

C

BROOKFIELD

ANNUAL REPORT

1991



TABLE OF CONTENTS

CORPORATE PROFILE	IFC
FINANCIAL HIGHLIGHTS	1
PRESIDENT'S REPORT	2
OPERATIONAL REVIEW	6
FINANCIAL ANALYSIS AND REVIEW	17
CONSOLIDATED FINANCIAL STATEMENTS	24
PRINCIPAL PROPERTIES	41
DIRECTORS AND OFFICERS	42
OPERATING MANAGEMENT	IBC
CORPORATE INFORMATION	IBC

BROOKFIELD IS A DIVERSIFIED REAL ESTATE COMPANY WITH \$2.5 BILLION IN ASSETS REPRESENTED BY URBAN OFFICE AND RETAIL PROPERTIES IN MONTREAL, TORONTO, CHICAGO, MINNEAPOLIS, ST. PAUL, DENVER, AND ORANGE COUNTY, CALIFORNIA AS WELL AS INTERESTS IN TWO PRIME MASTER-PLANNED RESIDENTIAL PROJECTS • BROOKFIELD'S 15 MAJOR COMMERCIAL PROPERTIES CONTAIN 11 MILLION SQUARE FEET OF LEASABLE SPACE • BROOKFIELD'S OBJECTIVES ARE TO BUILD LONG TERM UNDERLYING ASSET VALUES WHILE GENERATING POSITIVE ANNUAL CASH FLOW •

FINANCIAL HIGHLIGHTS

Years Ended December 31

<i>(\$ thousands)</i>	<i>1991</i>	<i>1990</i>
Cash Flow From Operations	9,743	(6,903)
Net Operating Income	3,253	(11,521)
Net Operating Income Before Interest On Secured Capital Loans	38,015	29,902
Operating Revenue	96,589	80,740
Total Assets	2,481,458	2,093,004
Capital Base Including Secured Capital Loans	814,600	668,904

PRESIDENT'S REPORT

Over the past two years Brookfield has emerged as a premier real estate company in the North American market. From its beginnings as a company with much of its portfolio under development, held for sale or being refinanced, it has become a well capitalized company with clear focus and direction.

The property development and planned asset sale programs are now well advanced and many of the Company's mature properties have been refinanced at lower long term interest rates. In addition, operations have been streamlined to ensure the highest quality of tenant services on a cost effective basis. Brookfield is, therefore, well positioned to compete for tenants to increase its rental revenue base through the 1990's.

Property Portfolio Having made substantial progress over the past two years in completing the asset disposition program, the Company's property portfolio now consists principally of assets held for long term investment, and two prime residential developments which will generate positive cash flow commencing in 1993. A breakdown of the property

portfolio and other assets held at December 31, 1991, is as follows:

Rental properties	
- income producing	26%
- under development	49%
Residential lands under development for subsequent sale	9%
Mortgages, notes receivable, properties held for sale and other assets	16%
	<hr/>
	100%

With the completion of all major structural aspects of its development program during the year, Brookfield now owns and manages fifteen prime rental properties which dominate their respective markets and have distinct competitive advantages. We are confident that these assets will appreciate over time as their intrinsic value is enhanced through careful management and attention to detail. These properties include:

- 1000 de La Gauchetière, Montreal's newest one million square foot landmark which features a winter garden, waterfall and ice amphitheatre as well as the best transportation access in the city.

- BCE Place, Toronto's premier address featuring two and one half million square feet, an avenue of glass and the most modern of building systems.
- Chicago Place, a striking retail and residential development on Chicago's famed North Michigan Avenue.
- Minneapolis City Center and Gaviidae Common, a two million square foot retail, hotel and office project at the heart of downtown Minneapolis.
- Republic Plaza, Denver's largest office tower and most prestigious business address containing one and one quarter million square feet.

The Company's properties are operated on a cost efficient and service oriented basis, with occupancy levels maintained or improved throughout the year.

The mature income producing properties have an average occupancy level of 83%. Development properties have an average occupancy of 53%, a respectable level considering the buildings are entering their lease up period. The Company employs experienced leasing executives

dedicated to satisfying prospective tenant requirements and the quality and location of our projects gives us a further competitive advantage. Brookfield has developed strategies for each property to maximize revenue where markets are weak. Brookfield's principal task during 1992 will be to secure a second lead tenant for 1000 de La Gauchetière, and a third lead tenant for the Bay Wellington Tower.

During the year, real estate sales generated \$183 million in gross proceeds and \$81 million was collected from earlier sales. The sale of the IDS Center in Minneapolis provided \$88 million of these proceeds and avoided major rehabilitation costs to be incurred on expiration of the principal tenant's lease. This also enabled the Company to concentrate on its two prime office buildings in this market. The proceeds from property sales and other collections were used to facilitate the restructuring of property debt and to invest as equity in the Company's development program.

Financings During 1991 Brookfield arranged \$500 million of project loans to provide for the completion of its devel-

opment program and ongoing operating requirements. In addition, further investments by BCE Inc. and Carena Developments Limited under a secured capital loan facility increased the Company's capital base by \$146 million.

Other financing initiatives included fixing the rates on project loans to take advantage of the lower interest rates prevailing at the end of the year. In addition, refinancings of existing properties reduced the average interest rate on long term fixed rate project loans by 1.2% to 7.8%. Over 98% of the Company's fixed rate loans bear an interest rate of less than 10%, with the majority at or under 8%. Our financing initiatives in the future will be concentrated on converting semi-permanent loans to long term fixed rate facilities which match the long term nature of our rental properties.

Operating Results Net operating income, which amounted to \$3.3 million, includes interest expensed on the secured capital loans provided by BCE and Carena. With the planned conversion of these loans to equity and the projected leasing of our development properties,

the Company expects to report improved results in the future. Most project liabilities secured by the Company's mature properties have been restructured to match debt service costs with the projected operating cash flow.

Brookfield conducts an annual review of the carrying values of its properties in accordance with generally accepted accounting principles. No further property provisions were considered necessary in 1991 since the values of the properties over the long term, in the aggregate, support the current carrying values.

Business Outlook Management believes Brookfield is well positioned to meet the challenges it will face in the next few years, including converting the secured capital loans to common shares in connection with the proposed rights offering, and generating further cash flow from properties and other assets held for sale.

The Company's Scripps Ranch Villages project and Chicago Place Residential condominiums together with other planned asset sales are expected to generate approximately \$200 million over

the next three years. Market response to these projects is positive and is expected to strengthen in the coming months. Success in this area should enable the Company to substantially retire its corporate debt.

BCE and Carena, who have provided substantial secured capital loans to the Company, are committed to proceeding with a conversion of these loans to equity in connection with the rights offering that is planned to be completed by April 30, 1993. We are endeavouring to accomplish this by the time we issue our next annual report.

The general economic difficulties during 1991, and especially those experienced by the real estate industry, have overshadowed but should not diminish the Company's accomplishments, nor our positive future outlook. Brookfield is fortunate in that it faced these difficulties earlier than most, has been successful in dealing with them, and now looks forward to the future with optimism. The experience and confidence gained from this success should benefit the Company in the years ahead.

Brookfield's management is dedicated to building shareholder value, providing our customers with superior accommodation and services, and contributing to the vibrancy of the communities in which our projects are located. We look forward to capitalizing on the successes of our prime projects and broadening our base as opportunities present themselves.

On behalf of our directors and management we thank our lenders and investors for their valued support and assistance during 1991. We also thank the 450 women and men who represent the Brookfield team for their dedication and special efforts throughout the year.



Gordon E. Arnell
President and Chief Executive Officer
May 4, 1992

OPERATIONAL REVIEW

General Brookfield's corporate office manages the company's financial and legal affairs. It is also responsible for financial reporting, human resource management and makes strategic decisions regarding the Company's portfolio of assets. The Company's five regional offices have the resources necessary to deal effectively with all operational aspects of real estate management and development. Their objective is to manage the Company's properties to increase cash flow and underlying values. This is achieved through superior tenant services and property management. Overheads incurred within each region are expected to be sustained through management fees generated from the region's properties.

Quebec Region The Quebec region's principal activities in 1991 centred on the construction of the 1000 de La Gauchetière project, Brookfield's landmark skyscraper in downtown Montreal. The 51-storey property is the tallest of the city's commercial buildings, offering unobstructed views in all directions. The public amenities include an impressive winter garden enhanced by abundant natural light and a waterfall backdrop. The eight-storey podium is complemented by a magnificent ice amphitheatre which is unique in North America, a food fair and a complete range of services tailored for office tenants.

In addition, the building includes a number of unique features such as: column-free floors, a fully automated 700-space parking garage, a state-of-the-art air ventilation system monitored by pollution detectors, an independent smoke exhaust system and an integrated communications network.

Located in the heart of downtown, 1000 de La Gauchetière offers unprecedented accessibility to the city's major transportation services and underground pedestrian networks. Integrated with the project is the Bonaventure metro station and the Montreal South Shore bus terminus, while both the CN and CP train stations can be reached by way of underground passages from the building. Easy access to the major highways is also possible via the adjacent autoroutes.

Substantial completion of 1000 de La Gauchetière is scheduled for June of 1992, although tenant occupancy began in early 1992, including the lead tenant, Teleglobe Canada.

1991 also saw the completion in Val-d'Or of the regional headquarters of Telebec Ltée, a supplier of telecommunication services in Northwestern Quebec. To provide for future development, the Company has obtained an option to construct an office, retail, hotel and cultural complex in downtown Repentigny to be called the Centre d'affaires de Lanaudière.



1000 de La Gauchetière, located in downtown Montreal, features striking architecture, unique amenities and extensive transportation linkages.

Ontario Region The Ontario region's energies have been focused on the completion of two development properties located on Bay Street within Toronto's six block financial core. BCE Place is in the final stages of a 5 year construction period. It now provides Toronto with over 2.5 million square feet of office and retail space unrivalled in terms of architectural design and environmentally friendly atmosphere. The 85-foot-high glass galleria running the length of the project, Heritage Square and the Hockey Hall of Fame provide an attractive focus for social activity.

The first phase of BCE Place, the 1.2 million square foot Canada Trust Tower, is 80% leased to a wide array of Canadian and international corporations and professional firms. The second phase, a 1.3 million square foot office tower, is 45% leased, and is the new home of Brookfield's corporate and Ontario regional offices. The project also integrates several historical buildings which have been restored to their original splendour. Occupants of the project are treated with superior air quality, communications and other building systems.

The final components of BCE Place, the concourse retail and Heritage Square, will open in the Spring of 1992. The retail component features 57,000 square feet on the concourse level which connects to Union Station and other major downtown

projects via underground walkways. It includes a varied mix of retail stores and restaurants catering to the needs of 12,000 office occupants and others. Some of the better known retailers are Shoppers Drug Mart, Black's Camera, McDonald's, and Mövenpick Restaurants.

Brookfield's other downtown Toronto development, 320 Bay Street, located just two blocks north of BCE Place, is a redevelopment of one of Toronto's most prized historical properties. The original 18-storey 1920s structure has been restored to its original Art Deco splendour combined with new building elevator and other systems. The combination of the beautiful restoration and systems modernization, along with its integration with a new building connected to the financial core's underground pedestrian walkway, makes it a unique property in Toronto's financial district. This upgraded 294,000 square foot building is 54% leased to Canada Trust, Barclays Bank of Canada, and Deacon Barclays De Zoete Wedd.

Brookfield also owns and manages a 214,000 square foot office building strategically situated along the 401 Highway, and located within the Mississauga Airport Corporate Centre. The building's sole tenant is Northern Telecom Canada Ltd. An additional 300,000 square feet can be built in two phases on adjoining lands.



BCE Place, Canada's newest landmark, features over 3 million square feet of rentable area and public amenities. The Company also owns an interest in Northern Telecom's Canadian headquarters (above). 320 Bay Street (below), originally built in the 1920s, has been restored and upgraded.



Midwest Region The midwest region is charged with managing Brookfield's major urban retail properties. Prominent among these properties is Chicago Place, an eight-level retail project anchored by Saks Fifth Avenue. The project has enjoyed significant leasing activity, prompted by sales in excess of \$325.00 per square foot. Its dominant location on North Michigan Avenue and excellent design bode well for continued success as this new centre matures and the economy improves.

In Minneapolis the Company operates a major urban retail facility, encompassing over one million square feet, which is integrated with its office properties. These projects are operated as Minneapolis City Center and Gaviidae Common and are connected by above ground walkways to each other. Anchor department stores are Saks Fifth Avenue and Neiman Marcus and the projects are adjacent to Dayton Hudson's flagship department store. Both projects showed positive results with sales at Minneapolis City Center improving to over \$300 per square foot and with the August opening of Neiman Marcus in Gaviidae Common.

The Company maintained its position as one of the major Class A office space owners in the Minneapolis central business district with the opening of the Dain

Bosworth Plaza. The lead tenant for this 594,000 square foot tower is the investment dealer Dain Bosworth. The Multifoods Tower, a 1.1 million square foot office tower component of Minneapolis City Center, has maintained occupancy levels in excess of 90%.

Brookfield also owns an interest in St. Paul's premier office tower, the Minnesota World Trade Center. Home to multinational investment dealers and professional firms, its occupants enjoy amenities common only to the best of major multi-use projects. The project includes the principal retail facility in the city centre and is anchored by Dayton Hudson.

These projects should benefit from the sound economic base in Minneapolis and St. Paul. The Twin Cities have received national attention over the past year by hosting major sporting events, including the Stanley Cup finals, U.S. Open Golf Tournament, World Series, the Super Bowl and the "Final Four" college basketball tournament. Less publicized is that it is the home to 17 Fortune 500 companies, including such household names as 3M and General Mills. Lead tenants in our projects include the head offices of two of these companies, Target Stores and International Multifoods, companies which are well capitalized and poised for growth.



The recently completed Dain Bosworth Plaza in Minneapolis, Minnesota is a 40-storey mixed use project. The retail portion of the complex, Gaviidae Common, is anchored by Neiman Marcus and Saks Fifth Avenue and is located on the Nicollet Mall.



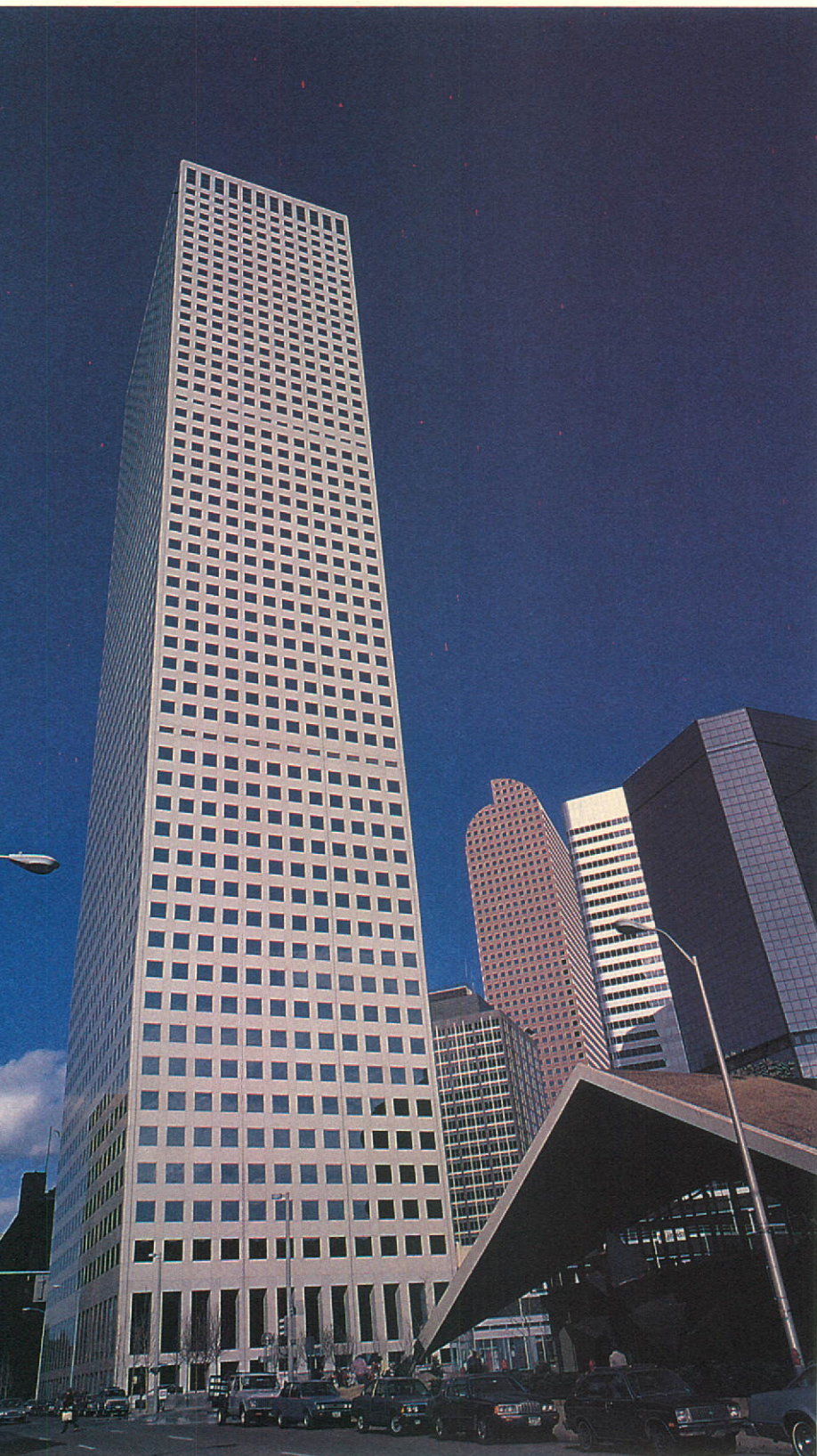
Mountain Region The mountain region's activities are concentrated in Denver, and includes the flagship Republic Plaza property containing 1.3 million square feet. At 56 storeys, Republic Plaza is Denver's tallest and finest office tower, located in the heart of Denver's Central Business District. The building features polished granite, reflective glass and stainless steel finishes, spectacular Rocky Mountain views and a 40-foot grand lobby finished in granite and antique green marble. The building is currently 70% leased to tenants which are among the most recognized names in the corporate world, together with a high percentage of major local tenants. Rental rates lead the market, which has shown improvement over the past two years. Denver did not experience the over-building of the late 1980s and as a result is benefiting from an improving market.

Complementing Republic Plaza is the adjacent World Trade Center which consists of twin 29-storey towers with striking architecture, clad in reflective glass. The towers feature lobbies furnished in travertine marble, a landscaped plaza, and underground parking with direct access to the 16th Street Mall. The project offers outstanding location, being well situated to serve the state capital, financial institutions, and international companies. These buildings have high quality amenities and are currently over 80% leased.

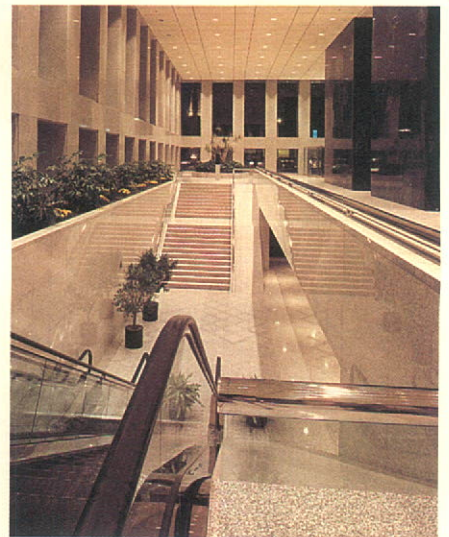
Denver's economic outlook continues to improve, with major corporations relocating to the region to take advantage of the city's low operating and housing costs. Notable companies such as American Express, AT&T and United Airlines have established major operations in the city within the last year. Facilities like the new International Airport, due for completion in 1993, and the new convention centre are spurring further growth. Another sign of Denver's increased national visibility is the arrival of Major League Baseball in 1993.

The mountain region is also responsible for managing the 35-storey Quaker Tower in Chicago which is 10% owned by Brookfield. The principal tenants of this 845,000 square foot building are the corporate headquarters for the Quaker Oats Company and a major regional law firm. The building, which has a stable occupancy level of 95%, features convenient access and nearby hotels and restaurants. The Company owns a development site adjacent to the project.

Brookfield is also managing the sale of the Company's recently completed Chicago Place condominium project, a 204-unit development of luxury homes ranging in size from 1,000 to 3,900 square feet.



Republic Plaza is Denver's tallest building, rising 56 storeys, with 1.2 million square feet of office space and an additional 56,000 square feet of retail space. The adjacent World Trade Center comprises 734,000 square feet and is clad in striking black glass.

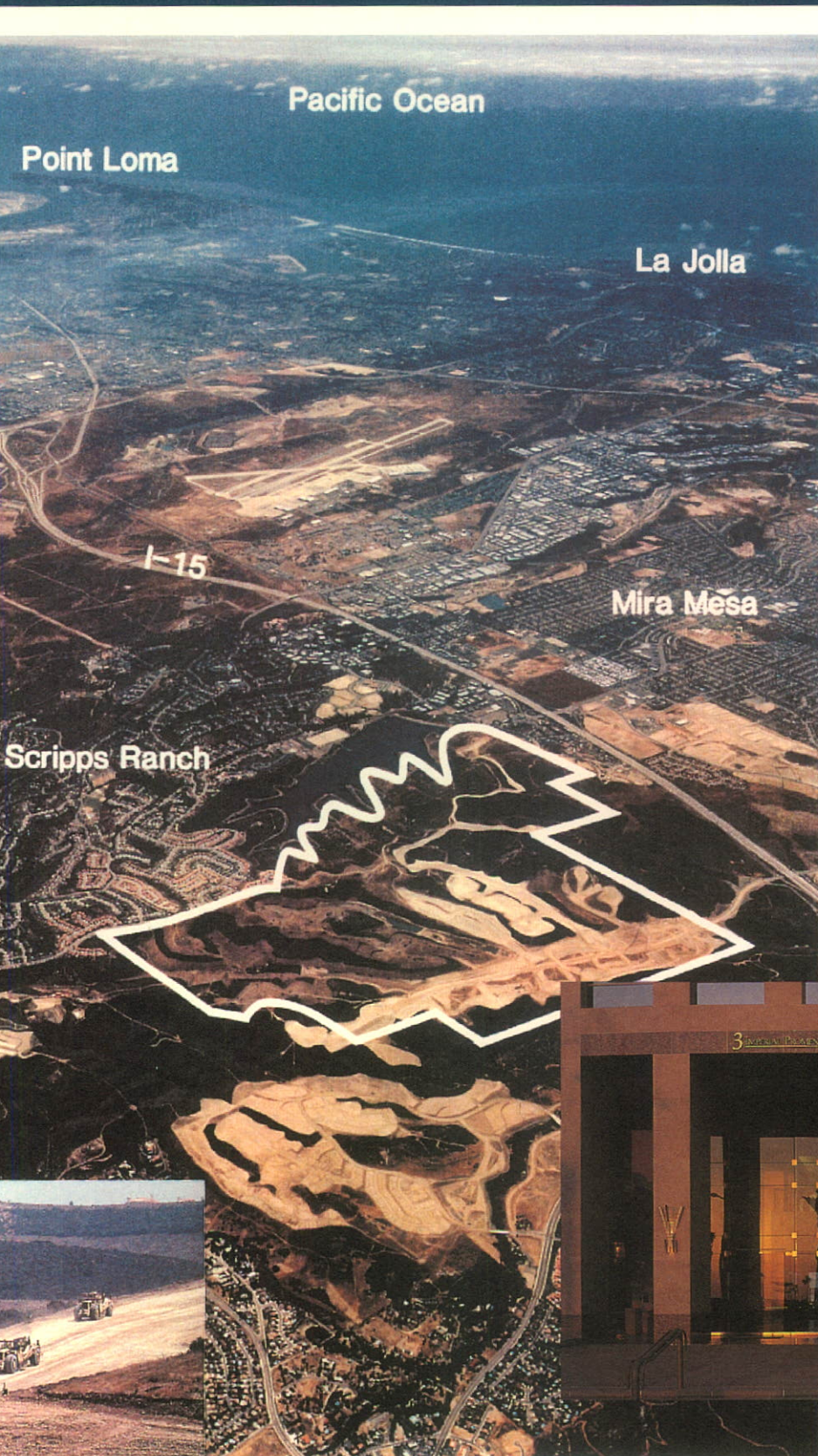


Western Region The primary focus of our commercial activities in Southern California is MacArthur Place, a 50-acre land assembly located at the heart of Orange County's business centre adjacent to the new John Wayne Airport. Through a development agreement, entitlements have been secured for 3.7 million square feet of office space, a 225-room hotel, associated retail facilities and up to 400 residential units. With its unique integration of uses, underground parking and its landscaped areas, this master-planned development is designed to become the preferred address of Orange County tenants. The project's location adjacent to two freeways and less than one mile from the airport provides superior transportation access. The first building, 3 Imperial Promenade, an 11-storey, 239,000-square foot structure, was completed in May 1991. Lead tenants include Deloitte & Touche and the Austin Company, with occupancy at opening of 55%.

Brookfield also has an interest in two major residential land tracts in Southern California known as Scripps Ranch Villages and La Costa. These are being developed in partnership with highly respected local developers who are acting as general managers for the projects. Brookfield has an equity interest in both the land development and the home building operations in each of the partnerships.

Scripps Ranch Villages is the largest fully entitled developable land parcel within the San Diego city limits, comprising some 1,200 acres. This master-planned community will include 1,470 single-family homes, 1,070 townhomes and condominiums, 430 apartment units, and related amenities. Most of the single-family homes will be developed by Brookfield's partner McMillin Communities Inc., a major builder in San Diego County. Construction of the extensive land infrastructure is underway with the expectation of having homes for sale in early 1993. Its location 16 miles from downtown San Diego, along with views of the mountains, ocean and adjacent lake provide the project with a competitive edge.

The 2,400-acre La Costa land parcel is adjacent to the world-renowned La Costa Spa and Resort in Carlsbad, California. Work is presently underway on the servicing of the first 120 lots. The partnership plans to complete the servicing as well as build the homes on these lots, with sales projected for early 1993. Final approval for the first major phase, called the Southwest, of approximately 1,000 lots is projected to occur in the spring of 1992. Brookfield's partner, The Fieldstone Company, is a major California residential builder.



Scripps Ranch is a 1200-acre master planned community, conveniently located near downtown San Diego, major freeways and the Pacific Ocean. (left)

MacArthur Place is a 50-acre master planned commercial development, located at the heart of Orange County's business centre (above). The first office building in this development, 3 Imperial Promenade, was completed in 1991 (below).



CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL ANALYSIS AND REVIEW	17
MANAGEMENT REPORT	24
AUDITORS' REPORT	24
CONSOLIDATED BALANCE SHEET	25
CONSOLIDATED STATEMENT OF OPERATIONS	26
CONSOLIDATED STATEMENT OF DEFICIT	27
CONSOLIDATED STATEMENT OF CASH FLOW (DEFICIENCY) FROM OPERATIONS	27
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION	28
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	29

FINANCIAL ANALYSIS AND REVIEW

During 1991 Brookfield made further progress with the objectives established in its 1990 business plan. Projects were substantially completed in all major physical respects, and financial arrangements were concluded to see these projects through to their final lease up. Financings on the Company's mature projects were restructured, and significant progress was made with the asset sales program. This leaves the Company with two key operating and financing objectives for the future: complete the lease up of its new properties and arrange for the conversion of its secured capital loans into permanent equity.

The Company's new development projects are 53% leased, a respectable level considering their stage of completion. Raising the leased area to the 90% range over the next three years is the Company's principal operating objective.

The principal financing objective is the conversion of the secured capital loans provided by BCE and Carena into permanent equity of the Company. An agreement was reached with BCE and Carena to defer the maturity of the secured capital loans until April 30, 1993, in contemplation of a common share rights offering and conversion of the loans into equity, based on values as at December 31, 1992. The conversion of these loans will reduce debt service costs and enhance operating results.

Operating Results

Net operating income for the year was \$3.3 million on revenue of \$96.6 million. This compares with a net operating loss of \$11.5 million on revenue of \$80.7 million for 1990. Brookfield will continue to report operating results close to break-even until leasing is further advanced and the secured capital loans are converted into equity in accordance with the Company's plans.

The following is a summarized version of the Company's 1991 and 1990 operating statements:

(\$000's)	1991	1990
Net rental income	\$35,447	\$ 26,818
Interest and other income	15,247	22,667
Net operating revenue	50,694	49,485
Interest expense	36,070	50,033
General and administrative	4,881	6,355
Depreciation and amortization	6,490	4,618
Total expenses	47,441	61,006
Net operating income (loss)	\$ 3,253	\$(11,521)

Operating results are expected to continue to improve in 1992 as progress is made in implementing the Company's leasing plans and the impact of asset sales and lower interest rates are reflected in earnings.

On completion of the property development program, net rental income is expected to grow substantially as these properties are classified as income producing at the end of their lease up periods. The effect on operating income, however, is expected to be negative in the short to medium term as rental income from recently completed properties seldom generate sufficient earnings in the first five years to cover financing and other related costs including rental concessions and other tenant inducements. The conversion to equity of the secured capital loans is expected to largely compensate for this negative impact.

• **Net rental income** Net rental income of \$35.4 million, being rental revenue less property operating costs (but before interest and depreciation charges) increased in 1991 as a result of properties acquired during 1990 contributing a full year's results during 1991. It is expected that net rental income will increase in 1992 due to the restructuring of Republic Plaza and the end of Gaviidae Common's lease up period, partially offset by the sale of the IDS Center late in 1991.

A comparison of 1991 and 1990 net rental income is as follows:

(\$000's)	1991	1990
Properties owned in both years reporting partial year results in 1990	\$24,864	\$16,411
Properties added to income producing during the year	1,931	—
Properties sold	8,652	10,407
	\$35,447	\$26,818

The Company signed new and renewal leases in its rental property portfolio totalling 283,000 square feet during 1991. Leases representing an identical number of square feet expired, resulting in no net change in overall occupancy. Total lease expiries in each of the next two years represent approximately 5% of leasable area and a variety of tenants. The Company has secured a replacement tenant for the only expiring lease which exceeds 50,000 square feet. Raising the leased area from the current 83% level to over 90% will provide opportunity for revenue growth.

• **Interest and other income** Interest and other income decreased to \$15.2 million from \$22.7 million in 1990, principally as a result of the collection of mortgages and notes receivable during the year, reduced interest rates and the adoption of a new accounting policy for properties held for sale. Income in 1990 included a gain of \$4.4 million from property sales.

At the beginning of 1991, the Company adopted a definitive plan for the disposition of its non-strategic assets, including the identity of the assets and an assessment of their carrying and realizable values, and as a result adopted a new accounting policy with respect to these assets commencing in 1991. Under this policy, costs, including carrying costs, related to these assets are capitalized and income on sales is deferred until there is

certainty that the balance of the portfolio will be disposed of for a profit.

During the year the Company disposed of properties held for sale for gross proceeds of \$136.8 million, reducing carrying values by a like amount. The carrying values for the remaining assets have been reviewed and additional provisions are not considered necessary. In addition the Company sold a rental property bringing total real estate sales for the year ended December 31, 1991 to \$183.2 million.

• **Interest expense** Interest expense during 1991 decreased to \$36.1 million, from \$50.0 million in 1990, largely as a result of lower interest rates, debt retirement resulting from asset sales and collections, and the capitalization of interest on debt related to properties held for sale. In the same manner as net rental income is expected to increase when rental properties under development come to the end of their lease up periods, interest expense will increase as properties become income producing.

• **General and administrative** General and administrative expenses were \$4.9 million, a decrease of \$1.5 million from the 1990 level. Brookfield is committed to monitoring costs closely and improving operating efficiencies at all levels. It is anticipated that these costs will remain in this range in 1992.

• **Depreciation and amortization** The charge for depreciation and amortization was \$6.5 million in 1991, compared to \$4.6 million in 1990, reflecting a full year's expense for properties acquired during 1990. In 1992 the charge is expected to increase due to the addition of Republic Plaza and Gaviidae Common, partially offset by the sale of the IDS Center. In addition, the sinking fund method of depreciation used by the Company results in an increasing provision of 5% annually on income producing properties.

Balance Sheet Analysis

The following is a summarized version of Brookfield's consolidated balance sheet at December 31, 1991 and 1990:

(\$000's)	1991	1990
Assets		
Properties	\$2,229,859	\$1,826,832
Mortgages, notes and other receivables	209,102	214,220
Cash and other assets	42,497	51,952
	<u>\$2,481,458</u>	<u>\$2,093,004</u>
Liabilities		
Property debt and bank loans	\$1,354,010	\$1,097,909
Accounts and other payables	158,848	172,191
Preference shares of subsidiaries	154,000	154,000
	<u>1,666,858</u>	<u>1,424,100</u>
Capital base		
Secured capital loans	783,480	617,054
Shareholders' equity	31,120	51,850
	<u>814,600</u>	<u>668,904</u>
	<u>\$2,481,458</u>	<u>\$2,093,004</u>

• **Properties** Brookfield conducts an annual review of the carrying values of its properties in accordance with generally accepted accounting principles. As a result of this review the Company determined that an additional provision for diminution in property values was not required in 1991. In addition to adhering to accounting principles, management also reviews the value of its properties each year to satisfy itself that aggregate carrying values are represented by net realizable values over the long term and that permanent declines in values are provided for. This takes into consideration management's assessment

of both current and anticipated future market conditions.

The Company's real estate properties are segmented into rental properties and properties held for sale. Details of the properties held at December 31, 1991 and 1990 are as follows:

(\$000's)	1991	1990
Rental Properties		
Income producing	\$ 650,136	\$ 497,443
Under development	1,109,744	811,165
Held for future development	107,393	94,803
	<u>1,867,273</u>	<u>1,403,411</u>
Properties held for sale	362,586	423,421
	<u>\$2,229,859</u>	<u>\$1,826,832</u>

Rental properties Rental properties are held for long term investment purposes and are therefore carried at the lower of cost less accumulated depreciation and net recoverable amount. The net recoverable amount represents the estimated future net cash flow expected to be received from the ongoing use and residual worth of the property. To arrive at this amount, the Company projects the cash flow for each property on an undiscounted basis in accordance with applicable accounting conventions, and as a result of not discounting the net cash flow, the carrying value of an individual property may be greater than the immediate market value. These projections take into account the specific business plan for each property and the most probable set of economic conditions anticipated to prevail in the market area.

The investment in rental properties increased as a result of the acquisition of Republic Plaza and development expenditures. Changes in

the carrying value of rental properties during 1991 and 1990 are summarized as follows:

(\$000's)	1991	1990
Beginning of the year	\$1,403,411	\$ 395,554
Development costs	360,812	298,607
Properties acquired	213,633	773,963
Properties sold or restructured, net	(103,715)	—
Provision for diminution in property values	—	(57,168)
Depreciation	(5,347)	(3,772)
Foreign exchange adjustment	(1,521)	(3,773)
End of the year	\$1,867,273	\$1,403,411

Development costs incurred during 1991 include interest charges of \$102.7 million. The project loans have been structured to ensure related loan interest costs on completion of the developments are serviced by cash flow generated by the projects. The unutilized portion of these credit facilities is expected to be sufficient to fund the tenant inducements to lease unoccupied space under current market conditions. The credit facilities are subject to leasing and cost to complete tests. Interest capitalized increased in 1991 due to the larger amount invested in development properties and the inclusion of a full year's costs for properties acquired during the previous year. The Company owned 35% of 1000 de La Gauchetière as at December 31, 1991. Subsequent to year end the Company agreed, subject to required approvals, to acquire a further 35% interest from one of its partners. Stabilization of the ownership structure of this property is a key element to the project's long term success. No further acquisitions of properties are planned for the foreseeable future.

Properties held for sale Properties held for sale include the Company's two residential land developments and other properties specifically identified as no longer meeting the Company's long term objectives. A disposi-

tion plan has been developed for each property that is expected to maximize the value likely to be recovered by the Company on sale. While many of the plans simply require an orderly marketing of a property, others, such as the Scripps Ranch Villages and La Costa residential land developments in Southern California, require the Company to provide land improvements prior to disposition.

These properties are classified as inventory and are carried at the lower of their cost and net realizable values. Property sales are expected to generate sales proceeds, net of holding and development costs, equal to or in excess of their carrying values.

The Company was successful during 1991 in disposing of several properties. The remaining properties consist principally of three small shopping centres on the West Coast, a suburban commercial site, two urban sites, the Chicago Place residential condominiums and two Southern California residential land development projects. As previously noted, carrying costs were reduced by \$136.8 million of proceeds received from properties sold during the year. Offsetting this, the Company incurred development costs related to its residential land developments and the Chicago Place residential condominiums and capitalized carrying costs. A portion of these carrying costs were recovered through asset sales during the year.

Although sales activity is expected in 1992 on all but the urban sites, reductions from asset sales and additions from development costs are both expected to moderate in 1992 in relation to 1991.

• **Mortgages, notes and other receivables** Mortgages, notes and other receivables decreased to \$209.1 million in 1991 from \$214.2 million in 1990. The 1991 balance includes a \$70.1 million note which was collected early in 1992. Approximately 90% of the remaining receivables are secured by first mortgages and bear an average interest rate of 8.9%. The Company has reviewed the security for these mortgages and notes and adequate provisions have been made for doubtful accounts.

• **Cash and other assets** Cash and other assets consist of cash held in escrow to meet specific performance obligations, prepaid expenses, and furniture, fixtures and equipment. Included in cash and other assets are deposits totalling \$39.4 million which are to be applied to specific liabilities, or only become available to the Company in the future.

• **Property debt and bank loans** Total property debt and bank loans were \$1,354.0 million at December 31, 1991 compared with \$1,097.9 million at the end of 1990. A summary of the changes during 1991 and 1990 is as follows:

(\$000's)	1991	1990
Beginning of the year	\$1,097,909	\$ 196,701
Debt on assets acquired	219,031	788,271
Project loans funded	214,542	194,439
Debt retired		
Lump sum payments	(38,984)	(69,227)
Restructuring concessions	(57,290)	—
Related to assets sold	(80,031)	(8,821)
Foreign exchange adjustment	(1,167)	(3,454)
End of the year	\$1,354,010	\$1,097,909

In 1992, the Company plans to draw down on the project credit facilities arranged for its major development properties. These facilities are drawn on a cost to complete basis and require Brookfield to invest the equity component. The projects have progressed to the point where the costs required to complete, permit the Company to fund the balance of development costs under the project facilities. Loan amounts are at levels that, when fully funded, the resulting interest costs are expected to be fully serviced by the cash flow generated by the properties after lease up.

Offsetting the increases from funding the development program will be the retirement

of loans secured by properties and other assets as they are sold.

During the year the Company took advantage of lower interest rates by converting a substantial portion of its floating rate property debt to fixed rate. Only 11% of the Company's property debt is at floating rates. Fixed rate debt averages 7.8% with virtually all rates fixed for greater than three years, and 68% of fixed rate debt has rates fixed for periods greater than five years. The average term of the Company's debt is 10.2 years.

The Company has also made, or expects to conclude arrangements to satisfy debt maturing in 1992 and 1993. Debt totalling \$271 million matures in these years, of which \$139 million is owed under the Company's secured revolving bank credit facilities. The Company expects to substantially retire these loans with proceeds from asset sales and the collection of receivables. Of the remaining \$132 million, negotiations to extend a non-recourse \$65 million loan on the Company's Orange County, California lands are continuing. The remaining loans are expected to be retired through asset sales, collection of mortgages and notes receivable or refinancings.

• **Accounts and other payables** Accounts and other payables decreased to \$158.8 million from \$172.2 million in 1990. Included in these accounts are deferred income from land sales and contractor holdbacks relating to construction costs incurred on Brookfield's development projects. Accounts payable are expected to decrease further as construction activity declines.

Capital Base and Liquidity

Brookfield's principal source of financing has been the secured capital loans provided by BCE and Carena. This loan facility was fully drawn at December 31, 1991, with amounts owing comprised of \$783 million in the form of secured capital loans and \$30 million in senior preference shares. The secured capital loans increased by \$166.4 million during 1991.

The secured capital loans have been used mainly to provide the equity component of the financing required to complete Brookfield's major development projects and fund lump sum principal repayments related to the restructuring of long term debt on the Company's mature income producing properties.

During the course of 1991, the Company drew down \$191 million under five project financings arranged for its major development properties. The total amount of these facilities is \$804 million, of which \$394 million remained undrawn at December 31, 1991. These facilities are drawn on a cost to complete basis and require Brookfield to invest the equity component, which in all cases has now been made. The unutilized portion of these credit facilities is estimated to be sufficient to cover the remaining construction, development and leasing costs of Brookfield's commercial development program. Loan amounts are at levels that, when fully funded, the resulting interest costs are expected to be fully serviced by the cash flow generated by the properties after lease up.

The Company expects to generate sufficient cash flow from the sale of assets and the collection of mortgages and other receivables to provide funds to advance the development of its residential land holdings and to cover its operating requirements in 1992.

Financial Restructuring Update

The Company's business plan is based on a balanced growth strategy aimed at achieving a stable cash flow from its long term property investments, and thereby ensuring access to favourably priced financings. The Company's business and financing plans are underpinned by Brookfield having a substantial capital base.

In January 1990, BCE and Carena agreed to provide Brookfield with a secured capital loan facility which amounted to \$783 million including interest advances at December 31, 1991 and a further \$30 million in senior preference shares. Brookfield has announced plans for a common share rights offering

under which advances made pursuant to the secured capital loans will be converted to equity. The rights offering and equity conversion which is expected to be completed prior to April 30, 1993, will be priced to obtain a meaningful public participation in the offering, thereby requiring an appropriate discount to the market value of Brookfield's assets to reflect comparable discounts to asset values at which public real estate companies trade in the capital markets at the time of the issue. If the rights offering is not completed on or prior to April 30, 1993, the credit facility becomes due.

A committee of Independent Members of the Board of Directors of the Company's parent, BF Realty Holdings Limited, was formed in June 1990 to review and to provide recommendations regarding the terms and conditions of the proposed Brookfield common share rights issue. The Independent Committee was authorized to engage such advisors as it considered necessary to carry out properly its responsibilities. The Independent Committee concluded in June 1991 that it was an inopportune time to effect the rights issue to public securityholders. The Committee drew attention to the difficulties in establishing an overall equity value attributable to Brookfield due to the uncertainties prevailing in the North American real estate markets and the difficulties inherent in valuing a number of Brookfield's development properties, particularly those which were either under construction or where substantial leasing had yet to be completed. The Committee also expressed reservations about the ability of the Company to carry out its proposed rights issue at that time on any basis that would result in reasonable value to the public securityholders who participated or that would have any reasonable prospect of obtaining a meaningful level of public participation.

Taking into consideration these factors, the Independent Committee recommended that Brookfield seek an agreement with BCE and Carena to extend the maturity of their secured capital loans thereby permitting the rights offering and related equity conversion

of the BCE and Carena loans to be deferred. Although the Committee recognized that there was no assurance that values would be restored during this deferral period, it felt strongly that the possibility of realizing greater value for BF Realty's investment in Brookfield should be preserved to the extent possible.

Pursuant to this recommendation of the Independent Committee, an agreement was reached with BCE and Carena to defer the maturity of their loans until April 30, 1993 in contemplation of a rights offering and related equity conversion to occur during the first quarter of 1993, based on values as at December 31, 1992.

It is a condition of the credit facility that BCE and Carena are satisfied that Brookfield's project lenders and commercial banks support Brookfield and that the Company's other creditors, and creditors of BF Realty will continue to defer the enforcement of any claims during this period. If the creditors of the Company and BF Realty do not abide by the conditions of the deferral arrangements to BCE's and Carena's satisfaction, BCE and Carena are entitled to take such proceedings as they consider appropriate to protect their secured capital loans to Brookfield which may include the commencement of realization or other enforcement proceedings. If this were to occur, BCE and Carena have stated that they intend to work with Brookfield with a view to safeguarding the interests of Brookfield's commercial banks and project lenders as well as Brookfield's trade creditors.

Business Outlook

Brookfield has emerged as a well capitalized real estate Company with a clear operating focus and direction. Its development projects are physically complete and the mature rental properties have been restructured with new long term financing arrangements. The Company's principal operating focus over the coming year will be the leasing of its recently completed development projects. The Company's share of vacant space in its properties which did not provide cash flow to the

Company in 1991 was approximately 3.5 million square feet. Of this, 1 million square feet has been leased in its recently completed development projects and these tenants will be taking occupancy in 1992. The Company expects to lease a further 2 million square feet over the next three years which will bring occupancy to the 90% range. These leases are expected to provide significant levels of additional cash flow to the Company. The outlook for securing tenants at favourable rates is cautiously optimistic based on the preferred location and high quality of the properties.

Most of the vacant space is in Toronto and Montreal, two markets which have better long term growth prospects than most other North American cities. The Company's new building in Minneapolis is expected to lease slowly due to weak market conditions. However, the strong economic base in Minneapolis is also expected to result in a healthier market over the long term. The Denver and Orange County properties are benefiting from firmer markets.

During 1991 the Company leased 502,000 square feet in its development projects. Unfortunately, the bankruptcy of a major tenant in the Montreal project resulted in a loss of 300,000 square feet. Securing further lead tenants for both our Montreal project and the second tower of BCE Place, is an important objective for 1992.

A second operating objective will be to complete further sales under the Company's asset disposition program. Markets continue to strengthen in the two locations where the Company expects to generate sales in the short to medium term. The Chicago condominium market demonstrates signs of strength, and our project continues to receive favourable reviews. The Scripps Ranch Villages project is set to capitalize on a market where the availability of serviced lots has been curtailed. The Company also expects success in selling its three suburban shopping centres on the West Coast.

MANAGEMENT REPORT TO THE SHAREHOLDERS

The consolidated financial statements of Brookfield Development Corporation have been prepared by management of the Company in accordance with generally accepted accounting principles appropriate for the real estate industry.

Management maintains financial and operating systems which include appropriate and cost effective controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information. Where necessary, management uses judgement to make estimates required to ensure fair and consistent presentation of this information.

External auditors appointed by the shareholders have examined the consolidated financial statements. An Audit Committee appointed by the Board of Directors of the Company has reviewed these statements with management and the external auditors and has reported to the Board. The Board has approved the consolidated financial statements.

All other financial and operating data included in the annual report are consistent, where appropriate, with information contained in the consolidated financial statements.



William J. Pringle
Senior Vice President and Chief Financial Officer

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Brookfield Development Corporation as at December 31, 1991 and 1990, and the consolidated statements of operations, deficit, cash flow (deficiency) from operations and changes in financial position 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 generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1991 and 1990, and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

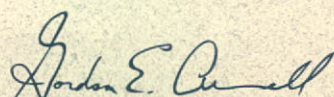
Toronto, Ontario
May 4, 1992

Deloitte & Touche
Chartered Accountants

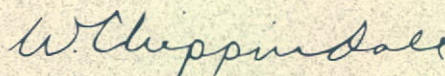
CONSOLIDATED BALANCE SHEET

As at December 31	Note Reference	1991	1990
(in thousands of dollars)			
ASSETS			
Properties:			
Rental	2,14	\$1,867,273	\$1,403,411
Held for sale	3,14	362,586	423,421
		2,229,859	1,826,832
Mortgages and notes receivable	4	192,767	203,380
Cash and term deposits	5	39,491	46,489
Amounts receivable		16,335	10,840
Other assets		3,006	5,463
		\$2,481,458	\$2,093,004
LIABILITIES			
Debt on properties:			
Rental	6	\$1,140,181	\$ 814,198
Held for sale		59,033	109,865
		1,199,214	924,063
Secured bank indebtedness	6	154,796	173,846
Accounts and other payables	7	158,848	172,191
		1,512,858	1,270,100
PREFERENCE SHARES OF SUBSIDIARIES	8	154,000	154,000
CAPITAL BASE			
Secured capital loans	10	783,480	617,054
Shareholders' equity	11	31,120	51,850
		814,600	668,904
		\$2,481,458	\$2,093,004

Approved by the Directors:



Gordon E. Arnell, Director



Warren Chippindale, Director

CONSOLIDATED STATEMENT OF OPERATIONS

<i>For the years ended December 31</i>	<i>Note Reference</i>	1991	1990
(in thousands of dollars)			
REVENUE			
Rental		\$ 81,342	\$ 58,073
Net income from real estate sales		—	4,422
Interest and other		15,247	18,245
Total revenue		96,589	80,740
EXPENSES			
Rental operating costs		45,895	31,255
Interest	12	36,070	50,033
General and administrative		4,881	6,355
Depreciation and amortization		6,490	4,618
Total expenses		93,336	92,261
NET OPERATING INCOME (LOSS)		3,253	(11,521)
Interest on advances to parent	11C	22,758	—
Provision for income taxes	13	—	(1,040)
Preference share dividends of subsidiaries		(11,451)	(954)
NET INCOME (LOSS) BEFORE UNDERNOTED ITEMS		14,560	(13,515)
Provision for diminution in property values	14	—	(61,094)
Provision for advances to parent	11C	(32,302)	—
NET LOSS		\$ (17,742)	\$ (74,609)

CONSOLIDATED STATEMENT OF DEFICIT

<i>For the years ended December 31</i>	1991	1990
	(in thousands of dollars)	
Retained earnings (deficit), beginning of year	\$ (53,301)	\$ 26,581
Net loss	(17,742)	(74,609)
	(71,043)	(48,028)
Dividends:		
Class C Preference Shares	2,117	1,819
Class D Preference Shares	—	3,454
	2,117	5,273
DEFICIT, END OF YEAR	\$ (73,160)	\$ (53,301)

CONSOLIDATED STATEMENT OF CASH FLOW (DEFICIENCY) FROM OPERATIONS

<i>For the years ended December 31</i>	1991	1990
	(in thousands of dollars)	
Net operating income (loss)	\$ 3,253	\$ (11,521)
Items not requiring a current outlay of cash:		
Depreciation and amortization	6,490	4,618
CASH FLOW (DEFICIENCY) FROM OPERATIONS	\$ 9,743	\$ (6,903)

**CONSOLIDATED STATEMENT OF CHANGES IN
FINANCIAL POSITION**

<i>For the years ended December 31</i>	1991	1990
	(in thousands of dollars)	
Inflows (Outflows)		
OPERATIONAL ACTIVITIES		
Cash flow (deficiency) from operations	\$ 9,743	\$ (6,903)
Recovery of real estate costs through sales of properties	183,189	13,698
Mortgages and notes receivable and other assets	13,060	(19,035)
Accounts payable, accruals and other	(38,478)	66,311
CASH FLOW FROM OPERATIONAL ACTIVITIES	167,514	54,071
FINANCING ACTIVITIES		
Secured capital loans	166,426	539,018
Proceeds from share issues	—	110,993
Assumption of preference shares of subsidiaries	—	154,000
Advances to parent, net of provision	—	(237,403)
Debt on properties:		
Funding, net of repayments	171,292	(48,686)
Discharged through sale of properties	(57,054)	(8,821)
Secured bank indebtedness	(18,711)	125,578
Dividends and dividends of subsidiaries	(13,568)	(6,227)
Translation adjustment	1,932	6,053
CASH PROVIDED FROM FINANCING ACTIVITIES	250,317	634,505
INVESTMENT ACTIVITIES		
Cash used to develop properties:		
Rental	(360,812)	(298,607)
Held for sale	(64,017)	(44,872)
Cash used to acquire properties	—	(309,059)
CASH APPLIED TO INVESTMENT ACTIVITIES	(424,829)	(652,538)
(DECREASE) INCREASE IN CASH AND TERM DEPOSITS	\$ (6,998)	\$ 36,038

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. General

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

The Company is currently the principal operating subsidiary of BF Realty Holdings Limited (BF Realty), formerly BCE Development Corporation, a public company. Although Brookfield is not a public company, these financial statements are substantially in compliance with the standards applicable to public real estate companies in order to provide Brookfield's lenders, BF Realty's securityholders, and other interested parties with financial information concerning Brookfield and its subsidiaries.

BF Realty has announced that it will be making a proposal to its creditors and shareholders to restructure its affairs prior to the end of the first quarter of 1993. The restructuring is expected to include a common share rights offering of Brookfield that would be made to the holders of BF Realty's public securities, and a conversion of Brookfield's secured capital loans made by BCE Inc. (BCE) and Carena Developments Limited (Carena) into common shares of Brookfield in support of this financial restructuring, subject to the receipt of all requisite regulatory and other approvals (See also Note 10). As a result, these financial statements have been prepared classifying the \$783,480,000 of secured capital loans from BCE and Carena as part of Brookfield's Capital Base at December 31, 1991 (1990 - \$617,054,000). The rights offering and related equity conversion of the secured capital loans are to be based on values as at December 31, 1992 and may result in Brookfield becoming a public company. Depending on real estate values at the time, Brookfield may cease to be a subsidiary of BF Realty.

In addition, the shareholders' equity of the Company has been presented net of advances due to the Company from BF Realty (See also Note 11C). Earnings per share have not been disclosed because BF Realty currently holds all of the outstanding common shares of the Company.

B. Principles of Consolidation

The consolidated financial statements of the Company include the accounts of all companies in which Brookfield has effective control.

Also included are the accounts of all incorporated and unincorporated joint ventures and partnerships in which the Company has an interest, to the extent of the Company's interest in their respective assets, liabilities, revenue and expenses.

C. Rental Properties

(i) Carrying Values

Rental properties held for investment are carried at the lower of cost less accumulated depreciation, and net recoverable amount. Depreciation on buildings is provided on the sinking fund basis over a 50-year life. The sinking fund method provides for a depreciation charge of a fixed annual amount increasing at the rate of 5% per annum, which will result in the properties being fully depreciated over their estimated useful lives. Depreciation is determined with reference to the property's carrying value. Properties under development or held for future development for retention as income producing properties, are carried at the lower of cost and net recoverable amount.

The net recoverable amount represents the estimated future net cash flow expected to be received from the ongoing use and residual worth of the property. To arrive at this amount, the Company projects the cash flow for each property on an undiscounted basis and as a result of not discounting the cash flow, the carrying value may be greater than the current market value. These projections take into account the specific business plan for each property and the most probable set of economic conditions anticipated to prevail in the market area.

(ii) Reserves for Temporary Impairment

The Company provides for temporary impairment in property values where specific events have occurred causing measurable future operating losses over a known period of time during which a formal plan of action is to be implemented to cure the adverse conditions. These reserves are drawn down in future periods as operating losses are incurred.

(iii) Capitalized Charges

The Company capitalizes all direct costs relating to properties under development and properties held for future development. In addition, certain other costs including interest on specific and general debt, initial tenant inducements and other leasing allowances, property taxes and direct overhead costs, are capitalized to these properties.

(iv) Revenue Recognition

Rental income is not recognized until the earlier of attaining a break-even point in cash flow after debt service or the expiration of a reasonable period of time following substantial completion. Prior to this time, a rental property is categorized as rental property under development and revenue related to such property is applied to reduce development costs.

Upon the sale of a rental property, the Company recognizes a gain or loss when all material conditions of the sale have been fulfilled and a down payment that is appropriate in the circumstances has been received having regard to the financial resources of the purchaser.

D. Properties Held for Sale

At December 31, 1990 the Company completed the identification of non-strategic properties and formalized plans for their disposition. These properties and the related liabilities have been segregated from those of continuing operations and include residential lands under development, suburban shopping centres, commercial development sites and residential condominiums held for sale.

(i) Carrying Values

These properties are carried at the lower of cost and net realizable value. Net realizable value has been determined on the basis of management's assumptions and projections about future economic conditions and events. Material differences in values may arise if actual results are not consistent with these assumptions.

(ii) Residential Lands Under Development for Subsequent Sale

The Company capitalizes all direct costs relating to the development of these properties including interest on specific and general debt, property taxes and overhead costs identified with the properties.

Income is recognized on the sale of land when the Company has fulfilled all material conditions and has received a down payment that is appropriate in the circumstances having regard to the financial resources of the purchaser. Income from the sale of residential homes is recognized when the sale has been completed and the purchaser is entitled to occupancy.

(iii) Other Properties Held for Sale

Commencing January 1, 1991, the Company adopted the cost recovery method of accounting for these properties. Under this method, revenue associated with these properties and proceeds from sales are treated as a recovery of costs. Related costs and expenses are capitalized. The related costs include interest on specific and general debt, tenant inducements, property taxes, disposition and overhead costs. Upon sale, the Company recognizes the sale proceeds as a reduction of costs, until there is certainty that the balance of the other properties held for sale will be disposed of at a profit.

E. Depreciation and Amortization of Other Assets

Depreciation is generally computed on the straight-line method using rates based on the estimated useful lives of the assets. Deferred financing costs are amortized over the term of the financing after giving effect to principal repayments.

F. Participating Mortgages

The cash method is used to account for participating mortgages.

G. Foreign Exchange

Asset and liability accounts in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Revenue and expenses are translated at the weighted average rate prevailing during the year. Gains or losses from foreign currency translations, other than on the Company's investments in foreign operations, are included in the consolidated statement of operations. The gains and losses from the foreign currency translations of the Company's investments in foreign operations are deferred and included in shareholders' equity.

2. Rental Properties (See also Note 14)

The Company's rental properties consist of office, retail and mixed use urban projects.

	1991	1990
	(in thousands of dollars)	
Income producing	\$ 667,495	\$ 510,469
Accumulated depreciation	17,359	13,026
	650,136	497,443
Under development	1,109,744	811,165
Held for future development	107,393	94,803
	\$1,867,273	\$1,403,411

3. Properties Held for Sale (See also Note 14)

The Company's properties held for sale consist of residential lands under development for subsequent sale, suburban shopping centres, commercial development sites and residential condominiums held for sale.

	1991	1990
	(in thousands of dollars)	
Residential lands under development for subsequent sale	\$ 214,958	\$ 186,966
Other properties held for sale	147,628	236,455
	\$ 362,586	\$ 423,421

4. Mortgages and Notes Receivable

Mortgages and notes receivable yield a weighted average interest rate of 8.7% (1990 - 9.9%) per annum and mature as follows:

	(in thousands of dollars)	
Years ending December 31, 1992		\$143,893
1993		10,940
1994		4,064
1995		1,479
1996		300
Subsequent to 1996		32,091
		\$192,767

5. Cash and Term Deposits

Included in cash and term deposits are amounts totalling \$39,371,000 (1990 - \$39,855,000) which can be applied only to specific liabilities, or become available to the Company in the future.

6. Debt on Properties and Secured Bank Indebtedness (See also Notes 9 and 10)

	1991				1990	
	Fixed Rate Financing		Variable Rate Financing		Total	Total
	Limited Recourse	Recourse	Limited Recourse	Recourse		
(in thousands of dollars)						
DEBT ON PROPERTIES:						
Rental	\$645,961	\$409,030	\$31,185	\$ 54,005	\$1,140,181	\$ 814,198
Held for sale	—	9,934	3,500	45,599	59,033	109,865
	645,961	418,964	34,685	99,604	1,199,214	924,063
SECURED BANK INDEBTEDNESS:						
Mortgages and notes receivable	3,253	—	—	12,066	15,319	38,635
Revolving credit facility	—	—	—	139,477	139,477	135,211
	\$649,214	\$418,964	\$34,685	\$251,147	\$1,354,010	\$1,097,909

Fixed rate financing bears interest, including participation features, at a weighted average rate of 7.8% (1990 - 9.0%) per annum after giving effect to money market instruments used to fix interest rates. The Company has mortgages outstanding totalling \$454,977,000 (1990 - \$205,948,000) which entitle the lender to participate in sale and refinancing proceeds from three properties in excess of loan amounts and other permitted allowances to a maximum of 25%.

The maturity schedule of the Company's debt is as follows:

	Fixed Rate	Variable	Total
	Financing	Rate Financing	
(in thousands of dollars)			
Years ending December 31, 1992	\$ 27,573	\$ 55,631	\$ 83,204
1993	12,876	174,844	187,720
1994	3,750	10,172	13,922
1995	90,785	—	90,785
1996	9,221	45,185	54,406
Subsequent to 1996	923,973	—	923,973
	\$1,068,178	\$285,832	\$1,354,010

The Company's secured revolving credit facility has an available limit of \$200 million and bears interest at floating rates. Borrowings are secured by charges on substantially all of the Company's assets and rank senior to the secured capital loans.

7. Accounts and Other Payables

	1991	1990
	(in thousands of dollars)	
Trade payables and accrued liabilities	\$ 63,064	\$ 70,690
Construction accruals and holdbacks	40,689	56,342
Notes payable	4,438	3,960
Accrued interest on project debt and other secured liabilities	8,421	6,281
Costs to complete properties sold	16,871	13,095
Deferred income and deposits	25,365	21,823
	\$158,848	\$172,191

8. Preference Shares of Subsidiaries

Issued and Outstanding		1991	1990
		(in thousands of dollars)	
	Brookfield Capital I Corporation		
2,000,000	7.25% Preference Shares, Series 1	\$ 50,000	\$ 50,000
	BCE Place Finance Corporation		
2,496,000	7.375% Preference Shares, Series 1	62,400	62,400
1,664,000	7.75% Preference Shares, Series 2	41,600	41,600
		\$154,000	\$154,000

The preference shares represent obligations of subsidiaries of Brookfield's parent that must be fulfilled in order to maintain the Company's interest in certain assets. The assets were pledged as security under support agreements relating to these preference shares. The Company intends to take all steps necessary to ensure the obligations to these preference shareholders are honoured. To this end, the Company has entered into arrangements which assure compliance with the terms of these preference shares. These arrangements provide that the Company may fund the payment of dividends or redemption of shares, if necessary.

A. Brookfield Capital I Corporation:

7.25% Cumulative Redeemable Retractable Preference Shares, Series 1 have fixed cumulative preferential cash dividends of \$1.8125 per share per annum which are payable quarterly.

The shares are redeemable at the option of the company, in whole or in part, after December 31, 1991 at \$25.50 per share declining to \$25 per share after March 31, 1993 plus accrued dividends.

The shares are retractable at the option of the holder on March 31, 1994 and thereafter on the last day of March in each year at \$25 per share plus accrued dividends.

An affiliated company is obligated to purchase the shares in the event that dividend or redemption payments on the shares are not made or upon the occurrence of certain other events. This obligation is secured by a bankers' acceptance issued by a Canadian chartered bank, which in turn is secured by a property owned by the Company.

B. BCE Place Finance Corporation:

7.375% Cumulative Redeemable Retractable Preference Shares, Series 1 and 7.75% Cumulative Redeemable Retractable Preference Shares, Series 2 have fixed cumulative preferential cash dividends of \$1.84375 and \$1.9375 per share per annum respectively, payable quarterly.

The Series 1 preference shares are redeemable at the option of the company, in whole or in part, after June 30, 1994 at \$25.75 per share declining to \$25 per share after June 30, 1997 plus accrued dividends. The Series 2 preference shares are redeemable at the option of the company, in whole or in part, after June 30, 1997 at \$26 per share declining to \$25 per share after June 30, 2002 plus accrued dividends.

The Series 1 and Series 2 preference shares are retractable at the option of the holder on June 30, 1997 and June 30, 2002 respectively, in each case at \$25 per share plus accrued dividends.

The obligation to pay dividends and redemption payments on the shares is guaranteed by BCE, with the guarantee being secured by property owned by the Company.

9. Contingencies and Commitments (See also Note 6)

A. The Company is contingently liable for obligations of certain joint ventures and partnerships amounting to \$150,000,000 (1990 - \$156,600,000). However, the available assets of each joint venture or partnership are, in management's opinion, adequate to satisfy the obligations.

B. The Company has entered into lease agreements for terms of up to 96 years (1990 - 97 years). The maximum annual rental payments required are \$11,009,000 (1990 - \$11,467,000) and in the aggregate they total \$919,431,000 (1990 - \$1,056,769,000).

Payments required for each of the next five years are as follows:

1992	\$10,771,000
1993	\$10,622,000
1994	\$10,789,000
1995	\$10,731,000
1996	\$10,699,000

C. The Company has estimated that costs of \$364,000,000 (1990 - \$754,300,000) are required to complete rental properties under development, a significant proportion of which relates to tenant inducements and interest costs on project debt during lease up. Financing facilities have been arranged subject to leasing and cost to complete tests for the total estimated costs.

D. The estimated cost to complete properties held for sale amounts to \$67,000,000 (1990 - \$199,700,000). These costs will be financed through the proceeds of sale of these properties or by drawing on financing commitments to be arranged.

E. The Company has been named as a defendant in numerous lawsuits alleging actual and punitive damages, the total of which is substantial. There is considerable uncertainty as to the final outcome of these lawsuits. After reviewing the merits of these lawsuits with counsel and considering counsel's opinion, management believes that adequate provision has been made in the accounts with respect to these claims, after taking into account amounts covered by insurance and indemnities given by others.

10. Secured Capital Loans (See also Note 18)

BCE and Carena, through a company controlled by them, have established a secured capital loan facility for Brookfield which amounted to \$783,480,000 including interest advances at December 31, 1991 (1990 - \$617,054,000). Advances under this facility are secured by charges on substantially all of the Company's assets and are guaranteed by BF Realty. The credit facility bears interest at variable rates with the interest rate fluctuating with market rates. In addition, \$30,000,000 of the facility has been drawn down through the issuance of the Company's Class C Preference Shares.

This credit facility was to have matured on July 15, 1991 if Brookfield had not proceeded with a rights offering by June 30, 1991. BCE and Carena agreed to defer the maturity of their loans until April 30, 1993 in contemplation of a rights offering and equity conversion based on values as at December 31, 1992. This extension agreement is conditional on BCE and Carena receiving satisfactory evidence that Brookfield's project lenders and commercial banks will continue to support Brookfield and on the Company's other creditors, including any creditors of BF Realty, similarly deferring the enforcement of any claims during this period. If the other creditors of the Company and BF Realty do not abide by the conditions of the deferral arrangements, BCE and Carena will be entitled to take such proceedings as they consider appropriate to protect their secured capital loans, which may include the commencement of realization or other enforcement proceedings.

Notwithstanding that certain creditors, including the subordinated debentureholders of BF Realty, have initiated actions against the Company, BCE and Carena have not enforced their rights nor have they waived them. They have, however, stated that should they commence proceedings they intend to work with Brookfield with a view to safeguarding the interests of Brookfield's commercial banks and project lenders, as well as its trade creditors.

The agreement providing for the extension of the BCE and Carena credit facility provides for all advances to be applied to the purchase of the Company's common shares in support of a rights offering to be concluded during the first quarter of 1993, subject to the receipt of all requisite regulatory and other approvals. It is expected that the rights offering referred to above, will be priced at an appropriate discount to the market value of Brookfield's assets to ensure a meaningful level of public participation in the offering. If the rights offering is not completed on or prior to April 30, 1993, the credit facility becomes due.

11. Shareholders' Equity

		1991	1990
		(in thousands of dollars)	
	Note Reference		
Preference shares	11 A	\$ 131,122	\$ 131,122
Common shares	11 B	109,347	109,347
Contributed surplus		80,619	80,619
Deficit		(73,160)	(53,301)
Foreign exchange adjustment		(871)	—
Advances to parent, net of provisions	11 C	(215,937)	(215,937)
		\$ 31,120	\$ 51,850

Shares

Authorized -

Unlimited	Class A Preference Shares without par value, issuable in series.
Unlimited	Class B Preference Shares without par value, issuable in series.
Unlimited	Class C Preference Shares without par value, issuable in series, of which 1,200,000 are designated as Class C Preference Shares, Series 1.
Unlimited	Class D Preference Shares without par value, issuable in series, of which 4,300,000 are designated as Class D Preference Shares, Series 1.
Unlimited	Common Shares, voting, without par value

Issued and Outstanding -		1991	1990
Preference Shares		(in thousands of dollars)	
1,200,000	Class C Preference Shares, Series 1	\$ 30,000	\$ 30,000
4,044,872	Class D Preference Shares, Series 1	101,122	101,122
		\$131,122	\$ 131,122
Common Shares	Common Shares	\$109,347	\$ 109,347
245,994			

A. Preference Shares:

(i) Class C Preference Shares, Series 1

Cash dividends are payable semi-annually at a rate equivalent to 70% of the prime lending rate charged by a Canadian chartered bank.

The shares are redeemable, in whole or in part, at the option of the Company at any time after five years and one business day from the date of issue of the shares. The shares are retractable at the option of the holder at \$25 plus declared and unpaid dividends upon the first to occur:

- (a) five years and one business day from the date of issue of all or any of the shares; or
- (b) the Board of Directors passing a resolution approving the issue of common shares of the Company in connection with a rights offering made to shareholders or other investors in BF Realty or with any other form of public offering of the common shares of the Company.

Dividends of \$3,936,000 were accrued and unpaid as at December 31, 1991 (1990 - \$1,819,000).

(ii) Class D Preference Shares, Series 1

Cash dividends are payable quarterly at a rate equivalent to 70% of the prime lending rate charged by a Canadian chartered bank.

The shares are redeemable, in whole or in part, at the option of the Company at any time and are retractable at the option of the holder, BCE, at \$25 plus accrued and unpaid dividends on or after August 31, 2000, or if two dividend payments are in arrears or upon the occurrence of certain other events.

Dividends of \$7,070,000 were in arrears as at December 31, 1991 (1990 - Nil) (See also Note 18C).

B. Common Shares:

The following is a summary of the activity in the Company's Common Share Capital account:

	1991		1990	
	Common Shares	Amount	Common Shares	Amount
Balance, beginning of year	245,994	\$109,347,000	1,001	\$ 28,354,000
Common shares issued for property acquired	—	—	80,993	80,993,000
Common shares issued for purchase of subsidiary	—	—	164,000	—
Balance, end of year	245,994	\$109,347,000	245,994	\$109,347,000

C. Advances to Parent

The advances to the Company's parent are secured by charges on substantially all of BF Realty's assets, including the Company's common shares held by BF Realty. In recognition of the reciprocal nature of these loans, the advances are shown as a deduction from the shareholders' equity.

The advances to parent at the beginning of the year totalled \$215,937,000. During the year Brookfield advanced \$9,544,000 to BF Realty to enable it to continue operations, and a further \$22,758,000 in interest accrued on the loan. The total increase during the year of \$32,302,000 has been provided for.

The Company has no obligation to advance funds to its parent, other than to settle BF Realty liabilities specifically guaranteed by Brookfield, for which provisions have been made.

12. Interest

	1991	1990
	(in thousands of dollars)	
Interest charges were incurred from:		
Debt on properties	\$ 93,016	\$ 53,770
Secured bank indebtedness	13,048	8,722
Secured capital loans	61,369	41,423
Other	1,308	562
	<u>168,741</u>	<u>104,477</u>
Less interest capitalized or allocated to:		
Rental properties under development and held for future development	102,699	46,624
Residential lands under development for subsequent sale and other properties held for sale	29,972	7,820
	<u>132,671</u>	<u>54,444</u>
	<u>\$ 36,070</u>	<u>\$ 50,033</u>

13. Income Taxes

The Company and its subsidiaries have accumulated tax losses of approximately \$48,000,000 (1990 - \$15,000,000), which will expire in 1997 and 1998. The potential benefit of the use of these losses has not been reflected in the financial statements.

14. Provision for Diminution in Property Values

The following is a summary of the activity in the provision for diminution accounts:

	1991	1990
	(in thousands of dollars)	
Balance, beginning of year	\$288,880	\$ 79,473
Provision on acquired properties	106,162	150,280
Provision made during the year	—	61,094
	<u>395,042</u>	<u>290,847</u>
Less applied during the year:		
On asset sales and properties restructured	199,541	1,967
Balance, end of year	<u>\$195,501</u>	<u>\$288,880</u>

15. Capitalized Costs

	1991	1990
	(in thousands of dollars)	
During the year the Company capitalized the following costs:		
Interest	\$132,671	\$ 54,444
Property taxes	17,603	7,466
General and administrative	13,384	8,730
Net operating income from properties under development and held for sale	(19,511)	(7,899)
Current year costs recovered through sales of properties	(11,242)	(216)
	\$132,905	\$ 62,525
These costs were capitalized to properties as follows:		
Rental properties under development and held for future development	\$114,299	\$ 55,048
Residential lands under development for subsequent sale and other properties held for sale	18,606	7,477
	\$132,905	\$ 62,525

16. Joint Ventures and Partnerships

The following amounts included within the consolidated financial statements represent the Company's proportionate share in joint ventures and partnerships:

	1991	1990
	(in thousands of dollars)	
Assets	\$473,677	\$574,026
Liabilities	240,659	241,269
Revenue	45,385	22,203
Expenses	44,037	23,828

17. Segmented Information

By Property Type	Real estate sales		Rental revenue		Total	
	1991	1990	1991	1990	1991	1990
(in thousands of dollars)						
REVENUE						
Rental properties	\$ 46,425	\$ —	\$ 81,342	\$ 55,209	\$ 127,767	\$ 55,209
Properties held for sale	136,764	18,120	—	2,864	136,764	20,984
	\$ 183,189	\$ 18,120	\$ 81,342	\$ 58,073	\$ 264,531	\$ 76,193
OPERATING INCOME						
Rental properties	\$ —	\$ —	\$ 35,447	\$ 24,980	\$ 35,447	\$ 24,980
Properties held for sale	—	4,422	—	1,838	—	6,260
	\$ —	\$ 4,422	\$ 35,447	\$ 26,818	\$ 35,447	\$ 31,240
Unallocated corporate items, net					(32,194)	(42,761)
Net operating income (loss)					\$ 3,253	\$ (11,521)
By Country	Real estate sales		Rental revenue		Total	
	1991	1990	1991	1990	1991	1990
(in thousands of dollars)						
REVENUE						
Canada	\$ 51,224	\$ 18,052	\$ 3,083	\$ 6,384	\$ 54,307	\$ 24,436
United States	131,965	68	78,259	51,689	210,224	51,757
	\$ 183,189	\$ 18,120	\$ 81,342	\$ 58,073	\$ 264,531	\$ 76,193
OPERATING INCOME						
Canada	\$ —	\$ 4,508	\$ 1,802	\$ 3,864	\$ 1,802	\$ 8,372
United States	—	(86)	33,645	22,954	33,645	22,868
	\$ —	\$ 4,422	\$ 35,447	\$ 26,818	\$ 35,447	\$ 31,240
Unallocated corporate items, net					(32,194)	(42,761)
Net operating income (loss)					\$ 3,253	\$ (11,521)
	Real estate properties		Other assets		Total	
	1991	1990	1991	1990	1991	1990
(in thousands of dollars)						
ASSETS						
Canada	\$ 882,616	\$ 679,153	\$ 119,834	\$ 52,235	\$ 1,002,450	\$ 731,388
United States	1,347,243	1,147,679	131,765	213,937	1,479,008	1,361,616
	\$ 2,229,859	\$ 1,826,832	\$ 251,599	\$ 266,172	\$ 2,481,458	\$ 2,093,004

18. Related Party Transactions

A. The Company is a subsidiary of BF Realty, and BF Realty is approximately 67% owned by BCE. BCE entered into an agreement with Carena whereby Carena undertook to provide management services to the Company. In the normal course of business, the Company leases space and enters into other contracts with BCE, Carena and their respective affiliated companies.

All transactions with related parties and with Carena (including parties related thereto) are conducted on terms and conditions comparable to those with third parties and are reviewed by the Independent Directors.

B. BCE and Carena, through a company controlled by them, have provided Brookfield with secured capital loans aggregating \$783,480,000 (1990 - \$617,054,000) (See also Note 10). The total interest incurred on this facility amounted to \$61,369,000 in 1991 (1990 - \$41,423,000). The Class C preference shares of the Company totalling \$30,000,000 are considered an additional utilization of this facility. Accrued but unpaid cumulative dividends of \$3,936,000 have been provided for on the Company's Class C Preference Shares, as at December 31, 1991.

C. At December 31, 1991, BCE held \$101,122,000 of Class D Preference Shares of the Company. Dividends of \$7,070,000 were in arrears as at December 31, 1991. (See also Note 11A)

D. During the year Brookfield acquired assets amounting to \$240,309,000 (1990 - \$1,225,222,000) from other BF Realty subsidiaries. Brookfield assumed liabilities and made advances to BF Realty to retire debt amounting to \$249,853,000 (1990 - \$1,250,874,000).

PRINCIPAL PROPERTIES

OFFICE BUILDINGS	Ownership Interest	Total Rentable Area (sq.ft.)
Montreal		
1000 de La Gauchetière	35% ⁽¹⁾	1,035,000
Val-d'Or		
Telebec Building	100%	37,000
Toronto		
Bay Wellington Tower	100%	1,373,000
Canada Trust Tower	40%	1,182,000
320 Bay Street	100%	294,000
Northern Telecom	50%	214,000
Chicago		
Quaker Tower	10%	845,000
Minneapolis		
Minneapolis City Center	100%	1,081,000
Dain Bosworth Plaza	100%	594,000
St. Paul		
Minnesota World Trade Center	50%	465,000
Denver		
Republic Plaza	100%	1,276,000
World Trade Center	100%	734,000
Orange County, California		
Imperial Promenade	100%	239,000
Total - Office Buildings		9,369,000

(1) An agreement exists for the purchase of an additional 35% interest.

RETAIL CENTRES

Chicago		
Chicago Place	100% ⁽¹⁾	311,000
Minneapolis		
Minneapolis City Center	100%	457,000
Gaviidae Common	100% ⁽¹⁾	424,000
St. Paul		
Minnesota World Trade Center	50%	145,000
Total - Retail Centres		1,337,000

(1) Reflects the purchase of a further 50% interest subsequent to year end.

URBAN DEVELOPMENT SITES	Ownership Interest	Square Feet
Chicago		
Illinois World Trade Center Lands	100%	103,000
Denver		
Centerstone	100%	125,500
Orange County, California		
MacArthur Place	73%	2,091,000
Total Urban Development Sites		2,319,500

LAND HELD FOR DEVELOPMENT OR SALE

	Ownership Interest	Net Acres
San Diego County		
La Costa	24%	2,400
Scripps Ranch Villages	75%	1,196
Calgary		
Sunridge and Horizon Business Park	100%	203
Lincoln	100%	29
Residential	50%	442
Edmonton		
Ellerslie	50%	1,345
Total - Land		5,615

RESIDENTIAL UNITS HELD FOR SALE

	Units
Chicago	
Chicago Place Residential	60%
	132

SHOPPING CENTRES HELD FOR SALE

	Total Rentable Area (sq.ft.)
Long Beach, California	
Los Altos Shopping Center	100%
	210,000
Vista, California	
Melrose Village Plaza	50%
	137,000
Seattle	
Hillside Plaza	100%
	114,000
	461,000

BOARD OF DIRECTORS

GORDON E. ARNELL

President and Chief Executive Officer
Brookfield Development Corporation
Toronto

WARREN CHIPPINDALE ⁽¹⁾

Company Director
Former Chairman and Chief Executive Partner
Coopers & Lybrand
Montreal

JACK L. COCKWELL ⁽¹⁾

President
Brascan Limited
Toronto

JOSEF J. FRIDMAN

Senior Vice President
Law and Corporate Services
BCE Inc.
Montreal

WILLARD J. L'HEUREUX

Managing Partner and President
Hees International Bancorp Inc.
Toronto

GERALD T. McGOEY ⁽¹⁾

Executive Vice President
and Chief Financial Officer
BCE Inc.
Montreal

JOHN R. McCAIG

Chairman and Chief Executive Officer
Trimac Limited
Calgary

ALLAN S. OLSON ⁽¹⁾

Former Chairman and Chief Executive Officer
Banister Continental Limited
Edmonton

LYNTON R. WILSON

President and Chief Executive Officer
BCE Inc.
Montreal

(1) Member of Audit Committee

CORPORATE OFFICERS

GORDON E. ARNELL

President and Chief Executive Officer

DAVID D. ARTHUR

Senior Vice President and
Chief Operating Officer

LAWRENCE A. CARSON

Vice President and Treasurer

WARD G. MINIELLY

Vice President Human Resources

EDWIN B. NORDHOLM

Senior Vice President, General Counsel

WILLIAM J. PRINGLE

Senior Vice President and
Chief Financial Officer

PAUL P. QUIGLEY

Vice President Taxation

BARBARA A. SILVERBERG

Vice President and Senior Counsel

ROBERT VISENTIN

Vice President and Corporate Controller

OPERATING MANAGEMENT

QUEBEC REGION

Craig J. Shannon
Senior Vice President

Michel Bédard
Vice President and Controller

Dawn C. Carpentier
Vice President Leasing and
Development

Michel G. Lee
Vice President Construction

ONTARIO REGION

John W. Campbell
Senior Vice President

Robert L. Boyce
Vice President and General
Manager - BCE Place

Dane Fader
Vice President and Controller

David B. McEwan
Vice President
Marketing and Development

Paul N. Morse
Vice President Leasing

William H. Parlee
Vice President Development

John V. Roce
Vice President Construction

MIDWEST REGION

Harold R. Brandt
Senior Vice President

Thomas M. Clairmont
Vice President Operations

Harlan E. Engelmann
Vice President and Controller

Robin M. Keyworth
Vice President
Retail Leasing

Daniel P. Proffitt
Vice President
Office Marketing

MOUNTAIN REGION

John N. Arnold
Senior Vice President

David W. Morrison
Vice President, Leasing

Denise K. Sullivan
Vice President and Controller

WESTERN REGION
H. Gordon MacKenzie
Senior Vice President

John M. Gillespie
Vice President Office Centers

Timothy D. England
Vice President and Controller

Ronald T. Zimmer
Vice President Operations

CORPORATE INFORMATION

CORPORATE OFFICE

Suite 4200, 181 Bay St.
BCE Place
Bay Wellington Tower
Toronto, Ontario M5J 2T3
Telephone: (416) 369-2300
Fax: (416) 369-2301

REGIONAL OFFICES

Ontario:
Suite 4300, 181 Bay St.
BCE Place
Bay Wellington Tower
Toronto, Ontario M5J 2T3
Telephone: (416) 369-2300
Fax: (416) 369-2302

Quebec:
27th Floor
1000 de La Gauchetière St. West
Montreal, Quebec H3B 4W5
Telephone: (514) 397-9990
Fax: (514) 397-9992

Midwest:
Suite 4340, Multifoods Tower
Minneapolis City Center
Minneapolis, MN 55402
Telephone: (612) 372-1500
Fax: (612) 372-1510

Mountain:
Suite 3800, Republic Plaza
370 - 17th Street
Denver, Colorado 80202
Telephone: (303) 592-5200
Fax: (303) 592-5203

Western:
Suite 100
3 Imperial Promenade
MacArthur Place
Santa Ana, California 92707
Telephone: (714) 433-2222
Fax: (714) 433-2333

OTHER PROPERTY

LEASING OFFICES:
Chicago:
Suite 700, Quaker Tower
321 North Clark Street
Chicago, IL 60610
Telephone: (312) 245-5000
Fax: (312) 245-4999

St. Paul:
Suite 2270
Minnesota World Trade Center
30 East 7th Street
St. Paul, MN 55101
Telephone: (612) 291-8900
Fax: (612) 297-6222

LEGAL COUNSEL

Tory Tory DesLauriers &
Binnington
Suite 3200
IBM Tower
Toronto, Ontario M5K 1N2

AUDITORS

Deloitte & Touche
Suite 1400, 181 Bay St.
BCE Place
Bay Wellington Tower
Toronto, Ontario M5J 2V1



This report is printed using vegetable based inks on paper containing 50% recycled fibre including 10% post consumer waste.

