil	30	—	—	123
Power generation				
North America	63	143	58	2,400
Brazil	211	23	23	122
Infrastructure	—	16	14	551
Development and other properties				
North American opportunity funds	8	77	126	224
Residential investing and working capital – Canada	186	24	3	—
Residential investing and working capital – United States	139	112	17	—
Property development – Australia	328	631	—	50
Specialty funds	10	178	—	163
	$ 1,584	$ 2,261	$ 1,280	$ 6,851

Commercial property financings are secured by high quality office buildings on an individual or, in certain circumstances, pooled basis. Many of the financings which mature in the next three years were arranged a number of years ago and, accordingly, represent a low loan to value. As a result, we expect to refinance most of these maturities in the normal course at the same or a higher level. The average term of financings was seven years as at December 31, 2008. Financings in our North American, European and Brazilian operations, exceeded the average. The Australian property market typically utilizes shorter duration financing, which we are rolling over in the normal course and seeking to extend on a long-term basis where possible.

Within our power generating operations, our proportionate share of maturities for the following three years is modest in the context of our overall portfolio and the facilities are expected to be refinanced at the same or at higher levels given the strong operating margins and cash flows of these properties. The 2009 maturities include $120 million of acquisition financing put in place to fund the recent purchase of a Brazilian power generating facility at a 42% loan-to-value ratio, which we expect to refinance at similar levels during the second quarter of 2009.

Development and other properties include property-specific borrowings within our opportunity funds, of which only $211 million are scheduled for repayment before 2012. Our share of residential property borrowings is $213 million within our Canadian-based residential operations and $268 million within our U.S. residential business. These borrowings have been reduced substantially over the past 18 months. The residential and property development borrowings are largely of a working capital nature, financing the ongoing development and construction activities, and are typically repaid as the projects, lots or homes being financed are completed and sold, and then re-drawn against any new projects that we elect to pursue.

CAPITALIZATION

The following table presents the components of our capitalization on a deconsolidated, proportionately consolidated and fully consolidated basis. Our consolidated capitalization includes 100% of the debt of consolidated entities, even though in most cases we only own a portion of the entity and therefore our pro rata exposure to this debt is much lower. Furthermore, with very few exceptions, our subsidiary and property-specific borrowings have no recourse to the Corporation.

Accordingly, we believe that the two most meaningful bases of presentation are proportionate consolidation and deconsolidated set out in the following table. In our opinion, the consolidated capitalization is less meaningful and can only be assessed in the context of the overall asset base of the company and taking into consideration the full ownership base, including minority shareholders and institutional fund investors, which can be difficult to assess in the context of historical cost consolidated financial statements.

AS AT DECEMBER 31, 2008 (MILLIONS)	Deconsolidated Underlying Value	Deconsolidated Book Value	Proportionate Underlying Value	Proportionate Book Value	Consolidated Book Value
Corporate borrowings	$ 2,284	$ 2,284	$ 2,284	$ 2,284	$ 2,284
Non-recourse borrowings					
Property-specific mortgages	—	—	11,976	11,976	22,889
Subsidiary borrowings [1]	733	733	3,655	3,655	5,102
Accounts payable and other	1,276	1,276	7,061	7,061	9,794
Capital securities	543	543	984	984	1,425
Non-controlling interests	1	1	14	14	6,329
Shareholders' equity	15,021 [2]	5,788	15,021 [2]	5,788	5,788
	$ 19,858	$ 10,625	$ 40,995	$ 31,762	$ 53,611
Debt to capitalization	15%	28%	44%	56%	56%

1 Includes $675 million of subsidiary obligations which are guaranteed by the Corporation

2 Based on fair values prepared for IFRS purposes

Our strategy of financing at the asset or operating unit level has resulted in us having a relatively low level of debt at the parent company level, as shown in our deconsolidated capitalization. The debt to total capitalization at December 31, 2008 on a deconsolidated basis was 15% based on pre-tax underlying values and 28% based on book values. On a proportionately consolidated basis, the debt to pre-tax underlying value capitalization was 44%, which we believe is appropriate given the quality of our long-term assets and the level of financing that assets of this nature typically support, as well as our liquidity profile. The higher ratio on a book value basis reflects the impact of accounting depreciation on our long life assets as well as the relatively low acquisition prices of assets purchased on an opportunistic basis over the years.

The strong level of cash flows generated within our operations provides favourable interest and fixed charge coverage ratios, as shown in the following table:

	Operating Cash Flow			
	Underlying		Remitted	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2008**	2007	**2008**	2007
Corporate borrowings	**$ 163**	$ 146	**$ 163**	$ 146
Subsidiary borrowings [1]	**77**	66	**77**	66
Other liabilities	**371**	329	**371**	329
Capital securities	**31**	32	**31**	32
Non-controlling interests	**—**	2	**—**	2
Shareholders' equity				
Preferred equity	**44**	44	**44**	44
Common equity	**1,379**	1,863	**1,220**	1,661
Total cash flows	**$ 2,065**	$ 2,482	**$ 1,906**	$ 2,280
Interest coverage [2]	**9x**	12x	**8x**	11x
Fixed charge coverage [3]	**7x**	9x	**6x**	8x

1 Guaranteed by the Corporation or issued by corporate subsidiaries

2 Total cash flows divided by interest on corporate and subsidiary borrowings

3 Total cash flows divided by interest on corporate and subsidiary borrowings and distributions on capital securities and preferred equity

Corporate Borrowings

Our corporate borrowings have an average term of nine years (2007 – 11 years) and nearly 90% of the maturities extend into 2012 and beyond. The average interest rate on our corporate borrowings was 5% at year end, compared to 6% at the end of 2007.

AS AT DECEMBER 31 (MILLIONS)	Average Term	Net Invested Capital **2008**	Net Invested Capital 2007
Commercial paper and bank borrowings	3	**$ 649**	$ 167
Publicly traded term debt	12	**1,485**	1,881
Privately traded term debt	4	**150**	—
Total	9	**$ 2,284**	$ 2,048

Corporate debt levels increased by $236 million during the year to fund our investment activities. We increased our bank borrowings by approximately $500 million as they represented an attractive and flexible source of capital. We redeemed $300 million of public bonds upon maturity in December 2008 and replaced this financing with $150 million of private notes with a blended term and coupon of 4.3 years and 6.5%, respectively, and C$150 million of 5% capital securities with an expected duration of 5 years.

The Corporation has $1,445 million of committed corporate three-year and four-year revolving term credit facilities which are utilized principally as back-up credit lines to support commercial paper issuance. At December 31, 2008, $649 million of these facilities were drawn or allocated as back-up to outstanding commercial paper, and approximately $104 million (2007 – $63 million) of the facilities were utilized for letters of credit issued to support various business initiatives.

Subsidiary Borrowings

We capitalize our subsidiary entities to enable continuous access to the debt capital markets, usually on an investment grade basis, thereby reducing the demand for capital from the Corporation and sharing the cost of financing equally among other equity holders in partly owned subsidiaries.

Subsidiary borrowings have no recourse to the Corporation with only a limited number of exceptions. As at December 31, 2008, subsidiary borrowings included $733 million (2007 – $711 million) of financial obligations that are either guaranteed by the Corporation or are issued by direct corporate subsidiaries.

AS AT DECEMBER 31 (MILLIONS)	*Average Term*	*Deconsolidated Interest* ***2008***	*Proportionate Interest* ***2008***	*Consolidated* ***2008***	*Consolidated* *2007*
Subsidiary borrowings					
Commercial properties	1	**$ —**	**$ 275**	**$ 441**	$ 1,058
Power generation	8	**—**	**652**	**652**	797
Infrastructure	2	**—**	**62**	**146**	8
Development and other properties	2	**—**	**835**	**1,097**	2,337
Specialty funds	3	**—**	**191**	**386**	640
Investments and other	4	**—**	**691**	**936**	763
Corporate subsidiaries [1]	6	**733**	**733**	**733**	711
Co-investor capital					
Properties	5	**—**	**216**	**711**	762
Total	4	**$ 733**	**$ 3,655**	**$ 5,102**	$ 7,076

1 Includes $675 million of subsidiary obligations which are guaranteed by the Corporation

Property-specific Borrowings

As part of our financing strategy, we raise the majority of our debt capital in the form of property-specific mortgages that have recourse only to the assets being financed and have no recourse to the Corporation.

AS AT DECEMBER 31 (MILLIONS)	*Average Term*	*Deconsolidated Interest* ***2008***	*Proportionate Interest* ***2008***	*Consolidated* ***2008***	*Consolidated* *2007*
Commercial properties	7	**$ —**	**$ 6,076**	**$ 13,870**	$ 13,841
Power generation	12	**—**	**3,043**	**3,588**	3,488
Infrastructure	9	**—**	**581**	**1,642**	1,796
Development and other properties	2	**—**	**1,925**	**2,677**	2,519
Specialty funds	4	**—**	**351**	**1,112**	—
Total	7	**$ —**	**$ 11,976**	**$ 22,889**	$ 21,644

We continue to be able to raise property-specific borrowing in the normal course of business notwithstanding the more challenging credit environment, due to the quality of the assets and the sustainability of the cash flows being financed.

Capital Securities

Distributions paid on these securities, which are largely denominated in Canadian dollars, are recorded as interest expense, even though the securities are preferred shares that are convertible into common equity at our option. The securities are classified as liabilities for Canadian GAAP purposes because the holders of the preferred shares have the right, after a fixed date, to convert the shares into common equity based on the market price of our common shares at that time unless previously redeemed by us.

AS AT DECEMBER 31 (MILLIONS)	2008	2007
Issued by the Corporation	$ 543	$ 517
Issued by Brookfield Properties	882	1,053
	$ 1,425	$ 1,570

During the year we issued C$150 million of 5% convertible preferred shares. The carrying values of existing capital securities declined due to the lower Canadian dollar, in which most of these securities are denominated.

The average distribution yield on the capital securities at December 31, 2008 was 6% (2007 – 6%) and the average term to the holders' conversion date was six years (2007 – seven years).

Interests of Co-investors

Interests of co-investors in net assets are comprised of two components: participating interests held by other holders in our funds and subsidiary companies, and non-participating preferred equity issued by subsidiaries.

	Number of Shares / % Interest	Brookfield Invested Capital			
		Total		Net	
AS AT DECEMBER 31 (MILLIONS)	2008	2008	2007	2008	2007
Participating interests					
Commercial properties					
Brookfield Properties Corporation	196.6 / 49%	$ 1,768	$ 1,622	$ 1,768	$ 1,622
Property funds and other	various	437	320	—	—
Power generation	various	192	170	—	—
Infrastructure					
Timberlands	various	995	314	—	—
Transmission	various	246	—	—	—
Development and other properties					
Brookfield Homes Corporation	11.2 / 42%	176	245	—	—
Other		573	650	—	—
Specialty funds	various	1,186	565	—	—
Investments	various	310	346	—	—
		5,883	4,232	1,768	1,622
Non-participating interests					
Brookfield Multiplex Group		324	387	324	387
Brookfield Properties Corporation		122	151	122	151
		446	538	446	538
		$ 6,329	$ 4,770	$ 2,214	$ 2,160

We include Brookfield Properties on a fully consolidated basis in our segmented basis of presentation and accordingly the interests of others in these operations are reflected in both the total and net results. The other entities shown above are presented on a deconsolidated basis in our segmented analysis, and, as a result, the interests of other shareholders are presented in total invested capital only.

Interests of others in our infrastructure operations increased with the distribution of a 60% interest in Brookfield Infrastructure Partners to our shareholders as well as the transfer of our U.S. Pacific Northwest timber operations to a partially-owned timber fund. Specialty fund interests increased as a result of us commencing reporting our first real estate finance fund on a consolidated basis following a change in ownership during the year and raising additional third-party capital in our second such fund.

Shareholders' Equity

AS AT DECEMBER 31 (MILLIONS)	2008	2007
Preferred equity	$ 870	$ 870
Common equity	4,918	6,644

Preferred equity consists of perpetual preferred shares that represent an attractive form of leverage for common shareholders, and was unchanged during the year. The average dividend rate at December 31,2008 was 5%.

We repurchased 14.2 million common shares during the year at prices ranging from $12.12 per share to $35.56 per share, with an average price of $20.17 per share. Further details on the components of our equity and related distributions can be found on page 54. Common equity also declined as a result of the distribution of a 60% interest in Brookfield Infrastructure by way of a special dividend and the impact of lower foreign currency exchange rates on non-U.S. operations.

AS AT DECEMBER 31, 2008 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	*Total*	*Per Share*
Shareholders' equity		
Underlying value – pre tax	$ 15,021	$ 24.32
Underlying value – after tax	12,801	20.62
Book value	5,788	8.93

The underlying value of our equity is $15.0 billion ($24.32 per share) on a pre-tax basis and $12.8 billion ($20.62 per share) after deducting an accounting provision in respect of the taxes we might theoretically pay if we liquidated the company on the balance sheet date. The market capitalization of our equity, reflecting our share price at year end, was $10.5 billion. Our book value of $5.8 billion reflects the depreciated historical cost of many assets, such as office properties and hydroelectric facilities, which were acquired many years ago for values significantly below what they are worth today.

NON-CASH WORKING CAPITAL

Other Assets

The following is a summary of other assets:

	Net Invested Capital	
AS AT DECEMBER 31 (MILLIONS)	***2008***	*2007*
Accounts receivable	**$ 678**	$ 795
Restricted cash	**294**	317
Intangible assets	**83**	111
Prepaid and other assets	**1,105**	1,441
Deferred tax asset	**408**	349
	$ 2,568	$ 3,013

Other assets include working capital balances employed in our business that are not directly attributable to specific operating units. The magnitude of these balances varies somewhat based on seasonal variances. The net balances include $1,161 million (2007 – $985 million) associated with Brookfield Properties and $1,407 million (2007 – $2,028 million) associated with the Corporation.

Other Liabilities

	Invested Capital			
	Total		*Net*	
AS AT DECEMBER 31 (MILLIONS)	***2008***	*2007*	***2008***	*2007*
Accounts payable	**$ 3,487**	$ 3,636	**$ 1,101**	$ 1,083
Insurance liabilities	**1,132**	1,655	**—**	—
Deferred tax liability	**1,461**	1,925	**365**	1,091
Other liabilities	**3,714**	3,759	**1,188**	1,308
	$ 9,794	$ 10,975	**$ 2,654**	$ 3,482

Accounts payable and other liabilities include $1,073 million associated with Brookfield Properties (2007 – $1,398 million). Deferred taxes represent future tax obligations that arise largely due to holding assets whose book value exceeds their value for tax purposes.

PART 4 – ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS

The information in this section enables the reader to reconcile the basis of presentation in our consolidated financial statements to that employed in the MD&A. We also provide additional information for certain items not covered within this section. The tables presented on pages 54 and 55 provide a detailed reconciliation between our consolidated financial statements and the basis of presentation throughout the balance of this MD&A.

CONSOLIDATED STATEMENTS OF INCOME

The following table summarizes our consolidated statements of net income:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*	*2006*
Revenues	**$ 12,868**	$ 9,343	$ 6,897
Net operating income	**4,809**	4,509	3,776
Expenses			
Interest	**(1,984)**	(1,786)	(1,185)
Current income taxes	**7**	(68)	(142)
Asset management and other operating costs	**(640)**	(464)	(333)
Non-controlling interests in the foregoing	**(791)**	(636)	(468)
	1,401	1,555	1,648
Other items, net of non-controlling interests	**(752)**	(768)	(478)
Net income	**$ 649**	$ 787	$ 1,170

Revenues

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*	*2006*
Commercial properties	**$ 2,761**	$ 2,331	$ 1,500
Power generation	**1,286**	960	894
Infrastructure	**455**	599	428
Development and other properties	**3,689**	2,169	1,788
Specialty funds	**2,090**	1,246	908
Investment income and other	**2,587**	2,038	1,379
	$ 12,868	$ 9,343	$ 6,897

Revenues from commercial properties increased due to the expansion of our operations including acquisitions. The increase in power generation revenues reflects higher pricing, higher water flows and increased generating capacity offset by lower currency exchange rates. Infrastructure revenues were higher in 2007 because we consolidated the results of the electricity transmission system in Chile for the first six months of that year and on an equity accounted basis thereafter. Our specialty funds' revenues increased due to the consolidation of revenues from our real estate finance fund during the year.

Net Operating Income

Net operating income includes the following items from our consolidated statements of income: fees earned; operating revenues less direct operating expenses; and investment and other income. These items are described for each business unit in Part 2 – Performance Review beginning on page 12 of this MD&A.

The following table reconciles net operating income to the total operating cash flow in the segmented basis of presentation and net operating income:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	*Operating Platform*	***2008***	*2007*	*2006*
Net operating income		**$ 4,809**	$ 4,509	$ 3,776
Add: dividends from equity accounted investments	Investments	**22**	21	66
exchangeable debenture gains	Cash and Financial Assets	**—**	331	—
dividends from Canary Wharf	Commercial Properties	**—**	—	87
Total operating cash flow		**$ 4,831**	$ 4,861	$ 3,929

Expenses and Other Items
Expenses and Other Items are discussed under Performance Review beginning on page 37 of this MD&A.

CONSOLIDATED BALANCE SHEETS

Total assets at book value decreased to $53.6 billion as at December 31, 2008 from $55.6 billion at the end of 2007 as shown in the following table:

	Book Value		
AS AT DECEMBER 31 (MILLIONS)	***2008***	*2007*	*2006*
Assets			
Cash and cash equivalents and financial assets	**$ 2,029**	$ 3,090	$ 2,869
Investments	**890**	1,352	775
Accounts receivable and other	**7,310**	7,139	4,805
Intangible assets	**1,632**	2,026	1,146
Goodwill	**2,011**	1,528	669
Operating assets			
Property, plant and equipment	**36,375**	37,725	28,082
Securities	**1,303**	1,828	1,711
Loans and notes receivable	**2,061**	909	651
	$ 53,611	$ 55,597	$ 40,708

The impact of lower currency exchange rates on the carrying values of assets located outside of the United States was a major contributor to the decline in total assets. Carrying values of the associated liabilities also declined, mitigating the impact on our equity.

We commenced accounting for our interests in one of our real estate finance funds and our investment in Norbord on a consolidated basis, which reduced Investments and increased Property, Plant and Equipment as well as Loans and Notes Receivable.

Investments
Investments represent equity accounted interests in partially owned companies as set forth in the following table, which are discussed further within the relevant business segments in the Description of Operating Platforms.

		% of Investment		Book Value	
AS AT DECEMBER 31 (MILLIONS)	*Business Segment*	***2008***	*2007*	***2008***	*2007*
Chile transmission	Transmission	**17%**	28%	**$ 324**	$ 330
Property funds	Commercial Office	**20-25%**	20-25%	**233**	382
Brazil transmission	Transmission	**3-10%**	7.5-25%	**207**	205
Other	Various			**126**	107
Norbord Inc.	Investments	**—**	41%	**—**	180
Real Estate Finance Fund	Specialty Funds	**—**	27%	**—**	148
Total				**$ 890**	$ 1,352

The carrying value of our property fund investments declined due to changes in carrying values and asset valuations. We began accounting for our investments in Norbord and the Real Estate Finance Fund on a consolidated basis following an increase in our ownership in each entity.

Accounts Receivable and Other

	Book Value	
AS AT DECEMBER 31 (MILLIONS)	***2008***	*2007*
Accounts receivable	**$ 3,056**	$ 2,892
Prepaid expenses and other assets	**2,651**	2,813
Restricted cash	**610**	627
Inventory	**993**	807
	$ 7,310	$ 7,139

These balances include amounts receivable by the company in respect of contracted revenues owing but not yet collected, and dividends, interest and fees owing to the company. Prepaid expenses and other assets include amounts accrued to reflect the straight-lining of long-term contracted revenues and capitalized lease values in accordance with accounting guidelines. Restricted cash represents cash balances placed on deposit in connection with financing arrangements and insurance contracts, including the defeasement of long-term property-specific mortgages. The distribution of these assets among our business units is presented in the tables on page 54.

Goodwill

Goodwill represents purchase consideration that is not specifically allocated to the tangible and intangible assets being acquired. The balance as at December 31, 2008 includes $799 million of goodwill allocated to our Australian, European and Middle East operations and $591 million of goodwill incurred on the acquisition of U.S. Pacific Northwest timberlands.

Property, Plant and Equipment

	Book Value	
AS AT DECEMBER 31 (MILLIONS)	***2008***	*2007*
Commercial properties	**$ 19,274**	$ 20,796
Power generation	**4,954**	5,137
Infrastructure	**2,879**	3,046
Development and other properties	**7,282**	7,696
Other plant and equipment	**1,986**	1,050
	$ 36,375	$ 37,725

The changes in these balances are discussed within each of the relevant business units within the Operating Platforms section. Commercial properties includes office and retail property assets. Development and other properties include opportunity investments, residential properties, properties under development and properties held for development. The increase in other plant and equipment is largely due to the consolidation of Norbord during 2008.

Securities

Securities include $1.0 billion (2007 – $1.6 billion) of largely fixed income securities held through our insurance operations, as well as our $143 million (2007 – $182 million) common share investment in Canary Wharf Group, which is included in our commercial office property operations in our segmented analysis, and is carried at historic cost, adjusted to reflect current exchange rates.

Loans and Notes Receivable

Loans and notes receivable consist largely of loans advanced by our bridge lending operations and real estate securities. The balances increased during the year following the consolidation of our first real estate finance fund.

CONSOLIDATED STATEMENTS OF CASH FLOWS

The following table summarizes the company's cash flows on a consolidated basis:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*
Operating activities	**$ 1,567**	$ 3,284
Financing activities	**(1,121)**	4,471
Investing activities	**(765)**	(7,398)
(Decrease) Increase in cash and cash equivalents	**$ (319)**	$ 357

We completed two major acquisitions in 2007, which resulted in a significantly higher level of aggregate financing and investment activities in that year compared to 2008. The decline in cash flow from operations is due to a smaller change in working capital balances.

Operating Activities

Cash flow from operating activities is reconciled to the operating cash flow measure utilized elsewhere in this report as follows:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*
Operating cash flow	**$ 1,423**	$ 1,907
Adjust for:		
Net change in working capital balances and other	**(279)**	1,141
Realization gains	**(164)**	(231)
Undistributed non-controlling interests in cash flow	**587**	467
Cash flow from operating activities	**$ 1,567**	$ 3,284

Operating cash flow is discussed in detail elsewhere in this MD&A.

We retained $587 million (2007 – $467 million) of operating cash flow within our consolidated subsidiaries attributable to minority interests in excess of that distributed by way of dividends.

Financing Activities

We utilized $1.1 billion of cash within our financing activities during 2008, compared to the generation of $4.5 billion in 2007. The 2007 results reflected proceeds from financings completed in respect of acquisitions during that year, including a major property business in Australia, retail properties in Brazil and timberlands in the US Pacific Northwest.

During 2008 we reduced the leverage in several of our operations in response to the deteriorating economic climate and through the retirement of debt associated with assets sold during the year. We also purchased a larger amount of common shares of the Corporation and our subsidiaries.

Investing Activities

We invested net capital of $0.8 billion on a consolidated basis during 2008, compared with a net investment of $7.4 billion during 2007. We increased our investment in power generating facilities through the acquisition of a 156 megawatt facility in Brazil, resulting in cash outflow of $0.5 billion and invested additional capital through the development of our commercial office portfolio. In addition, we sold a partial interest in our U.S. Pacific Northwest timberlands for gross proceeds of $0.6 billion. The most significant acquisitions in 2007 included that of Multiplex, a major retail property portfolio in Brazil and U.S. timberlands.

RECONCILIATION OF SEGMENTED DISCLOSURE TO CONSOLIDATED FINANCIAL STATEMENTS

Balance Sheet

(MILLIONS)	Commercial Properties	Power	Infrastructure	Development and Other	Specialty Funds	Investments	Cash and Financial Assets	Other Assets	Corporate	Consolidated
	AS AT DECEMBER 31, 2008									
Assets										
Operating assets										
Property, plant and equipment										
Commercial properties	$ 19,274	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 19,274
Power generation	—	4,954	—	—	—	—	—	—	—	4,954
Infrastructure	—	—	2,879	—	—	—	—	—	—	2,879
Development and other properties	38	—	105	7,092	—	47	—	—	—	7,282
Other plant and equipment	10	—	—	49	709	1,218	—	—	—	1,986
Securities	143	—	—	—	206	954	—	—	—	1,303
Loans and notes receivable	—	—	—	—	1,921	24	116	—	—	2,061
Cash and cash equivalents	166	138	61	160	124	270	323	—	—	1,242
Financial assets	24	219	—	(305)	91	(35)	793	—	—	787
Investments	252	—	544	37	27	2	28	—	—	890
Accounts receivable and other	96	1,135	228	2,217	726	808	—	2,100	—	7,310
Goodwill	121	27	591	834	23	30	—	385	—	2,011
Intangible assets	859	—	5	560	112	13	—	83	—	1,632
Total assets	**$ 20,983**	**$6,473**	**$ 4,413**	**$ 10,644**	**$ 3,939**	**$ 3,331**	**$ 1,260**	**$2,568**	**$ —**	**$ 53,611**
Liabilities and shareholders' equity										
Corporate borrowings	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,284	$ 2,284
Property-specific financing	13,536	3,587	1,642	3,011	1,113	—	—	—	—	22,889
Other debt of subsidiaries	1,118	653	145	1,131	387	746	189	—	733	5,102
Accounts payable and other liabilities	1,318	826	624	2,419	380	1,573	—	—	2,654	9,794
Capital securities	—	—	—	—	—	—	—	—	1,425	1,425
Non-controlling interests in net assets	436	192	1,241	749	1,189	310	(2)	—	2,214	6,329
Preferred equity	—	—	—	—	—	—	—	—	870	870
Common equity / net invested capital	4,575	1,215	761	3,334	870	702	1,073	2,568	(10,180)	4,918
Total liabilities and shareholders' equity	**$ 20,983**	**$6,473**	**$ 4,413**	**$ 10,644**	**$ 3,939**	**$ 3,331**	**$ 1,260**	**$2,568**	**$ —**	**$ 53,611**

(MILLIONS)	Commercial Properties	Power	Infrastructure	Development and Other	Specialty Funds	Investments	Cash and Financial Assets	Other Assets	Corporate	Consolidated
	AS AT DECEMBER 31, 2007									
Assets										
Operating assets										
Property, plant and equipment										
Commercial properties	$ 20,796	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 20,796
Power generation	—	5,137	—	—	—	—	—	—	—	5,137
Infrastructure	—	—	3,046	—	—	—	—	—	—	3,046
Development and other properties	—	—	106	7,512	—	78	—	—	—	7,696
Other plant and equipment	8	—	—	10	632	398	2	—	—	1,050
Securities	182	—	—	—	—	1,646	—	—	—	1,828
Loans and notes receivable	—	—	—	—	856	53	—	—	—	909
Cash and cash equivalents	146	77	38	447	74	237	360	182	—	1,561
Financial assets	—	707	—	(41)	180	—	683	—	—	1,529
Investments	382	—	535	30	169	194	42	—	—	1,352
Accounts receivable and other	94	848	113	1,426	794	1,186	305	2,373	—	7,139
Goodwill	—	33	591	521	—	36	—	347	—	1,528
Intangible assets	1,012	—	6	868	6	23	—	111	—	2,026
Total assets	**$ 22,620**	**$6,802**	**$ 4,435**	**$ 10,773**	**$ 2,711**	**$ 3,851**	**$ 1,392**	**$3,013**	**$ —**	**$ 55,597**
Liabilities and shareholders' equity										
Corporate borrowings	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,048	$ 2,048
Property-specific financing	13,841	3,488	1,796	2,519	—	—	—	—	—	21,644
Other debt of subsidiaries	1,820	797	9	2,337	637	371	394	—	711	7,076
Accounts payable and other liabilities	1,779	879	668	1,791	434	1,877	65	—	3,482	10,975
Capital securities	—	—	—	—	—	—	—	—	1,570	1,570
Non-controlling interests in net assets	582	213	317	662	528	267	41	—	2,160	4,770
Preferred equity	—	—	—	—	—	—	—	—	870	870
Common equity / net invested capital	4,598	1,425	1,645	3,464	1,112	1,336	892	3,013	(10,841)	6,644
Total liabilities and shareholders' equity	**$ 22,620**	**$6,802**	**$ 4,435**	**$ 10,773**	**$ 2,711**	**$ 3,851**	**$ 1,392**	**$3,013**	**$ —**	**$ 55,597**

Results from Operations

(MILLIONS)	Asset Management	Commercial Properties	Power	Infrastructure	Development and Other	Specialty Funds	Investments	Income / Corporate Gains	Corporate	Consolidated
	FOR THE YEAR ENDED DECEMBER 31, 2008									
Fees earned	$ 449	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 449
Revenues less direct operating costs										
Commercial properties	—	1,831	—	—	—	—	—	—	—	1,831
Power generation	—	—	886	—	—	—	—	—	—	886
Infrastructure	—	—	—	196	—	—	—	—	—	196
Development and other properties	—	(1)	—	5	234	—	2	—	—	240
Specialty funds	—	—	—	—	—	304	—	—	—	304
Investment and other income	—	53	—	134	(25)	3	219	519	—	903
	449	1,883	886	335	209	307	221	519	—	4,809
Expenses										
Interest	—	1,033	313	102	50	88	22	48	328	1,984
Asset management and other operating costs	—	—	—	15	—	—	19	—	606	640
Current income taxes	—	15	21	13	(73)	4	3	—	10	(7)
Non-controlling interests	—	72	86	64	27	89	19	(16)	450	791
	449	763	466	141	205	126	158	487	(1,394)	1,401
Dividends	—	—	—	—	—	—	22	—	—	22
Cash flow from operations	**$ 449**	**$ 763**	**$ 466**	**$ 141**	**$ 205**	**$ 126**	**$ 180**	**$ 487**	**$ (1,394)**	**$ 1,423**

Results from Operations

(MILLIONS)	Asset Management	Commercial Properties	Power	Infrastructure	Development and Other	Specialty Funds	Investments	Investment Income / Gains	Corporate	Consolidated
	FOR THE YEAR ENDED DECEMBER 31, 2007									
Fees earned	$ 415	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 415
Revenues less direct operating costs										
Commercial properties	—	1,548	—	—	—	—	—	—	—	1,548
Power generation	—	—	611	—	—	—	—	—	—	611
Infrastructure	—	—	—	290	—	—	—	—	—	290
Development and other properties	—	—	—	7	419	—	(9)	1	—	418
Specialty funds	—	—	—	—	—	370	—	—	—	370
Investment and other income	—	18	—	21	(7)	11	437	377	—	857
	415	1,566	611	318	412	381	428	378	—	4,509
Expenses										
Interest	—	870	289	174	72	22	44	13	302	1,786
Asset management and other operating costs	—	—	—	—	—	—	23	—	441	464
Current income taxes	—	10	7	4	(18)	4	49	3	9	68
Non-controlling interests	—	84	54	38	57	14	21	—	368	636
	415	602	261	102	301	341	291	362	(1,120)	1,555
Dividends	—	—	—	—	—	—	21	—	—	21
Xstrata debenture gain	—	—	—	—	—	—	—	331	—	331
Cash flow from operations	**$ 415**	**$ 602**	**$ 261**	**$ 102**	**$ 301**	**$ 341**	**$ 312**	**$ 693**	**$ (1,120)**	**$ 1,907**

PART 5 – BUSINESS STRATEGY, ENVIRONMENT AND RISKS

In this section we discuss our business strategy, our capabilities as they relate to our ability to execute our strategy, the key performance factors that form an integral part of this strategy and key financial measures that are indicative of our progress. This section also contains a review of certain aspects of the business environment and risks that could affect our performance.

BUSINESS STRATEGY

We are a global asset management company focused on property, renewable power and infrastructure assets. Our goal is to establish Brookfield as a global asset manager of choice for investment clients who wish to benefit from the ownership of these types of assets. We have spent many years building high quality operating platforms that enable us to acquire, finance and optimize the value of assets for our own benefit, and for our clients whose capital we manage.

We believe that the best way to create long-term shareholder value is to generate increasing operating cash flows, measured on a per share basis, over a very long period of time. Accordingly, we concentrate on high quality long-life assets that generate sustainable cash flows, require minimal sustaining capital expenditures and tend to appreciate in value over time. Often these assets will benefit from some form of barrier to entry due to regulatory, physical or cost structure factors. While high quality assets may initially generate lower returns on capital, we believe that the sustainability and future growth of their cash flows are more assured over the long term, and as a result, warrant higher valuation levels. We also believe that the high quality of our asset base protects the company against future uncertainty and enables us to invest with confidence when opportunities arise.

Consistent with this focus, we own and operate large portfolios of core office properties, hydroelectric power generating stations, private timberlands and regulated transmission systems that, in our opinion, share these common characteristics. These assets represent important components of the infrastructure that supports the global economy.

We believe the demand from institutional investors to own assets of this nature is increasing as they seek to earn increasing yields to meet their investment objectives. These assets, in our view, represent attractive alternatives to traditional fixed income investments, providing in many cases a “real return” that increases over time, relatively low volatility and strong capital protection. There is a substantial supply of investment opportunities in the form of existing assets as well as the need for continued development in an ever expanding global economy. At the same time there are relatively few global organizations focused on managing assets of this nature as a primary component of their strategy.

Accordingly, an important component of our long-term strategy for growth is centred around expanding our assets under management, which should lead to increased fee revenues and long-term opportunities to earn performance returns. We plan to achieve this within our existing operating platforms, through geographic expansion beyond our current focus in North America, South America, Europe and Australia, and by developing and acquiring platforms to operate new asset classes that demonstrate characteristics that are similar to our existing assets. We also plan to achieve growth by expanding our distribution capabilities to access a broader range of investment partners, thereby increasing our access to capital. This increased capital, when coupled with new investment opportunities, should increase our assets under management and the associated income as well as direct investment returns, thereby increasing shareholder value.

Capabilities

We believe that we have the necessary capabilities to execute our business strategy and achieve our performance targets. We focus on disciplined and active hands-on management of assets and capital. We strive for excellence and quality in each of our core operating platforms in the belief that this approach will produce superior returns over the long term.

We endeavour to operate as a value investor and follow a disciplined investment approach. Our management team has considerable capabilities in investment analysis, mergers and acquisitions, divestitures and corporate finance that enable us to acquire assets for value, finance them effectively, and to ultimately realize value created during our ownership.

Our operating platforms and depth of experience in managing these assets differentiate us from some competitors that have shorter investment horizons and more of a financial focus. Over time we have established a number of high quality operating platforms that are fully integrated into our organization. This has required considerable investment in building the management teams and the necessary resources; however, we believe these platforms enable us to optimize the cash returns and values of the assets that we manage.

We have established strong relationships with a number of leading institutions and believe we are well positioned to expand our sources of co-investment capital and clients. In order to expand our assets under management, we are investing in our distribution capabilities to encourage existing and potential clients to commit capital to our investment strategies. We are devoting expanded resources to these activities, and our efforts continue to be assisted by strong investment performance.

The diversification within our operations allows us to offer a broad range of products and investment strategies to our clients. We believe this is of considerable value to investors with large amounts of capital to deploy. In addition, our commitment to transparency and governance as a well-capitalized public company listed on major North American and European stock exchanges positions us as a desirable long-term partner for our clients.

Finally, our commitment to invest a meaningful amount of capital alongside our investors creates a strong alignment of interest between us and our investment partners and also differentiates us from many of our competitors. Accordingly, our strategy calls for us to maintain considerable surplus financial resources relative to other managers. This capital also supports our ability to commit to investment opportunities on our own account when appropriate or in anticipation of future syndications.

Key Performance Factors
Our ability to increase our operating cash flows is impacted by our ability to generate attractive returns on the capital invested on behalf of ourselves and our clients, and our ability to increase the amount of the capital that we manage on behalf of our clients. These two criteria are linked, in that the quality of our investment returns will encourage clients to commit capital to us, and our access to this capital will enable us to pursue a broader range of investment opportunities.

Investment returns are influenced by a number of factors that are specific to each asset and industry segment. There are however, four key objectives that we focus on across the organization.

- Acquire assets “for value”: meaning that the projected cash flows and value appreciation of the asset represent an attractive risk-adjusted return to ourselves and our co-investors.

- Optimize the cash returns and value of the asset on an ongoing basis. In most cases, this is the responsibility of one of our operating platforms, and is evidenced by the return on asset metrics and operating margins.

- Finance assets effectively, using a prudent amount of leverage. We believe this is very important in maximizing the net returns to investors from property and infrastructure assets, given the lower return on assets compared to a number of other businesses. Fortunately, these assets are well suited to support a relatively high level of investment grade secured debt with long maturity dates given the predictability of the cash flows and tendency of these assets to retain substantial value throughout economic cycles. This is reflected in our return on net capital deployed, our overall return on capital and our cost of capital.

- Have the ability to realize the maximum value of assets through a direct or indirect sale or monetization of the assets. Many of our assets tend to appreciate in value over time and accordingly they may be held for very long periods of time. As a result, this “back-end” appreciation may not be recognized in our financial results until there is a specific transaction.

Expanding our client relationships is impacted not only by our investment returns, as discussed above, but also by the quality of our distribution capabilities and by maintaining a high level of ongoing client service. This involves transparent and timely communication of results, ongoing engagement and responsiveness to client objectives and generation of attractive investment opportunities.

Key Financial Measures
Our key performance measure is the long-term growth rate of operating cash flow on a per share basis. We also measure the cash return on book equity, which demonstrates how effective we are at deploying the capital with which we have been entrusted by shareholders. Our current targets are 12% and 20%, respectively. We revisit these targets periodically in light of the current operating environment to ensure that they are realistic and can be achieved without exposing the organization to inappropriate risk.

The amount of co-investor capital commitments is also an important measure. One of our most important objectives is to expand the amount of capital committed to us by our clients because this provides us with capital to expand our business and also entitles us to earn asset management income based on our ability to successfully invest this capital. “Third-Party” asset management

income is an important measure in that it is indicative of the cash flow generated from our asset management activities, which is an important source of potential growth in our operating cash flows.

We utilize operating cash flow as a key operating metric as opposed to net income, principally because operating cash flow does not include certain items that we believe can distort operations results, such as depreciation and amortization expense, and future income tax expense.

Depreciation as prescribed by GAAP, for example, implies these assets decline in value on a pre-determined basis over time, whereas we believe that the value of most of our assets, as long as regular sustaining capital expenditures are made, will typically increase over time. This increase in value will inevitably vary based on a number of market and other conditions that cannot be determined in advance, and may sometimes be negative in a particular period. Future income tax expense, in our case, is derived primarily from changes in the magnitude and quality of our tax losses and the differences between the tax values and book values of our assets, as opposed to current cash liabilities. Brookfield has access to significant tax shields as a result of the nature of our asset base, and we do not expect to incur any meaningful cash tax liability in the near future from ongoing operations.

Our operating cash flow is derived from two principal activities: operations and asset management. We invest our own capital in most of the assets and capital that we manage for our clients, and accordingly participate in the operating cash flow produced by these assets and businesses and the associated value appreciation. In addition, our clients compensate us for asset management activities that we perform in respect of the capital and assets that we manage on their behalf. Accordingly, we distinguish operating cash flows between those attributable to our asset management activities and those that represent investment returns from the capital deployed in established funds and directly held assets. Asset management activities include strategic oversight, investment analysis, capital allocation activities such as acquisitions, divestitures and financing, and the provision of specific services such as investment banking, facilities management and leasing. While currently modest, we intend to significantly increase the contribution from asset management as we continue to expand these activities.

BUSINESS ENVIRONMENT AND RISKS

The following is a review of certain risks that could adversely impact our financial condition, results of operation and the value of our common shares. Additional risks and uncertainties not previously known to the Corporation, or that the Corporation currently deems immaterial, may also impact our operations and financial results.

General Risks

We are exposed to the local, regional, national and international economic conditions and other events and occurrences that affect the markets in which we own assets and operate businesses. In general, a protracted decline in economic conditions will result in downward pressure on our operating margins and asset values as a result of lower demand for the services and products that we provide. We believe that the long-life nature of our assets and, in many cases, the long-term nature of revenue contracts mitigates this risk to some degree.

Each segment of our business is subject to competition in varying degrees. This can result in downward pressure on revenues which can, in turn, reduce operating margins and thereby reduce operating cash flows and investment returns. In addition, competition could result in scarcity of inputs which can impact certain of our businesses through higher costs. We believe that the high quality and low operating costs of many of our assets and businesses provides some measure of protection in this regard.

A number of our long-life assets are interest rate sensitive: an increase in long-term interest rates will, absent all else, tend to decrease the value of the assets. We mitigate this risk in part by financing assets with long-term fixed rate debt, which will typically decrease in value as rates increase. In addition, we believe that many conditions that lead to higher interest rates, such as inflation, can also give rise to higher revenues which will, absent all else, tend to increase values.

The trading price of our common shares in the open market cannot be predicted. The trading price could fluctuate significantly in response to factors such as: variations in our quarterly or annual operating results and financial condition; changes in government regulations affecting our business; the announcement of significant events by our competitors; market conditions and events specific to the industries in which we operate; changes in general economic conditions; differences between our actual financial and operating results and those expected by investors and analysts; changes in analysts' recommendations or projections; the depth and liquidity of the market for our common shares; investor perception of our business and industry; investment restrictions; and our dividend policy. In addition, securities markets have experienced significant price and volume fluctuations in recent years

that have often been unrelated or disproportionate to the operating performance of particular companies. These broad fluctuations have, in the past, and may, in the future, adversely affect the trading price of our common shares.

Execution of Strategy

Our strategy for building shareholder value is to acquire or develop high quality assets and businesses that generate sustainable and increasing cash flows on behalf of ourselves and co-investors, with the objective of achieving higher returns on invested capital and increasing asset management fees over the long term.

We consider effective capital allocation to be one of the most important components to achieving long-term investment success. As a result, we apply a rigorous approach towards the allocation of capital among our operations. Capital is invested only when the expected returns exceed pre-determined thresholds, taking into consideration both the degree and magnitude of the relative risks and upside potential and, if appropriate, strategic considerations in the establishment of new business activities.

The successful execution of a value investment strategy requires careful timing and business judgment, as well as the resources to complete asset purchases and restructure them as required, notwithstanding difficulties experienced in a particular industry. Our diversified business base, liquidity and the sustainability of our cash flows provide important elements of strength.

We endeavour to maintain an appropriate level of liquidity in order to invest on a value basis when attractive opportunities arise. Our approach to business entails adding assets to our existing businesses when the competition for assets is lowest, either due to depressed economic conditions or when concerns exist relating to a particular industry. However, there is no certainty that we will be able to acquire or develop additional high quality assets at attractive prices to supplement our growth. Conversely, overly favourable economic conditions can limit the number of attractive investment opportunities and thereby restrict our ability to increase assets under management and the related income streams. Competition from other well-capitalized investors may significantly increase the purchase price or prevent us from completing an acquisition. We may be unable to finance acquisitions on favourable terms, or newly acquired assets and businesses may fail to perform as expected. We may underestimate the costs necessary to bring an acquisition up to standards established for its intended market position or may be unable to quickly and efficiently integrate new acquisitions into our existing operations.

We develop property and power generation assets. In doing so, we must comply with extensive and complex regulations affecting the development process. These regulations impose on us additional costs and delays, which may adversely affect our business and results of operations. In particular, we are required to obtain the approval of numerous governmental authorities regulating matters such as permitted land uses, levels of density, the installation of utility services, zoning and building standards. We must comply with local, state and federal laws and regulations concerning the protection of health and the environment, including laws and regulations with respect to hazardous or toxic substances. These environmental laws and regulations sometimes result in delays, which cause us to incur additional costs, or severely restrict development activity in environmentally sensitive regions or areas.

Our ability to successfully expand our asset management business is dependent on our reputation with our current and potential investment partners. We believe that our track record and recent investments, as well as adherence to operating principles that emphasize a constructive management culture, will enable us to continue to develop productive relationships with institutional investors. However, competition for institutional capital, particularly in the asset classes on which we focus, is intense. Although we seek to differentiate ourselves there is no assurance that we will be successful in doing so and this competition may reduce the margins of our asset management business and may decrease the extent of institutional investor involvement in our activities.

The decline in market value of financial instruments and other investments has had an adverse effect on the investment portfolios of the insurance companies, pension funds, endowments, sovereign wealth funds and other institutional investors that we seek to partner with in our investments. In the long run, we believe that investors will be increasingly attracted to our approach to asset management which focuses on high quality real assets, conservative financing and an operations-based approach to creating value. In the nearer term, however, the financial market dynamics may reduce the ability of our investment partners to commit to new investments unless they are pursuant to existing commitments. This has reduced our ability to expand our asset management platform.

Our executive and other senior officers have a significant role in our success. Our ability to retain our management group or attract suitable replacements should any members of the management group leave is dependent on the competitive nature of the

employment market. The loss of services from key members of the management group or a limitation in their availability could adversely impact our financial condition and cash flow. Further, such a loss could be negatively perceived in the capital markets. The conduct of our business and the execution of our growth strategy rely heavily on teamwork. Co-operation amongst our operations and our team-oriented management structure are essential to responding promptly to opportunities and challenges as they arise. We believe that our hiring and compensation practices encourage retention and teamwork.

We participate in joint ventures, partnerships, co-tenancies and funds affecting many of our assets and businesses. Investments in partnerships, joint ventures, co-tenancies or other entities may involve risks not present were a third-party not involved, including the possibility that our partners, co-tenants or co-venturers might become bankrupt or otherwise fail to fund their share of required capital contributions. Additionally, our partners, co-venturers or co-tenants might at any time have different economic or other business interests or goals. In addition, we do not have sole control of certain major decisions relating to these assets and businesses, including: decisions relating to the sale of the assets and businesses; refinancing; timing and amount of distributions of cash from such entities to the Corporation; and capital expenditures.

Some of our management arrangements permit our partners to terminate the management agreement in limited circumstances relating to enforcement of the managers' obligations. In addition, the sale or transfer of interests in some of our entities is subject to rights of first refusal or first offer and some agreements provide for buy-sell or similar arrangements. Such rights may be triggered at a time when we may not want to sell but may be forced to do so because we may not have the financial resources at that time to purchase the other party's interest. Such rights may also inhibit our ability to sell our interest in an entity within our desired time frame or on any other desired basis.

Financial and Liquidity Risks

We employ debt and other forms of leverage in the ordinary course of our business in order to enhance returns to shareholders and our co-investors. We attempt to match the profile of the leverage to the associated assets and accordingly typically fund shorter-duration floating rate assets with shorter-term floating rate debt and fund long-term fixed rate and equity-like assets with long-term fixed rate and equity capital. Most of the debt within our business has recourse only to the assets or subsidiary being financed and has no recourse to the Corporation.

Accordingly, we are subject to the risks associated with debt financing. These risks, including the following, may adversely affect our financial condition and results of operations: our cash flow may be insufficient to meet required payments of principal and interest; payments of principal and interest on borrowings may leave us with insufficient cash resources to pay operating expenses; we may not be able to refinance indebtedness on our assets at maturity due to company and market factors including: the estimated cash flow of our assets; the value of our assets; liquidity in the debt markets; financial, competitive, business and other factors, including factors beyond our control; and if refinanced, the terms of a refinancing may not be as favourable as the original terms of the related indebtedness. We attempt to mitigate these risks through the use of long-term debt and by diversifying our maturities over an extended period of time. We also strive to maintain adequate liquidity to refinance obligations.

The terms of our various credit agreements and other financing documents require us to comply with a number of customary financial and other covenants, such as maintaining debt service coverage and leverage ratios, insurance coverage and, in limited circumstances, rating levels. These covenants may limit our flexibility in our operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if we had satisfied our payment obligations.

If we are unable to refinance our indebtedness on acceptable terms, or at all, we may need to utilize available liquidity, which would reduce our ability to pursue new investment opportunities, or dispose of one or more of our assets upon disadvantageous terms. Moreover, prevailing interest rates or other factors at the time of refinancing could increase our interest expense, and if we pledge assets to secure payment of indebtedness and are unable to make required payments, the creditor could foreclose upon such asset or appoint a receiver to receive an assignment of the associated cash flows.

A large proportion of our capital is invested in physical assets which can be hard to sell, especially if local market conditions are poor. Such liquidity could limit our ability to vary our portfolio or assets promptly in response to changing economic or investment conditions. Additionally, financial or operating difficulties of other owners resulting in distress sales could depress asset values in the markets in which we operate in times of illiquidity. These restrictions could reduce our ability to respond to changes in the performance of our investments and market conditions and could adversely affect our financial condition and results of operations.

We periodically enter into agreements that commit us to acquire assets or securities. In some cases we may enter into such agreements with the expectation that we will syndicate or assign all or a portion of our commitment to other investors prior to, at the same time as, or subsequent to the anticipated closing. We may be unable to complete this syndication or assignment which may increase the amount of capital that we are required to invest. These activities can have an adverse impact on our liquidity which may reduce our ability to pursue further acquisitions or meet other financial commitments.

We periodically enter into joint venture, consortium or other arrangements that have contingent liquidity rights in our favour or in favour of our counterparties that may have implications for us. These include buy-sell arrangements, put and call rights, en-bloc sale rights, registration rights and other customary arrangements. A counterparty may seek to exercise these rights in response to their own liquidity considerations or other reasons internal to the counterparty. Our agreements generally have embedded protective terms that mitigate the risk to us. However, in some circumstances we may need to utilize some of our own liquidity in order to preserve value or protect our interests.

We enter into financing commitments in the normal course of business and, as a result, may be required to fund these. Although we do not typically do so, we from time to time guarantee the obligations of funds or other entities that we manage and/or invest in. If we are unable to fulfill any of these commitments, this could result in damages being pursued against us or a loss of opportunity through default of contracts that are otherwise to our benefit.

Our business is impacted by changes in currency rates, interest rates, commodity prices and other financial exposures. We selectively utilize financial instruments to manage these exposures. The company's risk management and derivative financial instruments are more fully described in the notes to our Consolidated Financial Statements.

We have pursued and intend to continue to pursue growth opportunities in international markets and often invest in countries where the U.S. dollar is not the notional currency. As a result, we are subject to foreign currency risk due to potential fluctuations in exchange rates between foreign currencies and the U.S. dollar. A significant depreciation in the value of the foreign currency of one or more countries where we have a significant investment may have a material adverse effect on our results of operations and financial position. We attempt to mitigate adverse effects by borrowing under debt agreements denominated in foreign currencies and through the use of financial contracts, however, there can be no assurance that those attempts to mitigate foreign currency risk will be successful.

We typically finance assets that generate predictable long-term cash flows with long-term fixed rate debt in order to provide stability in cash flows and protect returns in the event of changes in interest rates. We also make use of fixed rate preferred equity financing as well as financial contracts to provide additional protection in this regard. Similarly, we typically finance shorter term floating rate assets with floating rate debt.

As at December 31, 2008, our net floating rate liability position was $1.8 billion (2007 – asset of $0.2 billion). As a result, a 10 basis point increase in interest rates would decrease operating cash flow by $18 million. We are required to record certain financial instruments at market value and any changes in value recorded as current income, with the result that a 10 basis point increase in long-term interest rates will result in a corresponding increase in income of $7 million before tax and vice versa, based on our year end positions.

We selectively utilize credit default swaps and other derivatives to hedge financial positions and may establish unhedged positions from time to time. These instruments are typically utilized as a hedge or an alternative to purchasing or selling the underlying security when they are more effective from a capital employment perspective.

Commercial Office Properties

Our strategy is to invest in high quality commercial office properties as defined by the physical characteristics of the assets and, more importantly, the certainty of receiving rental payments from large corporate tenants which these properties attract. Nonetheless, we remain exposed to certain risks inherent in the commercial office property business.

Commercial office property investments are generally subject to varying degrees of risk depending on the nature of the property. These risks include changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in markets in which we operate), the attractiveness of the properties to tenants, competition from other landlords and our ability to provide adequate maintenance at an economical cost.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made regardless of whether or not a property is producing sufficient income to service these expenses. Our commercial office properties are subject to mortgages which require substantial debt service payments. If we become unable or unwilling to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or of sale. We believe the stability and long-term nature of our contractual revenues is an effective mitigant to these risks.

Our commercial office properties generate a relatively stable source of income from contractual tenant rent payments. We endeavour to stagger our lease expiry profile so that we are not faced with a disproportionate amount of space expiring in any one year. Continued growth of rental income is dependent on strong leasing markets to ensure expiring leases are renewed and new tenants are found promptly to fill vacancies. While we believe the long-term outlook for commercial office rents is positive, it is possible that rental rates could decline, tenant bankruptcies could increase or that renewals may not be achieved particularly in an event of a protracted disruption in the economy such as the onset of a recession. The company is, however, substantially protected against short-term market conditions, since most of our leases are long-term in nature.

Our commercial office portfolio is concentrated in large metropolitan areas, some of which have been or may be perceived to be subject to terrorist attacks. Furthermore, many of our properties consist of high-rise buildings, which may also be subject to this actual or perceived threat, which could be heightened in the event that the United States continues to engage in armed conflict. This could have an adverse effect on our ability to lease office space in our portfolio. Each of these factors could have an adverse impact on our operating results and cash flows. Our commercial office property operations have insurance covering certain acts of terrorism for up to $500 million of damage and business interruption costs. We continue to seek additional coverage equal to the full replacement cost of our assets; however, until this type of coverage becomes commercially available on a reasonably economic basis, any damage or business interruption costs as a result of uninsured acts of terrorism could result in a material cost to the company.

Power Generating Operations

Our power generating operations, which are primarily hydroelectric generating facilities, are subject to changes in hydrology and price, but also including equipment and dam failure, counterparty performance, water rental costs, changes in regulatory requirements and other material disruptions.

The revenues generated by our power facilities are correlated to the amount of electricity generated, which in turn is dependent upon available water flows. Hydrology has natural variation from year to year and may also change permanently because of climate change or other factors, and a natural disaster could impact water flows within the watersheds in which we operate.

A significant portion of our power generating operation revenues are tied, either directly or indirectly, to the wholesale market price for electricity in the markets in which we operate. Wholesale market electricity prices are impacted by a number of external factors. As a result, we cannot accurately predict future electricity prices.

There is a risk of equipment failure or dam failure due to wear and tear, latent defect, design error or operator error, among other things. The occurrence of such failures could result in a loss of generating capacity and repairing such failures could require the expense of significant amounts of capital and other resources. Such failures could result also in exposure to significant liability for damages.

A significant portion of the power we generate is sold under long-term power purchase agreements, as well as shorter-term financial instruments and physical electricity and natural gas contracts that are above market. If for any reason any of the counterparties are unable or unwilling to fulfill their contractual obligations, we may not be able to replace the agreement with an agreement on equivalent terms and conditions.

We are required to make rental payments and pay property taxes for water rights or pay similar fees for use of water. Significant increases in water rental costs or fees or changes in the way that governments regulate water supply could have a material adverse effect on our financial condition.

The operation of our generation assets is subject to extensive regulation by various government agencies at the municipal, provincial, state and federal level. As legal requirements frequently change and are subject to interpretation and discretion, we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. Any new law or regulation could

require additional expenditure to achieve or maintain compliance. In addition, we may not be able to renew, maintain or obtain all necessary licenses, permits and governmental approvals required for the continued operation or further development of our projects.

Our power generation assets could be exposed to effects of significant events, such as severe weather conditions, natural disasters, major accidents, action of malicious destruction, sabotage or terrorism, which could limit our ability to generate or sell power. In certain cases, some events may not excuse us from performing our obligations pursuant to agreements with third parties and we may be liable for damages or suffer further losses as a result. In addition, many of our generation assets are located in remote areas which makes access for repair of damage difficult.

Timberlands
The financial performance of our timberland operations depends on the state of the wood products and pulp and paper industries. Decreases in the level of residential construction activity generally reduce demand for logs and wood products, resulting in lower revenues, profits and cash flows for our customers. Depressed prices for wood products, pulp or paper or market irregularities may cause mill operators to temporarily or permanently shut down their mills if their product prices fall to a level where mill operation would be uneconomic. Any of these circumstances could significantly reduce the prices that we realize for our timber and the amount of timber that such operators purchase from us.

Weather conditions, timber growth cycles, access limitations, aboriginal claims and regulatory requirements associated with forestry practices, sale of logs and environmental matters, may restrict our harvesting, as may other factors, including damage by fire, insect infestation, disease, prolonged drought and other natural and man-made disasters. Although management believes it follows best practices with regard to forest sustainability and general forest management, there can be no assurance that our forest management planning, including silviculture, will have the intended result of ensuring that our asset base appreciates in value over time. If management's estimates of merchantable inventory are incorrect, harvesting levels on our timberlands may result in depletion of our timber assets.

Transmission Infrastructure
Our transmission operations are subject to regulation. The regulated rates are designed to recover allowed costs, including debt financing costs, and permit earning a specified rate of return on assets or equity. Any changes in the rate structure for the transmission assets or any reallocation or redetermination of allowed costs relating to the transmission assets, could have a material adverse effect on our transmission revenues and operating margins.

Residential Properties
We have residential land development and homebuilding operations located in the United States of America, Canada, Brazil and Australia. These operations are concentrated in areas which we believe have positive long-term demographic and economic characteristics. Despite this, 2008 was another challenging year for the U.S. housing industry, as the downturn in the housing market intensified, further adversely affecting our operations.

The residential homebuilding and land development industry is cyclical and is significantly affected by changes in general and local economic and industry conditions, such as consumer confidence, employment levels, availability of financing for homebuyers and interest rates, levels of new and existing homes for sale, demographic trends and housing demand. Competition from rental properties and resale homes, including homes held for sale by investors and foreclosed homes, may reduce our ability to sell new homes, depress prices and reduce margins for the sale of new homes. Homebuilders are also subject to risks related to the availability and cost overruns. Furthermore, the market value of undeveloped land, buildable lots and housing inventories held by us can fluctuate significantly as a result of changing economic and real estate market conditions. If there are significant adverse changes in economic or real estate market conditions, we may have to sell homes at a loss or hold land in inventory longer than planned. Inventory carrying costs can be significant and can result in losses in a poorly performing project or market. Our residential property operations may be particularly affected by changes in local market conditions in California, Virginia, Alberta and Brazil where we derive a large proportion of our residential property revenue. During 2008, we recorded approximately $153 million of charges against our U.S. revenues to reflect changing conditions.

Virtually all of our customers finance their home acquisitions through lenders providing mortgage financing. Mortgage rates have recently been at or near their lowest levels in many years. Despite this, and given the dramatic issues being experienced in the mortgage markets in the U.S. and by many lenders, fewer loan products and tighter loan qualification requirements have made it more difficult for borrowers to procure mortgages.

Even if potential customers do not need financing, changes in interest rates and mortgage availability could make it harder for them to sell their homes to potential buyers who need financing, which in the U.S. has resulted in reduced demand for new homes. As a result, rising mortgage rates could adversely affect our ability to sell new homes and the price at which we can sell them.

Specialty Investment Funds

Our specialty funds operations are focused on the ownership and management of securities and businesses that are supported by underlying tangible assets and cash flows. The principal risks in this business are potential loss of invested capital as well as insufficient investment or fee income to cover operating expenses and cost of capital.

Unfavourable economic conditions could have a significant impact on the value and liquidity of our investments and the level of investment income. Since most of our investments are in our areas of expertise and given that we strive to maintain adequate supplemental liquidity at all times, we are well positioned to assume ownership of and operate most of the assets and businesses that we finance. Furthermore, if this situation does arise, we typically acquire the assets at a discount to the underwritten value, which protects us from loss.

Other Risks

As an owner and manager of real property, we are subject to various federal, provincial, state and municipal laws relating to environmental matters. These laws could hold us liable for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in our properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect our ability to sell our real estate or to borrow using real estate as collateral, and could potentially result in claims or other proceedings against us. We are not aware of any material non-compliance with environmental laws at any of our properties. We are also not aware of any material pending or threatened investigations or actions by environmental regulatory authorities in connection with any of our properties or any material investigations or actions by environmental regulatory authorities in connection with any of our properties or any material pending threatened claims relating to environmental conditions at our properties. We have made and will continue to make the necessary capital expenditures for compliance with environmental laws and regulations. Environmental laws and regulations can change rapidly and we may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on our business, financial condition or results of operation.

The ownership and operation of our assets carry varying degrees of inherent risk of liability related to worker health and safety and the environment, including the risk of government imposed orders to remedy unsafe conditions and/or to contravention of health, safety and environmental laws, licenses, permits and other approvals, and potential civil liability. Compliance with health, safety and environmental laws (and any future laws or amendments enacted) and the requirements of licenses, permits and other approvals will remain material to our business. We have incurred and will continue to incur significant capital and operating expenditures to comply with health, safety and environmental laws and to obtain and comply with licenses, permits and other approvals and to assess and manage potential liability exposure. Nevertheless, from time to time it is possible that we may be unsuccessful in obtaining an important license, permit or other approval or become subject to government orders, investigations, inquiries or other proceedings (including civil claims) relating to health, safety and environmental matters. The occurrence of any of these events or any changes, additions to or more rigorous enforcement of, health, safety and environmental laws, licenses, permits or other approvals could have a significant impact on operations and/or result in additional material expenditures. As a consequence, no assurance can be given that additional environmental and workers' health and safety issues relating to presently known or unknown matters will not require unanticipated expenditures, or result in fines, penalties or other consequences (including changes to operations) material to our business and operations.

We carry various insurance coverages that provide comprehensive protection for first-party and third-party losses to our properties. These coverages contain policy specifications, limits and deductibles customarily carried for similar properties. We also self-insure a portion of certain of these risks. We believe all of our properties are adequately insured.

There are certain types of risks (generally of a catastrophic nature such as war or environmental contamination such as toxic mold) which are either uninsurable or not economically insurable. Should any uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more of our assets or operations, and would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

In the normal course of our operations, we become involved in various legal actions, including claims relating to personal injuries, property damage, property taxes, land rights and contract and other commercial disputes. We endeavour to maintain adequate provisions for outstanding or pending claims. The final outcome with respect to outstanding, pending or future actions cannot be predicted with certainty, and therefore there can be no assurance that their resolution will not have an adverse effect on our financial position or results of our operations in a particular quarter or fiscal year. We believe that we are not currently involved in any litigation, claims or proceedings in which an adverse outcome would have a material adverse effect on our consolidated financial position or results.

Ongoing changes to the physical climate in which we operate may have an impact on our business. In particular, changes in weather patterns may impact hydrology levels thereby influencing generation levels and power generation levels. Climate change may also give rise to changes in regulations and consumer sentiment that could impact other areas of our business.

The U.S. Investment Company Act of 1940 (the "Act") requires the registration of any company which holds itself out to the public as being engaged primarily in the business of investing, reinvesting or trading in securities. In addition, the Act may also require the registration of a company that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and which owns or proposes to acquire investment securities with a value of more than 40% of the company's assets on an unconsolidated basis. We are not currently an investment company in accordance with the Act and we believe we can continue to arrange our business operations in ways so as to avoid becoming an investment company within the meaning of the Act. If we were required to register as an investment company under the Act, we would, among other things, be restricted from engaging in certain businesses and issuing certain securities. In addition, certain of our contracts may become void.

There are many other laws and governmental regulations that apply to us, our assets and businesses. Changes in these laws and governmental regulations, or their interpretation by agencies or the courts, could occur. Further, economic and political factors, including civil unrest, governmental changes and restrictions on the ability to transfer capital across borders in the United States, but primarily in the foreign countries in which we have invested, can have a major impact on us as a global company.

A portion of the workforce in our operations is unionized and if we are unable to negotiate acceptable contracts with any of our unions as existing agreements expire, we could experience a significant disruption of the affected operations, higher ongoing labour costs and restriction of its ability to maximize the efficiency of its operations, which could have an adverse effect on our operations and financial results.

Part 6 – INTERNATIONAL FINANCIAL REPORTING STANDARDS

International Financial Reporting Standards

The Accounting Standards Board ("AcSB") confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. We applied to the Canadian Securities Administrators ("CSA") and were granted exemptive relief to prepare our financial statements in accordance with IFRS earlier and intend to do so for periods beginning January 1, 2010 and prepare our first financial statements in accordance with IFRS for the three month period ended March 31, 2010. These financial statements will include comparative results for the periods commencing January 1, 2009.

The following discussion has been prepared on a basis consistent with the presentation under Canadian GAAP. The classification and components of account balances under IFRS are expected to be different than under Canadian GAAP. Additionally, as we continue to assess the impact of our transition to IFRS, additional differences may be identified which could impact the above amounts.

Impact of Adoption of IFRS

IFRS are premised on a conceptual framework similar to Canadian GAAP, however, significant differences exist in certain matters of recognition, measurement and disclosure. While we believe that the adoption of IFRS will not have a material impact on our reported cash flows, it will likely have a material impact on our consolidated balance sheets and statements of income. In particular, our opening balance sheet will reflect the revaluation of substantially all property, plant and equipment to fair value, irrespective of the accounting treatment on a prospective basis. In addition, a significant portion of our intangible assets and liabilities will no longer be recognized. Finally, all changes to the opening balance sheet will require that a corresponding tax asset or liability be established based on the resultant differences between the carried value of assets and liabilities and their associated tax bases. Our initial estimate of the impact of all of these differences to common equity totals approximately $7.0 billion, resulting in common equity to shareholders of $12.0 billion. The following disclosure highlights the initial adjustments required to be made on adoption of IFRS in order to provide an opening balance sheet and the significant accounting policies, required or expected to be applied by us subsequent to adoption that will be significantly different from our current accounting policies.

IFRS 1: First-time Adoption of International Financial Reporting Standards

Our adoption of IFRS will require the application of IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity apply all IFRS effective at the end of its first IFRS reporting period retrospectively. However, IFRS 1 does require certain mandatory exceptions and limited optional exemptions in specified areas of certain standards from this general requirement. The following are the optional exemptions available under IFRS 1 significant to us that we expect to apply in preparing our first financial statements under IFRS.

Fair value of revaluation as deemed cost

IFRS 1 allows an entity to initially measure an item of property, plant and equipment upon transition to IFRS at fair value or under certain circumstances using a previous GAAP revaluation, as opposed to recreating depreciated cost under IFRS. We will for items of property, plant and equipment use either fair value or a previous GAAP revaluation as deemed cost. We expect to use fair value as a measure of deemed cost for a significant portion of our property, plant and equipment, the cumulative effect of which is expected to result in higher carrying values under IFRS compared to those under Canadian GAAP. This increase in carrying value is primarily the result of the accounting depreciation taken under Canadian GAAP no longer attributed to the assets at transition, in addition to the value appreciation of such assets in aggregate since acquisition.

Business combinations

IFRS 1 allows for the guidance under IFRS 3R Business Combinations ("IFRS 3R") to be applied either retrospectively or prospectively. Retrospective application would require that we restate all business combinations occurring before the date of our transition to IFRS which is January 1, 2009. We expect to adopt IFRS 3R prospectively. Accordingly, all business combinations on or after January 1,2009 would be accounted for in accordance with IFRS 3R.

Cumulative translation differences
IAS 21 The Effects of Changes in Foreign Exchange Rates requires an entity to determine the translation differences in accordance with IFRS from the date on which a subsidiary was formed or acquired. IFRS allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from periods prior to the date of transition to IFRS. We expect to deem all cumulative translation differences to be zero on transition to IFRS.

IFRS 1 allows for certain other optional exemptions; however, we do not expect such exemptions to be significant to our adoption of IFRS.

Impact of IFRS 1 on the Balance Sheet
The following paragraphs quantify and describe the expected impact of significant differences between our December 31, 2008 balance sheet under Canadian GAAP and our January 1, 2009 opening balance sheet under IFRS. This discussion has been prepared using the standards and interpretations currently issued and expected to be effective at the end of our first annual IFRS reporting period, which we intend to be December 31, 2010. Certain accounting policies expected to be adopted under IFRS may not be adopted and the application of such policies to certain transactions or circumstances may be modified and as a result the pro-forma January 1, 2009 underlying values prepared on a basis consistent with IFRS are subject to change. The amounts have not been audited or subject to review by our external auditor.

Property, Plant and Equipment
We expect the book value of our property, plant and equipment at January 1, 2009 to increase by approximately $9.7 billion under IFRS compared to the book value as prepared in accordance with Canadian GAAP. This increase is primarily related to recording the majority of property, plant and equipment at fair value for purposes of establishing deemed cost under IFRS. The following describes the impact of this change on the major components of our property, plant and equipment.

Commercial Property
Our commercial properties are considered investment properties under IAS 40, Investment Property ("IAS 40"). Investment property includes land and buildings held primarily to earn rental income or for capital appreciation or both, rather than for use in the production or supply of goods or for sale in the ordinary course of business. Similar to Canadian GAAP, investment property is initially measured at cost under IAS 40. However, subsequent to initial recognition, IFRS requires that an entity choose either the cost or fair value model to account for its investment property. We will determine our policy upon adoption. At December 31, 2008, we initially determined the deemed cost of our commercial property portfolio to be approximately $3.6 billion greater than the carrying value under Canadian GAAP, net of intangible assets and straight-line rent recorded under Canadian GAAP. We determined the fair value of each investment property based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting current conditions less future cash outflows in respect of such leases. Fair values were primarily determined by discounting the expected future cash flows, generally over a term of 10 years and using weighted average discount and terminal capitalization rates of 8.2% and 7.1%, respectively.

Power Generating Stations
We have chosen to measure certain property, plant and equipment of our power generation business at fair value for purposes of establishing deemed cost as opposed to recreating depreciated cost using IFRS principles since inception. At December 31, 2008, we initially determined the fair value of our power generation assets to be approximately $5.1 billion greater than their carrying value under Canadian GAAP. These valuations were generally completed by discounting the expected future cash flows of each station over a 20 year term and using a weighted average discount and terminal capitalization rate of 11.5%.

Timberlands
Under IFRS our timberlands are considered biological assets, recorded under IAS 41 Agriculture ("IAS 41") are carried at fair value, less estimated point-of-sale costs. Fair value has been determined as the future expected market price for similar species and age of timberlands less costs to sell, discounted to the measurement date. At December 31, 2008, we have initially determined the fair value of our timberland assets to be approximately $0.8 billion greater than their carrying value under Canadian GAAP, net of Canadian GAAP depletion. Key assumptions include a weighted average discount and terminal capitalization rate of 6.5% at a terminal valuation date of 72 years on average.

Transmission
For purposes of establishing deemed cost, we have chosen to use the fair value of its transmission assets as opposed to recreating depreciated cost under IFRS. At December 31, 2008, we had initially determined the fair value of our transmission assets to be approximately equal to their carrying value under Canadian GAAP.

Development Properties and Residential Inventory
Inventories are carried at the lower of cost or net realizable value under both IFRS and Canadian GAAP. Under IFRS, however, net realizable value is determined based on the discounted value of future cash flows whereas under Canadian GAAP such cash flows are not discounted. Accordingly, this difference results in a lower determination of net realizable value under IFRS than Canadian GAAP. Brookfield has assessed net realizable value for purposes of IFRS, generally using discount rates between 12% and 15%. The net realizable value of most residential inventory was greater than cost, however this excess value was not reflected in the IFRS carrying value. In certain cases, net realizable value, when determined on a discounted basis, was lower than cost resulting in a $0.1 billion reduction in carrying value under IFRS when compared to the non-discounted basis under Canadian GAAP.

Other Property, Plant and Equipment
Additional differences also relate to the deconsolidation of certain property, plant and equipment related to entities that are consolidated or proportionately consolidated under Canadian GAAP that are equity accounted under IFRS. This decrease in property, plant and equipment is offset by increases in the carried value of certain property, plant and equipment of investee companies initially recorded at fair value, for purposes of establishing deemed cost, in addition to other adjustments. In aggregate these differences increase property, plant and equipment by an additional $0.4 billion.

Investments
We expect investments at January 1, 2009 to increase by approximately $1.6 billion under IFRS than as prepared in accordance with Canadian GAAP. The increase primarily relates to entities that are consolidated or proportionately consolidated under Canadian GAAP that will be equity accounted under IFRS and accordingly included in the investments account. The impact to net equity as a result of corresponding minority interest after deferred taxes is $0.6 billion primarily related to initially measuring, for purposes of IFRS, the property, plant and equipment of such entities at fair value to establish an initial carrying value.

Securities
We expect securities at January 1, 2009 to increase by approximately $0.3 billion under IFRS than as prepared in accordance with Canadian GAAP. This increase primarily relates to securities held by us that are not traded in an active market but for which fair value can be reliably determined. Under Canadian GAAP these securities are held at cost whereas under IFRS these securities are measured at fair value.

Accounts Receivable, Other and Intangible Assets and Liabilities
We expect accounts receivable, other and intangible assets and liabilities at January 1, 2009 to decrease on a net basis by approximately $1.1 billion under IFRS than as prepared in accordance with Canadian GAAP. This decrease primarily relates to the deconsolidation of assets held by entities that are consolidated or proportionately consolidated under Canadian GAAP that will be equity accounted under IFRS and the removal of certain assets otherwise included in the fair value of commercial properties, such as straight-line rent receivables and above-market leases that are separately accounted for under Canadian GAAP but are reflected as part of the fair value of investment property for IFRS.

Accounts Payable and Other Liabilities
We expect accounts payable and other liabilities at January 1, 2009 to increase by approximately $3.3 billion under IFRS than as prepared in accordance with Canadian GAAP. This change primarily relates to a $2.8 billion increase in future income tax liabilities associated with the increased carrying values of assets within our commercial property, power generation and transmission businesses. These items are offset by the removal of liabilities in respect of below market leases related to our commercial properties and the deconsolidation of certain liabilities of entities consolidated or proportionately consolidated under Canadian GAAP that will be equity accounted under IFRS in addition to other adjustments.

Corporate Borrowings, Property Specific Mortgages, Subsidiary Borrowings, and Capital Securities
We expect property specific mortgages and subsidiary borrowings at January 1, 2009 to decrease by approximately $1.0 billion under IFRS than as prepared in accordance with Canadian GAAP. The decrease primarily relates to the deconsolidation of debt held by entities that are consolidated or proportionately consolidated under Canadian GAAP that will be equity accounted under IFRS. We have not yet determined whether or not we will measure any of these liabilities at fair value.

Goodwill
We expect goodwill at January 1, 2009 to decrease by approximately $0.1 billion under IFRS than as prepared in accordance with Canadian GAAP. This decrease primarily relates to the allocation of goodwill previously recorded on acquisition of investment properties that under IFRS are recorded at fair value. As the investment properties to which goodwill relates are carried at fair value, goodwill is reduced accordingly under IFRS.

Non-controlling Interests
We expect non-controlling interests at January 1, 2009 to increase by approximately $1.4 billion under IFRS than as prepared in accordance with Canadian GAAP. The change in minority interests is primarily related to the recognition of others' interests in the increased asset values offset by deconsolidation of certain entities.

Ongoing IFRS to Canadian GAAP differences – Balance Sheet
Basis of Consolidation
Under Canadian GAAP we determine whether we should consolidate an entity using two different frameworks: the variable interest entity ("VIE") and voting control models. Under IFRS we will consolidate an entity if it is determined to be controlled by us. Control is defined as the power to govern the financial and operating policies of an entity to obtain benefit. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than one half of an entity's voting power, but also exists when the parent owns half or less of the voting power but has legal or contractual rights to control, or de facto control. This change in policy will result in certain entities being consolidated by us that were not consolidated under Canadian GAAP as a result of our legal or contractual rights to control the entity, as defined by IFRS. This change will also result in certain entities that are currently consolidated by us under the VIE model to be deconsolidated.

Joint Ventures
The International Accounting Standards Board ("IASB") is currently considering Exposure Draft 9 Joint Arrangements ("ED 9") which is intended to modify IAS 31 Interests in Joint Ventures ("IAS 31") which sets out the current requirements for the accounting for interests in joint ventures under IFRS. The IASB has indicated that it expects to issue a new standard to replace IAS 31 in early 2009 and we expect to apply this new standard in its IFRS financial statements for 2010. Currently, under Canadian GAAP we proportionately account for interests in joint ventures. ED 9 proposes to eliminate the option to proportionately consolidate interests in jointly controlled entities and requires an entity to recognize its interest, which is considered its share of the outcome generated by the activities of a group of assets and liabilities subject to joint control, using the equity method.

Biological Assets
Under IFRS timberlands are considered biological assets and recorded under IAS 41. Currently under Canadian GAAP our timberland assets are recorded at cost, less accumulated depletion which is based upon harvested amounts. Depletion amounts are recorded in cost of goods sold at the time of sale. Under IAS 41 timberland assets will be measured at the end of each reporting period at fair value, less estimated point-of-sale costs. Fair value is determined based upon the future expected market price for similar species and age of timberlands less costs to sell, discounted to the measurement date. Changes in fair value or point-of-sale costs after initial recognition are recognized in income in the period in which the change arises.

Inventory
For both Canadian GAAP and IFRS, residential inventory is recorded at the lower of cost and net realizable value, however, under IFRS net realizable value is determined based on the discounted value of future cash flows whereas under Canadian GAAP such cash flows are not discounted.

Ongoing IFRS to Canadian GAAP differences – Income Statement

Commercial Property

IFRS permits the measurement of investment property using the fair value model under IAS 40, which requires us to record a gain or loss in income arising from a change in the fair value of investment property in the period of change. Income related to commercial properties may be greater or less than as determined under Canadian GAAP depending on whether an increase or decrease in fair value occurs during the period of measurement. Furthermore, if we were to choose, upon adoption, the fair value model for investment property no depreciation would be recognized. Accordingly, net income would be greater under IFRS than as determined under Canadian GAAP, to the extent there is no change in fair value of the underlying property, as no depreciation will be recorded. Upon recognition of commercial property at fair value for IFRS, all intangible assets and liabilities recorded under Canadian GAAP related to previous business combinations will be de-recognized and will no longer be amortized into income. In 2008 under Canadian GAAP approximately $0.8 billion is charged to income annually in respect of depreciation and amortization of intangible assets, prior to minority interests, related to our commercial property portfolio.

Use of Deemed Cost

We have chosen to initially measure certain property, plant and equipment upon transition to IFRS at fair value or under certain circumstances using a previous GAAP revaluation, as opposed to recreating depreciated cost under IFRS. In most cases the resulting carrying value under IFRS will be higher than the carrying value under Canadian GAAP. As a result, the amount of depreciation recorded under IFRS related to such assets will be greater than what would be charged to income under Canadian GAAP. We expect annual depreciation to be approximately $0.2 billion greater under IFRS than Canadian GAAP in aggregate for all property, plant and equipment other than our commercial property portfolio.

Timberlands

As described above under IFRS, our timberlands are considered biological assets and recorded under IAS 41. At each reporting period our timberland assets will be measured at fair value, less estimated point-of-sale costs with changes in fair value recognized in income in the period in which the change arises. Certain expenditures capitalized under Canadian GAAP, such as silviculture and other conservation costs, will be expensed under IFRS. These amounts are approximately $0.1 billion annually. Depending on the change in fair value of timberland assets during each reporting period, income could either be greater or less than under Canadian GAAP.

PART 7 – SUPPLEMENTAL INFORMATION

This section contains information required by applicable continuous disclosure guidelines and to facilitate additional analysis.

CONTRACTUAL OBLIGATIONS

The following table presents the contractual obligations of the company by payment periods:

		Payments Due by Period			
AS AT DECEMBER 31, 2008 (MILLIONS)	***Total***	*Less than One Year*	*2 – 3 Years*	*4 – 5 Years*	*After 5 Years*
Long-term debt					
Property-specific mortgages	**$22,889**	$ 2,424	$8,130	$3,779	$8,556
Other debt of subsidiaries	**5,102**	1,423	1,326	1,117	1,236
Corporate borrowings	**2,284**	—	284	1,065	935
Capital securities	**1,425**	—	164	574	687
Lease obligations	**28**	5	11	7	5
Commitments	**1,269**	1,269	—	—	—
Interest expense [1]					
Long-term debt	**6,537**	1,633	2,528	1,604	772
Capital securities	**480**	89	168	123	100
Interest rate swaps	**618**	256	263	52	47

1 Represents aggregate interest expense expected to be paid over the term of the obligations. Variable interest rate payments have been calculated based on current rates

Commitments of $1,269 million (2007 – $1,068 million) represent various contractual obligations of the company and its subsidiaries assumed in the normal course of business, including commitments to provide bridge financing, and letters of credit and guarantees provided in respect of power sales contracts and reinsurance obligations, of which $211 million (2007 – $95 million) is included as liabilities in the consolidated balance sheets.

OFF BALANCE SHEET ARRANGEMENTS

We conduct our operations primarily through entities that are fully or proportionately consolidated in our financial statements. We do hold non-controlling interests in entities which are accounted for on an equity basis, as are interests in some of our funds, however we do not guarantee any financial obligations of these entities other than our contractual commitments to provide capital to a fund, which are limited to predetermined amounts.

We utilize various financial instruments in our business to manage risk and make better use of our capital. The fair values of these instruments that are reflected on our balance sheets, are disclosed in Note 18 to our Consolidated Financial Statements and under Financial and Liquidity Risks beginning on page 60.

RELATED-PARTY TRANSACTIONS

In the normal course of operations, the company enters into various transactions on market terms with related parties, which have been measured at exchange value and are recognized in the consolidated financial statements. There were no such transactions, individually or in aggregate, that were material to our overall operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to select appropriate accounting policies to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In particular, critical accounting policies and estimates utilized in the normal course of preparing the company's financial statements require the determination of future cash flows utilized in assessing net recoverable amounts and net realizable values; depreciation and amortization; value of goodwill and intangible assets; ability to utilize tax losses; the determination of the primary beneficiary of variable interest entities; effectiveness of financial hedges for accounting purposes; and fair values for recognition, measurement and disclosure purposes.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates have been applied in a manner consistent with that in the prior year and there are no

known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in this report. The estimates are impacted by, among other things, movements in interest rates and other factors, some of which are highly uncertain, as described in the analysis of Business Strategy, Environment and Risks beginning on page 56 and in the section entitled Financial and Liquidity Risk beginning on page 60. The interrelated nature of these factors prevents us from quantifying the overall impact of these movements on the company's financial statements in a meaningful way. For further reference on critical accounting policies, see our significant accounting policies contained in Note 1 and Changes in Accounting Policies as described below.

CHANGES IN ACCOUNTING POLICIES

Financial Instruments – Disclosures and Presentation

On December 1, 2006, the Canadian Institute of Chartered Accountants ("CICA") issued two new accounting standards, Section 3862, *Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation.* These standards replace Section 3861, *Financial Instruments – Disclosure and Presentation* and enhance the disclosure of the nature and extent of risks arising from financial instruments and how the entity manages those risks. These new standards became effective for the company on January 1,2008 and the related disclosure is included as Note 1 to the consolidated financial statements in this report.

Capital Disclosures

On December 1, 2006, the CICA issued Section 1535, *Capital Disclosures.* Section 1535 requires the disclosure of: (i) an entity's objectives, policies and process for managing capital; (ii) quantitative data about an entity's managed capital; (iii) whether an entity has complied with capital requirements; and (iv) if an entity has not complied with such capital requirements, the consequences of such non-compliance. This new standard became effective for the company on January 1, 2008 and the related disclosure is included as Note 20 to the consolidated financial statements in this report.

Inventories

In June 2007, the CICA issued Section 3031, *Inventories,* replacing Section 3030, *Inventories.* This standard provides guidance on the determination of the cost of inventories and the subsequent recognition as an expense, including any write-down to net realizable value. This new standard became effective for the company on January 1, 2008. The impact of adopting this new standard was a $4 million reduction of opening retained earnings.

FUTURE CHANGES IN ACCOUNTING POLICIES

Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and Intangible Assets,* replacing Handbook Sections 3062, *Goodwill and Other Intangible Assets* and 3450, *Research and Development Costs.* Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new section will be applicable to the financial statements relating to fiscal years beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition of intangible assets by profit-oriented enterprises. The company is currently evaluating the impact of Section 3064 on its financial statements.

International Financial Reporting Standards

The AcSB confirmed in February 2008 that IFRS will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The company applied to the CSA and was granted exemptive relief to prepare its financial statements in accordance with IFRS earlier than required and intends to do so for periods beginning January 1, 2010, preparing its first financial statements in accordance with IFRS for the three month period ended March 31, 2010. These financial statements will include comparative results for the periods commencing January 1, 2009.

ASSESSMENT AND CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Management has evaluated the effectiveness of the company's internal control over financial reporting. Refer to Management's Report on Internal Control over Financial Reporting. There have been no changes in our internal control over financial reporting during the year ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect the internal control over financial reporting.

DISCLOSURE CONTROLS

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in the Canadian Securities Administrators National Instrument 52-109). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that such disclosure controls and procedures were effective as of December 31, 2008 in providing reasonable assurance that material information relating to the company and the consolidated subsidiaries would be made known to them within those entities.

CORPORATE DIVIDENDS

The distributions paid by Brookfield on outstanding securities during the past three years are as follows:

	Distribution per Security		
	2008	*2007*	*2006*
Class A Common Shares	**$ 0.51**	$ 0.47	$ 0.40
Class A Common Shares – special [1]	**0.94**	—	—
Class A Preferred Shares			
Series 2	**0.83**	0.99	0.88
Series 4 + Series 7	**0.83**	0.99	0.88
Series 8	**1.18**	1.10	1.10
Series 9	**1.02**	1.01	1.25
Series 10	**1.35**	1.34	1.27
Series 11	**1.29**	1.28	1.22
Series 12	**1.27**	1.26	1.19
Series 13	**0.83**	0.99	0.88
Series 14	**3.06**	3.57	3.10
Series 15	**0.99**	1.15	1.00
Series 17 [2]	**1.12**	1.11	0.12
Series 18 [3]	**1.12**	0.71	—
Series 21 [4]	**0.58**	—	—
Preferred Securities			
Due 2050 [5]	**—**	0.01	1.85
Due 2051 [6]	**—**	0.95	1.84

1 Represents the book value of Brookfield Infrastructure special dividend
2 Issued November 20, 2006
3 Issued May 9, 2007
4 Issued June 25, 2008
5 Redeemed January 2, 2007
6 Redeemed July 3, 2007

QUARTERLY RESULTS

Net income and operating cash flows for the eight recently completed quarters are as follows:

	2008				2007			
(MILLIONS)	***Q4***	*Q3*	*Q2*	*Q1*	*Q4*	*Q3*	*Q2*	*Q1*
Total revenues	**$3,006**	$3,216	$3,436	$3,210	$3,158	$2,219	$2,125	$1,841
Fees earned	**113**	109	113	114	92	96	95	132
Revenues less direct operating costs								
Commercial property	**388**	595	427	421	414	350	396	388
Power generation	**158**	213	264	251	148	105	170	188
Infrastructure	**68**	36	44	48	33	54	114	89
Development and other properties	**(5)**	62	119	64	115	40	117	146
Specialty funds	**49**	32	119	104	233	16	59	62
Investment and other income	**207**	242	142	312	337	248	143	129
	978	1,289	1,228	1,314	1,372	909	1,094	1,134
Expenses								
Interest	**447**	535	475	527	510	454	424	398
Asset management and other operating costs	**160**	167	148	165	141	108	105	110
Current income taxes	**(47)**	2	21	17	28	(6)	26	20
Non-controlling interest in net income before the following	**176**	235	212	168	124	103	204	205
Net income before the following	**242**	350	372	437	569	250	335	401
Equity accounted income (loss) from investments	**(12)**	(6)	(15)	(13)	(4)	—	(29)	(39)
Depreciation and amortization	**(355)**	(333)	(328)	(314)	(294)	(250)	(267)	(223)
Revaluation and other items	**(262)**	104	(46)	(63)	(95)	(33)	11	5
Future income taxes	**545**	(105)	3	18	35	11	(69)	(65)
Non-controlling interests in the foregoing items	**13**	161	124	132	135	115	172	116
Net income	**$ 171**	$ 171	$ 110	$ 197	$ 346	$ 93	$ 153	$ 195

Cash flow from operations for the last eight quarters are as follows:

	2008				2007			
(MILLIONS, EXCEPT PER SHARE AMOUNTS)	**Q4**	*Q3*	*Q2*	*Q1*	*Q4*	*Q3*	*Q2*	*Q1*
Net income before the following	**$ 242**	$ 350	$ 372	$ 437	$ 569	$ 250	$ 335	$ 401
Dividends from equity accounted investments	**5**	5	6	6	6	5	5	5
Exchangeable debenture gain	**—**	—	—	—	—	66	100	165
Cash flow from operations and gains	**247**	355	378	443	575	321	440	571
Preferred share dividends	**9**	11	12	12	12	13	10	9
Cash flow to common shareholders	**$ 238**	$ 344	$ 366	$ 431	$ 563	$ 308	$ 430	$ 562
Common equity – book value	**$4,918**	$5,821	$6,284	$6,140	$6,644	$6,328	$6,337	$6,061
Common shares outstanding [1]	**572.6**	583.4	583.8	581.7	583.6	581.0	583.6	582.2
Per common share [1]								
Cash flow from operations	**$ 0.41**	$ 0.58	$ 0.62	$ 0.72	$ 0.94	$ 0.52	$ 0.72	$ 0.93
Net income	**0.27**	0.27	0.17	0.31	0.56	0.13	0.24	0.31
Dividends	**0.13**	0.13	0.13	0.12	0.12	0.12	0.12	0.11
Book value	**8.93**	10.22	11.15	10.95	11.64	11.17	11.07	10.59
Market trading price (NYSE)	**15.27**	27.44	32.54	26.83	35.67	38.50	39.90	34.84

1 Adjusted to reflect three-for-two stock split

For the three months ended December 31, 2008, we reported net income of $171 million and $346 million for the same period in 2007. Operating cash flow was $247 million for the fourth quarter of 2008, compared to $575 million during the same period in 2007 as shown in the table on the following page. The results for the three months ended December 31, 2007 included a large number of major disposition gains compared with the fourth quarter of 2008.

Commercial office property operations tend to produce consistent results throughout the year due to the long-term nature of the contractual lease arrangements subject to the intermittent recognition of disposition gains. Quarterly seasonality does exist in our power generation and residential property operations. With respect to our power generation operations, seasonality exists in water inflows and pricing. During the fall rainy season and spring thaw, water inflows tend to be the highest leading to higher generation during those periods; however prices tend not to be as strong as the summer and winter seasons due to the more moderate weather

conditions during those periods and associated reductions in demand for electricity. With respect to our residential operations, the fourth quarter tends to be the strongest as this is the period during which most of the construction is completed and homes are delivered although in 2007 and 2008 the company has recorded provisions in respect of higher priced land positions. We periodically record realization and other gains, special distributions, as well as gains and losses on unhedged financial positions throughout our operations and, while the timing of these items is difficult to predict, the dynamic nature of our asset base tends to result in these items occurring on a relatively frequent basis.

ADDITIONAL SHARE DATA

Basic and Diluted Earnings Per Share

The components of basic and diluted earnings per share are summarized in the following table:

FOR THE YEARS END ED DECEMBER 31 (MILLIONS)	***2008***	*2007*
Net income	**$649**	$787
Preferred share dividends	**(44)**	(44)
Net income available for common shareholders	**$605**	$743
Weighted average – common shares	**581**	582
Dilutive effect of the conversion of options using treasury stock method	**11**	17
Common shares and common share equivalents	**592**	599

Issued and Outstanding Common Shares

The number of issued and outstanding common shares changed as follows:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*
Outstanding at beginning of year	**583.6**	581.8
Issued (repurchased)		
Dividend reinvestment plan	**0.2**	0.1
Management share option plan	**3.0**	4.9
Issuer bid purchases	**(14.2)**	(5.0)
Acquisition	**—**	1.8
Outstanding at end of year	**572.6**	583.6
Unexercised options	**27.7**	27.4
Total diluted common shares at end of year	**600.3**	611.0

In calculating our book value per common share, the cash value of our unexercised options of $446 million (2007 – $469 million) is added to the book value of our common share equity of $4,918 million (2007 – $6,644 million) prior to dividing by the total diluted common shares presented above.

As of March 13, 2009, the Corporation had outstanding 571,687,632 Class A Limited Voting Shares and 85,120 Class B Limited Voting Shares.

ASSETS UNDER MANAGEMENT

The following tables set forth the assets, net invested capital and commitments managed by Brookfield, including the amounts managed on behalf of co-investors:

		Total Assets Under Management			Co-investor Interests		Brookfield's
AS AT DECEMBER 31, 2008 (MILLIONS)	*Year Formed*	*Assets*	*Net Invested Capital*	*Committed Capital* [1]	*Net Invested Capital*	*Committed Capital*	*Ownership Level*
Core and Value Add							
U.S. Core Office [2]	2006	$ 7,662	$ 1,777	$ 1,950	$ 999	$ 1,025	62%
Canadian Core Office [2]	2005	1,320	867	867	545	545	25%
Multiplex Funds [3]	2007	1,652	944	944	627	689	various
West Coast Timberlands [4]	2005	889	496	496	382	382	28%
East Coast Timber Fund	2006	167	87	87	59	59	45%
Global Timber Fund	2008	2,411	825	1,348	593	780	37%
Transmission – Chile [4]	2006	2,202	1,363	1,363	1,172	1,172	17%
Transmission – Canada/Brazil [4]	2008	532	244	244	113	113	various
Bridge Loan I	2003	545	545	570	407	409	39%
Bridge Loan II	2007	150	150	773	101	576	25%
Real Estate Finance	various	2,497	1,354	1,892	1,212	1,487	4-51%
Brookfield Real Estate Services Fund	2003	140	84	84	63	63	25%
		20,167	8,736	10,618	6,273	7,300	
Opportunity and Private Equity							
Real Estate Opportunity	2006	913	201	227	105	105	52%
Real Estate Opportunity II	2007	382	109	208	48	83	60%
Brazil Retail Property	2006	1,326	438	830	348	610	25%
Brazil Timber Fund	2008	—	—	280	—	230	—
Residential Properties – U.S. [5]	2007	978	383	383	200	200	29%
Tricap Restructuring I	2002	733	295	295	150	150	48%
Tricap Restructuring II	2006/7	892	593	881	354	496	39%
		5,224	2,019	3,104	1,205	1,874	
Listed Securities and Fixed Income							
Equity Funds	various	2,962	2,962	2,962	2,962	2,962	3%
Fixed Income Funds	various	15,199	15,078	15,078	15,078	15,078	n/a
		18,161	18,040	18,040	18,040	18,040	
Total fee bearing assets/capital		43,552	28,795	31,762	$ 25,518	$ 27,214	n/a
Directly Held Non-Fee Bearing Assets							
Core Office – North America [2]		9,335	2,096	2,096			
Core Office – Europe		1,068	368	368			
Core Office – Australia		2,670	1,600	1,600			
Residential Properties – Canada [2]/Brazil/Australia		2,842	434	434			
Power Generation – North America		6,473	1,407	1,407			
Timber – Brazil		90	65	65			
Other		12,667	7,103	7,103			
		35,145	13,073	13,073			
		$78,697	$ 41,868	$ 44,835			

1 Includes incremental co-investment capital

2 Held by 51%-owned Brookfield Properties

3 Comprised of four funds with ownerships ranging from 20% to 25%

4 Represents direct interests plus pro rata share of indirect interests held by 40%-owned Brookfield Infrastructure Partners

5 Held by 58%-owned Brookfield Homes

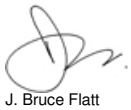
Internal Control Over Financial Reporting

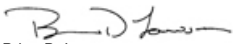
MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Brookfield Asset Management Inc. ("Brookfield") is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer and the Chief Financial Officer and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles as defined in Regulation 240.13a-15(f) or 240.15d-15(f).

Management assessed the effectiveness of Brookfield's internal control over financial reporting as of December 31, 2008, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2008, Brookfield's internal control over financial reporting is effective. Management excluded from its assessment the internal control over financial reporting at Norbord Inc. ("Norbord"), which was acquired during 2008, and whose total assets, net assets, total revenues, and net income constitute approximately 2%, 1%, nil% and nil% respectively of the consolidated financial statement amounts as of and for the year ended December 31,2008.

Management's assessment of the effectiveness of Brookfield's internal control over financial reporting as of December 31, 2008, has been audited by Deloitte & Touche, LLP, Independent Registered Chartered Accountants, who also audited Brookfield's Consolidated Financial Statements for the year ended December 31, 2008. As stated in the Report of Independent Registered Chartered Accountants, Deloitte & Touche, LLP expressed an unqualified opinion on Brookfield's internal control over financial reporting as of December 31,2008.





Toronto, Canada
March 13, 2009

J. Bruce Flatt
Chief Executive Officer

Brian D. Lawson
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Board of Directors and Shareholders of Brookfield Asset Management Inc.

We have audited the internal control over financial reporting of Brookfield Asset Management Inc. and subsidiaries (the "Company") as of December 31, 2008, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Norbord Inc. ("Norbord") which was acquired in 2008 and whose financial statements constitute approximately 1% and 2% of net and total assets, respectively, nil% of revenues, and nil% of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2008. Accordingly, our audit did not include the internal control over financial reporting at Norbord. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

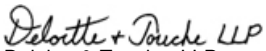
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2008 of the Company and our report dated March 13, 2009 expressed an unqualified opinion on those financial statements.



Toronto, Canada
March 13, 2009

Deloitte & Touche, LLP
Independent Registered Chartered Accountants
Licensed Public Accountants

Consolidated Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

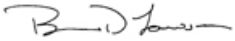
The accompanying consolidated financial statements and other financial information in this Annual Report have been prepared by the company's management which is responsible for their integrity, consistency, objectivity and reliability. To fulfill this responsibility, the company maintains policies, procedures and systems of internal control to ensure that its reporting practices and accounting and administrative procedures are appropriate to provide a high degree of assurance that relevant and reliable financial information is produced and assets are safeguarded. These controls include the careful selection and training of employees, the establishment of well-defined areas of responsibility and accountability for performance and the communication of policies and code of conduct throughout the company. In addition, the company maintains an internal audit group that conducts periodic audits of all aspects of the company's operations. The Chief Internal Auditor has full access to the Audit Committee.

These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in Canada, and where appropriate, reflect estimates based on management's judgment. The financial information presented throughout this Annual Report is generally consistent with the information contained in the accompanying consolidated financial statements.

Deloitte & Touche, LLP, the independent registered chartered accountants appointed by the shareholders, have examined the consolidated financial statements set out on pages 80 through 111 in accordance with auditing standards generally accepted in Canada to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out below.

The consolidated financial statements have been further reviewed and approved by the Board of Directors acting through its Audit Committee, which is comprised of directors who are not officers or employees of the company. The Audit Committee, which meets with the auditors and management to review the activities of each and reports to the Board of Directors, oversees management's responsibilities for the financial reporting and internal control systems. The auditors have full and direct access to the Audit Committee and meet periodically with the committee both with and without management present to discuss their audit and related findings.





Toronto, Canada
March 13, 2009

J. Bruce Flatt
Chief Executive Officer

Brian D. Lawson
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

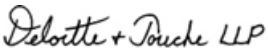
To the Board of Directors and Shareholders of Brookfield Asset Management Inc.

We have audited the accompanying consolidated balance sheets of Brookfield Asset Management Inc. and subsidiaries (the "Company") as at December 31, 2008 and 2007, and the related consolidated statements of income, retained earnings, comprehensive (loss) income, accumulated other comprehensive (loss) income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Oversight Board (United States). These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2008, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 13, 2009 expressed an unqualified opinion on the Company's internal control over financial reporting.



Toronto, Canada
March 13, 2009

Independent Registered Chartered Accountants
Licensed Public Accountants

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31 (MILLIONS)	*Note*	***2008***	*2007*
Assets			
Cash and cash equivalents		**$ 1,242**	$ 1,561
Financial assets	*3*	**787**	1,529
Investments	*4*	**890**	1,352
Accounts receivable and other	*5*	**7,310**	7,139
Intangible assets	*6*	**1,632**	2,026
Goodwill	*2*	**2,011**	1,528
Operating assets			
Property, plant and equipment	*7*	**36,375**	37,725
Securities	*8*	**1,303**	1,828
Loans and notes receivable	*9*	**2,061**	909
		$53,611	$55,597
Liabilities and shareholders' equity			
Corporate borrowings	*10*	**$ 2,284**	$ 2,048
Non-recourse borrowings			
Property-specific mortgages	*11*	**22,889**	21,644
Subsidiary borrowings	*11*	**5,102**	7,076
Accounts payable and other liabilities	*12*	**8,903**	9,863
Intangible liabilities	*13*	**891**	1,112
Capital securities	*14*	**1,425**	1,570
Non-controlling interests in net assets	*15*	**6,329**	4,770
Shareholders' equity			
Preferred equity	*16*	**870**	870
Common equity	*17*	**4,918**	6,644
		$53,611	$55,597

On behalf of the Board:



Robert J. Harding, FCA, Director

Marcel R. Coutu, Director

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	*Note*	*2008*	*2007*
Total revenues		**$12,868**	$ 9,343
Fees earned		**449**	415
Revenues less direct operating costs	*21*		
Commercial properties		**1,831**	1,548
Power generation		**886**	611
Infrastructure		**196**	290
Development and other properties		**240**	418
Specialty funds		**304**	370
		3,906	3,652
Investment and other income		**903**	857
		4,809	4,509
Expenses			
Interest		**1,984**	1,786
Current income taxes	*23*	**(7)**	68
Asset management and other operating costs		**640**	464
Non-controlling interests in net income before the following	*22*	**791**	636
		1,401	1,555
Other items			
Equity accounted loss from investments	*24*	**(46)**	(72)
Depreciation and amortization		**(1,330)**	(1,034)
Provisions and other		**(267)**	(112)
Future income taxes	*23*	**461**	(88)
Non-controlling interests in the foregoing items	*22*	**430**	538
Net income		**$ 649**	$ 787
Net income per common share	*17*		
Diluted		**$ 1.02**	$ 1.24
Basic		$ **1.04**	$ 1.27

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*
Retained earnings, beginning of year	**$4,867**	$4,222
Change in accounting policy	**(4)**	292
Net income	**649**	787
Preferred equity issue costs	**—**	(6)
Shareholder distributions – preferred equity	**(44)**	(44)
– common equity	**(843)**	(272)
Amount paid in excess of book value of common shares purchased for cancellation	**(257)**	(112)
	$4,368	$4,867

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

YEARS ENDED DECEMBER 31 (MILLIONS)	*Note*	***2008***	*2007*
Net income		**$ 649**	$ 787
Other comprehensive (loss) income	*3*		
Foreign currency translation		**(780)**	410
Available-for-sale securities		**(277)**	(79)
Derivative instruments designated as cash flow hedges		**(45)**	(73)
Future income taxes on above items		**(113)**	44
		(1,215)	302
Comprehensive (loss) income		**$ (566)**	$1,089

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

YEARS ENDED DECEMBER 31 (MILLIONS)	***2008***	*2007*
Balance, beginning of year	**$ 445**	$ —
Transition adjustment – January 1, 2007	**—**	143
Other comprehensive (loss) income	**(1,215)**	302
Balance, end of year	**$ (770)**	$ 445

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31 (MILLIONS)	*Note*	***2008***	*2007*
Operating activities			
Net income		**$ 649**	$ 787
Adjusted for the following non-cash items			
Depreciation and amortization		**1,330**	1,034
Future income taxes and other provisions		**(194)**	200
Realization gains		**(164)**	(231)
Non-controlling interest in non-cash items	*22*	**(430)**	(538)
Equity accounted loss and dividends received from investments		**68**	93
		1,259	1,345
Net change in non-cash working capital balances and other		**(279)**	1,472
Undistributed non-controlling interests in cash flows		**587**	467
		1,567	3,284
Financing activities			
Corporate borrowings, net of repayments	*27*	**333**	476
Property-specific mortgages, net of issuances	*27*	**(1,022)**	2,484
Other debt of subsidiaries, net of issuances	*27*	**(500)**	1,824
Capital provided by non-controlling interests		**533**	268
Capital securities issuance/(redemption)		**143**	(225)
Corporate preferred equity issuance		**—**	181
Common shares repurchased, net of issuances	*27*	**(249)**	(121)
Common shares of subsidiaries repurchased, net of issuances		**(17)**	(100)
Shareholder distributions		**(342)**	(316)
		(1,121)	4,471
Investing activities			
Investment in or sale of operating assets, net			
Commercial properties	*27*	**73**	(5,140)
Power generation	*27*	**(529)**	(452)
Infrastructure	*27*	**361**	(1,330)
Development and other properties	*27*	**(699)**	(658)
Securities and loans	*27*	**126**	(528)
Financial assets	*27*	**319**	636
Investments		**(187)**	115
Other property, plant and equipment		**(229)**	(41)
		(765)	(7,398)
Cash and cash equivalents			
(Decrease)/Increase		**(319)**	357
Balance, beginning of year		**1,561**	1,204
Balance, end of year		**$ 1,242**	$ 1,561

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

These consolidated financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") as prescribed by the Canadian Institute of Chartered Accountants ("CICA").

(a) Basis of Presentation

All currency amounts are in United States dollars ("U.S. dollars") unless otherwise stated. The consolidated financial statements include the accounts of Brookfield Asset Management Inc. (the "company") and the entities over which it has voting control, as well as Variable Interest Entities ("VIEs") for which the company is considered to be the primary beneficiary.

The company accounts for investments over which it has significant influence using the equity basis. Interests in jointly controlled partnerships and corporate joint ventures are proportionately consolidated. Measurement of investments in which the company does not have a significant influence depends on the financial instrument classification.

Certain prior year amounts have been reclassified to conform to the current year's presentation.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are required in the determination of cash flows and probabilities in assessing net recoverable amounts and net realizable values, tax and other provisions, hedge effectiveness, and fair values.

(b) Reporting Currency

The U.S. dollar is the functional currency of the company's head office operations and the U.S. dollar is the company's reporting currency.

The accounts of self-sustaining subsidiaries having a functional currency other than the U.S. dollar are translated using the current rate method. Gains or losses on translation are deferred and included in other comprehensive income in the cumulative translation adjustment account. Gains or losses on foreign currency denominated balances and transactions that are designated as hedges of net investments in these subsidiaries are reported in the same manner.

Foreign currency denominated monetary assets and liabilities of the company and integrated subsidiaries are translated at the rate of exchange prevailing at year end and revenues and expenses at average rates during the period. Gains or losses on translation of these items are included in the Consolidated Statements of Income. Gains or losses on transactions which hedge these items are also included in the Consolidated Statements of Income. Gains or losses on translation of foreign currency denominated available-for-sale financial instruments are included in other comprehensive income.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and all highly liquid short-term investments with original maturities less than 90 days.

(d) Operating Assets

(i) Commercial Properties

Commercial properties held for investment are carried at cost less accumulated depreciation. Depreciation on buildings is provided during the year on a straight-line basis over the estimated useful lives of the properties to a maximum of 60 years. Depreciation is determined with reference to the carried value, remaining estimated useful life and residual value of each rental property. Tenant improvements and re-leasing costs are deferred and amortized over the lives of the leases to which they relate.

CICA Handbook EIC-140, *Accounting for Operating Leases Acquired in either an Asset Acquisition or a Business Combination* and CICA Handbook EIC-137, *Recognition of Customer Relationships Acquired in a Business Combination* require that when a company acquires real estate in either an asset acquisition or business combination, a portion of the purchase price should be allocated to the in-place leases to reflect the intangible amounts of leasing costs, above or below market tenant and land leases, and tenant relationship values, if any. These intangible costs are amortized over their respective lease terms.

(ii) Power Generation

Power generating facilities are recorded at cost, less accumulated depreciation. Depreciation on power generating facilities and equipment is provided at various rates on a straight-line basis over the estimated service lives of the assets, which are up to 60 years for hydroelectric generation assets.

Power generating facilities under development are recorded at cost, including pre-development expenditures, unless impairment is identified requiring a write-down to estimated fair value.

(iii) Infrastructure

(a) Timberlands

Timber assets are carried at cost, less accumulated depletion. Depletion of timber assets is determined based on the number of cubic metres of timber harvested annually at a fixed rate.

(b) Transmission Infrastructure

Transmission assets are carried at cost, less accumulated depreciation. Depreciation on transmission and distribution facilities is provided at various rates on a straight-line basis over the estimated service lives of the assets, which is up to 40 years.

(iv) Development and Other Properties

Development and other properties consist of residential properties, properties for which a major repositioning program is being conducted and properties which are under construction. These properties are recorded at cost, including pre-development expenditures. Homes and other properties held for sale, which include properties subject to sale agreements, are recorded at the lower of cost and estimated fair value. Income received relating to homes and other properties held for sale is applied against the carried value of these properties. Costs are allocated to the saleable acreage of each project or subdivision in proportion to the anticipated revenue.

(v) Financial Assets, Investments and Securities

Financial Assets include securities that are not an active component of the company's asset management operations and are designated as either held-for-trading or available-for-sale. Investments in securities that are actively deployed in the company's operations are classified as securities and are designated as either held-for-trading or available-for-sale. Financial Assets and Securities are recorded at fair value, with changes in fair value accounted for in net income or other comprehensive income as applicable. Equity instruments designated as available-for-sale financial assets and securities that do not have a quoted market price from an active market are carried at cost.

Investments include investments in the securities of affiliates and are accounted for using the equity method of accounting.

Provisions are established in instances where, in the opinion of management, the carrying values of financial assets or securities classified as available-for-sale have been other than temporarily impaired.

(vi) Loans and Notes Receivable

Loans and notes receivable are recorded initially at their fair value and, with the exception of receivables designated as held-for-trading, are subsequently measured at amortized cost using the effective interest method, less any applicable provision for impairment. Loans and notes receivable designated as held-for-trading are recorded at fair value with changes in fair value accounted for in net income in the period in which they arise. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

(e) Asset Impairment

For assets other than securities and loans and notes receivable, a write-down to estimated fair value is recognized if the estimated undiscounted future cash flows from an asset or group of assets are less than their carried value. The projections of future cash flows take into account the relevant operating plans and management's best estimate of the most probable set of economic conditions anticipated to prevail in the market.

(f) Accounts Receivable and Other

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any provision for impairment. Included in accounts receivable and other are restricted cash and inventories which are

carried at the lower of average cost and net realizable value and materials and supplies which are valued at the lower of average cost and replacement cost.

(g) Intangible Assets and Liabilities

Intangible assets and liabilities with a finite life are amortized on a straight-line basis over their estimated useful lives, generally not exceeding 20 years, and are tested for impairment when conditions exist which may indicate that the estimated undiscounted future net cash flows from the asset are less than its carrying amount.

(h) Goodwill

Goodwill represents the excess of the price paid for the acquisition of a consolidated entity over the fair value of the net identifiable tangible and intangible assets acquired.

Goodwill is evaluated for impairment annually or more often if events or circumstances indicate there may be an impairment. If the carrying value of a subsidiary, including the allocated goodwill, exceeds its fair value, goodwill impairment is measured as the excess of the carrying amount of the subsidiary's allocated goodwill over the implied fair value of the goodwill, based on the fair value of the assets and liabilities of the subsidiary. Any goodwill impairment is charged to income in the period in which the impairment is identified.

(i) Revenue and Expense Recognition

(i) Asset Management Fee Income

Revenues from performance-based incentive fees are recorded on the accrual basis based upon the amount that would be due under the incentive fee formula at the end of the measurement period established by the contract where it is no longer subject to adjustment based on future events. In some cases this will require that the recognition of performance-based incentive fees be deferred to the end, or towards the end of the contract at which point performance can be more accurately measured.

(ii) Commercial Property Operations

Revenue from a commercial property is recognized upon the earlier of attaining a break-even point in cash flow after debt servicing, or the expiration of a reasonable period of time following substantial completion, but no later than one year following substantial completion. Prior to this, the property is categorized as a property under development, and related revenue is applied to reduce development costs.

The company has retained substantially all of the risks and benefits of ownership of its rental properties and therefore accounts for leases with its tenants as operating leases. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line or free rent receivable, as applicable is recorded for the difference between the rental revenue recorded and the contractual amount received. Rental revenue includes percentage participating rents and recoveries of operating expenses, including property, capital and similar taxes. Percentage participating rents are recognized when tenants' specified sales targets have been met. Operating expense recoveries are recognized in the period that recoverable costs are chargeable to tenants.

Revenue from commercial land sales is recognized at the time that the risks and rewards of ownership have been transferred, possession or title passes to the purchaser, all material conditions of the sales contract have been met, and a significant cash down payment or appropriate security is received.

(iii) Power Generation

Revenue from the sale of electricity is recorded at the time power is provided based upon output delivered and capacity provided at rates specified under contract terms or prevailing market rates.

(iv) Infrastructure

(a) Timberlands

Revenue from timberlands is derived from the sale of logs and related products. The company recognizes sales to external customers when the product is shipped and title passes, and collectibility is reasonably assured.

(b) Transmission Infrastructure

Revenue from transmission infrastructure assets is derived from the transmission and distribution of electricity to industrial and retail customers. Revenue is recognized at contracted rates when the electricity is delivered, and collectibility is reasonably assured.

(v) Development and Other Properties

Revenue from residential land sales is recognized at the time that the risks and rewards of ownership have been transferred, possession or title passes to the purchaser, all material conditions of the sales contract have been met, and a significant cash down payment or appropriate security is received.

Revenue from the sale of homes is recognized when title passes to the purchaser upon closing and at which time all proceeds are received or collectibility is assured.

Revenue from the sale of condominium units is recognized using the percentage-of-completion method at the time that construction is beyond a preliminary stage, sufficient units are sold and all proceeds are received or collectability is assured.

Revenue from construction projects is recognized by the percentage-of-completion method at the time that construction is beyond a preliminary stage, there are indications that the work will be completed according to plan and all proceeds are received or collectibility is assured.

(vi) Securities and Loans and Notes Receivable

Revenue from notes receivable, loans and securities, less a provision for uncollectible amounts, is recorded on the accrual basis.

(vii) Other

The net proceeds recorded under reinsurance contracts are accounted for as deposits until a reasonable possibility that the company may realize a significant loss from the insurance risk does not exist.

(j) Derivative Financial Instruments

The company and its subsidiaries selectively utilize derivative financial instruments primarily to manage financial risks, including interest rate, commodity and foreign exchange risks. Hedge accounting is applied when the derivative is designated as a hedge of a specific exposure and there is reasonable assurance that it will continue to be effective as a hedge based on an expectation of offsetting cash flows or fair value. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as a hedge or the hedging relationship is terminated. Once discontinued, the cumulative change in fair value of a derivative that was previously deferred by the application of hedge accounting is recognized in income over the remaining term of the original hedging relationship. Balances in respect of unrealized mark-to-market gains or losses on derivative financial instruments are recorded in Accounts Receivables and Other or Accounts Payable and Other Liabilities.

(i) Items Designated as Hedges

Realized and unrealized gains and losses on foreign exchange forward contracts and currency swap contracts designated as hedges of currency risks are included in other comprehensive income when the currency risk relates to a net investment in a self-sustaining subsidiary and are otherwise included in income in the same period as when the underlying asset, liability or anticipated transaction affects income.

Unrealized gains and losses on interest rate forward and swap contracts designated as hedges of future interest payments are included in other comprehensive income when the interest rate risk relates to an anticipated interest payments. Unrealized gains and losses on interest rate swaps carried to offset corresponding changes in the values of assets and cash flow streams that are not reflected in the consolidated financial statements at December 31, 2008 and 2007 are recorded in other comprehensive income. The periodic exchanges of payments on interest rate swap contracts designated as hedges of debt are recorded on an accrual basis as an adjustment to interest expense. The periodic exchanges of payments on interest rate contracts designated as hedges of future interest payments are amortized into income over the term of the corresponding interest payments.

Unrealized gains and losses on electricity forward and swap contracts designated as hedges of future power generation revenue are included in other comprehensive income. The periodic exchanges of payments on power generation commodity swap contracts designated as hedges are recorded on a settlement basis as an adjustment to power generation revenue.

(ii) Items not Designated as Hedges

Derivative financial instruments that are not designated as hedges are carried at estimated fair value, and gains and losses arising from changes in fair value are recognized in income in the period the changes occur. Realized and unrealized gains and losses on equity derivatives used to offset the change in share prices in respect of vested Deferred Share Units and Restricted Share Appreciation Units are recorded together with the corresponding compensation expense. Realized and unrealized gains or losses on other derivatives not designated as hedges are recorded in investment and other income.

(k) Income Taxes

The company uses the asset and liability method whereby future income tax assets and liabilities are determined based on differences between the carrying amounts and tax bases of assets and liabilities, and measured using the tax rates and laws that will be in effect when the differences are expected to reverse.

(l) Other Items

(i) Capitalized Costs

Capitalized costs on assets under development and redevelopment include all expenditures incurred in connection with the acquisition, development and construction of the asset until it is available for its intended use. These expenditures consist of costs and interest on debt that is related to these assets. Ancillary income relating specifically to such assets during the development period is treated as a reduction of costs.

(ii) Pension Benefits and Employee Future Benefits

The costs of retirement benefits for defined benefit plans and post-employment benefits are recognized as the benefits earned by employees. The company uses the accrued benefit method pro-rated using the length of service and management's best estimate assumptions to value its pension and other retirement benefits. Assets are valued at fair value for purposes of calculating the expected return on plan assets. For defined contribution plans, the company expenses amounts as paid.

(iii) Liabilities and Equity

Financial instruments that must or could be settled by a variable number of the company's common shares upon their conversion by the holders as well as the related accrued distributions are classified as liabilities on the Consolidated Balance Sheets under the caption "Capital Securities" and are translated into U.S. dollars at period end rates. Dividends and yield distributions on these instruments are classified as Interest expense in the Consolidated Statements of Income.

(iv) Asset Retirement Obligations

Obligations associated with the retirement of tangible long-lived assets are recorded as liabilities when those obligations are incurred, with the amount of the liabilities initially measured at fair value. These obligations are capitalized to the book value of the related long-lived assets and are depreciated over the useful life of the related asset.

(v) Stock-Based Compensation

The company and most of its consolidated subsidiaries account for stock options using the fair value method. Under the fair value method, compensation expense for stock options is determined based on the fair value at the grant date using an option pricing model and charged to income over the vesting period. The company's publicly traded U.S. and Brazilian homebuilding subsidiaries record the liability and expense of stock options based on their intrinsic value using variable plan accounting, reflecting differences in how these plans operate. Under this method, vested options are revalued each reporting period, and any change in value is included in income.

(m) Changes in Accounting Policies Adopted During 2008

(i) Financial Instruments – Disclosures and Presentation

On December 1, 2006, the Canadian Institute of Chartered Accountants ("CICA") issued two new accounting standards, Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*. These standards replace Section 3861, *Financial Instruments – Disclosure and Presentation* and enhance the disclosure of the nature and extent of risks arising from financial instruments and how the entity manages those risks. These new standards became effective for the company on January 1,2008 and the related disclosures are included as Note 19 to the consolidated financial statements in this report.

(ii) Capital Disclosures

On December 1, 2006, the CICA issued Section 1535, Capital Disclosures. Section 1535 requires the disclosure of: (i) an entity's objectives, policies and process for managing capital; (ii) quantitative data about an entity's managed capital; (iii) whether an entity has complied with capital requirements; and (iv) if an entity has not complied with such capital requirements, the consequences of such non-compliance. This new standard became effective for the company on January 1, 2008 and the related disclosures are included as Note 20 to the consolidated financial statements in this report.

(iii) Inventories

In June 2007, the CICA issued Section 3031, Inventories, replacing Section 3030, Inventories. This standard provides guidance on the determination of the cost of inventories and subsequent recognition as an expense, including any write-down to net realizable value. This new standard became effective for the company on January 1, 2008. The impact of adopting this new standard was a $4 million reduction of opening retained earnings.

(n) Future Changes in Accounting Policies

(i) Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, replacing Handbook Sections 3062, Goodwill and Other Intangible Assets and 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new section will be applicable to the financial statements relating to fiscal years beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition of intangible assets by profit-oriented enterprises. The company is currently evaluating the impact of Section 3064 on its financial statements.

(ii) International Financial Reporting Standards

The Accounting Standards Board ("AcSB") confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The company applied to the Canadian Securities Administrators ("CSA") and was granted exemptive relief to prepare its financial statements in accordance with IFRS earlier than required and intends to do so for periods beginning January 1, 2010, preparing its first financial statements in accordance with IFRS for the three month period ended March 31, 2010. These financial statements will include comparative results for the periods commencing January 1,2009.

2. ACQUISITIONS

The company accounts for business combinations using the purchase method of accounting which establishes specific criteria for the recognition of intangible assets separately from goodwill. The cost of acquiring a business is allocated to its identifiable tangible and intangible assets and liabilities on the basis of the estimated fair values at the date of purchase with any excess allocated to goodwill.

(a) Completed During 2008

During the first quarter of 2008, the company increased its ownership interest in Brookfield Real Estate Finance Partners ("BREF I") to 33%. As a result, the company consolidates BREF I under the VIE rules. BREF I originates high quality real estate finance investments on a leveraged basis.

The company completed the acquisition of Itiquira Energetica S.A. ("Itiquira") during the second quarter of 2008. Itiquira owns and operates a 156 megawatt hydroelectric facility located on the Itiquira River in Mato Grosso, Brazil.

During the second quarter of 2008, the company acquired MB Engenharia S.A. ("MB"). MB's operations focus on land development and homebuilding in the middle and middle-low segments throughout Brazil.

In the fourth quarter of 2008, a subsidiary of the company merged with Company S.A. ("Company"), diluting Brookfield's ownership in the consolidated entity. Company's operations focus on land development and residential.

In December 2008, the company increased its ownership interest in Norbord Inc. ("Norbord") from 36% to 60% through the purchase of 99 million common shares and 50 million warrants issued as a result of a rights offering. As a result of the increase in

ownership, the company ceased equity accounting for its investment in Norbord and commenced consolidating Norbord. Norbord is an international producer of wood-based panels and oriented strand board.

In addition, the company also acquired $222 million of net assets which primarily relate to its timber, residential, retail mall and power generation operations.

The following table summarizes the balance sheet impact of significant acquisitions in 2008:

(MILLIONS)	*BREF I*	*Itiquira*	*MB*	*Company*	*Norbord*	*Other*	*Total*
Cash, accounts receivable and other	$1,389	$ 67	$ 212	$ 396	$ 127	$ 8	$ 2,199
Intangible assets	—	—	—	—	—	28	28
Goodwill	—	—	57	172	—	13	242
Property, plant and equipment	—	436	246	181	791	477	2,131
Non-recourse and corporate borrowings	(977)	(44)	(277)	(418)	(507)	(108)	(2,331)
Accounts payable and other liabilities	(134)	(7)	(174)	(45)	(160)	(21)	(541)
Future income tax asset (liability)	—	(59)	6	—	(73)	(4)	(130)
Non-controlling interests in net assets	(246)	—	(41)	(165)	(106)	(171)	(729)
	$ 32	$ 393	$ 29	$ 121	$ 72	$ 222	$ 869

(b) Completed During 2007

On April 20, 2007, the company completed the acquisition of Longview Fibre Company for approximately $2.3 billion including assumed debt and recorded $593 million of goodwill. With this transaction, the company has acquired 588,000 acres of prime, freehold timberlands in Washington and Oregon and an integrated manufacturing operation that produces specialty papers and containers.

The company completed the acquisition of the Multiplex Group's ("Multiplex") stapled securities in the fourth quarter of 2007, comprising the shares of Multiplex Limited and the units of Multiplex Property Trust for A$5.05 per stapled security and recorded goodwill of $694 million. Multiplex is a diversified property business with operations throughout Australia, New Zealand, the United Kingdom and the Middle East. The Multiplex portfolio consists of 24 commercial properties, in addition to construction, development, facilities and funds management divisions.

In December 2007, the company completed the acquisition of a retail mall portfolio consisting of four properties in the São Paulo area and one in Rio de Janeiro. The properties were acquired for approximately $950 million.

In addition, the company acquired $972 million of net assets including other commercial properties, hydro generation facilities, and hydro generation developments, together with associated intangibles, working capital and borrowings. Included in this balance is the acquisition of a real estate equity securities manager which resulted in the recording of goodwill of $55 million in 2007.

The following table summarizes the balance sheet impact of the significant acquisitions in 2007:

(MILLIONS)	*Longview*	*Multiplex*	*Retail Malls*	*Other*	*Total*
Cash, accounts receivable and other	$ 487	$ 1,650	$ 13	$ 56	$ 2,206
Intangible assets	—	766	—	32	798
Goodwill	593	694	13	57	1,357
Property, plant and equipment	1,985	5,123	1,070	1,777	9,955
Non-recourse and corporate borrowings	(1,350)	(4,325)	(95)	(724)	(6,494)
Accounts payable and other liabilities	(160)	(1,379)	(57)	(29)	(1,625)
Intangible liabilities	—	65	—	(107)	(42)
Future income tax asset (liability)	(593)	87	6	(9)	(509)
Non-controlling interests in net assets	—	(514)	—	(62)	(576)
Preferred equity	—	—	—	(19)	(19)
	$ 962	$ 2,167	$ 950	$ 972	$ 5,051

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or ask prices, as appropriate, in the most advantageous active market for that instrument to which the company has immediate access. Where bid and ask prices are unavailable, the closing price of the most recent transaction of that instrument is used. In the absence of an active market, fair values are determined based on prevailing market rates (bid and ask prices, as appropriate) for instruments with similar characteristics and risk profiles or internal or external valuation models, such as option pricing models and discounted cash flow analysis, using observable market inputs.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those assumptions, the company looks primarily to external readily observable market inputs such as interest rate yield curves, currency rates, and price and rate volatilities as applicable. The fair value of interest rate swap contracts which form part of financing arrangements is calculated by way of discounted cash flows using market interest rates and applicable credit spreads. In limited circumstances, the company uses input parameters that are not based on observable market data and believes that using alternative assumptions will not result in significantly different fair values.

Fair Value of Financial Instruments

Financial instruments classified or designated as held-for-trading or available-for-sale are typically carried at fair value on the Consolidated Balance Sheets. Equity instruments designated as available-for-sale that do not have a quoted market price from an active market are carried at cost. The carrying amount of available-for-sale financial assets that do not have a quoted market price from an active market was $143 million at December 31, 2008 (2007 – $182 million). Any changes in the fair values of financial instruments classified as held-for-trading or available-for-sale are recognized in Net Income or Other Comprehensive Income, respectively. The cumulative changes in the fair values of available-for-sale securities previously recognized in Accumulated Other Comprehensive Income are reclassified to Net Income when the underlying security is either sold or there is a decline in value that is considered to be other than temporary. During the year ended December 31, 2008, $26 million of net deferred losses previously recognized in Accumulated Other Comprehensive Income were reclassified to Net Income as a result of the sale of available-for-sale securities and other than temporary impairment of securities.

Available-for-sale securities measured at fair value or cost are assessed for impairment at each reporting date. As at December 31, 2008, unrealized gains and losses in the fair values of available-for-sale financial instruments measured at fair value amounted to $25 million (2007 – $164 million) and $169 million (2007 – $243 million) respectively. Unrealized gains and losses for debt and equity securities are primarily due to changing interest rates, market prices and foreign exchange movements. As at December 31,2008, the company did not consider any investments to be other than temporarily impaired.

Gains or losses arising from changes in the fair value of held-for-trading financial assets are presented in the Consolidated Statements of Income, within investment and other income in the period in which they arise. Dividends on held-for-trading and available-for-sale financial assets are recognized in the Consolidated Statements of Income as part of investment and other income when the company's right to receive payment is established. Interest on available-for-sale financial assets is calculated using the effective interest method and recognized in the Consolidated Statements of Income as part of investment and other income.

Carrying Value and Fair Value of Selected Financial Instruments

The following table provides a comparison of the carrying values and fair values for selected financial instruments as at December 31,2008 and December 31,2007.

	December 31, 2008							December 31, 2007	
Financial Instrument Classification	*Held-for-Trading*	*Available-for-Sale*		*Held-to-Maturity*	*Loans Receivable and Other Liabilities*	*Total*		*Total*	
Measurement Basis (MILLIONS)	*(Fair Value)*	*(Fair Value)*	*(Cost)*		*(Amortized Cost)*	*(Carrying Value)*	*(Fair Value)*	*(Carrying Value)*	*(Fair Value)*
Financial assets									
Cash and cash equivalents	**$ 1,242**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 1,242**	**$ 1,242**	$ 1,561	$ 1,561
Financial Assets									
Government bonds	**130**	**46**	**—**	**—**	**—**	**176**	**176**	420	420
Corporate bonds	**139**	**90**	**—**	**—**	**—**	**229**	**229**	371	371
Fixed income securities	**3**	**33**	**—**	**—**	**—**	**36**	**36**	62	62
Common shares	**72**	**100**	**—**	**—**	**—**	**172**	**172**	308	308
Loans receivable	**—**	**—**	**—**	**—**	**174**	**174**	**174**	368	368
	344	**269**	**—**	**—**	**174**	**787**	**787**	1,529	1,529
Accounts receivable and other	**610**	**—**	**—**	**—**	**3,056**	**3,666**	**3,666**	3,519	3,519
Securities									
Government bonds	**—**	**381**	**—**	**—**	**—**	**381**	**381**	465	465
Corporate bonds	**—**	**344**	**—**	**—**	**—**	**344**	**344**	670	670
Fixed income securities	**—**	**408**	**—**	**—**	**—**	**408**	**408**	449	449
Common shares	**—**	**27**	**143**	**—**	**—**	**170**	**473**	244	1,138
	—	**1,160**	**143**	**—**	**—**	**1,303**	**1,606**	1,828	2,722
Loans and notes receivable	**—**	**—**	**—**	**1,752**	**309**	**2,061**	**1,596**	909	909
	$ 2,196	**$ 1,429**	**$ 143**	**$ 1,752**	**$ 3,539**	**$ 9,059**	**$ 8,897**	$ 9,346	$ 10,240
Financial liabilities									
Corporate borrowings	**$ —**	**$ —**	**$ —**	**$ —**	**$ 2,284**	**$ 2,284**	**$ 2,144**	$ 2,048	$ 2,068
Property-specific mortgages	**—**	**—**	**—**	**—**	**22,889**	**22,889**	**22,376**	21,253	21,253
Subsidiary borrowings	**—**	**—**	**—**	**—**	**5,102**	**5,102**	**4,863**	7,463	7,470
Accounts payable and other liabilities	**371**	**—**	**—**	**—**	**7,070**	**7,441**	**7,441**	8,051	8,051
Capital securities	**—**	**—**	**—**	**—**	**1,425**	**1,425**	**1,293**	1,570	1,561
	$ 371	**$ —**	**$ —**	**$ —**	**$ 38,770**	**$ 39,141**	**$ 38,117**	$ 40,385	$ 40,403

Hedging Activities

The company uses derivatives and non-derivative financial instruments to manage or maintain exposures to interest, currency, credit and other market risks. When derivatives are used to manage exposures, the company determines for each derivative whether hedge accounting can be applied. Where hedge accounting can be applied, a hedge relationship is designated as a fair value hedge, a cash flow hedge or a hedge of foreign currency exposure of a net investment in a self-sustaining foreign operation. To qualify for hedge accounting the derivative must be highly effective in accomplishing the objective of offsetting changes in the fair value or cash flows attributable to the hedged risk both at inception and over the life of the hedge. If it is determined that the derivative is not highly effective as a hedge, hedge accounting is discontinued prospectively.

Cash Flow Hedges

The company uses energy derivative contracts primarily to hedge the sale of power, interest rate swaps to hedge the variability in cash flows related to a variable rate asset or liability, and equity derivatives to hedge the long-term compensation arrangements. All components of each derivative's change in fair value have been included in the assessment of cash flow hedge effectiveness. For the year ended December 31, 2008, pre-tax net unrealized gains of $3 million (2007 – loss of $73 million) were recorded in Other Comprehensive Income for the effective portion of the cash flow hedges.

Net Investment Hedges
The company uses foreign exchange contracts and foreign currency denominated debt instruments to manage its foreign currency exposures to net investments in self-sustaining foreign operations having a functional currency other than the U.S. dollar. For the year ended December 31, 2008, unrealized pre-tax net gains of $285 million (2007 – loss of $208 million) were recorded in Other Comprehensive Income for the effective portion of hedges of net investments in self-sustaining foreign operations.

4. INVESTMENTS

Equity accounted investments include the following:

	% of Investment		Book Value	
(MILLIONS)	*2008*	*2007*	***2008***	*2007*
Chile Transmission	17%	28%	**$ 324**	$ 330
Property funds	20 - 25%	20 - 25%	**233**	382
Brazil Transmission	3 - 10%	7.5 -25%	**207**	205
Norbord Inc.	—	41%	**—**	180
Real Estate Finance Fund	—	27%	**—**	148
Other			**126**	107
Total			**$ 890**	$ 1,352

On March 12, 2008, following a change in the ownership structure of the Real Estate Finance Fund, the company commenced accounting for its investment on a consolidated basis. During the fourth quarter of 2008, the company increased its ownership interest in Norbord Inc. and began accounting for its investment on a consolidated basis.

5. ACCOUNTS RECEIVABLE AND OTHER

(MILLIONS)	*Note*	***2008***	*2007*
Accounts receivable	*(a)*	**$ 3,056**	$ 2,892
Prepaid expenses and other assets	*(b)*	**3,644**	3,620
Restricted cash	*(c)*	**610**	627
Total		**$ 7,310**	$ 7,139

(a) Accounts Receivable

Included in accounts receivable are loans receivable from employees of the company and consolidated subsidiaries of $6 million (2007 – $4 million).

(b) Prepaid Expenses and Other Assets

Prepaid expenses and other assets includes $778 million (2007 – $773 million) of levelized receivables arising from straight-line revenue recognition for commercial property leases and power sales contracts. Also included is $711 million (2007 – $932 million) of future income tax assets and $993 million (2007 – $807 million) of inventory primarily related to completed residential properties and pulp and paper products.

(c) Restricted Cash

Restricted cash relates primarily to commercial property and power generating financing arrangements including defeasement of debt obligations, debt service accounts and deposits held by the company's insurance operations.

6. INTANGIBLE ASSETS

Intangible assets includes $1,470 million (2007 – $1,953 million) related to leases and tenant relationships allocated from the purchase price on the acquisition of commercial properties which is presented net of $526 million (2007 – $275 million) accumulated amortization.

7. PROPERTY, PLANT AND EQUIPMENT

(MILLIONS)	*Note*	***2008***	*2007*
Commercial properties	*(a)*	**$ 19,274**	$ 20,796
Power generation	*(b)*	**4,954**	5,137
Infrastructure	*(c)*	**2,879**	3,046
Development and other properties	*(d)*	**7,282**	7,696
Other plant and equipment	*(e)*	**1,986**	1,050
Total		**$ 36,375**	$ 37,725

(a) Commercial Properties

(MILLIONS)	***2008***	*2007*
Commercial properties	**$ 20,711**	$ 22,086
Less: accumulated depreciation	**1,437**	1,290
Total	**$ 19,274**	$ 20,796

Commercial properties carried at a net book value of approximately $3,934 million (2007 – $4,000 million) are situated on land held under leases or other agreements largely expiring after the year 2099. Minimum rental payments on land leases are approximately $29 million (2007 – $28 million) annually for the next five years and $3,298 million (2007 – $3,256 million) in total on an undiscounted basis.

Construction costs of $103 million and interest costs of $46 million were capitalized to the commercial property portfolio for properties undergoing redevelopment in 2008 (2007 – $40 million and $31 million respectively).

(b) Power Generation

(MILLIONS)	***2008***	*2007*
Hydroelectric power facilities	**$ 5,233**	$ 5,095
Wind energy	**326**	393
Co-generation and pumped storage	**313**	362
	5,872	5,850
Less: accumulated depreciation	**1,018**	949
	4,854	4,901
Generating facilities under development	**100**	236
Total	**$ 4,954**	$ 5,137

Generation assets includes the cost of the company's 162 hydroelectric generating stations, wind energy, pumped storage and two natural gas-fired cogeneration facilities. The company's hydroelectric power facilities operate under various agreements for water rights which extend to or are renewable over terms through the years 2009 to 2046.

(c) Infrastructure

(MILLIONS)	*Note*	***2008***	*2007*
Timberlands	*(i)*	**$ 2,721**	$ 2,853
Transmission	*(ii)*	**158**	193
Total		**$ 2,879**	$ 3,046

(i) Timberlands

(MILLIONS)	***2008***	*2007*
Timberlands	**$ 2,987**	$ 3,202
Other property, plant and equipment	**19**	21
	3,006	3,223
Less: accumulated depletion and amortization	**285**	370
Total	**$ 2,721**	$ 2,853

(ii) Transmission

(MILLIONS)	***2008***	*2007*
Transmission lines and infrastructure	**$ 167**	$ 186
Other property, plant and equipment	**82**	90
	249	276
Less: accumulated depreciation	**91**	83
Total	**$ 158**	$ 193

The company's transmission infrastructure assets are comprised of power transmission and distribution networks, which are operated under regulated rate base arrangements that are applied to the company's invested capital.

(d) Development and Other Properties

Development and other properties include properties relating to the company's opportunity investments, residential properties, properties under development and properties held for development, and construction operations.

(MILLIONS)	*Note*	***2008***	*2007*
Opportunity investments	*(i)*	**$ 850**	$ 981
Residential	*(ii)*	**1,927**	1,850
Under development	*(iii)*	**2,141**	3,660
Held for development	*(iii)*	**2,240**	1,158
Construction		**124**	47
Total		**$ 7,282**	$ 7,696

(i) Opportunity Investments

(MILLIONS)	***2008***	*2007*
Commercial and other properties	**$ 926**	$ 1,017
Less: accumulated depreciation	**76**	36
Total	**$ 850**	$ 981

(ii) Residential

(MILLIONS)	***2008***	*2007*
Residential properties – owned	**$ 1,858**	$ 1,747
– optioned	**69**	103
Total	**$ 1,927**	$ 1,850

Residential properties include infrastructure, land (owned and under option), and construction in progress for single-family homes and condominiums. During 2008, the company capitalized $148 million of interest (2007 – $85 million) of interest to its residential land operations.

(iii) Under Development and Held for Development

Properties that are currently under development or held for future development include commercial developments, residential land, and rural lands held for future development in agricultural or residential areas. During 2008, the company capitalized construction related costs of $298 million (2007 – $203 million) and interest costs of $99 million (2007 – $58 million) to its commercial development sites.

(e) Other Plant and Equipment

Other plant and equipment includes capital assets associated primarily with the company's investments in Fraser Papers, Norbord, Western Forest Products, and restructuring funds.

8. SECURITIES

(MILLIONS)	***2008***	*2007*
Government bonds	**$ 381**	$ 465
Corporate bonds	**344**	670
Fixed income securities	**408**	449
Common shares	**27**	62
Canary Wharf Group common shares	**143**	182
Total	**$ 1,303**	$ 1,828

Securities represent holdings that are actively deployed in the company's financial operations and include $954 million (2007 – $1,638 million) owned through the company's insurance operations.

Corporate bonds include fixed-rate securities totalling $340 million (2007 – $634 million) with an average yield of 6.1% (2007 – 5.2%) and an average maturity of approximately three years. Government bonds and fixed-income securities include predominantly fixed-rate securities.

During the fourth quarter of 2008, the company transferred its investment in Canary Wharf Group to a pound sterling self-sustaining subsidiary.

9. LOANS AND NOTES RECEIVABLE

Loans and notes receivable include corporate loans, bridge loans and other loans, either advanced directly or acquired in the secondary market.

The fair value of the company's loans and notes receivable at December 31, 2008 is below the carrying value by $465 million (2007 – $nil million) based on expected future cash flows, discounted at market rates for assets with similar terms and investment risks.

The loans and notes receivable mature over the next eight years (2007 – five years), with an average maturity of approximately one year (2007 – two years) and include fixed rate loans totalling $107 million (2007 – $5 million) with an average yield of 7.4% (2007 – 10.0%).

10. CORPORATE BORROWINGS

(MILLIONS)	*Market*	*Maturity*	*Annual Rate*	*Currency*	***2008***	*2007*
Term debt	Public –U.S.	December 12, 2008	8.13%	US$	**$ —**	$ 300
Term debt	Public – U.S.	March 1, 2010	5.75%	US$	**200**	200
Term debt	Public – U.S.	June 15, 2012	7.13%	US$	**350**	350
Term debt	Private –U.S.	October 23, 2012	6.40%	US$	**75**	—
Term debt	Private – U.S.	October 23, 2013	6.65%	US$	**75**	—
Term debt	Public – U.S.	April 25, 2017	5.80%	US$	**250**	250
Term debt	Public –Canadian	April 25, 2017	5.29%	C$	**205**	250
Term debt	Public – U.S.	March 1, 2033	7.38%	US$	**250**	250
Term debt	Public – Canadian	June 14, 2035	5.95%	C$	**246**	300
Commercial paper and bank borrowings			L + 63 b.p.	US$/C$	**649**	167
Deferred financing costs [1]					**(16)**	(19)
Total					**$ 2,284**	$ 2,048

1 Deferred financing costs are amortized to interest expense over the term of the borrowing following the effective interest method

L – One month LIBOR b.p. – Basis Points

Term debt borrowings have a weighted average interest rate of 6.3% (2007 – 6.6%), and include $451 million (2007 – $550 million) repayable in Canadian dollars equivalent to C$550 million (2007 – C$550 million).

The fair value of corporate borrowings at December 31, 2008 was below the company's carrying values by $140 million (2007 – exceeded by $20 million), determined by way of discounted cash flows using market rates adjusted for the company's

credit spreads. Corporate borrowings are recorded initially at their fair value, net of transaction costs incurred, and are subsequently reported at their amortized cost calculated using the effective interest method.

In October 2008, the company issued $150 million of unsecured private placement term debt comprising $75 million of 5 year, 6.65% notes and $75 million of 4 year 6.4% notes. In December 2008, the company repaid a $300 million corporate debt maturity.

11. NON-RECOURSE BORROWINGS

(a) Property-Specific Mortgages

Principal repayments on property-specific mortgages due over the next five years and thereafter are as follows:

(MILLIONS)	*Commercial Properties*	*Power Generation*	*Infrastructure*	*Development and Other Properties*	*Specialty Funds*	*Total Annual Repayments*
2009	$ 1,109	$ 329	$ —	$ 956	$ 30	$ 2,424
2010	1,315	199	34	1,022	580	3,150
2011	4,487	182	32	279	—	4,980
2012	264	639	—	292	66	1,261
2013	1,925	103	424	66	—	2,518
Thereafter	4,770	2,136	1,152	61	437	8,556
Total – 2008	$ 13,870	$ 3,588	$ 1,642	$ 2,676	$ 1,113	$ 22,889
Total – 2007	$ 13,314	$ 3,488	$ 1,796	$ 3,046	$ —	$ 21,644

Property-specific mortgages include $3,005 million (2007 – $3,211 million) repayable in Canadian dollars equivalent to C$3,670 million (2007 – C$3,206 million); $846 million (2007 – $164 million) in Brazilian real equivalent to R$1,978 million (2007 – R$291 million); $725 million (2007 – $561 million) in British pounds equivalent to £496 million (2007 – £283 million); $101 million (2007 – $nil) in New Zealand dollars equivalent to NZ$171 million (2007 – NZ$nil); and $2,074 million (2007 – $2,360 million) in Australian dollars equivalent to A$2,943 million (2007 – A$2,697 million). The weighted average interest rate at December 31,2008 was 5.8% per annum (2007 – 6.1%).

Property-specific mortgages are recorded initially at their fair value, net of transaction costs incurred, and are subsequently reported at their amortized cost calculated using the effective interest method.

The fair value of property-specific mortgages was below the company's carrying values by $513 million (2007 – $nil), determined by way of discounted cash flows using market rates adjusted for credit spreads applicable to the debt.

(b) Subsidiary Borrowings

Principal repayments on subsidiary borrowings over the next five years and thereafter are as follows:

(MILLIONS)	*Commercial Properties*	*Power Generation*	*Infrastructure*	*Development and Other Properties*	*Other*	*Total Annual Repayments*
2009	$ 360	$ 369	$ 4	$ 393	$ 297	$ 1,423
2010	80	—	1	497	168	746
2011	—	—	141	54	385	580
2012	—	—	—	19	273	292
2013	711	—	—	99	15	825
Thereafter	—	284	—	33	919	1,236
Total – 2008	$ 1,151	$ 653	$ 146	$ 1,095	$2,057	$ 5,102
Total – 2007	$ 2,793	$ 797	$ 8	$ 1,389	$2,089	$ 7,076

The fair value of subsidiary borrowings was below the company's carrying values by $239 million (2007 – exceeded by $7 million), determined by way of discounted cash flows using market rates adjusted for applicable credit spreads.

Subsidiary borrowings include $1,034 million (2007 – $1,504 million) repayable in Canadian dollars equivalent to C$1,262 million (2007 – C$1,502 million); $552 million (2007 – $820 million) in Brazilian real equivalent to R$1,290 million (2007 – R$1,455 million); $9 million (2007 – $9 million) in British pounds equivalent to £6 million (2007 – £4 million); $47 million (2007 – $25 million) in European euros equivalent to €33 million (2007 – €17 million); $760 million (2007 – $1,573 million) in Australian dollars

equivalent to A$1,078 million (2007 – A$1,798 million); and $nil (2007 – $126 million) in Japanese yen equivalent to ¥nil (2007 – ¥14,030 million). The weighted average interest rate at December 31,2008 was 6.4% per annum (2007 – 9.3%).

Commercial properties includes $240 million (2007 – $257 million) invested by investment partners in the form of debt capital in entities that are required to be consolidated into the company's accounts.

Residential property debt represents amounts drawn under construction financing facilities which are typically established on a project-by-project basis. Amounts drawn are repaid from the proceeds on the sale of building lots, single-family homes and condominiums and redrawn to finance the construction of new homes.

Subsidiary borrowings include obligations pursuant to financial instruments which are recorded as liabilities. These amounts include $675 million (2007 – $584 million) of subsidiary obligations relating to the company's international operations that are subject to credit rating provisions and which are supported by corporate guarantees.

Subsidiary borrowings are recorded initially at their fair value, net of transaction costs incurred, and are subsequently reported at their amortized costs calculated using the effective interest method.

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

(MILLIONS)	*Note*		***2008***		*2007*
Accounts payable	*(a)*	**$**	**4,494**	$	5,020
Other liabilities and future tax liabilities	*(b)*		**4,409**		4,843
Total		**$**	**8,903**	$	9,863

(a) Accounts Payable

Accounts payable include $1,014 million (2007 – $1,560 million) of insurance deposits, claims and other liabilities incurred by the company's insurance subsidiaries.

(b) Other Liabilities and Future Tax Liabilities

Other liabilities include the fair value of the company's obligations to deliver securities it did not own at the time of sale and obligations pursuant to financial instruments. Future tax liabilities as at December 31,2008 are $1,461 million (2007 – $1,925 million).

13. INTANGIBLE LIABILITIES

Intangible liabilities represent below-market tenant leases and above-market ground leases assumed on acquisitions, net of accumulated amortization. At December 31, 2008, $891 million (2007 – $1,112 million) of below market leases were recorded net of $374 million amortization (2007 – $218 million).

14. CAPITAL SECURITIES

The company has the following capital securities outstanding:

(MILLIONS)	*Note*		**2008**		*2007*
Corporate preferred shares	*(a)*	**$**	**543**	$	517
Subsidiary preferred shares	*(b)*		**882**		1,053
Total		**$**	**1,425**	$	1,570

(a) Corporate Preferred Shares and Preferred Securities

(MILLIONS, EXCEPT SHARE INFORMATION)	Shares Outstanding	Description	Cumulative Distribution Rate	Currency	2008	2007
Class A preferred shares	10,000,000	Series 10	5.75%	C$	**$ 205**	$251
	4,032,401	Series 11	5.50%	C$	**83**	101
	7,000,000	Series 12	5.40%	C$	**143**	175
	6,000,000	Series 21	5.00%	C$	**123**	—
Deferred financing costs					**(11)**	(10)
Total					**$ 543**	$517

On June 25, 2008, the company issued 6,000,000 Class A Series 21, 5% preferred shares for cash proceeds of C$150 million, and incurred transaction costs of C$5 million.

Subject to approval of the Toronto Stock Exchange, the Series 10, 11, 12 and 21 shares, unless redeemed by the company for cash, are convertible into Class A common shares at a price equal to the greater of 95% of the market price at the time of conversion and C$2.00, at the option of either the company or the holder, at any time after the following dates:

Class A Preferred Shares	Earliest Permitted Redemption Date	Company's Conversion Option	Holder's Conversion Option
Series 10	September 30, 2008	September 30, 2008	March 31, 2012
Series 11	June 30, 2009	June 30, 2009	December 31, 2013
Series 12	March 31, 2014	March 31, 2014	March 31, 2018
Series 21	June 30, 2013	June 30, 2013	June 30, 2013

(b) Subsidiary Preferred Shares

(MILLIONS, EXCEPT SHARE INFORMATION)	Shares Outstanding	Description	Cumulative Dividend Rate	Currency	2008	2007
Class AAA preferred shares of	8,000,000	Series F	6.00%	C$	**$ 164**	$ 200
Brookfield Properties Corporation	4,400,000	Series G	5.25%	US$	**110**	110
	8,000,000	Series H	5.75%	C$	**164**	200
	8,000,000	Series I	5.20%	C$	**164**	200
	8,000,000	Series J	5.00%	C$	**164**	200
	6,000,000	Series K	5.20%	C$	**123**	150
Deferred financing costs					**(7)**	(7)
Total					**$ 882**	$ 1,053

The subsidiary preferred shares are redeemable at the option of either the company or the holder, at any time after the following dates:

Class AAA Preferred Shares	Earliest Permitted Redemption Date	Company's Conversion Option	Holder's Conversion Option
Series F	September 30, 2009	September 30, 2009	March 31, 2013
Series G	June 30, 2011	June 30, 2011	September 30, 2015
Series H	December 31, 2011	December 31, 2011	December 31, 2015
Series I	December 31, 2008	December 31, 2008	December 31, 2010
Series J	June 30, 2010	June 30, 2010	December 31, 2014
Series K	December 31, 2012	December 31, 2012	December 31, 2016

15. NON-CONTROLLING INTERESTS IN NET ASSETS

Non-controlling interests in net assets represent the common and preferred equity in consolidated entities that is owned by other shareholders.

(MILLIONS)	***2008***	*2007*
Common equity	**$ 5,883**	$ 4,232
Preferred equity	**446**	538
Total	**$ 6,329**	$ 4,770

16. PREFERRED EQUITY

Preferred equity represents perpetual preferred shares.

			Issued and Outstanding			
(MILLIONS, EXCEPT SHARE IN FORMATION)	*Rate*	*Term*	***2008***	*2007*	***2008***	*2007*
Class A preferred shares						
Series 2	70% P	Perpetual	**10,465,100**	10,465,100	**$ 169**	$ 169
Series 4	70% P/8.5%	Perpetual	**2,800,000**	2,800,000	**45**	45
Series 8	Variable up to P	Perpetual	**1,805,948**	1,805,948	**29**	29
Series 9	4.35%	Perpetual	**2,194,052**	2,194,052	**35**	35
Series 13	70% P	Perpetual	**9,297,700**	9,297,700	**195**	195
Series 15	B.A. + 40 b.p. [1]	Perpetual	**2,000,000**	2,000,000	**42**	42
Series 17	4.75%	Perpetual	**8,000,000**	8,000,000	**174**	174
Series 18	4.75%	Perpetual	**8,000,000**	8,000,000	**181**	181
Total					**$ 870**	$ 870

1 Rate determined in a quarterly auction

P – Prime Rate B.A. – Bankers' Acceptance Rate b.p. – Basis Points

The company is authorized to issue an unlimited number of Class A preferred shares and an unlimited number of Class AA preferred shares, issuable in series. No Class AA preferred shares have been issued.

The Class A preferred shares have preference over the Class AA preferred shares, which in turn are entitled to preference over the Class A and Class B common shares on the declaration of dividends and other distributions to shareholders. All series of the outstanding preferred shares have a par value of C$25 per share.

17. COMMON EQUITY

The company is authorized to issue an unlimited number of Class A Limited Voting Shares ("Class A common shares") and 85,120 Class B Limited Voting Shares ("Class B common shares"), together referred to as common shares.

The company's common shareholders' equity is comprised of the following:

(MILLIONS)	***2008***	*2007*
Class A and B common shares	**$ 1,278**	$ 1,275
Contributed surplus	**42**	57
Retained earnings	**4,368**	4,867
Accumulated other comprehensive (loss) income	**(770)**	445
Common equity	**$ 4,918**	$ 6,644
NUMBER OF SHARES		
Class A common shares	**572,479,652**	583,527,581
Class B common shares	**85,120**	85,120
	572,564,772	583,612,701
Unexercised options	**27,761,269**	27,344,215
Total diluted common shares	**600,326,041**	610,956,916

(a) Class A and Class B Common Shares

The company's Class A common shares and its Class B common shares are each, as a separate class, entitled to elect one-half of the company's Board of Directors. Shareholder approvals for matters other than for the election of directors must be received from the holders of the company's Class A common shares as well as the Class B common shares, each voting as a separate class.

During 2008 and 2007, the number of issued and outstanding common shares changed as follows:

	2008	*2007*
Outstanding at beginning of year	**583,612,701**	581,815,929
Shares issued (repurchased)		
Dividend reinvestment plan	**161,386**	71,251
Management share option plan	**3,014,077**	4,920,468
Business acquisitions	**—**	1,795,297
Repurchases	**(14,224,303)**	(4,985,802)
Other	**911**	(4,442)
Outstanding at end of year	**572,564,772**	583,612,701

In 2008, the company repurchased 14,224,303 (2007 – 4,985,802) Class A common shares under normal course issuer bids at a cost of $287 million (2007 – $163 million). Proceeds from the issuance of common shares pursuant to the company's dividend reinvestment plan and management share option plan ("MSOP"), totalled $33 million (2007 – $45 million).

On November 16, 2007, the company issued 1,795,297 Class A common shares to acquire a real estate securities manager representing consideration of $66 million.

(b) Earnings Per Share

The components of basic and diluted earnings per share are summarized in the following table:

(MILLIONS)	***2008***	*2007*
Net income	**$ 649**	$ 787
Preferred share dividends	**(44)**	(44)
Net income available for common shareholders	**$ 605**	$ 743
Weighted average outstanding common shares	**581.1**	582.4
Dilutive effect of options using treasury stock method	**10.8**	17.1
Common shares and common share equivalents	**591.9**	599.5

The holders of Class A common shares and Class B common shares rank on parity with each other with respect to the payment of dividends and the return of capital on the liquidation, dissolution or winding up of the company or any other distribution of the assets of the company among its shareholders for the purpose of winding up its affairs. With respect to the Class A and Class B common shares, there are no dilutive factors, material or otherwise, that would result in different diluted earnings per share. This relationship holds true irrespective of the number of dilutive instruments issued in either one of the respective classes of common stock, as both classes of common shares participate equally, on a pro rata basis in the dividends, earnings and net assets of the company, whether taken before or after dilutive instruments, regardless of which class of common shares is diluted.

(c) Stock-Based Compensation

Options issued under the company's MSOP typically vest proportionately over five years and expire 10 years after the grant date. The exercise price is equal to the market price at the grant date. During 2008, the company granted 3,823,000 (2007 – 3,516,763) options with an average exercise price of $31.21 (C$31.47) (2007 – C$38.67) per share. The cost of the options granted was determined using the Black-Scholes model of valuation, assuming a 7.5 year term to exercise (2007 – 7.5 year), 27% volatility (2007 – 22%), a weighted average expected annual dividend yield of 1.7% (2007 – 1.2%) and a risk-free rate of 3.9% (2007 – 4.0%). The cost of $21 million (2007 – $26 million) is charged to employee compensation expense on an equal basis over the five-year vesting period of the options granted.

The changes in the number of options during 2008 and 2007 were as follows:

	2008		2007	
	Number of Options (000's)	**Weighted Average Exercise Price**	Number of Options (000's)	Weighted Average Exercise Price
Outstanding at beginning of year	**27,344**	**C$ 17.12**	28,992	C$ 13.25
Granted	**3,823**	**31.47**	3,517	38.67
Exercised	**(3,014)**	**10.18**	(4,921)	9.20
Cancelled	**(392)**	**34.54**	(244)	26.87
Outstanding at end of year	**27,761**	**C$ 19.61**	27,344	C$ 17.12
Exercisable at end of year	**16,671**		15,876	

At December 31,2008, the following options to purchase Class A common shares were outstanding:

Number Outstanding (000's)	Exercise Price	Weighted Average Remaining Life	Number Exercisable (000's)
1,439	C$4.90 – C$5.69	1.3 years	1,439
3,875	C$5.72 – C$8.56	2.1 years	3,875
4,510	C$8.71 – C$12.28	3.8 years	4,490
3,011	C$13.37 – C$16.63	5.3 years	2,374
8,022	C$19.71 – C$29.47	6.5 years	3,825
6,904	C$29.91 – C$46.59	8.7 years	668
27,761			16,671

A Restricted Share Unit Plan provides for the issuance of Deferred Share Units ("DSUs"), as well as Restricted Share Appreciation Units ("RSAUs"). Under this plan, qualifying employees and directors receive varying percentages of their annual incentive bonus or directors' fees in the form of DSUs. The DSUs and RSAUs vest over periods of up to five years, and DSUs accumulate additional DSUs at the same rate as dividends on common shares based on the market value of the common shares at the time of the dividend. Participants are not allowed to convert DSUs and RSAUs into cash until retirement or cessation of employment. The value of the DSUs, when converted to cash, will be equivalent to the market value of the common shares at the time the conversion takes place. The value of the RSAUs when converted into cash will be equivalent to the difference between the market price of equivalent numbers of common shares at the time the conversion takes place, and the market price on the date the RSAUs are granted. The company uses equity derivative contracts to offset its exposure to the change in share prices in respect of vested and unvested DSUs and RSAUs. The value of the vested DSUs and RSAUs as at December 31,2008 was $132 million (2007 – $372 million).

Employee compensation expense for these plans is charged against income over the vesting period of the DSUs and RSAUs. The amount payable by the company in respect of vested DSUs and RSAUs changes as a result of dividends and share price movements. All of the amounts attributable to changes in the amounts payable by the company are recorded as employee compensation expense in the period of the change, and for the year ended December 31, 2008, including those of operating subsidiaries, totalled $61 million (2007 – $48 million), net of the impact of hedging arrangements.

18. DERIVATIVE FINANCIAL INSTRUMENTS

The company's activities expose it to a variety of financial risks, including market risk (i.e. currency risk, interest rate risk, and other price risk), credit risk and liquidity risk. The company and its subsidiaries selectively use derivative financial instruments principally to manage these risks.

The aggregate notional amount of the company's derivative positions at the end of 2008 and 2007 are as follows:

(MILLIONS)	*Note*	***2008***	*2007*
Foreign exchange	*(a)*	**$ 3,607**	$ 2,887
Interest rates	*(b)*	**8,085**	8,694
Credit default swaps	*(c)*	**2,465**	2,350
Equity derivatives	*(d)*	**417**	870
Commodity instruments (energy)	*(e)*	**198**	193
		$ 14,772	$ 14,994

(a) Foreign Exchange

At December 31, 2008, the company held foreign exchange contracts with a notional amount of $361 million (2007 – $1,562 million) at an average exchange rate of $1.22 (2007 – $1.01) to manage its Canadian dollar exposure. At December 31, 2008, the company held foreign exchange contracts with a notional amount of $960 million (2007 – $198 million) at an average exchange rate of $1.48 (2007 – $1.99) to manage its British pound exposure. The company also held foreign exchange contracts with a notional amount of $1,053 million (2007 – $nil) at an average exchange rate of 0.67 to manage its Australian dollar exposure. The company held cross currency interest rate swap contracts with a notional amount of $864 million (2007 – $946 million), to manage its Canadian dollar and Australian dollar exposure. The remaining foreign exchange contracts relate to the company's Brazilian and European operations.

Included in 2008 income, are net gains on foreign currency balances amounting to $37 million (2007 – net losses of $24 million) and included in the cumulative translation adjustment account in other comprehensive income are gains in respect of foreign currency contracts entered into for hedging purposes amounting to $139 million (2007 – net losses of $60 million), which are offset by translation losses on the underlying net assets.

(b) Interest Rates

At December 31, 2008, the company held interest rate swap contracts having an aggregate notional amount of $400 million (2007 – $1,200 million). The company's subsidiaries held interest rate swap contracts having an aggregate notional amount of $3,292 million (2007 – $3,191 million) of which $400 million (2007 – $400 million) was guaranteed by the company. The company's subsidiaries held interest rate cap contracts with an aggregate notional amount of $4,393 million (2007 – $4,303 million).

(c) Credit Default Swaps

As at December 31, 2008, the company held credit default swap contracts with an aggregate notional amount of $2,465 million (2007 – $2,350 million). Credit default swaps are contracts which are designed to compensate the purchaser for any change in value of an underlying reference asset, based on measurement in credit spreads, upon the occurrence of predetermined credit events. The company is entitled to receive payments in the event of a predetermined credit event for up to $2,407 million (2007 – $2,334 million) of the notional amount and could be required to make payments in respect of $58 million (2007 – $16 million) of the notional amount.

(d) Equity Derivatives

At December 31, 2008, the company and its subsidiaries held equity derivatives with a notional amount of $417 million (2007 – $870 million) recorded at an amount equal to fair value. A portion of the notional amount represents a hedge of long-term compensation arrangements and the balance represents common equity positions established in connection with the company's investment activities. The fair value of these instruments was reflected in the company's consolidated financial statements at year end.

(e) Commodity Instruments

The company has entered into energy derivative contracts primarily to hedge the sale of generated power. The company endeavours to link forward electricity sale derivatives to specific periods in which it expects to generate electricity for sale. All energy derivative contracts are recorded at an amount equal to fair value and are reflected in the company's consolidated financial statements at year end.

Other Information Regarding Derivative Financial Instruments

The following table classifies derivatives elected as either fair value hedges, cash flow hedges or net investment hedges, and

presents the effective portion of the hedge recorded in either other comprehensive income or in income, depending on the hedge classification and the ineffective portion of the hedge recorded in Net Income during the year:

		Net Gain (Losses)	
(MILLIONS)	*Notional*	*Effective Portion*	*Ineffective Portion*
Fair value hedges	$ 238	$ (5)	$ (2)
Cash flow hedges	6,722	21	(7)
Net investment hedges	2,750	136	—
	$ 9,710	$ 152	$ (9)

The following table presents the notional amounts underlying the company's derivative instruments by term to maturity, as at December 31,2008, for both derivatives that are held-for-trading and derivatives that qualify for hedge accounting:

	Residual Term to Contractual Maturity			
(MILLIONS)	*< 1 year*	*1 to 5 years*	*> 5 years*	*Total Notional Amount*
Held-for-trading				
Foreign exchange derivatives	$ 204	$ 148	$ —	$ 352
Interest rate derivatives				
Interest rate swaps	192	631	505	1,328
Interest rate caps	357	36	—	393
	549	667	505	1,721
Credit default swaps	10	2,453	2	2,465
Equity derivatives	4	372	33	409
Commodity derivatives	35	9	71	115
	$ 802	$ 3,649	$ 611	$ 5,062
Elected for hedge accounting				
Foreign exchange derivatives	$ 2,421	$ 650	$ 184	$ 3,255
Interest rate derivatives				
Interest rate swaps	964	1,375	25	2,364
Interest rate caps	—	4,000	—	4,000
	964	5,375	25	6,364
Equity derivatives	—	8	—	8
Commodity derivatives	13	70	—	83
	$ 3,398	$ 6,103	$ 209	$ 9,710
	$ 4,200	$ 9,752	$ 820	$ 14,772

The following table presents the change in fair values of the company's derivative positions during the years ended December 31,2008 and 2007, for both derivatives that are held-for-trading and derivatives that qualify for hedge accounting:

(MILLIONS)	***Unrealized Gains During 2008***	***Unrealized Losses During 2008***	***Net Change During 2008***	*2007 Net Change*
Foreign exchange derivatives	**$ 218**	**$ (42)**	**$ 176**	$ (84)
Interest rate derivatives				
Interest rate swaps	**195**	**(375)**	**(180)**	(127)
Interest rate caps	**2**	**—**	**2**	—
	197	**(375)**	**(178)**	(127)
Credit default swaps	**47**	**(20)**	**27**	98
Equity derivatives	**19**	**(238)**	**(219)**	(38)
Commodity derivatives	**304**	**(157)**	**147**	(58)
	$ 785	**$ (832)**	**$ (47)**	$ (209)

19. RISK MANAGEMENT

The company is exposed to the following risks as a result of holding financial instruments: market risk (i.e. interest rate risk, currency risk and other price risks that impact the fair values of financial instruments); credit risk; and liquidity risk. The following is a description of these risks and how they are managed:

a) Market risk

Market risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the company will fluctuate because of changes in market prices. Market risk includes the risk of changes in interest rates, currency exchange rates and changes in market prices due to factors other than interest rates or currency exchange rates such as equity prices, commodity prices or credit spreads.

The company attempts to reduce market risk from foreign currency assets and liabilities and the impact at changes in interest rates, floating rate assets and liabilities by funding assets with financial liabilities in the same currency and with similar interest rate characteristics and holding financial contracts such as interest rate and foreign exchange derivatives to minimize residual exposures. Financial instruments held by the company that are subject to market risk include securities and loans receivable, borrowings, and derivative instruments such as interest rate, currency, equity and commodity contracts. The categories of financial instruments that can potentially give rise to significant variability are described in the following paragraphs.

Interest rate risk

The observable impacts on the fair values and future cash flows of financial instruments that can be directly attributable to interest rate risk include changes in the net income from financial instruments whose cash flows are determined with reference to floating interest rates and changes in the value of financial instruments whose cash flows are fixed in nature.

The company's assets largely consist of long duration interest sensitive physical assets. Accordingly, the company's financial liabilities consist primarily of long-term fixed rate debt or floating rate debt that has been swapped to floating rates or fixed rates with interest rate derivatives. These financial liabilities are, with few exceptions, recorded at their amortized cost. The company also holds interest rate caps to limit its exposure to increases in interest rates on floating rate debt that has not been swapped and holds interest rate contracts to lock in fixed rates on anticipated future debt issuances and as an economic hedge against the values of long duration interest sensitive physical assets that have not been otherwise matched with fixed rate debt.

The result of a 50 basis point increase in interest rates on the company's net floating rate assets and liabilities would have resulted in a corresponding decrease in net income before tax of $13 million on an annualized basis.

Changes in the value of held-for-trading interest rate contracts are recorded in net income and changes in the value of contracts that are elected for hedge accounting together with changes in the value of available-for-sale financial instruments are recorded in other comprehensive income together with the change in the value of the item being hedged. The impact of a 10 basis point parallel increase in the yield curve on the aforementioned financial instruments is estimated to result in a corresponding increase in net income of $8 million and an increase in other comprehensive income of $1 million, before tax as at December 31,2008.

Currency risk

Changes in currency rates will impact the carrying value of financial instruments denominated in currencies other than the U.S. dollar in addition to any changes in the value of the financial instruments in the relevant foreign currency due to other risks.

The company holds financial instruments with net unmatched exposures in several currencies, changes in the translated value of which are recorded in net income. The impact of a 1% increase in the U.S. dollar against these currencies would have resulted in a $21 million increase in the value of these positions on a combined basis, of which $14 million relates to the Canadian dollar. The impact on cash flows from financial instruments would be insignificant. The company holds financial instruments to hedge the net investment in self-sustaining operations whose functional and reporting currencies are other than the U.S. dollar. A 1% increase in the U.S. dollar would increase the value of these hedging instruments by $40 million as at December 31, 2008, which would be recorded in other comprehensive income and offset by changes in the U.S. dollar carrying value of the net investment being hedged.

Other price risk

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads.

Financial instruments held by the company that are exposed to equity price risk include equity securities and equity derivatives. A 5% increase in the market price of equity securities and equity derivatives held by the company, excluding equity derivatives in respect of compensation arrangements, would have increased net income by $1 million and decreased other comprehensive

income by $2 million, prior to taxes. The company's liability in respect of equity compensation arrangements is subject to variability based on changes in the company's underlying common share price. The company holds equity derivatives to hedge almost all of the variability. A 5% change in the common equity price of the company in respect of compensation agreements would increase the compensation liability and compensation expense by $15 million. This increase would be offset by a $15 million change in value of the associated equity derivatives of which $14 million would offset the above mentioned increase in compensation expense and the remaining $1 million would be recorded in other comprehensive income.

The company sells power and generation capacity under long-term agreements or financial contracts to stabilize future revenues. Certain of the contracts are considered financial instruments and are recorded at fair value in the financial statements, with changes in value being recorded in either net income or other comprehensive income as applicable. A 5% increase in energy prices would have decreased net income for the year ended December 31, 2008 by approximately $15 million and other comprehensive income by $12 million, prior to taxes. The corresponding increase in the value of the revenue or capacity being contracted, however, is not recorded in net income until subsequent periods.

The company held credit default swap contracts with an aggregate net notional amount of $2.5 billion at December 31, 2008. The company is exposed to changes in the credit spread of the contracts' underlying reference asset. A 10 basis point increase in the credit spread of the underlying reference assets would have increased net income by $11 million for the year ended December 31,2008, prior to taxes.

b) Credit risk

Credit risk is the risk of loss due to the failure of a borrower or counterparty to fulfill its contractual obligations. The company's exposure to credit risk in respect of financial instruments relates primarily to counterparty obligations regarding derivative contracts, loans receivable and credit investments such as bonds and preferred shares.

The company assesses the credit worthiness of each counterparty before entering into contracts and ensures that counterparties meet minimum credit quality requirements. Management evaluates and monitors counterparty credit risk for derivative financial instruments and endeavours to minimize counterparty credit risk through diversification, collateral arrangements, and other credit risk mitigation techniques. The credit risk of derivative financial instruments is generally limited to the positive fair value of the instruments, which, in general, tends to be a relatively small proportion of the notional value. Substantially all of the company's derivative financial instruments involve either counterparties that are banks or other financial institutions in North America, the United Kingdom and Australia, or arrangements that have embedded credit risk mitigation features. The company does not expect to incur credit losses in respect of any of these counterparties. The maximum exposure in respect of loans receivables and credit investments is equal to the carrying value.

c) Liquidity risk

Liquidity risk is the risk that the company cannot meet a demand for cash or fund an obligation as it comes due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

To ensure the company is able to react to contingencies and investment opportunities quickly, the company maintains a high level of liquidity at the corporate level. The primary source of liquidity consists of cash and financial assets, net of deposits and other associated liabilities, and undrawn committed credit facilities.

The company is subject to the risks associated with debt financing, including the ability to refinance indebtedness at maturity. These risks are mitigated through the use of long-term debt secured by high quality assets, maintaining debt levels that are in management's opinion relatively conservative, and by diversifying maturities over an extended period of time. The company also seeks to include in its agreements terms that protect the company from liquidity issues of counterparties that might otherwise impact the company's liquidity.

20. CAPITAL MANAGEMENT

The capital of the company consists of the components of shareholders' equity in the company's consolidated balance sheet (i.e. common and preferred equity) as well as the company's capital securities, which consist of preferred shares that are convertible into common shares at the option of either the holder or the company. As at December 31, 2008, these items totalled $6.3 billion on a book value basis (2007 – $8.0 billion).

The company's objectives when managing this capital is to maintain an appropriate balance between holding a sufficient amount of capital to support its operations, which includes maintaining investment grade ratings at the corporate level, and providing shareholders with a prudent amount of leverage to enhance returns. Corporate leverage, which consists of corporate debt as well as subsidiary debt that is guaranteed by the company or is otherwise considered corporate in nature, totalled $3.0 billion at December 31, 2008 (2007 – $2.8 billion). The company monitors its capital base and leverage primarily in the context of its deconsolidated debt-to-total capitalization ratios. The ratio as at December 31, 2008 was 28% (2007 – 23%), which is within the company's target of between 20% and 30% on a book value basis.

The consolidated capitalization of the company includes the capital and financial obligations of consolidated entities, including long-term property specific financings, subsidiary borrowings, capital securities as well as common and preferred equity and equity held by other investors in consolidated entities. The capital in these entities is managed at the entity level with oversight by management of the company. The capital is typically managed with the objective of maintaining investment grade levels in most circumstances and is, except limited and carefully managed circumstances, without any recourse to the company. Management of the company also takes into consideration capital requirements of consolidated and non-consolidated entities that it has interests in when considering the appropriate level of capital and liquidity on a deconsolidated basis.

The company is subject to limited covenants in respect of its corporate debt and is in full compliance with all such covenants as at December 31, 2008. The company and its consolidated entities are also in compliance with all covenants and other capital requirements arising from regulatory or contractual obligations of material consequence to the company.

21. REVENUES LESS DIRECT OPERATING COSTS

Direct operating costs include all attributable expenses except interest, depreciation and amortization, taxes, other provisions and non-controlling interests in income. The details are as follows:

	2008			2007		
(MILLIONS)	**Revenue**	**Expenses**	**Net**	Revenue	Expenses	Net
Commercial properties	**$ 2,761**	**$ 930**	**$ 1,831**	$ 2,851	$ 1,303	$ 1,548
Power generation	**1,286**	**400**	**886**	959	348	611
Infrastructure	**455**	**259**	**196**	599	309	290
Development and other properties	**3,689**	**3,449**	**240**	1,802	1,384	418
Specialty funds	**2,090**	**1,786**	**304**	1,246	876	370
	$ 10,281	**$ 6,824**	**$ 3,457**	$ 7,457	$ 4,220	$ 3,237

22. NON-CONTROLLING INTERESTS IN INCOME

Non-controlling interests of others in income is segregated into the non-controlling share of income before certain items and their share of those items, which include depreciation and amortization, income taxes and other provisions.

(MILLIONS)	**2008**	2007
Non-controlling interests' share of income prior to the following	**$ 791**	$ 636
Non-controlling interests' share of depreciation and amortization, and future income taxes and other provisions	**(430)**	(538)
Non-controlling interests in income	**$ 361**	$ 98
Distributed as recurring dividends		
Preferred	**$ 2**	$ 5
Common	**203**	169
Undistributed (Overdistributed)	**156**	(76)
Non-controlling interests in income	**$ 361**	$ 98

23. INCOME TAXES

(MILLIONS)	**2008**	2007
Current	**$ (7)**	$ 68
Future	**(461)**	88
Current and future income tax (recovery) expense	**$ (468)**	$ 156

Future income tax assets relate primarily to non-capital losses available to reduce taxable income which may arise in the future. The company and its Canadian subsidiaries have future income tax assets of $215 million (2007 – $359 million) that relate to

non-capital losses which expire over the next 20 years, and $82 million (2007 – $105 million) that relate to capital losses which have no expiry date. The company's U.S. subsidiaries have future income tax assets of $177 million (2007 – $272 million) that relate to net operating losses which expire over the next 20 years. The company's international subsidiaries have future income tax assets of $237 million (2007 – $196 million) that relate to operating losses which generally have no expiry date. The amount of non-capital and capital losses and deductible temporary differences for which no future income tax assets have been recognized is approximately $3,004 million (2007 – $2,825 million). The future income tax liabilities represent the cumulative amount of income tax payable on the differences between the book values and the tax values of the company's assets and liabilities at the rates expected to be effective at the time the differences are anticipated to reverse. The future income tax liabilities relate primarily to differences between book values and tax values of property, plant and equipment due to different depreciation rates for accounting and tax purposes. The future income tax assets and liabilities are recorded in accounts receivable and other and accounts payable and other liabilities on the balance sheet.

The following table reflects the company's effective tax rate at December 31,2008 and 2007:

	2008	*2007*
Statutory income tax rate	**33%**	33%
Increase (reduction) in rate resulting from		
Portion of gains not subject to tax	**(6)**	(13)
Lower income tax rates in other jurisdictions	**(45)**	(8)
Change in tax rates on temporary differences	**(99)**	(7)
Derecognition of future tax assets/(liabilities)	**7**	(9)
Foreign exchange gain and losses	**(27)**	9
Non-recognition of the benefit of current year's tax losses	**27**	2
Other	**13**	7
Effective income tax rate	**(97)%**	14%

24. EQUITY ACCOUNTED LOSS FROM INVESTMENTS

Equity accounted loss from investments includes the following:

(MILLIONS)	***2008***	*2007*
Norbord	**$ (46)**	$(17)
Fraser Papers [1]	**—**	(23)
Stelco Inc. [2]	**—**	(32)
Total	**$ (46)**	$(72)

1 During 2007, the company increased its ownership in Fraser Papers to 56% and started to account for the investment on a consolidated basis

2 During 2007, the company sold its 23% common equity interest in Stelco

25. JOINT VENTURES

The following amounts represent the company's proportionate interest in incorporated and unincorporated joint ventures that are reflected in the company's accounts:

(MILLIONS)	***2008***	*2007*
Assets	**$5,615**	$4,841
Liabilities	**2,912**	2,287
Operating revenues	**693**	724
Operating expenses	**454**	408
Net income	**92**	285
Cash flows from operating activities	**104**	283
Cash flows (used in) from investing activities	**(145)**	74
Cash flows from (used in) financing activities	**105**	(189)

26. POST-EMPLOYMENT BENEFITS

The company offers pension and other post employment benefit plans to employees of certain of its subsidiaries. The company's obligations under its defined benefit pension plans are determined periodically through the preparation of actuarial valuations. The benefit plans' expenses for 2008 were $13 million (2007 – $2 million). The discount rate used was 6% (2007 – 6%) with an increase in the rate of compensation of 3% (2007 – 4%) and an investment rate of 7% (2007 – 8%).

(MILLIONS)	***2008***	*2007*
Plan assets	**$ 983**	$ 688
Less accrued benefit obligation:		
Defined benefit pension plan	**(1,094)**	(586)
Other post-employment benefits	**(62)**	(62)
Net (liability) asset	**(173)**	40
Less: Unamortized transitional obligations and net actuarial losses	**291**	14
Accrued benefit asset	**$ 118**	$ 54

27. SUPPLEMENTAL CASH FLOW INFORMATION

(MILLIONS)	***2008***	*2007*
Corporate borrowings		
Issuances	**$ 150**	$ 474
Repayments	**(300)**	(165)
Net commercial paper and bank borrowings issued	**483**	167
Net	**$ 333**	$ 476
Property-specific mortgages		
Issuances	**$ 4,620**	$ 4,113
Repayments	**(5,642)**	(1,629)
Net	**$(1,022)**	$ 2,484
Other debt of subsidiaries		
Issuances	**$ 1,379**	$ 2,897
Repayments	**(1,879)**	(1,073)
Net	**$ (500)**	$ 1,824
Common shares		
Issuances	**$ 32**	$ 44
Repayments	**(281)**	(165)
Net	**$ (249)**	$ (121)
Commercial property		
Proceeds of dispositions	**$ 768**	$ 328
Investments	**(695)**	(5,468)
Net	**$ 73**	$(5,140)
Power		
Proceeds of dispositions	**$ —**	$ —
Investments	**(529)**	(452)
Net	**$ (529)**	$ (452)
Infrastructure		
Proceeds of dispositions	**$ 613**	$ —
Investments	**(252)**	(1,330)
Net	**$ 361**	$(1,330)
Development and other properties		
Proceeds of dispositions	**$ 216**	$ 127
Investments	**(915)**	(785)
Net	**$ (699)**	$ (658)
Securities		
Securities sold	**$ 604**	$ 128
Securities purchased	**(319)**	(552)
Loans collected	**781**	707
Loans advanced	**(940)**	(811)
Net	**$ 126**	$ (528)
Financial assets		
Securities sold	**$ 665**	$ 1,396
Securities purchased	**(346)**	(760)
Net	**$ 319**	$ 636

Cash taxes paid were $78 million (2007 – $103 million) and are included in current income taxes. Cash interest paid totalled $2,163 million (2007 – $1,686 million). Sustaining capital expenditures in the company's power generating operations were $70 million (2007 – $50 million), in its property operations were $48 million (2007 – $45 million) and in its transmission operations were $9 million (2007 – $10 million).

28. SEGMENTED INFORMATION

The company's presentation of reportable segments is based on how management has organized the business in making operating and capital allocation decisions and assessing performance. The company has five reportable segments:

(a) commercial properties operations, which are principally commercial office properties and retail properties, located primarily in major North American, Brazilian, and Australian cities;

(b) power generation operations, which are predominantly hydroelectric power generating facilities on river systems in North America and Brazil;

(c) infrastructure operations, which are predominantly timberlands and electrical transmission and distribution systems. The company's timberland operations are located in North America and Brazil. The electrical transmission and distribution systems are located in Northern Ontario and Chile;

(d) development and other properties operations, which are principally commercial and residential development, opportunistic investing and homebuilding operations, located primarily in major North American, Brazilian and Australian cities; and

(e) specialty funds, which include the company's bridge lending, real estate finance and restructuring funds, and which are managed by the company for itself and for its institutional partners.

Non-operating assets and related revenues, cash flows and income are presented as financial assets and other. Revenue, net income and assets by reportable segments are as follows:

AS AT AND FOR THE YEARS ENDED DECEMBER 31	***2008***			*2007*		
(MILLIONS)	***Revenue***	***Net Income***	***Assets***	*Revenue*	*Net Income*	*Assets*
Commercial properties	**$ 3,075**	**$ 203**	**$23,699**	$ 2,891	$ 24	$23,571
Power generation	**1,286**	**328**	**6,778**	971	106	7,106
Infrastructure	**616**	**37**	**4,414**	622	4	4,230
Development and other properties	**3,654**	**(7)**	**9,822**	1,751	138	12,115
Specialty funds	**2,139**	**126**	**3,943**	1,368	187	2,676
Cash, financial assets, fee revenues and other	**2,098**	**(38)**	**4,955**	1,740	328	5,899
	$ 12,868	**$ 649**	**$53,611**	$ 9,343	$ 787	$55,597

Revenue and assets by geographic segments are as follows:

AS AT AND FOR THE YEARS ENDED DECEMBER 31	***2008***		*2007*	
(MILLIONS)	***Revenue***	***Assets***	*Revenue*	*Assets*
United States	**$ 5,617**	**$27,220**	$ 4,844	$27,156
Canada	**3,005**	**11,755**	2,604	12,248
Australia	**1,826**	**6,031**	622	8,323
Brazil	**1,092**	**5,749**	636	5,648
Europe	**543**	**1,901**	251	1,154
Other	**785**	**955**	386	1,068
	$ 12,868	**$53,611**	$ 9,343	$55,597

29. OTHER INFORMATION

Commitments, Guarantees and Contingencies

In the normal course of business, the company and its subsidiaries enter into contractual obligations which include commitments to provide bridge financing, and letters of credit and guarantees provided in respect of power sales contracts and reinsurance obligations. At the end of 2008, the company and its subsidiaries had $1,269 million (2007 – $1,068 million) of such commitments outstanding of which $211 million (2007 – $95 million) is included on liabilities in the consolidated balance sheets.

In addition, the company and its consolidated subsidiaries execute agreements that provide for indemnifications and guarantees to third parties in transactions or dealings such as business dispositions, business acquisitions, sales of assets, provision of services, securitization agreements, and underwriting and agency agreements. The company has also agreed to indemnify its directors and certain of its officers and employees. The nature of substantially all of the indemnification undertakings prevents the company from making a reasonable estimate of the maximum potential amount the company could be required to pay third parties, as in most cases the agreements do not specify a maximum amount, and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Neither the company nor its consolidated subsidiaries have made significant payments in the past nor do they expect at this time to make any significant payments under such indemnification agreements in the future.

The company periodically enters into joint venture, consortium or other arrangements that have contingent liquidity rights in favour of the company or its counterparties. These include buy-sell arrangements, registration rights and other customary arrangements. These agreements generally have embedded protective terms that mitigate the risk to us. The amount, timing and likelihood of any payments by the company under these arrangements is in most cases dependent on either further contingent events or circumstances applicable to the counterparty and therefore cannot be determined at this time.

The company and its subsidiaries are contingently liable with respect to litigation and claims that arise in the normal course of business.

The company has acquired $500 million of insurance for damage and business interruption costs sustained as a result of an act of terrorism. However, a terrorist act could have a material effect on the company's assets to the extent damages exceed the coverage.

The company has reviewed its loan agreements and believes it is in compliance, in all material respects, with the contractual obligations therein.

The company, through its subsidiaries within the residential properties operations, is contingently liable for obligations of its associates in its land development joint ventures. In each case, all of the assets of the joint venture are available first for the purpose of satisfying these obligations, with the balance shared among the participants in accordance with predetermined joint venture arrangements.

Insurance

The company conducts insurance operations as part of its asset management activities. As at December 31, 2008, the company held insurance assets of $309 million (2007 – $581 million) in respect of insurance contracts that are accounted for using the deposit method which were offset in each year by an equal amount of reserves and other liabilities. During 2008, net underwriting losses on reinsurance operations were $18 million (2007 income of $67 million) representing $363 million (2007 – $544 million) of premium and other revenues offset by $381 million (2007 – $477 million) of reserves and other expenses.

Five Year Financial Review

AS AT AND FOR THE YEARS ENDED DECEMBER 31 *(MILLIONS, EXCEPT PER SHARE AMOUNTS; UNAUDITED)*	***2008***	*2007*	*2006*	*2005*	*2004*
Per Common Share *(fully diluted)*					
Book value – actual	**$ 8.93**	$ 11.64	$ 9.37	$ 7.87	$ 5.67
– Underlying value	**20.67**	—	—	—	—
– Underlying value pre-tax	**24.37**	—	—	—	—
Cash flow from operations	**2.33**	3.11	2.95	1.46	1.03
Cash return on book equity	**23%**	30%	34%	21%	19%
Net income	**$ 1.02**	$ 1.24	$ 1.90	$ 2.72	$ 0.90
Market trading price – NYSE	**$ 15.27**	$ 35.67	$ 32.12	$ 22.37	$ 16.01
Dividends paid	**$ 1.45**[1]	$ 0.47	$ 0.39	$ 0.26	$ 0.24
Common shares outstanding					
Basic	**572.6**	583.6	581.8	579.6	582.1
Diluted	**600.3**	611.0	610.8	608.0	611.3
Total *(millions)*					
Total assets under management	**$78,697**	$94,340	$71,121	$49,700	$27,146
Consolidated balance sheet assets	**53,611**	55,597	40,708	26,058	20,007
Corporate borrowings	**2,284**	2,048	1,507	1,620	1,675
Non-recourse borrowings					
Property-specific mortgages	**22,889**	21,644	17,148	8,756	6,045
Other debt of subsidiaries	**5,102**	7,076	4,153	2,510	2,373
Common equity – book value	**4,918**[2]	6,644	5,395	4,514	3,277
– Underlying value [3]	**11,931**	—	—	—	—
– Underlying value, pre-tax [3]	**14,151**	—	—	—	—
Revenues	**12,868**	9,343	6,897	5,220	3,867
Operating income	**4,809**	4,509	3,776	2,319	1,793
Cash flow from operations	**1,423**	1,907	1,801	908	626
Net income	**649**	787	1,170	1,662	555

1 Includes Brookfield Infrastructure special dividend of $0.94

2 Reduction reflects distribution of Brookfield Infrastructure

3 Reflects fair value prepared in accordance with procedures and assumptions expected to be utilized to prepare the company's January 1, 2009 IFRS balance sheet

Exhibit 99.4

DIFFERENCES BETWEEN CANADIAN AND UNITED STATES OF AMERICA GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Canadian generally accepted accounting principles ("Canadian GAAP") differ in some respects from the principles that Brookfield Asset Management Inc. (the "company") would follow if its consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The impact of the accounting differences between Canadian GAAP and U.S. GAAP on the company's balance sheets at December 31, 2008 and 2007 and statements of income, retained earnings and comprehensive (loss) income for the years then ended are quantified and described in this exhibit. The additional disclosure contained within this document for years ended December 31, 2008 and 2007 should be read in conjunction with the company's financial statements as at and for the years ended December 31, 2008 and 2007 contained in the company's 2008 Annual Report as filed on Form 40-F. A copy of this Annual Report can be found on EDGAR at *www.sec.gov/edgar.shtml* and on the company's web site, *www.brookfield.com*, at *investor center/financial reports*.

(a) Income Statement Differences

The impact of the differences in accounting principles between the company's income statements and those prepared under U.S. GAAP are summarized in the following table:

(MILLIONS, EXCEPT PER SHARE AMOUNTS)	*Note*	***2008***	*2007*
Net Income as reported under Canadian GAAP		**$ 649**	$ 787
Adjustments:			
Commercial property income	*(i)*	**(10)**	(20)
Residential property income	*(ii)*	**87**	(52)
Hedge Accounting	*(iii)*	**(61)**	139
Investment Company Accounting	*(iv)*	**(305)**	—
Fair value election	*(v)*	**25**	—
Foreign exchange and dividends on convertible preferred shares	*(vi)*	**(102)**	267
Development costs	*(vii)*	**(22)**	(10)
Commercial property depreciation	*(viii)*	**8**	8
Deferred income taxes	*(ix)*	**(61)**	(10)
Other	*(x)*	**11**	(3)
Non-controlling interests in the above		**243**	(91)
Net income under U.S. GAAP		**462**	1,015
Preferred share dividends		**(44)**	(44)
Convertible preferred share dividends	*(vi)*	**(31)**	(27)
Net income available to common shareholders under U.S. GAAP		**$ 387**	$ 944
Per share amounts under U.S. GAAP	*(xi)*		
Basic earnings per share		**$ 0.67**	$ 1.62
Diluted earnings per share		**$ 0.65**	$ 1.57

(i) Commercial Property Income

The company adopted straight-line recognition of rental revenue for all its properties from January 1, 2004 onward, thereby harmonizing this policy with U.S. GAAP. In 2008, the company recorded a decrease to commercial property income of $4 million (2007 – $12 million) to reflect the adjustment required if straight-line rental revenue had been recognized from the outset of the lease as opposed to January 1, 2004 onward. The recognition of lease termination income can differ between U.S. GAAP and Canadian GAAP, and resulted in an increase to commercial property income in 2008 of $18 million (2007 – decrease of $8 million).

In 2008, the company realized a $24 million foreign exchange gain resulting from a reduction of a net investment in one of the company's self-sustaining subsidiaries. Canadian GAAP allows for income recognition of foreign exchange gains on the reduction of a net investment, as opposed to recognition in other comprehensive income under U.S. GAAP until the investment is sold or is substantially or completely liquidated.

(ii) Residential Property Income

The company's revenue recognition policy for land sales requires, in part, that the significant risks and rewards of ownership have passed to the purchaser in certain jurisdictions prior to the recognition of revenue by the vendor. Land sales transactions

substantially transfer the risks and rewards of ownership to the purchaser when both parties are bound to the terms of the sale agreement and possession passes to the purchaser. In certain instances, title may not have transferred. Transfer of title is a requirement for recognizing revenue under U.S. GAAP, whereas this is not required in all circumstances under Canadian GAAP. Accordingly, residential development income increased by $87 million (2007 – $52 million decrease) for U.S. GAAP purposes representing amounts previously recognized in income under Canadian GAAP.

(iii) Hedge Accounting

Hedge Accounting adjustments in 2008 and 2007 are as follows:

(MILLIONS)	***2008***	*2007*
Power sale contracts	**$ (63)**	$ 78
Foreign currency contracts	**2**	57
Other	**—**	4
	$ (61)	$ 139

Hedge accounting differences are primarily related to power sales contracts and foreign exchange contracts. Canadian GAAP requires that certain power sale contracts that contain a net settlement provision be marked-to-market without a corresponding mark-to-market of the carrying value of the underlying power generating capacity. U.S. GAAP allows such contracts to be exempt from mark-to-market treatment if the contracts form part of the normal sales activities of the company. Under Canadian GAAP, the company recorded a $63 million gain (2007 – $78 million loss) on the mark-to-market of power sale contracts of this nature, which was not recorded under U.S. GAAP.

The company recorded a $2 million gain (2007—$57 million gain) on settlement of a foreign currency derivative to mitigate the foreign currency exposure of an anticipated business combination. Canadian GAAP allows qualified cash flow hedges of foreign currency risk exposures of an anticipated business combination to be recorded in other comprehensive income, as opposed to net income under U.S. GAAP.

(iv) Investment Company Accounting

Under U.S. GAAP, the company is required to retain Investment Company Accounting to the extent it is utilized by a subsidiary which it consolidates. Certain of the company's subsidiaries use this specialized basis of accounting, and accordingly, the investments subject to it are recorded at fair value. Under Canadian GAAP, these subsidiaries record investments at historic cost. The pre-tax fair value revaluation under U.S. GAAP resulted in a decrease to net income of $305 million or $91 million net of non-controlling interests.

(v) Fair Value Election

Fair value adjustments include revaluation adjustments arising from FAS 159. The company elected to adopt the fair value accounting standard FAS 159 on January 1, 2008, which provides the company with the ability to record selected financial instruments at fair value. The company elected to record its interests in Chilean and Brazilian transmission operations and Australian property funds at fair value with changes in value recorded in net income. The pre-tax fair value adjustment at December 31, 2008 as a result of the fair value election was income of $25 million or $nil net of non-controlling interests.

(vi) Foreign Exchange and Dividends on Convertible Preferred Shares

Canadian GAAP requires that the company's preferred share obligations that could be settled with a variable number of the company's common equity be classified as liabilities and corresponding distributions as interest expense for Canadian GAAP, whereas under U.S. GAAP, they are classified as mezzanine equity with corresponding distributions classified as dividends. Under Canadian GAAP, these preferred share liabilities are converted into the company's functional currency at current rates. Under U.S. GAAP, these preferred shares are converted into the company's functional currency at historical rates. As a result, the company has recorded the following adjustments for U.S. GAAP:

(MILLIONS)	***2008***	*2007*
Preferred share dividends classified as interest expense for Canadian GAAP	**$ 94**	$ 84
Revaluation of preferred shares at historical foreign exchange rates	**(196)**	183
	$ (102)	$ 267

Convertible preferred share dividends paid by the corporation, as opposed to by its subsidiaries, of $31 million (2007 – $27 million) constitute a reconciling item for purposes of determining Net income available to common shareholders under U.S. GAAP.

(vii) Development Costs

Development costs include $22 million of direct expenses (2007 – $10 million) which are deferred and amortized under Canadian GAAP and expensed under U.S. GAAP.

(viii) Commercial Property Depreciation

Straight-line depreciation was adopted by the company from January 1, 2004 onward which effectively harmonized Canadian GAAP with U.S. GAAP. In 2008, the company recorded an increase to U.S. GAAP net income of $8 million (2007 – $8 million) to

reflect the adjustment required if straight-line depreciation had been recognized from the outset as opposed to January 1, 2004 onward.

(ix) Deferred Income Taxes
The difference in the deferred income tax provision includes the tax effect of the income statement adjustments under U.S. GAAP. Also, under Canadian GAAP the tax rates applied to temporary differences and losses carried forward are those which are substantively enacted. Under U.S. GAAP, tax rates are applied to temporary differences and losses carried forward only when they are enacted.

(x) Other
Other adjustments for differences between Canadian and U.S. GAAP include $24 million of income (2007 – $5 million income) related to capitalized interest on certain development projects which are expensed under Canadian GAAP and deferred and amortized under U.S. GAAP and $1 million of expense ($2007 – $8 million of expense) related to differences from the company's operations in Brazil and its insurance operations.

Other adjustments also include a $12 million expense (2007 – $nil) related to the company's stock based compensation plan for a one-time make whole payment. Under Canadian GAAP, payments with the intention to make whole the holder of an award are not considered modifications to the plan; however, under U.S. GAAP these payments are modifications and are expressed as incurred.

(xi) Per Share Amounts
The company's current policy is to redeem the Preferred Shares Series 10, 11, 12, and 21 through the payment of cash in the event that holders of Preferred Shares exercise their conversion option. As a result, the impact of the conversion option of these Preferred Shares has been excluded from the company's diluted EPS calculation under U.S. GAAP. However, the company is not legally obliged to redeem these Preferred Shares for cash and reserves the right to settle the conversion option in Class A common shares.

(b) Comprehensive (Loss) Income
The impact of the differences in accounting principles between the company's statements of comprehensive (loss) income under Canadian GAAP and under U.S. GAAP are as follows:

(MILLIONS)	*Note*	***2008***	*2007*
Other comprehensive (loss) income – Canadian GAAP		**$(1,215)**	$ 302
Market value adjustments	*(i)*	**20**	(59)
Additional pension asset	*(ii)*	**(43)**	6
Foreign currency translation	*(iii)*	**(36)**	(18)
Income taxes on above noted adjustments		**7**	15
Other comprehensive (loss) income – U.S. GAAP		**$(1,267)**	$ 246

(i) Market Value Adjustments
Market value adjustments in other comprehensive (loss) income in 2008 and 2007 are as follows:

(MILLIONS)	***2008***	*2007*
Hedge Accounting	**$ (2)**	$ (57)
Investment Company Accounting	**22**	—
Available-for-sale securities	**—**	(2)
Market value adjustments	**$ 20**	$ (59)

Hedge Accounting adjustments include the impact of certain cash flow hedges of anticipated business combinations. Canadian GAAP allows the effective portion of cash flow hedges of foreign currency risk exposures of an anticipated business combination to be recorded in other comprehensive income. However, under U.S. GAAP, cash flow hedges of an anticipated business combination are recorded in net income at fair value.

Investment Company Accounting adjustments are a result of the continuation of investment company accounting under U.S. GAAP, as noted in subsection a (iv). Under Canadian GAAP these investments are accounted for using either full consolidation or equity method accounting. Accordingly, under U.S. GAAP, other comprehensive income that was recognized under Canadian GAAP is reclassified to net income for U.S. GAAP purposes.

(ii) Additional Pension Asset

U.S. GAAP requires the overfunded or underfunded status of a defined benefit post retirement pension plan to be reflected in the consolidated balance sheet with an offsetting adjustment to other comprehensive income. The company has reflected this adjustment including its proportionate share of adjustments recorded by equity accounted investees and consolidated subsidiaries.

(iii) Foreign Currency Translation Adjustments

Canadian and U.S. GAAP require that the change in the cumulative translation adjustment account be recorded in other comprehensive income. The resulting changes in the carrying values of assets which reflect foreign currency conversion are not necessarily reflective of changes in underlying value. Additionally, certain U.S. GAAP adjustments effect the foreign currency translation of self-sustaining subsidiaries with a functional currency that is different from the U.S. Dollar. Accordingly, the effect of this translation is included as a U.S. GAAP adjustment.

As a result of the above adjustments, the components of other comprehensive (loss) income under U.S. GAAP are as follows:

(MILLIONS)	***2008***	*2007*
Net income under U.S. GAAP	**$ 462**	$1,015
Market value adjustments	**(302)**	(211)
Additional pension asset	**(43)**	6
Foreign currency translation	**(816)**	392
Taxes on above noted adjustments	**(106)**	59
Other comprehensive (loss) income	**(1,267)**	246
Comprehensive (loss) income	**$ (805)**	$1,261

(c) Balance Sheet Differences

The incorporation of the significant differences in accounting principles under Canadian GAAP and U.S. GAAP would result in the following presentation of the company's balance sheets:

(MILLIONS)	*Note*	***2008***	*2007*
Assets			
Cash and cash equivalents		**$ 1,172**	$ 1,561
Accounts receivable and other	*(i)*	**7,213**	7,608
Intangible assets		**1,614**	2,026
Goodwill		**1,275**	1,528
Securities		**2,187**	3,453
Loans and notes receivable		**2,070**	892
Property, plant and equipment	*(ii), (iii)*	**35,375**	37,141
Equity accounted investments	*(iv)*	**914**	1,336
Total assets under U.S. GAAP		**$51,820**	$55,545
Liabilities and shareholders' equity			
Non-recourse borrowings			
Property-specific mortgages		**$21,820**	$21,644
Other debt of subsidiaries		**5,026**	7,342
Corporate borrowings		**2,284**	2,048
Accounts payable and other		**8,198**	9,876
Intangible liabilities		**891**	982
Non-controlling interests		**7,169**	5,500
Preferred equity		**1,346**	1,204
Common equity	*(v)*	**5,086**	6,949
Total liabilities and shareholders' equity under U.S. GAAP		**$51,820**	$55,545

Under U.S. GAAP, the company retains the specialized basis of accounting utilized by certain subsidiaries which it consolidates. Certain of the company's subsidiaries use Investment Company Accounting and accordingly records investments at fair value. Under Canadian GAAP, these investments are accounted for using either full consolidation or equity method accounting. As a result, the U.S. GAAP Balance Sheet reflects these investments on a deconsolidated basis at fair value.

Certain prior year amounts have been reclassified to conform to the current year's presentation in conformity with Canadian GAAP.

The significant difference in each category between Canadian GAAP and U.S. GAAP are as follows:

(i) Deferred Income Taxes

The deferred income tax asset (liability) under U.S. GAAP is included in accounts receivable (payable) and other and is calculated as follows:

(MILLIONS)	***2008***	*2007*
Tax assets related to operating and capital losses	**$ 990**	$ 1,270
Tax liabilities related to differences in tax and book basis	**(1,232)**	(1,556)
Valuation allowance	**(280)**	(338)
Deferred income tax liability under U.S. GAAP	**$ (522)**	$ (624)

(ii) Joint Ventures

Under U.S. GAAP, proportionate consolidation of investments in joint ventures is generally not permitted. Under rules for foreign private issuers promulgated by the United States Securities and Exchange Commission ("SEC"), the company has continued to follow the proportionate consolidation method for investments that would otherwise be equity accounted for under U.S. GAAP.

(iii) Investment Company Accounting

Included in property plant and equipment are investments held by certain of the company's subsidiaries which follow Investment Company Accounting. These investments are recorded at fair value under U.S. GAAP, whereas in Canadian GAAP they are accounted for using either full consolidation or equity method accounting.

(iv) Equity Accounted Investments

The company's equity accounted investments under U.S. GAAP include Chilean and Brazilian transmission operations, Australian property funds, and other real estate and business services and during 2007, Norbord. During 2008, the company increased its interest in Norbord and began consolidating Norbord under both Canadian and U.S. GAAP.

The investments have been adjusted to reflect the cumulative impact of calculating equity accounted earnings under U.S. GAAP as follows:

(MILLIONS)	***2008***	*2007*
Equity accounted investments under Canadian GAAP	**$890**	$1,352
Reclassification from securities and accounts receivable and other	**28**	24
Accumulated other comprehensive income (loss)	**(20)**	(20)
Earnings adjustment	**16**	(20)
Equity accounted investments under U.S. GAAP	**$914**	$1,336

(v) Common Equity

The components of common equity under U.S. GAAP are as follows:

(MILLIONS)	***2008***	*2007*
Common shares	**$1,295**	$1,291
Additional paid in capital	**195**	75
Accumulated other comprehensive income	**(834)**	433
Retained earnings	**4,430**	5,150
Common equity under U.S. GAAP	**$5,086**	$6,949

(d) Changes in Accounting Policies Adopted During 2008

(i) SFAS 157, "Fair Value Measurements"

Effective January 1, 2008, the company adopted for purposes of U.S. GAAP, FASB Statement No. 157, " *Fair Value Measurements*" ("SFAS 157"). SFAS 157 provides a common definition of fair value, establishes a framework for measuring fair value under U.S. GAAP and expands disclosures about fair value measurements. This statement applies when other accounting pronouncements require fair value measurements and does not require new fair value measurements.

(ii) SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities"

Effective January 1, 2008, the company adopted for the purposes of U.S. GAAP, FASB Statement No. 159, " *The Fair Value Option for Financial Assets and Financial Liabilities*" ("SFAS 159") which provides companies with an option to report selected financial assets and liabilities at fair value. The standard's objective is to reduce both the complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. The impact of adopting this statement was $nil million to common equity at January 1, 2008.

(e) Future Accounting Policy Changes

(i) SFAS No. 141(R), "Business Combinations," SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements" and EITF 08-6, "Equity Method Investment Accounting Considerations"

As of January 1, 2009, the company is required to adopt FASB Statement No. 141(R), "Business Combinations" ("SFAS 141(R)"), FASB Statement No. 160, "Non-controlling Interests in Consolidated Financial Statements" ("SFAS 160") and Emerging Issues Task Force ("EITF") 08-6, "Equity Method Investment Accounting Considerations." SFAS 141(R) will change how business acquisitions are accounted for and will impact the financial statements both on the acquisition date and in subsequent periods. SFAS 160 will change the accounting and reporting for minority interests, which will be re- characterized as non-controlling interests and classified as a component of equity. EITF 08-6 considers issues related to the application of the equity method of accounting in light of the two aforementioned statements. The company is currently evaluating the impact of these new interpretations on the consolidated financial statements.

Exhibit 99.5

CERTIFICATION

I, **J. Bruce Flatt**, certify that:

1. I have reviewed this annual report on Form 40-F of Brookfield Asset Management Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report.

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent function):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Dated: April 2, 2009

/s/ J. Bruce Flatt

J. Bruce Flatt
Chief Executive Officer
(Principal Executive Officer)

Exhibit 99.6

CERTIFICATION

I, **Brian D. Lawson**, certify that:

1. I have reviewed this annual report on Form 40-F of Brookfield Asset Management Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report.

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent function):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Dated: April 2, 2009

/s/ Brian D. Lawson

Brian D. Lawson
Chief Financial Officer
(Principal Financial Officer)

Exhibit 99.7

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Brookfield Asset Management Inc. (the "Company") on Form 40-F for the year ended December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, **J. Bruce Flatt,** Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ J. Bruce Flatt
J. Bruce Flatt
Chief Executive Officer

April 2, 2009

Exhibit 99.8

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Brookfield Asset Management Inc. (the "Company") on Form 40-F for the year ended December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, **Brian D. Lawson,** Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Brian D. Lawson
Brian D. Lawson
Chief Financial Officer

April 2, 2009

Deloitte.

Exhibit 99.9

Deloitte & Touche LLP
Brookfield Place
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REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Board of Directors and Shareholders of Brookfield Asset Management Inc.

We have audited the consolidated financial statements of Brookfield Asset Management Inc. and subsidiaries (the "Company") as at December 31, 2008 and 2007 and for each of the years then ended, and the Company's internal control over financial reporting as of December 31, 2008, and have issued our reports thereon dated March 13, 2009; such consolidated financial statements and reports are included in the Consolidated Financial Statements for the fiscal year ended December 31, 2008 listed as Exhibit 99.3 on Form 40-F. Our audits also included the Company's reconciliation of differences between Canadian and United States of America generally accepted accounting principles listed as Exhibit 99.4 on Form 40-F. This reconciliation of differences between Canadian and United States of America generally accepted accounting principles is the responsibility of the Company's management. Our responsibility is to express an opinion on this reconciliation based on our audits. In our opinion, such reconciliation of differences between Canadian and United States of America generally accepted accounting principles, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

Deloitte & Touche LLP

Independent Registered Chartered Accountants
Licensed Public Accountants
Toronto, Canada
March 13, 2009

Member of
Deloitte Touche Tohmatsu

Deloitte.

Exhibit 99.10

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CONSENT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

We consent to the use of our reports dated March 13, 2009 relating to the consolidated financial statements of Brookfield Asset Management Inc. (the "Company"), the reconciliation of differences between Canadian and United States of America generally accepted accounting principles and the effectiveness of the Company's internal control over financial reporting appearing in this Annual Report on Form 40-F of the Company for the year ended December 31, 2008.

We also consent to the incorporation by reference in the Registration Statement on Form F-9 dated December 30, 2008 (No. 333-156499) and the Registration Statement on Form S-8 dated November 10, 2005 (No. 333-129631) of the above–mentioned reports.

Deloitte & Touche LLP

Independent Registered Chartered Accountants
Licensed Public Accountants
Toronto, Canada
March 13, 2009

Member of
Deloitte Touche Tohmatsu