

MARKBOROUGH
PROPERTIES INC.

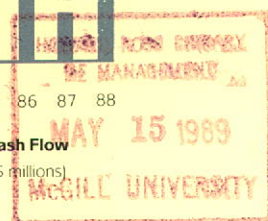
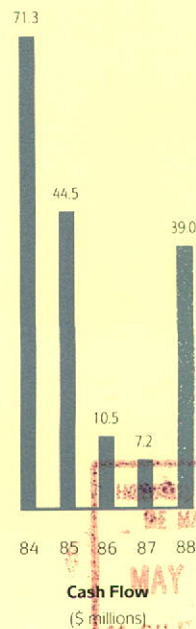
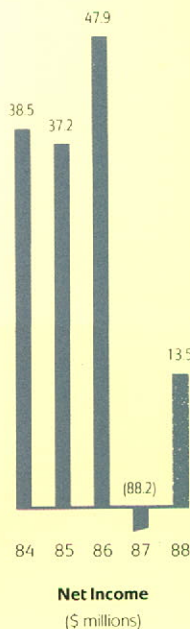
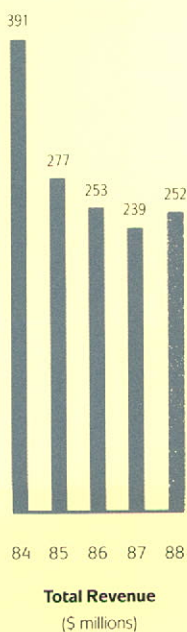


ANNUAL REPORT

FOR 1988

FINANCIAL HIGHLIGHTS
(THOUSANDS OF DOLLARS EXCEPT WHERE NOTED)

	1988	1987
Operating results for the year		
Revenue from income properties	\$ 163,525	\$ 148,213
Revenue from land and housing operations	88,198	90,558
Income (loss) before income taxes	27,258	(170,527)
Net income (loss)	13,477	(88,220)
Cash flow from operations	38,993	7,157
Financial position at the year end		
Income properties	\$ 1,001,164	\$ 915,094
Land and housing	423,175	379,796
Total assets	1,566,452	1,481,971
Mortgages payable	978,245	993,646
Bank indebtedness	160,215	124,671
Shareholder's equity	338,673	253,181
Statistical at the year end		
Ratio of income properties to land and housing	2.4 to 1	2.4 to 1
Ratio of debt to equity	3.4 to 1	4.4 to 1



1988 ANNUAL REVIEW

For the year 1988 we had substantially improved results, compared with the previous year. Net income of \$13.5 million was an improvement of \$101.7 million over 1987. Cash flow from operations, perhaps a more accurate measurement of operating results, was \$39.0 million, an improvement of \$31.8 million

over last year. The 1987 results were distorted by a major provision for loss in value of \$196.6 million, relating to our inventory of community land in the United States, and that provision reduced net income by \$101.7 million. Nevertheless, of the profit improvement in 1988, \$8.6 million before tax or \$4.3 million after tax, is attributable to an improvement in the results of our regular business.

Not all of our results can be measured by earnings or by cash flow from operations. Much of the benefit of real estate ownership is achieved through the creation and appreciation of values. We estimate our net worth, taking into account market value, is in the order of almost \$1.3 billion before tax, and \$950 million tax effected, a significant increase over last year's estimate of \$1.1 billion before tax and \$800 million after tax.

The company operates in three product



Neil R. Wood
Chairman, President and
Chief Executive Officer

groups, all of which showed profit and cash flow improvements in 1988. These groups are shopping centres, urban development and community development. Separate reports in greater detail are provided by the Senior Vice Presidents responsible for these operating divisions. Also provided is a more

detailed commentary by our Chief Financial Officer on the company's overall financial results and condition.

Both the Shopping Centre and Urban Development groups are enjoying healthy growth and are aggressively searching for expansion opportunities. Senior personnel in both areas have been assigned exclusively to the work of new site search and acquisition. Their efforts have started to produce results, which are described in the group operating reports. In addition, we are expanding, re-merchandising and developing certain properties already owned in the company. The development of high quality income producing properties continues to be a major goal of the company.

Of special interest is our proposed 2.0 million square foot office and retail development in downtown Toronto, known as the Bay-Adelaide Centre. It

is a joint venture with Trizec Equities Limited. Last year at this time I expected we would be under construction by the end of 1988. However the political climate in Toronto has been difficult for new development approvals, and the prominent location of our development has made it a conspicuous target for anti-growth sentiment. We have cleared most of the approval requirements for this project, but we continue to experience some delay in the final stages. Nevertheless, we believe we will be underway well before the end of this year.

Approximately 31% of our total assets at book value are invested in the Community Development group, which as the name implies is engaged in the development of new communities, primarily residential in character. In this group, we have our work cut out for us, with a substantial part of our assets in Texas. Housing starts in the United States as a whole have declined substantially in each of the last two years. However, good progress is being made under the circumstances, with major new projects starting to show results in Tampa and Dallas. Our new community in Austin is just starting its sales program. Houston, where we have several properties, is showing signs of recovery in residential real estate, as is its economy in general. Our goal in the Com-

munity Development group for the near term is to make the best of our existing investments.

The achievement of our goals for growth and for quality requires excellence in personnel. This is truly a "people business". During the past two years we have been successful in recruiting 40 good new people in management and professional positions, in all operating groups and in the Finance and Legal areas. In particular in 1988 we were joined by Mark Shuparski, Senior Vice President, Urban Development, and by Anthony Trella, Senior Vice President, Community Development. As our management team is enhanced, we are increasing our potential for profit growth and for creation of value.

On behalf of the Board and for myself I want to express appreciation to all our staff for their good work and loyalty during the past year. The outlook for our company's future is excellent. We have a portfolio of high quality assets, and a sound management team, which provides the basis for future growth.



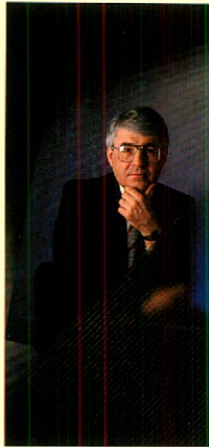
Neil R. Wood
Chairman, President and
Chief Executive Officer

SHOPPING CENTRES

Markborough presently owns or has an interest in 32 shopping centres across Canada comprising a gross leaseable area in excess of 14.9 million square feet. The Shopping Centre group is responsible for the management and profitability of Markborough's interest in these assets, which exceeds 8.1 million square feet. It is a quality portfolio with excellent growth prospects and containing some of the most productive centres in Canada.

1988 operating profit increased from the previous year by 11.9%, which includes the contribution from new or expanded properties. Prospects for continuing strong growth in operating results through 1989 and beyond are excellent as expiring leases are being renewed at higher minimum rents and the merchandising plans of our centres are being adjusted to maximize returns from both higher minimum rents and participating percentage rents.

In 1988, the Shopping Centre group completed the



George S. Schott
Senior Vice President,
Shopping Centres

expansion of four centres, acquired promising development sites in Ajax and Aurora, Ontario (closing on this latter site occurred in 1989) and continued to add to its management depth. As well, the group assumed responsibility for the leasing and development of

Mayflower Mall, a 390,000 square foot centre in Sydney, Nova Scotia and commenced planning for the renovation, redevelopment or expansion of several properties in the portfolio, including Mayflower Mall, Woodside Square in Metropolitan Toronto, Richmond Centre in suburban Vancouver, British Columbia, Lloydmall in Lloydminster, Alberta and Kildonan Place in Winnipeg, Manitoba.

Major expansions completed in 1988 included a 275,000 square foot expansion and total renovation of Fairview Mall in Toronto, Ontario. This expansion and renovation was completed in

December, 1988 at a cost of \$120 million. The expansion included construction of new Bay and



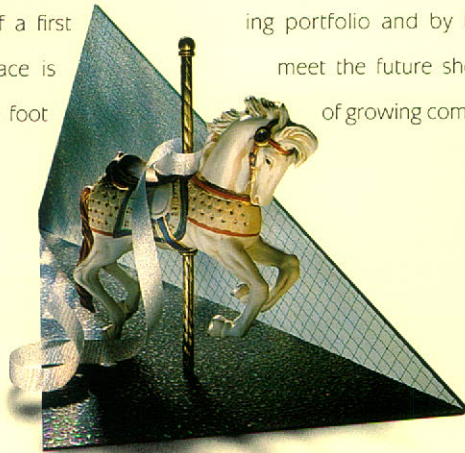
Simpsons stores, each with 160,000 square feet of retail space, the addition of 140 new ancillary stores and a 40,000 square foot multi-screen Cineplex movie theatre. Les Galeries de la Capitale in Quebec City, Quebec opened a 170,000 square foot expansion in May, 1988. This expansion incorporated an indoor amusement park, an NHL size ice rink and 44,000 square feet of retail tenant space. The amusement park feature has been extremely successful, both as a draw to the centre and as an attraction in Quebec City and sales have increased by approximately 10% since the opening. A 140,000 square foot expansion at Southcentre Mall in south Calgary was completed in March, 1988 as 60 new stores were opened in the completely renovated centre, for a cost of \$22 million. The fourth major project completed in 1988 was a 122,000 square foot expansion of Market Mall in Calgary, the final stage of which occurred in August when a 37,000 square foot Brettons store was opened.

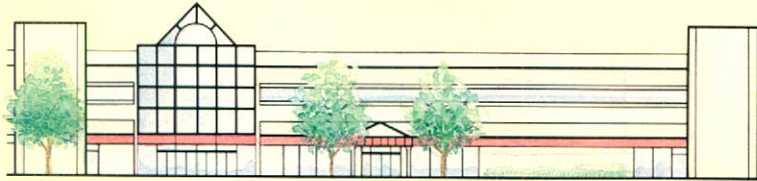
At present, construction of a first phase expansion to Surrey Place is underway. This 550,000 square foot

regional shopping centre in suburban Vancouver, anchored by the Bay, Sears and Zellers, was purchased by the company in December, 1987. Planning for a second phase expansion and renovation project is now well advanced.

Also of significance in the past year was an agreement by the company to acquire a 30% equity position in a regional mall site in Burlington, Ontario. The proposed Mapleview Centre regional mall will contain approximately 500,000 square feet of leaseable space and will be anchored by the Bay and Simpsons. Present planning calls for an opening of this centre in August, 1990.

It is the objective of the Shopping Centre group to build on its substantial base to establish the company as one of North America's premier shopping centre development corporations. This objective will be furthered by the enhancement and/or redevelopment of existing centres, by the planned addition of further revenue producing properties to the existing portfolio and by the acquisition of sites to meet the future shopping centre requirements of growing communities throughout Canada.

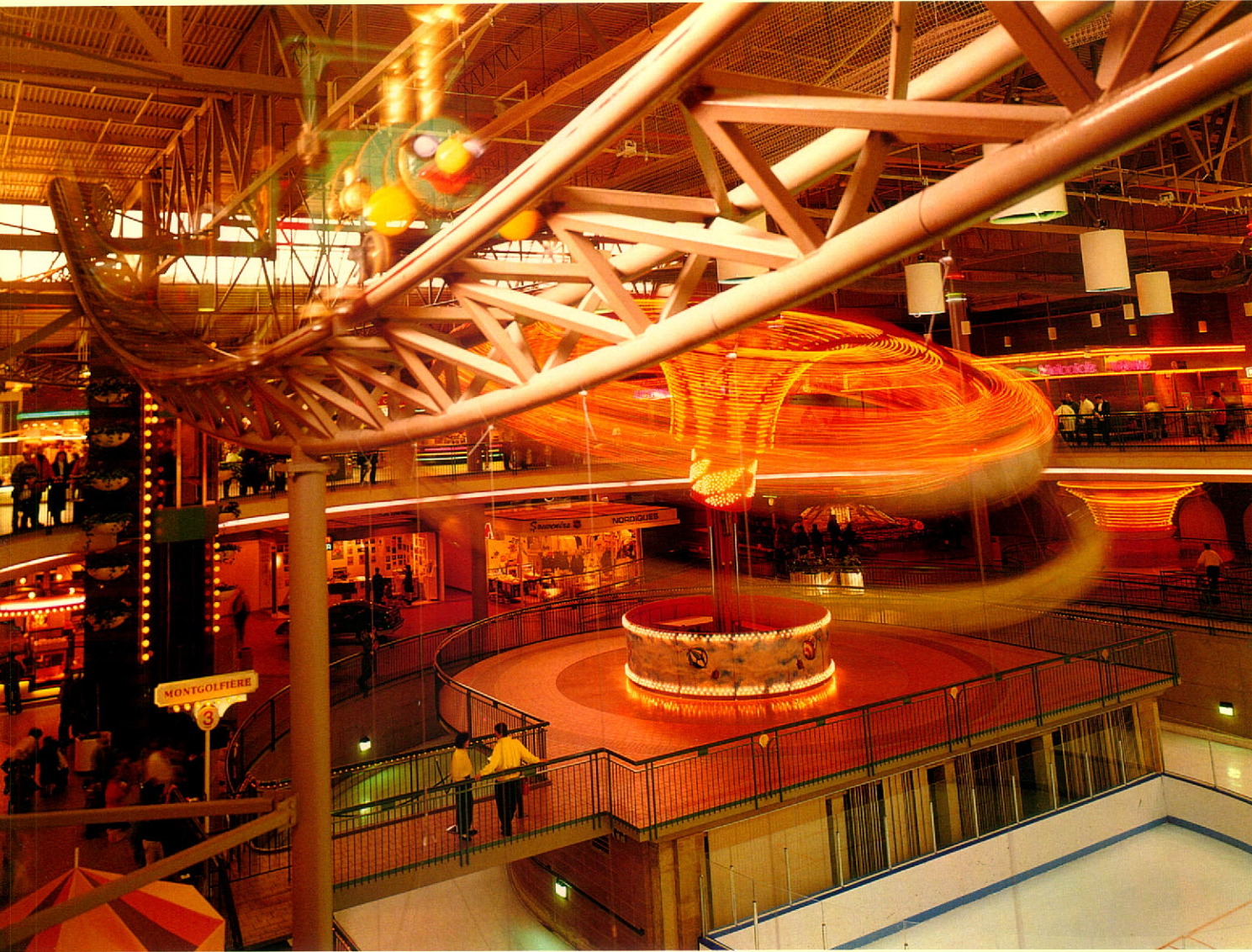




Phased renovations and expansions of Surrey Place Shopping Centre in Vancouver, British Columbia are planned over the years 1989 and 1990. Shown here is a line drawing of the east elevation main entrance.



A 275,000 sq. ft. expansion and renovation of Fairview Mall in Toronto, Ontario was completed in December, 1988.



The indoor amusement park at Les Galeries de la Capitale, Quebec City, Quebec.

URBAN DEVELOPMENT



Mark A. Shuparski
Senior Vice President,
Urban Development

In the first full year of operation since formation, the various divisions of the Urban Development group have made significant progress in the sectors of the real estate markets in which they participate. The acquisitions and development team has been expanded and great emphasis placed on the creation of new income properties. The company has pursued and capitalized on opportunities in London, England, Toronto and Montreal where low vacancies and strong rental rates prevail and continues to search for new opportunities in these and other urban areas having track records of market stability coupled with strong future growth potential. The present portfolio comprises more than 1.9 million square feet of office, industrial and mixed-used space of which Markborough's share exceeds 1.5 million square feet. With new developments coming on-stream, in excess of 2.6 million square feet of office space are expected to be under construction as we enter the new decade, more than 1.5 million square feet of which will be Markborough's share.

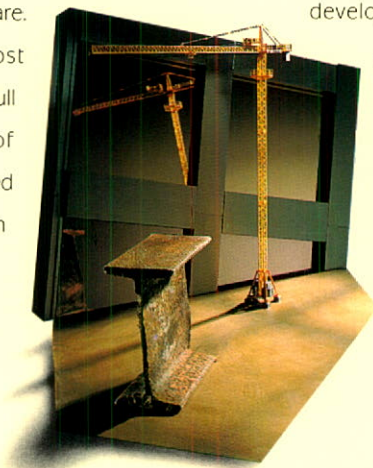
One of the group's most exciting developments is the Bull Wharf project in the City of London. Construction is expected to commence later this year on

an eight-storey complex containing 240,000 square feet of office space. The project will be distinct in design and profile from neighbouring projects and its positioning adjacent to the oldest wharf along the Thames River will offer tenants a spectacular waterfront view. Bull Wharf follows on last year's completion of

The Royal Bank of Canada Centre and confirms the company's intention to continue developing premier quality projects in Europe's financial centre.

Toronto's skyline will be notably altered when construction is completed of an impressive 57-storey office tower near the convergence of Bay and Adelaide Streets in the financial district. City Council approved this project in November, 1988. Necessary remaining municipal approvals are anticipated to be received in time to allow for a construction start this year with a scheduled completion date in 1992. The office tower will be the main focus of this 2.0 million square foot multi-use complex to be developed under a 50/50 joint venture

arrangement with Trizec Equities Limited. Approximately 210,000 square feet has been pre-leased to Canada's largest investment firm, RBC Dominion Securities. Spanning



two separate city blocks, the project will integrate high-rise and low-rise office components with 100,000 square feet of retail space and complete integral links in Toronto's underground pedestrian concourse system.

In the past year, a 15 acre parcel of prime commercial land was acquired in Markham, the Toronto region's fastest growing market and appropriately labelled the Silicon Valley of the North. The masterplan for this site with frontage on Highway 404, calls for development of a 300,000 square foot, high-tech office complex.

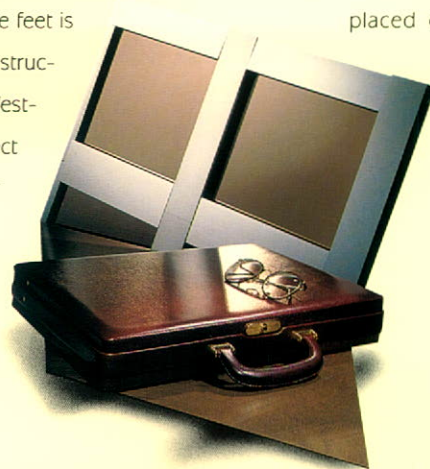
At the Meadowvale development in Mississauga, Ontario, Phase II of Markborough Place is underway and already 50% leased. Success in pre-leasing much of this 144,000 square foot office building, scheduled for completion in early 1990, has prompted preliminary design work to be undertaken for Markborough Place, Phase III.

The company's first office development endeavour in Montreal is ideally situated along the city's premier downtown office corridor on de Maisonneuve Boulevard. A planned 22-storey tower of 340,000 square feet is scheduled for a mid-year construction start. A joint venture with Westcliffe, the de Maisonneuve project will serve as a foothold for

future development in this vibrant market.

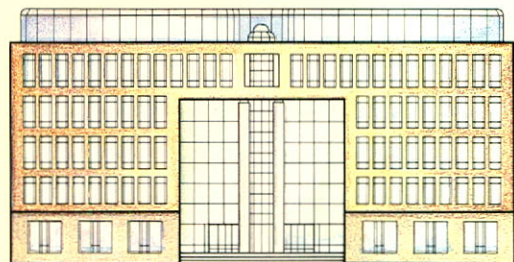
Sales of serviced industrial land proved to be a primary source of income for the Urban Development group in 1988. Momentum was especially strong in Meadowvale where approximately 38 acres were sold and the design/build group completed seven projects having a total gross leaseable area of 200,000 square feet. As the current inventory of serviced land in Meadowvale is anticipated to be fully absorbed by the end of 1989, the installation of services to lands in the north-east quadrant of the park will be started this year. Our masterplan calls for the transformation of this 262-acre tract into a business community integrating prestigious office and industrial space. Plans are presently underway to expand the group's portfolio with a 550,000 square foot, three-phase office complex which will rank as the highest quality product in Toronto's west end. It is a long-term objective also to increase design/build activity in this quadrant and expand the present industrial portfolio through development of custom-tailored and multi-tenant projects. Major emphasis will also be

placed on broadening industrial land holdings in the neighbouring municipalities of Durham Region, Vaughan, Peel and Halton.





*Markborough Place, Phase II, a suburban office building
in Mississauga, Ontario*



*This line drawing shows the Bull Wharf office development
in London, England which will offer tenants a spectacular
waterfront view of the Thames River*



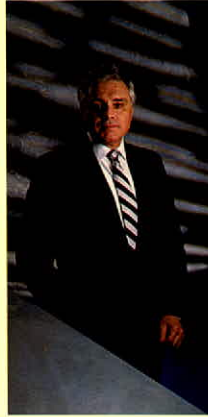
▲ A composite photograph depicting the Bay-Adelaide Centre, Toronto, Ontario.

COMMUNITY DEVELOPMENT

Markborough's community development activities are the responsibility of Markborough Communities Inc., formed in 1987 to manage the company's significant residential development assets throughout the United States and Canada.

The company's key strategy for ensuring success in highly competitive residential real estate markets is to emphasize the master-planned community concept. This approach to large-scale residential development calls for the creation of first class recreational amenities which enhance quality of life standards and housing unit values and, when coupled with attractive controlled architecture, extensive landscaping and general sensitivity to the local environment, contribute to a unique sense of community. Developments incorporating this approach have traditionally enjoyed disproportionately larger shares of local real estate market activity and this continues to be Markborough's experience.

Florida is the fourth most populous state in the United States and a future of strong job formations, population growth and low unemployment is predicted. The company is completing its Boca Pointe project in Boca Raton and beginning another venture in one of the state's fastest growing areas in Tampa. Community amenities at



Anthony J. Trella
Senior Vice President,
Community Development

Boca Pointe were sold to residents last year and control of the community association is now being transferred. At Hunter's Green in Tampa, 1989 will see the opening of models and implementation of a comprehensive marketing program for the full opening of this 2,000 acre community. Already well received

by builders, Hunter's Green will open all of its amenities (fitness centre, golf course, tennis club and country club) by the end of 1989.

Although Arizona is also a high-growth state, the Phoenix-Scottsdale market has been experiencing a recent period of slow-down and this was reflected in 1988 sales at Gainey Ranch. Approximately 1,000 housing units, a commercial office complex and a shopping centre are planned at this award-winning community (the 27-hole golf course at Gainey Ranch was recently named one of the country's 75 best resort courses by GOLF DIGEST magazine). More than 350 residences have now been built.

California's market has been strong in contrast and in 1988, virtually all land at Sunnymead Ranch in Riverside was sold.

Planned communities in Houston, Austin and Dallas present the company with its greatest challenge. Markborough operates through two partnerships



in Texas: Lexington Development Company in Houston and Austin, and Stonebriar in Dallas. Texas was severely impacted in recent years by the collapse of oil prices and only now are markets beginning to show signs of recovery.

Exhibiting the state's strongest economic turnaround is Houston, which experienced a net increase in population and job formations in 1988 for the first time in several years. Growth is expected to continue during 1989 and 1990. The company's major holding here is New Territory, a 3,100 acre master-planned community in southwest Houston, the projected primary growth section of the city. More than 7,500 housing units and a regional shopping mall are planned for the community which will be formally launched in 1989. Austin is also beginning to recover, although at a slower pace. In 1989 and 1990, positive job formations and incremental increases in housing starts are expected. In this slowly improving environment, the company is developing Harris Branch, which will also be launched in 1989. Builders are now completing models at this 2,150 acre master-planned community. Finally, the group is well positioned in Dallas to capitalize on the recovering economy and to meet the increasing demand for exclusive, country club lifestyle with Stonebriar, a private, golf course oriented, upscale

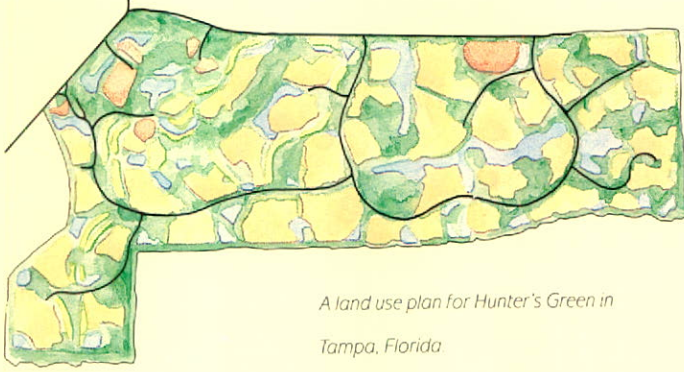
master-planned community.

Although Alberta experienced serious economic setbacks associated with the decline in energy prices in 1985 and 1986, the provincial economy has experienced some resurgence. Current research suggests this trend will continue over the next several years. In Calgary, the company has nearly sold its inventory of land in the successful Woodbine development and will be bringing onto the market in 1989 a 155 acre community to be known as Richmond Hill. In Edmonton, the corporation is starting the development and marketing of a 150 acre commercial and residential tract with sales expected to commence in 1990.

In 1989, the major focus of the Community Development group will be on the successful launching of the various new communities described above. Until each of its existing communities is fully directed toward a profitable build-out, the prudent path of minimal new investments will be followed. Emphasis will be placed upon in-depth research and aggressive marketing directed to the appropriate target consumers. By concentrating on these strategies and with continued emphasis on enhancing our human resources, Markborough

Communities will be able to best accomplish substantial progress in each of its markets in 1989 and beyond.





*A land use plan for Hunter's Green in
Tampa, Florida.*



*The golf club house at the upscale Stonebriar community in
Dallas, Texas.*



The Hunter's Green sales centre was officially opened in July, 1988. The fitness centre, golf course, tennis and country club will be completed this year.

PROPERTY PORTFOLIO

SHOPPING CENTRES

	Year Opened	Number of Stores	Gross Leaseable Area (Square Feet)			Markborough's Interest	
			Total ⁽¹⁾	Anchors	Ancillary Stores	%	G.L.A.
Regional Shopping Centres							
Les Galeries D'Anjou, Montreal, Quebec	1968	175	1,112,000	560,000	552,000	50%	556,000
Les Galeries de la Capitale, Quebec City, Quebec	1981	235	913,000	500,000	413,000	25%	228,250
Fairview Pointe Claire, Montreal, Quebec	1965	205	903,000	468,000	435,000	50%	451,500
Fairview Mall, Toronto, Ontario	1970	270	890,000	351,000	539,000	50%	445,500
Market Mall, Calgary, Alberta	1971	170	854,000	447,000	407,000	50%	427,000
Place Vertu, Montreal, Quebec	1975	185	815,000	442,000	373,000	25%	203,750
Southgate, Edmonton, Alberta	1970	140	809,000	564,000	245,000	40%	323,600
Southcentre, Calgary, Alberta	1974	205	733,000	370,000	363,000	50%	366,500
St. Vital, Winnipeg, Manitoba	1979	130	699,000	443,000	256,000	25%	174,750
Woodbine Centre, Toronto, Ontario	1985	185	648,000	276,000	372,000	40%	259,200
Surrey Place, Vancouver, British Columbia	1972	108	536,000	357,000	179,000	100%	536,000
MicMac Mall, Dartmouth, Nova Scotia	1973	150	529,000	259,000	270,000	100%	529,000
Unicity Mall, Winnipeg, Manitoba	1975	80	475,000	308,000	167,000	33 1/3%	158,300
Kildonan Place, Winnipeg, Manitoba	1980	90	447,000	279,000	168,000	40%	178,800
Oakville Place, Oakville, Ontario	1981	110	430,000	263,000	167,000	49%	210,700
Catarqui Town Centre, Kingston, Ontario	1982	105	404,000	246,000	158,000	50%	202,000
Community Shopping Centres							
Cloverdale Mall, Etobicoke, Ontario	1956	111	453,000	235,000	218,000	100%	453,000
Mayflower Mall, Sydney, Nova Scotia	1980	67	390,000	242,000	148,000	50%	195,000
Meadowvale Town Centre, Mississauga, Ont.	1978	99	369,000	184,000	185,000	100%	369,000
Rutherford Mall, Nanaimo, British Columbia	1980	79	355,000	225,000	130,000	100%	355,000
St. Albert Centre, St. Albert, Alberta	1980	67	328,000	238,000	90,000	100%	328,000
Woodside Square, Scarborough, Ontario	1977	72	282,000	158,000	124,000	50%	141,000
Place du Royaume, Chicoutimi, Quebec	1977	126	252,000	86,000	166,000	25%	63,000
Richmond Centre, Richmond, British Columbia	1973	62	222,000	112,000	110,000	100%	222,000
West End Mall, Halifax, Nova Scotia	1975	55	218,000	97,000	121,000	50%	109,000
Lloydmall, Lloydminster, Alberta	1974	51	186,000	120,000	66,000	100%	186,000
Champlain Mall, Vancouver, British Columbia	1973	47	182,000	118,000	64,000	100%	182,000
Carrefour Gaspé, Gaspé, Quebec	1980	35	135,000	84,000	51,000	10%	13,500
Thunderbird Mall, Port Hardy, British Columbia	1981	31	89,000	54,000	35,000	100%	89,000
Neighbourhood Shopping Centres							
Willow Park Village, Calgary Alberta	1964	65	111,000	-	111,000	50%	55,500
Woodbine Square, Calgary Alberta	1981	21	85,000	35,000	50,000	100%	85,000
Eastwood Square, Kitchener, Ontario	1967	16	44,000	20,000	24,000	100%	44,000
		3,547	14,898,000	8,141,000	6,757,000		8,140,350
Expansions Under Construction							
Surrey Place, Vancouver, British Columbia		25	30,000	-	30,000	100%	30,000
		3,572	14,928,000	8,141,000	6,787,000		8,170,350

¹Includes 96,000 square feet of office space in Market Mall

OFFICE AND MIXED-USE PROPERTIES

	Year Opened	Net Leasable Area (Square Feet)	Markborough's Interest %	N.L.A.
Canada				
Toronto, Ontario				
Markborough Place	1979	134,000	100%	134,000
372 Bay St.	1928	93,700	50%	46,850
347 Bay St.	1928	57,800	50%	28,900
Other (4 buildings)	Various	63,000	100%	63,000
United States				
Denver, Colorado				
Hudson's Bay Centre	1984	167,000	100%	167,000
Las Vegas, Nevada				
Greystone	1982	131,000	100%	131,000
Greystone, Phase 2	1986	68,000	100%	68,000
United Kingdom				
London, England				
Royal Bank of Canada Centre	1987	189,000	50%	94,500
		903,500		733,250

INDUSTRIAL BUILDINGS

	Net Leasable Area (Square Feet)	Markborough's Interest
Canada		
Toronto, Ontario (20 completed buildings and 2 under construction)	1,093,840	851,340
United States		
Phoenix, Arizona (3 buildings)	141,900	141,900
	1,235,740	993,240

RESIDENTIAL AND HOTEL PROPERTIES

Apartment Buildings

(Markborough's Interest is 50%)

Number of Rental Units

49 Thorncliffe Park, Toronto

400

53 Thorncliffe Park, Toronto

279

Hotels

(Markborough's Interest is 100%)

Number of Rooms

Delta Meadowdale Inn

192

LAND HELD FOR AND UNDER DEVELOPMENT

Location	Year(s) of Acquisition	Original Acreage	Total Remaining Acreage	%	Markborough's Interest Total Remaining Acreage
Canada					
Ontario					
Meadowvale	1972/85	2,905	741	100%	741
Other	Various		617	100%	617
Alberta					
Woodbine	1976	634	8	100%	8
Other	1984		419	100%	419
Other	Various		28	100%	28
			1,813		1,813
United States					
Arizona					
Gainey Ranch	1980	562	367	100%	367
Other	Various		7	100%	7
California					
Sunnymead Ranch	1980	1,366	84	100%	84
Livermore	1985	70	39	100%	39
Colorado					
Hunter's Glen	1986	325	269	80%	215
Trailside	1986	150	150	80%	120
Florida					
Hunter's Green	1985	1,980	1,839	100%	1,839
Boca Pointe	1979	1,019	186	100%	186
Texas					
New Territory	1984	3,082	2,984	80%	2,387
Harris Branch	1986	2,153	2,153	80%	1,722
Stonebriar	1986	836	790	50%	395
Northchase	1980	487	261	82%	214
Vicksburg	1982	411	215	80%	172
Hardy Plaza	1985	128	128	80%	102
Harvest Bend	1977	599	40	80%	32
Other	Various		442	80%	354
			9,954		8,235
			11,767		10,048



- Shopping Centres
- ▲ Office and Mixed-use Properties
- Regional Offices

- Industrial Buildings
- ▲ Residential and Hotel Properties
- Land Held For, and Under Development



MARKBOROUGH PROPERTIES INC. FIVE YEAR COMPARISON

(000's)

Operating results for the year	1988	1987	1986	1985	1984
Revenue from income properties	\$ 163,525	\$148,213	\$154,443	\$136,982	\$121,117
Revenue from land and housing operations	88,198	90,558	98,805	140,464	270,047
Income before income taxes	27,258	(170,527)	59,176	61,744	71,716
Net income	13,477	(88,220)	47,896	37,216	38,500
Cash flow from operations	38,993	7,157	10,537	44,541	71,286
Financial position at the year end					
Income properties	\$1,001,164	\$915,094	\$953,262	\$960,089	\$825,070
Land and housing	423,175	379,796	437,415	441,850	343,196
Total assets	1,566,452	1,481,971	1,633,136	1,646,372	1,544,004
Mortgages payable	978,245	993,646	871,844	815,053	622,871
Bank and other indebtedness	160,215	124,671	204,688	239,784	264,788
Common shareholder's equity	338,673	253,181	350,433	343,382	319,640

FINANCIAL COMMENTARY

Financial Highlights

Markborough's 1988 net income of \$13.5 million showed a significant \$101.7 million improvement over the prior year loss of \$88.2 million, which resulted from substantial write-downs of the company's land and related assets in the United States, particularly assets in Texas. The 1987 write-down was \$196.6 million before tax and \$101.7 million after tax.

Also during 1987 the company completed a three year rationalization program of disposing of certain income properties which did not meet its investment criteria. Excluding the effect of both these events in 1987, net income for that year was \$9.2 million. The resulting improvement in net income from regular activities in 1988 was therefore \$4.3 million.

Cash flow is one of the key measures of financial performance in the real estate industry and an important indication of the company's ability to finance future growth. Cash flow from operations was \$39.0 million this year, a 30% increase over last year's cash flow of \$30.0 million excluding the effect of the provision for loss in value. The majority of the company's cash flow is derived from its income property portfolio.

Operating Results

Although revenue of \$88.2 million from land and housing operations was similar to last year's performance, rental revenues from income properties increased from \$148.2 million in 1987 to \$163.5 million in 1988. Income property operating profit, a major contributor to cash flow, increased by \$10.2 million to \$102.7 million, an 11% improve-



John A. Brough
Senior Vice President and
Chief Financial Officer

ment over last year.

Markborough's diverse portfolio of income properties, including major regional and community shopping centres across Canada, provides stable, growing contributions to profit and cash flow. Contributions from the land and housing portfolio have been volatile in the past, but are expected to provide a more stable and improved source of revenue,

profit and cash flow over the next few years, primarily as a result of the current development of the next commercial and residential phases in our Meadowvale project in Mississauga, Ontario.

The shopping centre group, which has the largest proportion of the company's assets, produced 1988 revenues of \$134.6 million, or 53% of total revenues. This was an improvement of \$16.0 million over the prior year, most of which resulted from new and expanded properties, as well as from lease renewals and growth in percentage rents in existing properties. The remaining revenue increase related to the recovery from tenants of increases in operating costs and therefore had a minimal effect on operating profit. Operating profit improved by \$9.2 million to \$86.7 million in 1988. A significant portion of this improvement was attributable to expansions in four centres and the inclusion of results for a full year from a regional mall in Surrey, B.C. acquired late in 1987. Since the expansions produced yields above the cost of debt, they had a positive effect on net cash flow after interest. In addition, increases in operating profit from existing centres positively affected both profit and cash flow.

The cash flow from operations in the shopping centre group was \$27.0 million, or 70% of the company's consolidated cash flow from operations of \$39.0 million.

The urban development group accounted for approximately 20% of the company's revenue and 30% of its cash flow from operations in 1988. Revenues amounted to \$48.5 million this year compared to \$49.9 million in 1987. This comprises \$19.6 million (\$20.3 million in 1987) from sales of industrial land, primarily in the Meadowvale development, and \$28.9 million (\$29.6 million in 1987) from income properties. At the operating profit level, the urban group's income properties earned \$16.0 million compared to \$15.0 million the prior year. This increase was mainly attributable to the inclusion of a full year's results from the fully leased Royal Bank of Canada Centre in London, England, offset partly by reduced profits from our three U.S. office buildings. The majority of the \$12.0 million of cash flow from operations generated by this group arose from industrial land sales. Due to the negative returns after interest on the U.S. office buildings, our urban income property portfolio presently produces minimal net cash flow.

Land and housing sales revenue from the community development group of \$68.6 million approximated 1987 levels. The group's cash flow from operations was at a break even level in 1988 compared to a negative cash flow in 1987. Southern California sales were strong and Texas sales, although still weak, did show some improvement over 1987 levels. On the other hand, both Arizona and our Tampa operations experienced lower sales revenue than in 1987.

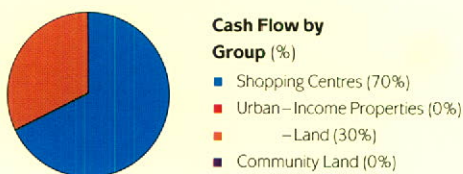
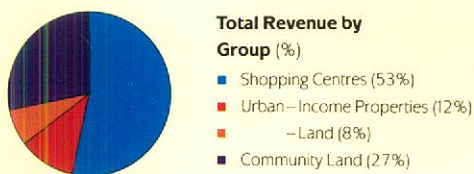
Financial Position

Markborough's assets grew by \$84 million to \$1.57 billion during 1988. The book value of the company's income properties increased by \$86 million to over \$1.0 billion as a result of \$127 million of expenditures for site acquisitions and the expansion of various shopping centres. While investment in land and housing increased by \$43 million, mortgages and other secured receivables, primarily associated with community land development operations, decreased by a similar amount during the year.

During the lower interest rate environment in the first half of 1988, the company arranged over \$120 million of long-term income property financing. This resulted in a higher proportion of fixed rate indebtedness at January 31, 1989 compared to the previous year end. The overall effective rate on all of the company's fixed rate indebtedness as at January 31, 1989 was 10.9%. The company will continue to take advantage of opportunities to extend terms and fix rates at acceptable levels. In addition, rates on some floating rate indebtedness have been fixed for various periods, up to nine months, in recognition of the recent rising interest rate trend.

Shareholder's equity increased by \$85 million due to earnings and additional contributions of capital from the parent company. The resulting debt to book equity ratio of the company at January 31, 1989 improved to 3.4:1 from 4.4:1 at the previous year end.

Markborough obtained a rating from Dominion Bond Rating Service in June 1988. The rating on the company's senior indebtedness is A (low), which reflects its sound financial position notwith-



standing the significant book losses recorded in the previous year.

Current Value

The financial statements of the company are prepared on the historic cost basis. Under this method of accounting, increases in the underlying value of the assets are not recorded. Management believes that, in the real estate industry, the inclusion of current value information is an important supplement to the historic cost accounts. Set out below is a calculation of the approximate current market value of the company's equity. This calculation was determined by adjusting the book equity by the unrealized gain resulting from the excess of market value over book value of the real estate portfolio.

At January 31, 1988, Markborough engaged independent real estate appraisers to value all of its income properties which represented approximately 70% of the market value of the company's total assets. Land assets were valued by management based upon studies of pricing, absorption rates and overall market conditions performed by independent real estate professionals in Canada and the United States.

ECI Canada Appraisal Corp. valued all of the Canadian income property portfolio at January 31, 1988 which represented approximately 88% of the market value of the total income property portfolio. Income properties in the United States were valued by Royal LePage Real Estate Services and in England by Weatherall, Green and Smith.

For the current year ended January 31, 1989, management, in conjunction with ECI Canada Appraisal Corp. which advised on changes in market

trends, capitalization rates and general economic conditions over the last 12 month period, internally valued the Canadian income properties relying on the 1988 appraisals as a base. The balance of the income properties and the land portfolio were valued by management with reliance on the 1988 appraisals and independent market studies.

Based upon these procedures, management estimates the current value of the company at January 31, 1989 to be \$1,289 million before tax and \$951 million after tax. The provision for income tax includes tax on asset appreciation, calculated as if full asset disposal and the payment of taxes thereon occurred at the end of the respective valuation year. All other assets and liabilities recorded in the financial statements are stated at book.

As at January 31: (000's)

	1989	1988
Shareholder's equity at book	\$ 338,673	\$ 253,181
Deferred income taxes at book	24,315	40,235
	362,988	293,416
Asset appreciation	926,211	818,816
	1,289,199	1,112,232
Provision for income taxes including tax on asset appreciation	338,112	309,088
	\$ 951,087	\$ 803,144



CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED JANUARY 31, 1989

(000's)

	This Year	Last Year
Revenue from income properties	\$163,525	\$148,213
Less:		
Operating expenses	39,137	35,673
Realty taxes	21,653	20,046
Operating profit from income properties	102,735	92,494
Revenue from land operations	81,524	82,197
Less cost of sales (Note 3)	69,980	275,930
Profit (loss) from land operations	11,544	(193,733)
Revenue from housing operations	6,674	8,361
Less cost of sales	6,311	8,070
Profit from housing operations	363	291
Interest and other income	9,228	13,032
Gain (loss) on income property sales and sites	(1,895)	3,294
Income (loss) before the undernoted items	121,975	(84,622)
Interest expense (Note 4)	67,492	60,047
Depreciation on income properties	14,146	13,109
General and administrative expenses	13,079	12,749
Income (loss) before income taxes	27,258	(170,527)
Provision for (recovery of) income taxes (Note 5):		
Current	2,411	1,700
Deferred	11,370	(84,007)
	13,781	(82,307)
Net income (loss) for the year	\$ 13,477	\$ (88,220)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEAR ENDED JANUARY 31, 1989

(000's)

	This Year	Last Year
Retained earnings at beginning of the year	\$ —	\$ 56,006
Net income (loss) for the year	13,477	(88,220)
Dividends paid on common shares	—	(16,764)
Transfer from contributed surplus (Note 12)	—	48,978
Retained earnings at end of the year	\$13,477	\$ —

CONSOLIDATED BALANCE SHEET

JANUARY 31, 1989

(000's)

ASSETS		
	This Year	Last Year
Income properties (Note 6)	\$1,001,164	\$ 915,094
Land and housing (Note 7)	423,175	379,796
Accounts receivable	28,955	37,553
Mortgages and other secured receivables (Note 8)	77,077	120,691
Prepaid expenses and other assets	36,081	28,837
	\$1,566,452	\$1,481,971

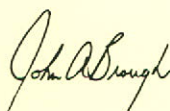
LIABILITIES AND SHAREHOLDER'S EQUITY

Mortgages payable (Note 9)	\$ 978,245	\$ 993,646
Bank indebtedness (Note 9)	160,215	118,180
Due to affiliated company (Note 9)	—	6,491
Accounts payable and accrued liabilities	65,004	70,238
Deferred income taxes	24,315	40,235
	1,227,779	1,228,790
Capital stock (Note 10)	152,534	105,034
Contributed surplus (Note 11)	172,662	148,147
Retained earnings (Note 12)	13,477	—
	338,673	253,181
	\$1,566,452	\$1,481,971

Approved by the Board:



Neil R. Wood
Director



John A. Brough
Director

AUDITORS' REPORT

TO THE SHAREHOLDER OF MARKBOROUGH PROPERTIES INC.:

We have examined the consolidated balance sheet of Markborough Properties Inc. (formerly Markborough Properties Limited) as at January 31, 1989 and the consolidated statements of operations, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at January 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, March 9, 1989

Price Waterhouse
Chartered Accountants

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED JANUARY 31, 1989

(000's)

	This Year	Last Year
Cash provided from operating activities:		
Net income (loss) for the year	\$ 13,477	\$ (88,220)
Add (deduct):		
Depreciation	14,146	13,109
Provision for (recovery of) deferred income taxes	11,370	(84,007)
Non-cash portion of provision for loss in value	-	173,714
Gain on income property sales	-	(7,439)
Cash flow from operations	38,993	7,157
Cash portion of provision for loss in value	-	22,886
Costs recovered through land and housing sales	76,291	87,400
Other assets and liabilities, net	35,557	11,209
	150,841	128,652
Cash applied to investing activities:		
Income properties		
Acquisition	60,119	43,074
Construction	40,761	69,696
Proceeds from income property sales	(9,595)	(62,401)
Carrying and pre-development costs on sites	26,261	6,231
Land and housing		
Acquisition	3,700	6,766
Development and related costs	72,357	73,310
Carrying charges	44,348	35,819
Housing construction	5,444	5,900
	243,395	178,395
Dividends paid on common shares	-	16,764
	243,395	195,159
	\$ 92,554	\$ 66,507
Cash provided from (applied to) financing activities:		
Mortgages on income properties, net	\$ 30,619	\$141,432
Mortgages on land, net	(46,020)	(19,630)
Mortgages and other secured receivables, net	29,911	24,722
Repayment of advances from affiliated companies	(6,491)	(79,812)
Increase (decrease) in bank indebtedness	42,035	(205)
Issue of common shares	47,500	-
Repurchase of common shares	-	(3,771)
(Decrease) increase in contributed surplus	(5,000)	3,771
	\$ 92,554	\$ 66,507

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 1989

1. REORGANIZATION

Prior to January 30, 1989, Markborough Properties Inc. ("MPI") was a holding company. Substantially all of that company's assets consisted of investments in two wholly-owned subsidiaries, Markborough Properties Limited ("MPL") and 633811 Ontario Inc. ("633811"). 633811 is itself a holding company which owns the United States and United Kingdom subsidiaries of the Markborough group. On January 30, 1989, MPL acquired all of the shares of 633811. Since MPL now owns all of the assets and liabilities of the Markborough group, its financial statements are those presented herein. MPL has accounted for the reorganization in a manner similar to a pooling of interests, and accordingly, the assets, liabilities, revenues and expenses of MPL are the same as those of MPI. The retained earnings are also as previously reported by MPI, however, share capital and contributed surplus have been adjusted to account for the capital structure of MPL which is different from that of MPI.

Subsequent to January 31, 1989, MPL changed its name to Markborough Properties Inc., and MPI changed its name to Markborough Properties Investments Inc..

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company is an associate 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's significant accounting policies are as follows:

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned, together with the Company's share of the assets, liabilities, revenues and expenses of the incorporated and unincorporated joint ventures in which it participates.

(b) Land and housing

Land and housing are carried at the lower of cost or net realizable value at the estimated time of sale.

The cost of land includes pre-development expenses, interest, realty taxes and other directly related expenses. General and administrative expenses, including salaries, which can be clearly identified with the development of a property are allocated to the cost of that property.

Allocated costs are charged to saleable acreage on the basis of anticipated revenues.

Revenue from the sale of land and housing is recognized once all material conditions have been fulfilled and the Company has received a down payment that is appropriate in the circumstances having regard to the financial resources of the purchaser.

(c) Income properties

Income properties completed and under construction and sites are carried at cost. Cost includes interest, realty taxes, other carrying charges, applicable general and administrative expenses incurred in the pre-development and construction periods and initial leasing costs.

Revenue is recorded in income at the earlier of the date when 70% of the property is leased or when a period has elapsed subsequent to substantial completion deemed under the circumstances to be reasonable for leasing. Operating results prior to this date are capitalized.

Buildings are depreciated on the sinking fund basis at rates ranging between 3% and 5% over terms of 35 to 50 years. Equipment is depreciated on a straight-line basis over the estimated useful life of the asset. Lease renewal costs are amortized over the term of the related lease.

(d) Interest allocation

Interest on specific debt secured by land, sites and income properties under construction is capitalized to such assets.

Interest on other borrowings is pooled and capitalized to income properties under construction and land at the weighted average rate for that portion of projects not financed by specific debt. The remaining unallocated interest is expensed.

3. COST OF SALES

Included in cost of sales last year was a provision for loss in value of \$196,600,000 determined after an in-depth evaluation of the Company's United States land portfolio and related secured receivables arising from sales thereof. Most of the United States properties represent large land assemblies to be developed over a number of years.

4. INTEREST INCURRED

Interest incurred during the year has been allocated as follows: ('000's)

	This Year	Last Year
Capitalized		
Income properties under construction and sites	\$ 13,350	\$ 13,781
Land and housing	40,051	10,883
Provision for loss in value	–	22,886
Interest expense	67,492	60,047
	\$120,893	\$107,597

5. INCOME TAXES

The Company's effective income tax rate is explained as follows:

	This Year	Last Year
Combined Canadian federal and provincial income tax rates	46.9%	51.5%
Increase (decrease) in income tax rate resulting from:		
Foreign rates	(0.8)	(2.3)
Lower effective rate on capital gains	(0.2)	(0.2)
Other	4.7	(0.7)
Effective income tax rate	50.6%	48.3%

6. INCOME PROPERTIES

Income properties consist of: (000's)

	This Year	Last Year
Income producing		
Land	\$ 105,005	\$105,083
Buildings	813,309	745,146
Equipment	8,733	7,866
	<u>927,047</u>	<u>858,095</u>
Less accumulated depreciation	88,087	74,968
	<u>838,960</u>	<u>783,127</u>
Under construction		
Land	2,294	1,943
Buildings	2,892	34,927
	<u>5,186</u>	<u>36,870</u>
Sites	157,018	95,097
	<u>\$1,001,164</u>	<u>\$915,094</u>

The Company's share of the estimated cost to complete construction of three projects in progress is \$16,000,000. Existing operating lines of credit are sufficient to fund the construction of these projects.

7. LAND AND HOUSING

Land and housing consists of: (000's)

	This Year	Last Year
Land under development	\$ 278,933	\$231,022
Housing under development	8,185	4,265
Land held for development	136,057	144,509
	<u>\$ 423,175</u>	<u>\$379,796</u>

8. MORTGAGES AND OTHER SECURED RECEIVABLES

Mortgages and other secured receivables, which arise from sales of real property, bear interest at an average year-end rate of 10.2% and mature as follows: (000's)

Fiscal year ending January 31, 1990	\$35,033
1991	4,683
1992	6,617
1993	11,280
1994	716
Subsequent to January 31, 1994	18,748
	<u>\$77,077</u>

Under certain conditions, the amounts due may be paid prior to maturity.

9. DEBT

Debt of the Company by category and by interest obligation is as follows: (000's)

	This Year	Last Year
By category		
Mortgages payable	\$ 978,245	\$ 993,646
Bank indebtedness	160,215	118,180
Due to affiliated company	—	6,491
	\$1,138,460	\$1,118,317
By interest obligation		
Floating rate at an average year-end interest rate of 10.8% (last year – 8.8%)	\$ 472,587	\$ 496,978
Fixed rate at an average year-end interest rate of 10.9% (last year – 10.9%)	665,873	621,339
	\$1,138,460	\$1,118,317

Included in fixed rate obligations is Canadian \$13,000,000, U.S. \$100,000,000 and U.K. £15,000,000 (Canadian equivalent \$118,500,000 and \$31,050,000 respectively) of bank indebtedness and mortgages payable on which the interest rates have been fixed for an average remaining period of approximately six years at an average effective rate of 9.7% by way of various interest exchange agreements.

Mortgages payable are secured as follows: (000's)

	This Year	Last Year
On income property permanent financing, at an average year-end interest rate of 11.3% (last year – 11.5%) and maturing by 2007.	\$534,307	\$443,005
On income property interim financing, at an average year-end interest rate of 11.1% (last year – 9.4%) and maturing by 1991.	193,000	253,683
On land at an average year-end interest rate of 10.1% (last year – 9.4%) and maturing by 2013.	250,938	296,958
	\$978,245	\$993,646

Principal repayments of mortgages payable are due as follows: (000's)

Fiscal year ending January 31, 1990	\$182,283
1991	158,209
1992	90,561
1993	61,876
1994	39,668
Subsequent to January 31, 1994	445,648
	\$978,245

Included in mortgages payable is debt in the amount of U.S. \$260,419,000 and U.K. £15,229,000 (Canadian equivalent \$308,597,000 and \$31,523,000 respectively) attributable to assets in the United States and the United Kingdom.

Bank indebtedness is payable on demand and consists of amounts which are outstanding under various operating lines of credit. Included in bank indebtedness is an amount denominated in United States dollars of U.S. \$135,927,000 (Canadian equivalent \$161,074,000) attributable to assets in the United States.

10. CAPITAL STOCK

The authorized capital stock of the Company consists of an unlimited number of common shares, an unlimited number of Class A preference shares and an unlimited number of Class 1 preference shares, all without par value.

The following summarizes the changes in issued and outstanding capital stock during the year:

	Number	Amount (000's)
Common shares		
Beginning of the year	9,537,659	\$105,034
Issue of shares for assets	658,200	42,500
Issue of shares for cash (Note 11)	62,174	5,000
End of the year	10,258,033	\$152,534

The company acquired a site in London, England and an income property in Canada from an affiliated company during the year in exchange for common shares.

11. CONTRIBUTED SURPLUS

During the year the Company borrowed from its parent to invest in an affiliated company. Subsequently, the shares were redeemed and the borrowing repaid. During the period this investment was held, a loss for income tax purposes was incurred, the benefit of which has been recorded in the consolidated balance sheet as a reduction of deferred income taxes and an increase in contributed surplus in the amount of \$29,515,000. Also, subsequent to the reorganization referred to in Note 1, the Company paid a dividend of \$5,000,000 out of contributed surplus. This amount was immediately reinvested in common shares of the Company.

12. RETAINED EARNINGS

Pursuant to a shareholder's resolution effective January 31, 1988, the Company transferred \$48,978,000 from contributed surplus in order to eliminate a deficit in retained earnings.

13. JOINT VENTURE OPERATIONS

The Company's share of its joint venture operations is summarized as follows: (000's)

	This Year	Last Year
Assets	\$898,378	\$832,265
Liabilities	\$687,431	\$641,729
Revenue	\$112,426	\$105,339
Income (loss) before income taxes	\$ 19,996	\$ (98,515)

The Company is contingently liable at January 31, 1989 for \$144,010,000, representing certain liabilities of its co-owners and partners in unincorporated joint ventures but against such liabilities the Company would have a claim upon the joint venture assets of its co-owners and partners. The value of the assets of each of these joint ventures exceeds the contingent liability.

14. RELATED PARTY TRANSACTIONS

In addition to the transactions described in Notes 10 and 11, the Company has also entered into other transactions with affiliated companies in the normal course of business. Such transactions were negotiated as if the parties were dealing at arm's length.

15. CONTINGENCIES

At January 31, 1989, the Company is involved in litigation and claims which arise from time to time in the normal course of business. In the opinion of management, any liability that may arise from such contingencies would not have a significant adverse effect on the consolidated financial statements of the Company.

16. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain prior year's amounts have been reclassified to conform with the current year's presentation.

17. SEGMENTED INFORMATION

Segmented information is summarized as follows (000's):

	Canada		United States		United Kingdom		Total	
	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year
Assets								
Income properties	\$832,768	\$763,728	\$ 85,925	\$ 90,742	\$82,471	\$60,624	\$1,001,164	\$ 915,094
Land and housing	35,964	29,908	387,211	349,888	—	—	423,175	379,796
Other	54,726	81,460	83,078	105,621	4,309	—	142,113	187,081
	\$923,458	\$875,096	\$556,214	\$ 546,251	\$86,780	\$60,624	\$1,566,452	\$1,481,971
Revenue								
Income properties	\$151,310	\$136,229	\$ 5,539	\$ 7,495	\$ 6,676	\$ 4,489	\$ 163,525	\$ 148,213
Land	23,860	32,318	57,664	49,879	—	—	81,524	82,197
Housing	—	—	6,674	8,361	—	—	6,674	8,361
	\$175,170	\$168,547	\$ 69,877	\$ 65,735	\$ 6,676	\$ 4,489	\$ 251,723	\$ 238,771
Profit (Loss)								
Income properties	\$ 94,617	\$ 85,382	\$ 1,749	\$ 3,002	\$ 6,369	\$ 4,110	\$ 102,735	\$ 92,494
Land	12,638	12,945	(1,094)	(206,678)	—	—	11,544	(193,733)
Housing	—	—	363	291	—	—	363	291
	107,255	98,327	1,018	(203,385)	6,369	4,110	114,642	(100,948)
Interest and other income	5,289	6,938	3,939	6,094	—	—	9,228	13,032
Gain (loss) on income property sales and sites	2,309	(1,041)	(4,204)	4,335	—	—	(1,895)	3,294
	\$114,853	\$104,224	\$ 753	\$(192,956)	\$ 6,369	\$ 4,110	121,975	(84,622)
Interest expense							67,492	60,047
Depreciation on income properties							14,146	13,109
General and administrative expenses							13,079	12,749
Income (loss) before income taxes							27,258	(170,527)
Provision for (recovery of) income taxes							13,781	(82,307)
Net income (loss) for the year							\$ 13,477	\$ (88,220)

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

John A. Brough

Senior Vice President
and Chief Financial Officer
Markborough Properties Inc.
Toronto

Tullio Cedraschi

President and Chief Executive
Officer
CN Investment Division
Canadian National Railways
Montreal

Gordon C. Gray

Chairman of the Board
Royal LePage Limited
Toronto

†Gary J. Lukassen

Senior Vice President,
Finance and Administration
Hudson's Bay Company
Toronto

Alexander J. MacIntosh, O.C.

Partner
Blake, Cassels & Graydon
Toronto

Donald S. McGiverin

Governor
Hudson's Bay Company
Toronto

****Peter W. Mills, O.C.**

Vice President and General
Counsel
The Woodbridge Company Ltd.
Toronto

Donald C. Rogers

Vice President - Real Estate
and Development
Hudson's Bay Company
Toronto

William W. Siebens

President
Candor Investments Ltd.
Calgary

***Neil R. Wood**

Chairman, President and
Chief Executive Officer
Markborough Properties Inc.
Toronto

OFFICERS

Neil R. Wood

Chairman, President and
Chief Executive Officer

Donald S. McGiverin

Deputy Chairman of the Board

John A. Brough

Senior Vice President and
Chief Financial Officer

George S. Schott

Senior Vice President,
Shopping Centres

Mark A. Shuparski

Senior Vice President,
Urban Development

Anthony J. Trella

Senior Vice President,
Community Development

Christopher J. Desjardins

Vice President and Secretary

Simon W. Nyilassy

Vice President, Finance

John G. Anderton

Controller

Simon M.H. Chan

Treasurer

CORPORATE OFFICE

Markborough Properties Inc.

1 Dundas Street West
Suite 2800
Toronto, Ontario
M5G 2J2

*Chairman of the Board and of
the Executive Committee

†Chairman of the Audit Committee

**Chairman of the Management
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Committee

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Shopping Centres

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Allan M. Palef
Vice President, Leasing

K. Blake Hossack
Director, Acquisitions

URBAN DEVELOPMENT

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Kenneth E. Nixon
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David Fitzpatrick
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Thomas Siklos
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Geoffrey F. Bryan
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President
Markborough Communities Inc.

James M. Kilday
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Z.O. Hamilton, Jr.
Vice President and General Manager
Provident Development Company
Austin, Texas

Wholly Owned Operations

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Markborough Florida, Inc.
Tampa, Florida

Daniel R. Wielhouwer
President, Boca Pointe Division
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C. Robert Woolsey
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Lexington Development Company
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Michael Cowie
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Lexington Development Company

John P. Collins
Chairman
Houston, Texas

Stonebriar

John P. Collins
Manager
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Douglas W. Kelly
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