BCE DEVELOPMENT CORPORATION

Annual Report 1990

Notice of Annual Meeting

The Annual Meeting of Shareholders will be held on the 40th floor of the Canada Trust Tower, BCE Place, Toronto, on August 15, 1991 at 10:30 a.m. Shareholders are encouraged to attend the meeting but those unable to do so are asked to sign and return the form of proxy mailed with this report.

Corporate Profile

BCED is a diversified North American real estate development company in the process of undergoing a major financial restructuring. BCED's business activities are conducted largely through its principal operating subsidiary, Brookfield Development Corporation. Copies of Brookfield's annual report are available on request.

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At the beginning of 1990, BCE Development Corporation (BCED) faced the daunting task of financing its $2 billion development program in a declining real estate environment. At the same time, BCED's existing properties and high operating costs were draining the Company's limited resources at the rate of $8 million per month. It was also clear at the time that a liquidation of the Company's assets in the rapidly declining real estate markets would have resulted in substantial losses being suffered by most of BCED's unsecured creditors and a total loss for the Company's subordinated debentureholders and other public securityholders. In addition, real estate lenders were becoming increasingly discriminating, thereby making it impossible for BCED itself to obtain additional financing.

Faced with these problems, BCED came close to a financial collapse, which would have led to construction sites being abandoned, tenants stranded without premises, loan covenants breached and a host of other claims being incurred. In these circumstances, your Board entered into a financing agreement with BCE Inc. (BCE) and Carena Developments Limited (Carena) to provide BCED's principal operating subsidiary, Brookfield Development Corporation (Brookfield), with $500 million of secured loan financing, which was later increased to $700 million. This financing, which in time will be converted into Brookfield common shares in support of a financial restructuring of the Company, was essential to secure the confidence of Brookfield's lenders, including obtaining their agreement to provide a $200 million revolving credit facility through a syndicate of Canadian chartered banks. It was also essential to permit Brookfield to arrange five project financing facilities required to fund the completion of the Company's Montreal, Toronto, Chicago, Minneapolis and Orange County properties. These facilities, arranged during times of difficult credit conditions for real estate operations, provide assurance that the development program will be completed as scheduled.

At the same time, three major initiatives were taken to stabilize BCED's operations: first, a substantial cost reduction program was implemented, resulting in net administrative costs being reduced by more than half; second, arrangements were negotiated, and continue to be negotiated, with lenders to troubled projects so that their loans are serviced solely from cash generated by the projects, thereby relieving the Company from using its own cash resources to cover cash flow deficiencies; third, in recognition not only of BCED's need to conserve its cash resources but also a need to ensure that senior ranking creditors were treated no less favourably than the holders of the Company's subordinated debentures and preferred shares, interest and dividend payments were deferred and allowed to accumulate on these securities.

Having overcome the daunting challenges faced at the beginning of 1990, we are well advanced in achieving our objectives, including:

- informing each of BCED's diverse constituents of the Company's financial position and obtaining considerable support for its operating and restructuring plans;
- developing Brookfield as the Company's principal operating subsidiary with an assured and strong capital base;
- arranging project financing through Brookfield to complete its development program; and
- focusing Brookfield's operations on areas where it enjoys a competitive advantage, with plans to sell other assets.

There has also been a marked improvement in the operations of completed properties and business is being conducted throughout the Company in a prudent and cost-effective manner.

Notwithstanding these accomplishments, external forces, such as weak real estate markets and the scarcity and high cost of credit available to property investors, have made it an inopportune time for the Company to effect the proposed rights offering and the related conversion of the BCE and Carena secured loans into common shares of Brookfield. The alternative of selling the Company's assets to repay these and other secured bank loans remains as unattractive as a year ago, and would certainly lead to substantial losses for BCED's unsecured creditors and no recovery for its subordinated debentureholders and other public securityholders.

In these circumstances, a committee of BCED's Independent Directors recommended to the Board of Directors that BCED defer proceeding with the proposed rights offering and equity conversion of the BCE and Carena loans. Pursuant to this recommendation, the Company has negotiated an agreement with BCE and Carena, which is subject to the receipt of all requisite approvals, to defer the maturity of their loans until April 30, 1993 in contemplation of a rights offering to purchase shares of Brookfield and equity conversion to occur during the first quarter of 1993 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 during the deferral period. Similarly, since these loans are guaranteed and secured by BCED, the Company's other creditors are also expected to defer the enforcement of any claims they may have involving the Company. These arrangements, if complied with by all claimants, will preserve the opportunity for BCED's creditors and other securityholders to participate in any recovery in real estate values during the deferral period. If all claimants do not comply with the deferral arrangements, BCE and Carena will be entitled to take such proceedings as they consider appropriate to protect their secured loans to Brookfield, which may include the commencement of realization or other enforcement proceedings. If this occurs, BCE and Carena have stated that they intend to work with Brookfield with a view to completing the development program and safeguarding the interests of Brookfield's commercial banks and project lenders as well as its trade creditors, but BCED's unsecured creditors would undoubtedly suffer significant losses and there would be no recovery for the Company's subordinated debentureholders and shareholders.

We now enter a new phase in the reorganization of BCED's affairs. We have satisfied most of our constituents, including our tenants, contractors, corporate bankers, project lenders and the city authorities where our projects are located. Their interests have been protected and values are being maintained or restored to their satisfaction. There remain, however, approximately $110 million of unsecured creditors of BCED, including claimants under head leases and other support arrangements previously provided by BCED to project lenders. As mentioned above, these creditors would recover little or no value if BCED proceeded with the Brookfield equity conversion or effected a realization of the Company's assets at this time. The Company's debentureholders, who are owed $130 million and are subordinate to these creditors, would certainly lose their investment if an early realization of assets was required.

This does not mean there is no possibility for recovery of values over time. A change in market sentiment can result in significant increases in real estate values. We are, hopefully, in a declining interest rate environment and credit is becoming more easily available which should in time lead to higher real estate values. If all other valuation criteria remained unchanged, an improvement in capitalization rates would contribute substantially towards restoring values. In addition, the Company has an interest in several properties where there is some potential to recover value in successfully completing a restructuring of the related debt, which currently exceeds the value of these properties. Although there is no assurance that value will return during the course of the deferral period, the Independent Committee felt strongly that this opportunity should be preserved for the benefit of BCED's creditors and other securityholders. The Company believes that to be successful, this will require the cooperation and patience of not only BCE and Carena as the principal lenders of Brookfield, but also all of BCED's creditors.

Since any recovery in value is expected to come mainly from the future success of Brookfield, we have prepared a separate annual report for Brookfield and will make it available to the Company's public securityholders and any other interested parties. In addition, the financial analysis that forms part of this report includes a balance sheet which reflects BCED's investment in Brookfield on an equity accounted basis. This information should help to illustrate the relative positions of BCED's different creditor groups and the assets potentially available to support their loans. These assets include the common shares of Brookfield presently held, and over time could include the possible realization of the unrecorded benefit of tax losses. BCED's residual interest in Brookfield could also be enhanced if common share purchase warrants are granted to BCED with the concurrence of BCE and Carena at the time their loans are converted into common shares of Brookfield. The investment in Brookfield is, however, likely to be the major source of value should real estate markets recover during the deferral period.

The many accomplishments over the past year have been made through the efforts and loyalty of our employees, who continue to be dedicated to the completion of the Company's plans as outlined. Through their efforts BCED intends to capitalize on the opportunities the future brings.

On behalf of the board,

Gordon E. Arnell

Gordon E. Arnell
Chairman

June 13, 1991

Financial Analysis and Review

At the beginning of 1990, the Company adopted a business plan which provided for major operating cost reductions, a restructuring of project debts and the strengthening of the capital base of Brookfield, the Company's principal operating subsidiary, to enable the extensive development program which was underway to be completed on schedule. An integral part of the business plan entailed the conversion into Brookfield common shares of a $500 million secured loan facility provided by BCE and Carena to enable this development program to continue uninterrupted. This conversion was to have been accomplished in connection with a rights offering to be made to BCED's public securityholders to purchase shares of Brookfield. The secured loan was subsequently increased to $700 million.

At the time the credit facility was established, the parties expected the equity conversion to be completed by June 30, 1991, failing which the loans were to mature on July 15, 1991. However, an agreement was recently reached with BCE and Carena, which is subject to the receipt of all requisite approvals, to defer the maturity of this loan until April 30, 1993 in contemplation of a common share rights offering of Brookfield and equity conversion based on values as at December 31, 1992. BCE and Carena have agreed to apply all advances under the secured credit facility to the purchase of common shares of Brookfield in support of a financial restructuring to be concluded in the first quarter of 1993, subject to the receipt of all requisite regulatory and other approvals. The objective of this deferral is to provide BCED's creditors and public securityholders with an opportunity to participate in any recovery in real estate values during the next eighteen months.

Operating Results

During 1990 the Company made considerable progress in implementing its financial restructuring and operating plans. The operating loss in 1990 was less than management's previously announced expectations and has shown a steady improvement over the past eighteen months. The net operating loss for the year was $50.2 million on revenues of $191.3 million, compared with a net loss of $76.3 million on revenues of $168.4 million for 1989. Although this improvement in operating results is encouraging, the Company will continue to report operating losses until Brookfield's secured loans are converted into equity of Brookfield in accordance with the Company's plans and BCED's liabilities and share capital have been restructured.

The segmentation of the consolidated operating results between BCED and Brookfield and their respective subsidiaries for 1990, with comparative consolidated results for 1989, is as follows:

			Consolidated	
($ 000's)	BCED	Brookfield	**1990**	1989
Net rental income	$ 41,334	$ 26,818	**$ 68,152**	$ 68,977
Net income (loss) from real estate sales	3,134	4,422	**7,556**	(2,314)
Interest and other income	17,474	18,245	**35,719**	31,310
Net operating revenue	61,942	49,485	**111,427**	97,973
Interest expense	84,724	50,033	**134,757**	111,001
General and administrative	2,372	4,789	**7,161**	22,209
Depreciation and amortization	9,191	4,618	**13,809**	9,922
Reorganization and other costs	4,332	1,566	**5,898**	31,107
Total expenses	100,619	61,006	**161,625**	174,239
Net Operating Loss	$(38,677)	$(11,521)	**$(50,198)**	$(76,266)

Operating results are expected to continue to improve in 1991 as progress is made in implementing the Company's operating plans and the impact of asset sales and property restructurings completed in the latter part of 1990 are reflected in earnings.

On completion of the current property development program, net rental income is expected to grow as properties now under development are brought into the income-producing category. The effect on operating income, however, is not expected to be significant in the short term as rental income from properties recently completed seldom generates sufficient cash flow to cover related financing costs. The successful conversion to equity of a substantial portion of the secured loans made by BCE and Carena to Brookfield will significantly improve operating results.

Net rental income
Net rental income, being rental revenues less rental operating costs (but before interest and depreciation charges) was relatively stable, decreasing from $69.0 million in 1989 to $68.2 million in 1990. During the year, an historic office building at 320 Bay Street, Toronto, was taken out of the revenue stream for redevelopment. The resulting loss of net rental income from this project was largely offset by the Park & Tilford and Minnesota World Trade Center properties becoming operating properties for accounting purposes from the beginning of the year. Net rental income is expected to be reduced in 1991 as a result of the disposition during the latter part of 1990 of a number of properties.

Properties sold in 1990 contributed approximately $6.1 million to net rental income. Since year end, the Company has sold its interest in one project to the project lenders in satisfaction of the debt and negotiations are ongoing with the lenders and financial partners with respect to several other projects. These projects contributed approximately $51.5 million to net rental income in 1990. The extent to which the Company disposes of all or a portion of its interests in these projects as part of these restructuring activities and the timing of any such transaction will affect the impact these negotiations will have on net rental income in 1991.

Net income from real estate sales
During 1990, the Company reviewed its portfolio to identify properties that no longer met its strategic objectives and developed a plan to dispose of these assets. During 1990, real estate sales were $181.5 million, down from $232.1 million in the previous year. 1990 sales resulted in a gain of $7.5 million after expensing holding costs including property tax reassessments from prior years, which compares with a loss of $2.3 million in 1989.

At the beginning of 1991, the Company completed a definitive plan for the disposition of its non-strategic assets, including the identity of the assets and their carrying values, and as a result will adopt a new accounting policy with respect to these assets, applicable to 1991 and subsequent years. Under the new policy, costs, including carrying costs, related to these assets will be capitalized and income on sales will be deferred until there is certainty that the balance of the portfolio will be disposed of for a profit. The carrying values for these assets will continue to be reviewed each year and additional provisions taken if necessary.

Interest and other income
Interest and other income increased to $35.7 million from $31.3 million in 1989, principally as a result of a $5.7 million gain from the sale of the Company's equipment leasing business.

Interest expense
Interest expense increased during 1990 by $23.8 million, largely as a result of increased corporate borrowings under the secured bank indebtedness and the loan facility provided by BCE and Carena, coupled with higher interest rates in 1990. In addition, the Company wrote off the remaining $3.9 million of unamortized financing costs related to its corporate borrowings.

When net rental income is reduced due to the effects of asset sales and property restructuring activities, interest expense should also reduce as the liabilities related to those assets are restructured or otherwise settled. The properties sold in 1990 that contributed approximately $6.1 million of net rental income also incurred approximately $11.3 million of interest expense in 1990. The properties expected to be restructured in 1991 (contributing approximately $51.5 million of net rental income) incurred financing expenses of approximately $70.0 million in 1990.

General and administrative

General and administrative expenses decreased by $15.0 million over last year, reflecting the closing or down-sizing of offices in Chicago, Orange County, Calgary and Vancouver. The Company is committed to monitoring costs closely and improving operating efficiencies at all levels. It is anticipated that these costs will show a further reduction in 1991 as many of the measures taken to contain costs were implemented partway through the year.

Depreciation and amortization

The charge for depreciation and amortization was $13.8 million in 1990 compared with $9.9 million the previous year. This increase reflected the transfer of the Park & Tilford and Minnesota World Trade Center properties from the "development" to the "income producing" classification. In addition, the sinking fund method of depreciation used by the Company results in an increasing provision of 5% annually on income producing properties.

Reorganization and other costs

Reorganization and other costs were reduced substantially during the year largely due to constraints placed on consulting, valuation and other advisory fees. The previous year included a provision of $20 million for termination and other reorganization costs, including claims arising from the withdrawal from certain areas of the Company's previous business activities.

Balance Sheet Analysis

The following is a summarized version of the Company's consolidated balance sheet, incorporating Brookfield and the Company's other subsidiaries as at December 31, 1990 and 1989.

	Consolidated	
($ 000's)	**1990**	1989
Assets		
Properties	**$2,148,265**	$2,013,211
Mortgages, notes and other receivables	**217,897**	248,185
Cash and other assets	**64,560**	70,916
	$2,430,722	$2,332,312
Liabilities and Shareholders' Deficiency		
Property debt and other secured liabilities	**$1,453,041**	$1,619,916
Secured loans from BCE and Carena	**617,054**	203,773
Accounts and other payables	**283,085**	177,025
Subordinated debentures	**130,590**	126,590
Preference shares of subsidiaries	**285,122**	276,704
Preference shares	**106,859**	106,859
Common shareholders' deficiency	**(445,029)**	(178,555)
	$2,430,722	$2,332,312

Properties

The Company conducts an annual review of the carrying value of its properties in accordance with accounting conventions. As a result, the Company recorded a provision for diminution in property values of $208.6 million. After deducting this additional provision and taking into account the application of provisions taken in prior years, the investment in properties increased by $135.1 million from $2,013.2 million in 1989 to $2,148.3 million in 1990, reflecting the significant level of development expenditures, totalling $517.7 million, offset by the properties sold during the year having a carrying cost of $174.0 million.

The Company's property assets are segmented into rental properties and properties held for sale. The allocation of the properties held at December 31, 1990 between BCED and Brookfield and their respective subsidiaries is as follows:

			Consolidated	
($ 000's)	BCED	Brookfield	**1990**	1989
Rental properties				
Income producing	$279,499	$ 497,443	**$ 776,942**	$ 946,845
Under development	—	811,165	**811,165**	513,021
Held for future development	—	94,803	**94,803**	64,147
	279,499	1,403,411	**1,682,910**	1,524,013
Properties held for sale	41,934	423,421	**465,355**	489,198
	$321,433	$1,826,832	**$2,148,265**	$2,013,211

Rental properties

For the most part, rental properties are classified as being held for long term investment purposes and are therefore carried at the lower of depreciated 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 is required to project the cash flows for each property on an undiscounted basis in accordance with applicable accounting conventions, and as a result of not discounting the cash flows, the carrying value for accounting purposes may be greater than market value. The 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.

During 1990, negotiations commenced with project lenders to restructure loans that exceeded the value of project security. This has resulted in lenders acquiring an interest in a number of the Company's properties as consideration for adjusting the terms of their loans and the sale of two properties to the lenders in satisfaction of their debts. The results of the restructuring of these loans have been reflected in the Company's accounts. The Company is continuing negotiations with respect to several projects, which it expects will be completed before the end of 1991. Where a restructuring has not been completed the Company has recorded values that do not exceed the estimated liabilities and expected outcome from concluding these negotiations.

Properties held for sale

Properties held for sale are specifically identified as no longer meeting the Company's long term objectives. A disposition plan has been developed for each property in order to maximize the value likely to be recovered by the Company on sale. While many of the plans simply require an orderly marketing of the property, others, such as the Scripps Ranch and La Costa residential developments in Southern California, require the Company to invest further in the development of the property prior to disposition. These properties are dealt with as inventory and are carried at the lower of their cost and net realizable value.

The Company expects that 1991 will result in a further increase in the Company's property assets as the development program continues on five major projects. The increase will, however, be reduced by project debt restructuring activities and asset sales under the disposition program. Asset sales are expected to generate sales proceeds, net of holding and development costs, equal to or in excess of their carrying costs.

Mortgages, notes and other receivables
Mortgages, notes and other receivables decreased to $217.9 million from $248.2 million in 1989. Most of these receivables are related to property sales in previous years and approximately 90% are secured by first mortgages.

Cash and other assets
Cash and other assets decreased to $64.6 million from $70.9 million principally as a result of writing off the remaining $3.9 million of unamortized financing costs related to the Company's corporate borrowings. Included in cash and other assets are deposits totalling $46.1 million which can be applied only to specific liabilities, or become available to the Company in the future.

Property debt and other secured liabilities
Total property debt and other secured liabilities were $1,453.0 million at the end of 1990, down from $1,619.9 million in 1989. Property specific debt, including debts secured by mortgages receivable held by the Company, was reduced by $209.6 million, reflecting the sale of properties and the retirement of matured debt, offset by construction advances. At the same time, advances under Brookfield's $200 million revolving secured bank credit facilities were drawn to $135.2 million, up from $92.5 million outstanding under those facilities at the end of 1989.

As an interim step to restructuring loans which exceeded the value of project security, these loans have been converted to a cash flow basis whereby lenders are paid only according to the cash generated by the property securing the loans. Final settlements have taken a variety of forms, but are based on the premise that the financial obligations of a project should fairly reflect the parties' respective investments. In some cases, the lender has acquired an interest in the project as consideration for adjusting the terms of its loan (which might include either or both an adjustment in interest rates or a writedown in the principal amount of the loan). Other cases have simply required an adjustment to the terms of the financing to ensure that the Company obtains an appropriate return on its investment with the lender receiving a participation in the equity of the project.

In 1991, the Company expects to make more substantial use of the project credit facilities now arranged for its five major development properties. These facilities are typically committed on a cost to complete basis, requiring the Company to have funded sufficient development costs from its other resources such that the unutilized portion of the construction facility will always be adequate to fund the remaining costs to complete the development. The projects have progressed to the point where the cost required to complete permit the Company to fund the balance of development costs under the project facilities.

Offsetting the increases from funding the development program will be loans retired as properties in the disposition program are sold and the principal amount of loans on troubled projects are reduced through negotiations.

Secured loans from BCE and Carena
Advances under the secured credit facility established by Brookfield with BCE and Carena increased by $413.3 million. This facility provided the principal source of funding for the equity required to be invested in Brookfield's development projects prior to construction financing being made available.

Accounts and other payables
Accounts and other payables rose from $177.0 million in 1989 to $283.1 million in 1990. Included in these accounts are deferred income from land sales and contractor holdbacks relating to construction costs incurred on the Company's development projects. $60.3 million of the increase relates to property loans which have been restructured and recognize the liabilities incurred under leasing and other support arrangements previously provided by BCED to project lenders. The balance of the increase in accounts payable is attributable to increased construction activity.

Subordinated debentures
In December 1990, the Company decided to defer payment of interest on its 8% subordinated debentures to ensure that more senior lenders were being treated no less favourably than the holders of subordinated debentures. The increase in 1990 over 1989 reflects the increase in accrued but unpaid interest. In April 1991, the Company decided to defer payment of interest on its 10 3/4% subordinated debentures. These debentures are subordinate to all items of indebtedness which are included in determining total liabilities as shown on the liability section of the balance sheet.

Preference shares of subsidiaries
Preference shares of subsidiaries were increased by the issuance of $30 million of preference shares by Brookfield to BCE and Carena. In addition, at the request of the Company, BCE exchanged $89 million of U.S. dollar denominated short term preference shares of a subsidiary for an equivalent amount of ten year preference shares of Brookfield denominated in Canadian funds. The U.S. dollar denominated preference shares were originally recorded at their historical exchange rate. Due to differing exchange rates since the date of issuance, their exchange resulted in a foreign currency translation gain of $21.6 million.

Deconsolidated Balance Sheet
To assist creditors and other securityholders of BCED to understand the ranking of their respective interests and the assets potentially available to support their claims, a balance sheet reflecting BCED's investment in Brookfield on an equity accounted basis has been presented in Note 20 to the audited financial statements. A summarized version of this balance sheet at December 31, 1990 is as follows:

	($ 000's)
Assets	
Properties	$321,433
Mortgages, notes and other receivables	3,677
Cash and other assets	12,608
Investment in Brookfield(1)	136,665
	$474,383
Liabilities and Shareholders' Deficiency	
Property debt and other secured liabilities	$355,132
Secured advances payable to Brookfield	215,937
Accounts and other payables	110,894
Subordinated debentures	130,590
Preference shares	106,859
Common shareholders' deficiency	(445,029)
	$474,383

(1) Before deducting the secured advances payable by BCED to Brookfield totalling $215,937,000.

Management believes the value of real estate properties held directly by BCED does not exceed the related property debt and thus there are minimal asset values in BCED, other than its investment in Brookfield, to provide value for the Company's unsecured creditors and public securityholders. The value of the Company's investment in Brookfield has the potential to increase substantially if real estate values recover. In addition, there is some potential to recover value in successfully completing a restructuring of property debts, which currently exceed the value of the mortgaged properties. The Company also has a significant tax loss carry-forward position that may provide an opportunity to generate value for BCED claimants, although tax laws restricting the circumstances in which such tax losses can be utilized effectively and the financial uncertainty surrounding BCED make it difficult to attribute value to these losses at this time. BCED's residual interest in Brookfield could be enhanced if common share purchase warrants are granted to BCED with the concurrence of BCE and Carena at the time their loans are converted into common shares of Brookfield. Any such warrants, if granted, would provide a further source of value to BCED to satisfy its various claimants.

Capital Resources and Liquidity

The Company's financial resources were severely depleted in 1989, resulting in a concerted effort to find a substantial investor that could provide management support and access to the equity required to alleviate the Company's liquidity problems created by the portfolio of properties acquired in 1986 from The Oxford Group and the substantial cash requirements of its extensive development program. Following the expiry in August 1989 of an offer by Olympia & York Developments Limited to acquire the Company's publicly held securities, BCE and Carena entered into an agreement in principle under which Carena would provide management support to BCED and jointly underwrite an equity rights offering. Pending completion of the rights offering and the preparation and acceptance of a new business plan, BCE and Carena agreed to jointly provide an interim secured loan facility of $415 million.

Following the preparation and acceptance of the new business plan by BCED's Board of Directors in January 1990 the secured loan facility was increased to $500 million and to $700 million in November 1990. This loan facility was made available to continue Brookfield's development program and to fund operating requirements. Drawings under this facility to December 31, 1990 comprised $617 million in the form of loans and a $30 million preferred share investment in Brookfield.

To further strengthen Brookfield's financial base, BCE, at the request of the Company and Brookfield's bankers, exchanged $101 million of short term preferred shares of a BCED financing subsidiary (which were secured by a note of BCED) into ten year preferred shares of Brookfield. This, together with the $700 million loan facility referred to above, enabled Brookfield to establish a $200 million senior secured revolving bank credit facility for operating purposes and to bridge the receipt of funds from the development and sale of its residential land holdings. The undrawn portion of this revolving credit facility was $65 million at December 31, 1990.

In addition, during the course of 1990, Brookfield negotiated project financings for five major properties, one of which had been drawn upon at December 31, 1990. The total amount of these facilities is $804 million, of which $728 million remained undrawn at December 31, 1990. These facilities are drawn on a "cost to complete" basis and require Brookfield to invest a substantial equity component, which in all cases has now been made. The undrawn project facilities are estimated to be sufficient to cover the remaining construction, development and leasing costs of Brookfield's commercial development program.

Brookfield expects to generate sufficient cash flow from the sale of assets and the collection of mortgage receivables to provide funds to advance the development of its two residential land holdings and to cover its operating requirements in 1991.

Although the Company is confident that Brookfield now has the financial resources to fulfil its business plan, Brookfield requires substantially all of its resources to achieve this objective and is therefore unable to support other activities. As Brookfield had been the only source of funds for the servicing of BCED's direct financial obligations, and to preserve Brookfield's financial resources for its current property development program, BCED arranged during 1990 to pay interest on loans that exceed property values only according to the cash generated by the properties securing the loans. By December 31, 1990, satisfactory agreements had been negotiated with lenders relating to four of the Company's properties and other negotiations are continuing in a positive manner. The properties subject to these arrangements were expected to require a cash contribution by the Company of approximately $30 million annually over the next five years (before tenant improvements and other capital requirements) to service the loans in addition to the net rental income generated by these projects. While the ultimate resolution of these restructuring discussions may require that the Company service some cash flow shortfalls, this would be in the context of concessions from lenders and financial partners that provide some assurance that the Company can expect to earn an appropriate return on its investment over time.

In order to ensure that all of BCED's lenders are dealt with on an equitable basis, it became necessary in December 1990 to defer payment of interest on the Company's subordinated debentures. Accrued but unpaid interest on these debentures amounted to $4.5 million at December 31, 1990.

With no source of funds to service its obligations, the Company will not be able to resume payments to its unsecured creditors, including the holders of its subordinated debentures, or to resume dividend payments on its preferred shares, until a plan to restructure its liabilities and share capital has been developed and the Company obtains the requisite approvals. It is likely that such a plan will be proposed as part of the financial restructuring described below.

Proposed Financial Restructuring

The Company's business plan endorses a balanced growth strategy aimed at reporting a respectable and growing cash flow from its long term property investments in the relatively short term, thereby ensuring access to favourably priced debt financing for development projects and permanent financing for completed projects. This business plan, which is being implemented substantially through Brookfield, requires Brookfield to be capitalized with a substantial equity base.

As mentioned above, BCE and Carena agreed in January 1990 to provide Brookfield with a $500 million interim secured credit facility, which was subsequently increased to $700 million. It had been intended that Brookfield would proceed with a common share rights offering of at least $500 million prior to June 30, 1991 under which advances made pursuant to the interim facility would be converted to equity in support of the rights offering. The rights offering and equity conversion was to 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 the discount to asset value at which public real estate companies typically trade in the public markets. Under the terms of the credit facility, all loans thereunder were to become due on July 15, 1991 if the rights offering did not proceed by June 30, 1991.

A committee of Independent Members of the Board of Directors was formed in June 1990 to review and to provide recommendations to the Board of Directors regarding the terms and conditions of the proposed Brookfield common share rights issue. The Independent Committee is authorized to engage such advisors as it considers 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 currently prevailing in the North American real estate markets and the current difficulties inherent in valuing a number of Brookfield's development properties, particularly those which are either under construction or have substantial leasing yet to be completed. The Committee also expressed reservations about the ability of Brookfield to carry out its proposed rights issues, at the present time, on any basis that would result in reasonable value to the public securityholders who participated or that would have any likely prospect of obtaining a meaningful level of public participation.

Taking into consideration these factors, the Independent Committee recommended that the Board of Directors seek an agreement with BCE and Carena to extend the maturity of their secured loans thereby permitting the rights offering and the conversion of the BCE and Carena loans to be deferred. The Independent Committee also recommended that BCED seek a delay in the claims of other securityholders. Although the Committee recognized that values may not be restored during this deferral period, it felt strongly that the possibility of realizing greater value for BCED's interest 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 equity conversion based on values prevailing as at December 31, 1992. This extension agreement is conditional on BCE and Carena receiving satisfactory evidence that Brookfield's commercial banks and project lenders will continue to support Brookfield. Since Brookfield's secured loan facilities are guaranteed and secured by BCED, BCED's creditors are also expected to similarly defer the enforcement on any claims during this period. If the creditors of BCED 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 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 completing the development program and safeguarding the interests of Brookfield's commercial banks and project lenders as well as trade creditors, but BCED's unsecured creditors would undoubtedly suffer significant losses and there would be no recovery for BCED's debentureholders and shareholders.

Although BCED will continue to record losses during the deferral period due to the interest charges required to service the loans made by BCE and Carena, BCED's Board of Directors have concluded that the deferral arrangements are in the best interests of BCED's creditors and shareholders and plans to encourage each of the various constituents to abide by its conditions. By doing so, BCED's unsecured creditors and public securityholders will have the opportunity to participate in any recovery of real estate values during this period.

Business Outlook

The next two years are critical years for BCED and Brookfield. By the end of 1991 the property restructuring initiatives currently underway should be complete and the Company will have a clear view of its portfolio and priorities. Construction of the development projects will also be substantially completed and effort will be directed toward advancing the lease-up of Brookfield's prime commercial projects in Montreal, Toronto, Chicago, Minneapolis and Orange County.

Although rental markets are soft and are expected to remain so throughout 1991, the difficulties experienced by the North American real estate markets in recent years have forced a return to sound development practices, resulting in a marked reduction in new construction activity. Brookfield's projects are of the highest quality, located in prime sites in their respective markets and are well positioned to compete for tenants in increasingly discriminating markets.

While the opportunity to enhance Brookfield's value for the potential benefit of BCED's creditors and public securityholders is available, this objective will not be realized without a broad based recovery in real estate values and the cooperation of all constituents in complying with the deferral arrangements accepted by BCE and Carena.

Management Report to the Shareholders

The consolidated financial statements of BCE 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 management reporting 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 Controller

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of BCE Development Corporation as at December 31, 1990 and 1989, and the consolidated statements of operations, retained earnings (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, 1990 and 1989, 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.

Deloitte & Touche

Chartered Accountants

Toronto, Ontario
June 13, 1991

Consolidated Balance Sheet

(A balance sheet accounting for Brookfield Development Corporation on an equity basis is provided in Note 20)

As at December 31	Note Reference	1990	1989
		(in thousands of dollars)	
Assets			
Properties:			
Rental	2	**$1,682,910**	$1,524,013
Held for sale	3	**465,355**	489,198
		2,148,265	2,013,211
Mortgages and notes receivable	4	**204,149**	212,670
Cash and term deposits	5	**56,304**	54,511
Amounts receivable		**13,748**	35,515
Other assets		**8,256**	16,405
		$2,430,722	$2,332,312
Liabilities			
Debt on properties:	6,12		
Rental		**$1,123,019**	$1,215,097
Held for sale		**156,176**	237,446
		1,279,195	1,452,543
Other secured liabilities	6,12	**38,635**	74,868
Secured bank indebtedness	7	**135,211**	92,505
Secured loans of subsidiary	8	**617,054**	203,773
Accounts and other payable	9	**283,085**	177,025
Subordinated debentures	10	**130,590**	126,590
		2,483,770	2,127,304
Preference Shares of Subsidiaries	11	**285,122**	276,704
Contingencies and Commitments	12		
Preference Shares	13	**106,859**	106,859
Common Shareholders' Deficiency	13	**(445,029)**	(178,555)
		$2,430,722	$2,332,312

Approved by the Directors:

Gordon E. Arnell

Gordon E. Arnell, Director

W. Chippindale

Warren Chippindale, Director

Consolidated Statement of Operations

For the years ended December 31	Note Reference	1990	1989
		(in thousands of dollars)	
Revenue			
Rental		**$ 148,038**	$ 139,443
Net income (loss) from real estate sales		**7,556**	(2,314)
Interest and other		**35,719**	31,310
Total revenue		**191,313**	168,439
Expenses			
Rental operating costs		**79,886**	70,466
Interest	14	**134,757**	111,001
General and administrative		**7,161**	22,209
Depreciation and amortization		**13,809**	9,922
Reorganization and other costs		**5,898**	31,107
Total expenses		**241,511**	244,705
Net Operating Loss		**(50,198)**	(76,266)
Provision for income taxes	15	**2,977**	1,212
Preference share dividends of subsidiaries		**22,522**	21,906
Net Loss Before Undernoted Items		**(75,697)**	(99,384)
Provision for diminution in property values	16	**(208,564)**	(549,549)
Foreign currency translation gain (loss)		**21,582**	(60,830)
Net Loss		**$(262,679)**	$(709,763)

Loss per Common Share		
Basic and fully diluted	**$(1.64)**	$(4.33)

Consolidated Statement of Retained Earnings (Deficit)

For the years ended December 31	1990	1989
	(in thousands of dollars)	
Retained earnings (deficit), beginning of year	**$(654,588)**	$ 60,014
Net loss	**(262,679)**	(709,763)
	(917,267)	(649,749)
Dividends		
Preference Shares, Senior Series	—	790
Class A Preference Shares	—	4,049
	—	4,839
Deficit, End of Year	**$(917,267)**	$(654,588)

Consolidated Statement of Cash Flow (Deficiency) From Operations

For the years ended December 31	1990	1989
	(in thousands of dollars)	
Net operating loss	**$ (50,198)**	$ (76,266)
Items not requiring a current outlay of cash:		
Depreciation and amortization	**13,809**	9,922
Deferred financing costs	**3,892**	1,305
Deficiency From Operations	**$ (32,497)**	$ (65,039)
Deficiency per Common Share		
Basic and fully diluted	**$(0.25)**	$(0.42)

Consolidated Statement of Changes in Financial Position

For the years ended December 31	**1990**	1989
	(in thousands of dollars)	
Operational Activities		
Deficiency from operations	**$ (32,497)**	$ (65,039)
Recovery of real estate costs through sales of properties	**173,987**	234,388
Net decrease (increase) in mortgages, notes, receivables and other assets	**33,519**	(19,250)
Debt discharged through sales of properties	**(153,278)**	(69,624)
Net decrease in other secured liabilities	**(36,462)**	(17,744)
Net increase in accounts payable and accruals	**113,183**	9,669
Net Cash Flow from Operational Activities	**98,452**	72,400
Investment Activities		
Cash used to develop properties:		
Rental	**455,722**	185,125
Held for sale	**73,635**	210,187
Cash used for Investment Activities	**529,357**	395,312
Financing Activities		
Secured loans of subsidiaries	**413,408**	203,773
Redemption of preference shares of subsidiaries	**(101,122)**	(16,545)
Proceeds from preference shares of subsidiaries	**131,122**	—
Dividends and dividends of subsidiaries	**(22,522)**	(26,745)
Net (decrease) increase in debt on properties	**(22,557)**	82,267
Net increase in bank indebtedness	**42,706**	75,085
Foreign exchange translation adjustment and other	**(8,337)**	2,053
Net Cash Provided From Financing Activities	**432,698**	319,888
Increase (Decrease) in Cash and Term Deposits	**$ 1,793**	$ (3,024)

1. Summary of Significant Accounting Policies

A. *Continuation of the Business*

BCE Development Corporation (BCED) is a real estate holding company conducting development, management and property investment activities through subsidiaries, including its principal operating subsidiary, Brookfield Development Corporation (Brookfield) and its subsidiaries.

The financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

In view of the financial difficulties experienced in recent years, the Company has announced that it will make a proposal 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 BCED's public securities and a conversion of the secured loans made by BCE Inc. (BCE) and Carena Developments Limited (Carena) to Brookfield into common shares of Brookfield in support of this financial restructuring, which is to be concluded during the first quarter of 1993, subject to the receipt of all regulatory and other approvals (see also note 8). The rights offering and conversion of the secured loans are to be based on values as at December 31, 1992 and could result in Brookfield becoming a public company. Depending on real estate values at the time, Brookfield may cease to be a subsidiary of BCED. The restructuring of BCED's liabilities and share capital would then be based primarily upon the value of BCED's residual investment in Brookfield.

The Company has entered into an agreement with BCE and Carena under which they have agreed to extend the maturity dates of their secured facility from July 15, 1991 to April 30, 1993 in contemplation of the rights offering and equity conversion referred to above. This extension agreement with BCE and Carena is conditional upon receipt of evidence satisfactory to BCE and Carena that Brookfield's project lenders and commercial banks will continue to support Brookfield and upon the Company's other creditors similarly deferring the enforcement of any claims they may have involving the Company during the deferral period.

The Company's ability to continue operations as a going concern is dependent upon the successful completion of these restructurings and compliance with the deferral arrangements accepted by BCE and Carena. If the deferral arrangements are not abided by, BCE and Carena will be entitled to take such proceedings as they consider necessary to protect their secured loans to Brookfield, which might 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 completing the development program and safeguarding the interests of Brookfield's commercial banks and project lenders as well as its trade creditors.

If the going concern assumption were not appropriate for these consolidated financial statements, adjustments would be necessary to restate the carrying values of assets and liabilities to their liquidation values with a corresponding increase in the net loss and shareholders' deficiency.

B. *General*

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.

C. *Principles of Consolidation*

The consolidated financial statements of the Company include the accounts of all companies in which BCED has effective control, including its principal subsidiary, Brookfield (see also note 20).

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, revenues and expenses.

D. *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. 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 has projected the cash flows for each property on an undiscounted basis and as a result of not discounting the cash flows, the carrying value may be greater than market value. The projections take into account the specific business plan for the property and the most probable set of economic conditions anticipated to prevail in the market area.

(ii) 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, rental property is categorized as a commercial 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.

E. *Properties Held for Sale*

(i) Carrying Values

As part of the annual review of the Company's assets, properties are identified which no longer meet the Company's long term investment requirements. These properties are carried at the lower of cost and net realizable value. Net realizable values have 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) Revenue Recognition

Upon the sale of a 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.

F. *Capitalized Charges*

The Company capitalizes all direct costs relating to properties under development, properties held for future development and properties held for sale that are under or held for future development. In addition, certain other costs including interest on specific and general debt, tenant inducements and leasing costs, and property taxes are capitalized to these properties. Where overhead costs, including salaries, are identified with a property, the Company capitalizes these costs to that property.

G. *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.

H. *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 (deficiency).

In 1990 the Company changed its accounting policy prospectively with respect to the timing of the realization of its cumulative foreign exchange translation losses to conform with an Abstract of an Issue Discussed by the CICA Emerging Issues Committee on the subject. In 1989 the Company realized $60,830,000 of cumulative foreign exchange translation losses related to its provision for diminution. Under the accounting policy of the prior year, the Company would have recorded a similar charge of approximately $24,000,000 in 1990.

I. *Per Share Calculations*
Basic earnings (loss) and cash flow (deficiency) per common share are calculated using the weighted average number of common shares outstanding during the year, after providing for dividends both paid and in arrears, on the Senior Preference Shares and Class A Preference Shares.

2. Rental Properties
(See also Note 16)

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

	1990	1989
	(in thousands of dollars)	
Income producing	**$ 800,260**	$ 965,726
Accumulated depreciation	**23,318**	18,881
	776,942	946,845
Under development	**811,165**	513,021
Held for future development	**94,803**	64,147
	$1,682,910	$1,524,013

3. Properties Held for Sale
(See also Note 16)

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

4. Mortgages and Notes Receivable

Mortgages and notes receivable yield a weighted average interest rate of 9.9% (1989 – 10.1%) per annum and mature as follows:

	(in thousands of dollars)
Years ending December 31, 1991	$ 55,696
1992	96,063
1993	3,759
1994	2,162
1995	3,121
Subsequent to 1995	43,348
	$ 204,149

5. Cash and Term Deposits

Included in cash and term deposits are amounts totalling $46,083,000 (1989 – $30,414,000) which can be applied only to specific liabilities, or become available to the Company in the future.

6. Debt on Properties and Other Secured Liabilities
(See also Note 12)

	1990					1989
	Fixed Rate Financing		Variable Rate Financing			
	Limited Recourse	Recourse	Limited Recourse	Recourse	Total	Total
	(in thousands of dollars)					
Debt on properties:						
Rental	$770,046	$139,426	$ —	$213,547	$1,123,019	$1,215,097
Held for sale	—	18,569	7,387	130,220	156,176	237,446
	770,046	157,995	7,387	343,767	1,279,195	1,452,543
Other secured liabilities:						
Mortgages and notes receivable	—	3,460	—	35,175	38,635	74,868
	$770,046	$161,455	$ 7,387	$378,942	$1,317,830	$1,527,411

Fixed rate financing bears interest at a weighted average rate of 9.7% (1989 – 10.1%) per annum.

The maturity schedule of the debt, subject to certain creditor rights described in Note 12, is as follows:

	Fixed Rate Financing	Variable Rate Financing	Total
	(in thousands of dollars)		
Years ending December 31, 1991	$ 15,757	$ 58,883	$ 74,640
1992	3,204	61,475	64,679
1993	3,940	133,671	137,611
1994	6,482	110,172	116,654
1995	44,617	—	44,617
Subsequent to 1995	857,501	22,128	879,629
	$ 931,501	$386,329	$1,317,830

7. Secured Bank Indebtedness
(See also Note 8)

The Company has established a secured revolving credit facility of $200 million with three chartered banks. Interest on borrowings under the facility is at floating rates. Borrowings are secured by charges on substantially all of the Company's assets. The BCE and Carena secured credit facility established for Brookfield is subordinated in favour of the $200 million secured bank indebtedness.

8. Secured Loans of Subsidiary
(See also Note 21)

BCE and Carena, through a company controlled by them, have established a secured loan facility for Brookfield of $700 million, excluding interest advances. Advances under this facility are secured by charges on substantially all of the Company's assets, including a guarantee by the Company and a specific pledge of all the outstanding common shares of Brookfield. 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 Class C Preference Shares of Brookfield.

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 have agreed to defer the maturity of their loans until April 30, 1993 in contemplation of a rights offering and equity conversion, based on values prevailing 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 similarly deferring the enforcement on any claims during this period. If the creditors of the Company 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 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 completing the development program and 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 common shares of Brookfield in support of a financial restructuring 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 restructuring will include a rights offering to be conducted in the first quarter of 1993, which will be priced at an appropriate discount to the market value of Brookfield's assets to ensure a meaningful participation in the offering.

9. Accounts and Other Payables

	1990	1989
	(in thousands of dollars)	
Trade payables and accrued liabilities	**$ 97,051**	$ 85,425
Construction accruals and holdbacks	**56,342**	29,757
Notes payable	**64,274**	12,149
Accrued interest on project debt and other secured liabilities	**8,822**	11,528
Costs to complete properties sold	**21,648**	8,344
Deferred income and deposits	**31,582**	26,456
Deferred income taxes	**3,366**	3,366
	$283,085	$177,025

10. Subordinated Debentures

(See also Note 21)

	1990	1989
	(in thousands of dollars)	
10.75% Subordinated Debentures	**$ 26,130**	$ 26,130
8% Subordinated Debentures	**99,994**	99,994
	126,124	126,124
Accrued and unpaid interest	**4,466**	466
	$130,590	$126,590

On December 31, 1990 the Company deferred payments on the 8% subordinated debentures and on April 30, 1991, deferred payments on the 10.75% subordinated debentures. The trustee for the 8% subordinated debentures has commenced an action to accelerate the due date of the debentures and enforce payment. It is a condition of the deferral arrangements with respect to the BCE and Carena secured credit facility that this and other material litigation be deferred during the deferral period, failing which BCE and Carena will be entitled to take such proceedings as they consider appropriate to protect their secured loans, which may include the commencement of realization or other proceedings. Payments with respect to either series of debentures are unlikely until a financial restructuring of the Company takes place.

The 10.75% subordinated debentures are unsecured subordinate obligations of the Company. The debentures are repayable in eight equal instalments of principal and interest, payable semi-annually, commencing April 30, 1992 and are redeemable at the option of the Company, in whole or in part, at any time, at par plus accrued interest. Repayment of the debentures is subordinate to all items of indebtedness which are included in determining total liabilities as shown on the liability section of the balance sheet.

The 8% subordinated debentures are unsecured subordinate obligations of the Company and are convertible at any time into common shares at the option of the holder at a price of $4.80 per common share. Repayment of the debentures is subordinate to all items of indebtedness which are included in determining total liabilities as shown on the liability section of the balance sheet. The subordinated debentures mature on June 30, 1998, and are redeemable at the option of the Company, in whole or in part, after June 30, 1991 if the weighted average price at which the common shares traded on The Toronto Stock Exchange during 20 consecutive trading days was at least $6.00 or at any time after June 30, 1993 at par plus accrued interest.

11. Preference Shares of Subsidiaries

Authorized	Issued and Outstanding		1990	1989
			(in thousands of dollars)	
		Brookfield Development Corporation		
1,200,000	1,200,000	Class C Preference Shares, Series 1	**$ 30,000**	$ —
4,300,000	4,044,872	Class D Preference Shares, Series 1	**101,122**	—
		318892 British Columbia Inc.		
5,000,000	—	Floating Rate Preference Shares	—	122,704
		BCED Capital I Corporation		
Unlimited	2,000,000	7.25% Preference Shares	**50,000**	50,000
		BCE Place Finance Corporation		
2,496,000	2,496,000	7.375% Preference Shares, Series 1	**62,400**	62,400
1,664,000	1,664,000	7.75% Preference Shares, Series 2	**41,600**	41,600
			$285,122	$276,704

The following subsidiaries of the Company have issued preference shares:

A. *Brookfield Development Corporation*

(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 Schedule 1 bank.

The shares are redeemable, in whole or in part, at the option of Brookfield 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 upon the first to occur of:

(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 Brookfield in connection with a rights offering made to shareholders or other investors in BCED or with any other form of public offering of Brookfield common shares.

Dividends of $1,819,000 on the Class C Preference Shares, Series 1 were accrued and unpaid at December 31, 1990.

(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 Schedule 1 bank.

The shares are redeemable, in whole or in part, at the option of Brookfield at any time and are retractable at the option of the holder, BCE, on or after August 31, 2000, or if two dividend payments are in arrears or upon the occurrence of certain other events.

Dividends of $2,385,000 on the Class D Preference Shares, Series 1 were paid at December 31, 1990. Subsequent to this date dividends have been suspended on this series of preference shares.

B. *318892 British Columbia Inc.:*
Floating Rate Cumulative Redeemable Retractable Preference Shares with a par value of U.S. $25 each. Cash dividends were payable quarterly on the preference shares at a rate that is 0.25% per annum above specified high grade U.S. dollar commercial paper rates.

The preference shares were redeemable, in whole or in part, and must be redeemed in certain circumstances, in each case at U.S. $25 per share plus accrued dividends. During the year, at the request of the Company, the holder, BCE, exchanged these shares for Class D Preference shares of Brookfield.

C. *BCED 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 are payable quarterly.

The shares are redeemable at the option of the company, in whole or in part, after March 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.

A subsidiary of the 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. The Company is obligated to subscribe for sufficient common shares of BCED Capital I Corporation to enable it to make dividend and other payments on the shares.

D. *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 Company is obligated to purchase the shares in the event dividend or redemption payments on the shares are not made and in certain other events. This obligation is guaranteed by BCE, with the guarantee being secured by property owned by the Company.

12. Contingencies and Commitments
(See also Note 6)

A. The Company is contingently liable for obligations of certain joint ventures and partnerships amounting to $159,500,000 (1989 - $99,000,000). 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 97 years (1989 - 98 years). The maximum annual rental payments required are $12,661,000 (1989 - $14,172,000), and in the aggregate they total $1,062,969,000.

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

1991	$12,389,000
1992	$10,077,000
1993	$10,236,000
1994	$ 9,960,000
1995	$ 9,724,000

C. The Company has estimated that costs of $754,300,000 (1989 - $1,146,000,000) are required to complete rental properties under development, a significant proportion of which relates to the BCE Place project in Toronto. Financing facilities have been arranged for the total estimated costs (1989 – $594,000,000).

D. The estimated cost to complete properties held for sale amounts to $199,700,000 (1989 – $40,000,000). These costs will be financed with the proceeds received from the disposal of properties held for sale or by drawing on financing commitments totalling $110,400,000 (1989 – Nil).

E. The Company is in breach of covenants related to certain debt secured by specific properties. In each case discussions are taking place with the lender with respect to re-negotiating the terms of this debt. There are also contingent claims with respect to similar negotiations which were concluded prior to year end, and the Company is contingently liable under guarantees that were issued in the normal course of business. Management is of the opinion that these contingencies have been adequately provided for in the accounts.

F. 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. Due to the complexity of the matters involved, the actual costs of settling the litigation can not be determined. However, 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.

13. Shareholders' Equity (Deficiency)

	Note Reference	**1990**	1989
		(in thousands of dollars)	
Preference shares	13 (A)	**$ 106,859**	$ 106,859
Common Shareholders' Deficiency			
Common shares	13 (B)	**$ 456,188**	$ 456,188
Warrants	13 (C)	**33,372**	33,372
Contributed surplus		**15,592**	15,592
Retained earnings (Deficit)		**(917,267)**	(654,588)
Foreign currency translation	13 (D)	**(32,914)**	(29,119)
		$(445,029)	$(178,555)

Shares and Warrants

Authorized –

10,000,000	Preference Shares with a par value of $10 each, issuable in series, of which 2,500,000 are designated as 9.125% Cumulative Redeemable Retractable Preference Shares, Senior Series A; 1,500,000 are designated as 9.75% Cumulative Redeemable Retractable Preference Shares, Senior Series B; and 5,750,000 are designated as 8% Cumulative Redeemable Retractable Preference Shares, Senior Series C.
150,000,000	Class A Preference Shares without par value, issuable in series, of which 3,600,000 are designated as Cumulative Redeemable Retractable Class A Preference Shares, Series 1.
150,000,000	Class B Preference Shares without par value, issuable in series.
500,000,000	Common Shares, voting, without par value.

Issued and Outstanding –		1990	1989
		(in thousands of dollars)	
Preference Shares			
1,003,047	9.125% Preference Shares, Senior Series A	**$ 10,030**	$ 10,030
682,859	9.75% Preference Shares, Senior Series B	**6,829**	6,829
3,600,000	Class A Preference Shares, Series 1	**90,000**	90,000
		$ 106,859	$ 106,859
Common Shares			
166,012,237	Common Shares	**$ 456,188**	$ 456,188
Warrants			
33,372,222	$5.50 Common Share Purchase Warrants	**$ 33,372**	$ 33,372
5,516,236	$7.06 Common Share Purchase Warrants	**—**	—
		$ 33,372	$ 33,372

(A) *PREFERENCE SHARES:*

(i) Preference Shares, Senior Series A and B:
Cash dividends are payable quarterly.

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 on October 31, 1993, in each case at $10 per share plus accrued dividends.

The Company is obligated, during each calendar quarter commencing November 1, 1993, to purchase for cancellation in the market 1% of the shares outstanding on October 31, 1993, at a price not to exceed $10 per share plus, in each case, costs of purchase and accrued dividends.

Dividends of $1,144,000 on the Senior Series A, and $832,000 on the Senior Series B preference shares were in arrears at December 31, 1990.

(ii) Class A Preference Shares:
Cash dividends are payable quarterly at a rate equal to the greater of $2.25 per share and the Canadian dollar equivalent of U.S. $1.7186 per share per annum.

The shares are redeemable, in whole or in part, at the option of the Company after March 31, 1992 at the greater of $25.75 per share and the Canadian dollar equivalent of U.S. $19.6685 per share declining after September 30, 1993 to the greater of $25 per share and the Canadian dollar equivalent of U.S. $19.0956 per share plus accrued dividends.

The shares are retractable at the option of the holder on September 30, 1993 and thereafter on the last day of September in each year at the greater of $25 per share and the Canadian dollar equivalent of U.S. $19.0956 per share plus accrued dividends. The shares are also retractable at the option of the holder at the same amount if, on or before September 30, 1993, BCE ceases to beneficially own more than 50% of the common shares of BCED.

The amount payable to a holder of the shares will be paid in Canadian dollars, unless the holder elects to be paid in United States dollars by giving written notice to the transfer agent. The Canadian dollar equivalent of the amounts payable to holders of the shares are based on the prevailing rate of exchange on the applicable date.

Dividends of $12,150,000 were in arrears at December 31, 1990.

(B) *COMMON SHARES:*
The following is a summary of the activity in the Company's Common Share Capital account:

	1990		1989	
	Common Shares	**Amount**	Common Shares	Amount
Balance, beginning of year	**166,012,237**	**$456,188,000**	165,966,963	$456,090,000
Common shares issued for cash under the employee stock option plan	—	—	46,500	99,000
Common shares issued on conversion of convertible subordinated debentures	—	—	1,250	6,000
Common shares repurchased	—	—	(2,476)	(7,000)
Balance, end of year	**166,012,237**	**$456,188,000**	166,012,237	$456,188,000

The Company has an employee stock option plan, under which, at December 31, 1990, options had been granted to officers and employees to purchase 25,000 common shares at a price of $1.47 per common share until November 3, 1992 and 195,000 common shares at a price of $3.00 per common share until December 15, 1996.

The Company has a key executive stock option plan, under which, at December 31, 1990, options had been granted to officers to purchase 330,000 common shares at a price of $3.00 per common share until December 15, 1996.

(C) *WARRANTS*
Each $5.50 common share purchase warrant entitles the holder to purchase one common share of the Company for $5.50 until June 18, 1991.

Each $7.06 common share purchase warrant entitles the holder to purchase one common share of the Company for $7.06016 until March 31, 1992.

(D) *FOREIGN CURRENCY TRANSLATION*
The following is an analysis of the foreign currency translation adjustment included in common shareholders' deficiency resulting from the translation of the financial statements of foreign operations:

	1990	1989
	(in thousands of dollars)	
Balance, beginning of year	**$ (29,119)**	$ (73,066)
Translation adjustment for the year	**(3,795)**	(16,883)
Recognition of loss resulting from the diminution in carrying values of U.S. properties (see also Note 1H)	—	60,830
Balance, end of year	**$ (32,914)**	$ (29,119)

14. Interest

	1990	1989
	(in thousands of dollars)	
Interest charges were incurred from:		
Project debt and other secured liabilities	**$207,170**	$162,976
Other interest	**1,976**	27,412
	209,146	190,388
Less interest directly capitalized or allocated to properties	**74,389**	79,387
	$134,757	$111,001

15. Income Taxes

The provision for income taxes of $2,977,000 (1989 – $1,212,000) is primarily due to alternative minimum tax in the United States and the large corporation tax in Canada.

The Company and its subsidiaries have accumulated tax losses of approximately $500,000,000 (1989 – $700,000,000), which will expire between 1995 and 2002. The potential benefit of the use of these losses has not been reflected in the financial statements. The tax authorities of various jurisdictions have imposed restrictions which may limit the use of some of these losses.

16. Provision for Diminution in Property Values

The Company conducts an annual review of the carrying values of its properties. Properties identified for possible sale have been restated at the lower of cost and net realizable value, and all other properties, are stated at the lower of depreciated cost and net recoverable amounts. The following is a summary of the activity in the provision for diminution account.

	1990	1989
	(in thousands of dollars)	
Balance, beginning of year	**$568,145**	$ 37,635
Provision made during the year	**208,564**	549,549
	776,709	587,184
Less applied during the year on sale of assets and properties restructured	**255,329**	19,039
Balance, end of year	**$521,380**	$568,145

17. Capitalized Costs

	1990	1989
	(in thousands of dollars)	
During the year the Company capitalized the following costs:		
Interest	**$ 74,389**	$ 79,387
Property taxes	**9,836**	11,889
General and administrative	**11,590**	10,718
Net operating income from properties under development	**(9,232)**	(11,743)
	$ 86,583	$ 90,251
These costs were capitalized to properties as follows:		
Rental properties	**$ 70,728**	$ 55,967
Properties held for sale	**15,855**	34,284
	$ 86,583	$ 90,251

18. Joint Ventures and Partnerships

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

	1990	1989
	(in thousands of dollars)	
Assets	**$574,641**	$525,521
Liabilities	**241,395**	257,693
Revenues	**26,417**	40,251
Expenses	**26,472**	32,554

19. Segmented Information

By Property Type

	Real estate sales		Rental revenue		Total	
	1990	1989	**1990**	1989	**1990**	1989
			(in thousands of dollars)			
REVENUE						
Rental properties	**$ 96,934**	$ —	**$140,270**	$134,070	**$ 237,204**	$ 134,070
Properties held for sale	**84,609**	232,074	**7,768**	5,373	**92,377**	237,447
	$ 181,543	$ 232,074	**$148,038**	$139,443	**$ 329,581**	$ 371,517
OPERATING INCOME						
Rental Properties	**$ —**	$ —	**$ 64,184**	$ 67,230	**$ 64,184**	$ 67,230
Properties held for sale	**7,556**	(2,314)	**3,968**	1,747	**11,524**	(567)
	$ 7,556	$ (2,314)	**$ 68,152**	$ 68,977	**75,708**	66,663
Unallocated corporate items, net					**(125,906)**	(142,929)
Net operating loss					**$ (50,198)**	$ (76,266)

By Country

	Real estate sales		Rental revenue		Total	
	1990	1989	**1990**	1989	**1990**	1989
			(in thousands of dollars)			
REVENUE						
Canada	**$ 66,996**	$ 36,142	**$ 13,988**	$ 14,462	**$ 80,984**	$ 50,604
United States	**114,547**	195,932	**134,050**	124,981	**248,597**	320,913
	$ 181,543	$ 232,074	**$148,038**	$139,443	**$ 329,581**	$ 371,517
OPERATING INCOME						
Canada	**$ 4,402**	$ 6,176	**$ 7,968**	$ 9,032	**$ 12,370**	$ 15,208
United States	**3,154**	(8,490)	**60,184**	59,945	**63,338**	51,455
	$ 7,556	$ (2,314)	**$ 68,152**	$ 68,977	**75,708**	66,663
Unallocated corporate items, net					**(125,906)**	(142,929)
Net operating loss					**$ (50,198)**	$ (76,266)

	Real estate properties		Other assets		Total	
	1990	1989	**1990**	1989	**1990**	1989
			(in thousands of dollars)			
ASSETS						
Canada	**$ 685,734**	$ 500,815	**$ 53,524**	$102,751	**$ 739,258**	$ 603,566
United States	**1,462,531**	1,512,396	**228,933**	216,350	**1,691,464**	1,728,746
	$2,148,265	$2,013,211	**$282,457**	$319,101	**$2,430,722**	$2,332,312

20. Deconsolidated Information

The Company's financial position as at December 31, 1990, accounting for Brookfield and its subsidiaries on an equity basis, is as follows:

	BCED	Brookfield[2]	Consolidating Adjustments	Consolidated
		(in thousands of dollars)		
ASSETS				
Properties:				
Rental	**$279,499**	$1,403,411	$ —	$1,682,910
Held for sale	**41,934**	423,421	—	465,355
	321,433	1,826,832	—	2,148,265
Mortgages and notes receivable	**769**	203,380	—	204,149
Cash and term deposits	**9,815**	46,489	—	56,304
Amounts receivable	**2,908**	10,840	—	13,748
Other assets	**2,793**	5,463	—	8,256
Secured loan to BCED		215,937	(215,937)	—
Investment in Brookfield[1]	**136,665**	—	(136,665)	—
	$474,383	$2,308,941	$(352,602)	$2,430,722
LIABILITIES				
Debt on properties:				
Rental	**$308,821**	$814,198	$ —	$1,123,019
Held for sale	**46,311**	109,865	—	156,176
	355,132	924,063	—	1,279,195
Other secured liabilities	—	38,635	—	38,635
Secured bank indebtedness	—	135,211	—	135,211
Secured loan from BCE and Carena	—	617,054	—	617,054
Secured advances payable to Brookfield	**215,937**	—	(215,937)	—
Accounts and other payables	**110,894**	172,191	—	283,085
Subordinated debentures	**130,590**	—	—	130,590
PREFERENCE SHARES OF SUBSIDIARIES	—	154,000	131,122	285,122
PREFERENCE SHARES	**106,859**	131,122	(131,122)	106,859
COMMON SHAREHOLDERS' EQUITY (DEFICIENCY)[1]	**(445,029)**	136,665	(136,665)	(445,029)
	$474,383	$2,308,941	$(352,602)	$2,430,722

(1) Before deducting the secured advances payable by BCED to Brookfield totalling $215,937,000.
(2) Brookfield's Annual Report is available under separate cover.

21. Transactions with Related Parties and Carena

A. The Company 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.

B. BCE and Carena, through a company controlled by them, have granted a secured loan facility of $700 million, excluding interest advances, to Brookfield. The credit facility bears interest at variable rates with the interest rate on this debt fluctuating with market rates. The Company, Brookfield, BCE and Carena have agreed, subject to certain conditions, to extend the facility to April 30, 1993 (see also note 8). The total interest paid on this facility amounted to $42,346,000 in 1990. In addition, $1,819,000 of accrued but unpaid dividends have been earned on the Brookfield Class C Preference Shares as of December 31, 1990.

C. BCE Inc. holds $25,000,000 of the Company's 8% subordinated debentures.

D. During the year BCE acquired $101,122,000 of Class D Preference Shares of Brookfield in exchange for short term preference shares of 318892 British Columbia Inc. (See also note 11).

E. At December 31, 1990, Carena held a restricted deposit in the amount of U.S. $10,000,000 to service the expected financing requirements on one of Brookfield's projects located in the United States.

22. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Principal Properties

OFFICE BUILDINGS In Operation	Ownership Interest	Total Rentable Area (sq. ft.)
Toronto		
BCE Place – Canada Trust Tower	40%	1,182,000
Northern Telecom	50%	214,000
320 Bay Street	100%	294,000
Chicago		
Quaker Tower	10%	845,000
Minneapolis		
IDS Center	50%	1,228,000
Minneapolis City Center	100%	1,081,000
Dain/Thorpe Tower	100%	154,000
St. Paul		
Minnesota World Trade Center	50%	465,000
Town Square	100%	472,000
Denver		
Denver World Trade Center	100%	734,000
Republic Plaza	65%	1,295,000
Total – Office Buildings in Operation		7,964,000
Under Construction		
Montreal		
1000 De La Gauchetière	35%	1,035,000
Toronto		
BCE Place – Bay Wellington Tower	100%	1,373,000
Minneapolis		
Dain Bosworth Plaza	100%	594,000
Orange County		
Imperial Promenade	100%	239,000
Total – Office Buildings Under Construction		3,241,000

RETAIL CENTRES In Operation	Ownership Interest	Total Rentable Area (sq. ft.)
Minneapolis		
IDS Center	50%	192,000
Minneapolis City Center	100%	457,000
Gaviidae Common	50%	241,000
Chicago		
Chicago Place	50%	311,000
St. Paul		
Minnesota World Trade Center – Town Court	50%	145,000
Town Square – Retail	100%	219,000
Vancouver		
Park & Tilford[1]	100%	176,000
California		
Corona Hills Plaza[1]	50%	375,000
Melrose Village Plaza[1]	50%	137,000
Los Altos[1]	100%	210,000
Seattle		
Hillside Plaza[1]	100%	114,000
Westwood Village[1]	100%	220,000
Total – Retail Centres in Operation		2,797,000
Under Construction		
Minneapolis		
Gaviidae Phase II (Dain Bosworth Plaza)	100%	183,000

LAND HELD FOR DEVELOPMENT OR SALE	Ownership Interest	Net Acres
Calgary		
Sunridge[1]	100%	184
Horizon[1]	100%	20
Lincoln[1]	100%	29
Dalhousie[1]	50%	35
Other Residential[1]	100%	442
Edmonton		
Ellerslie[1]	100%	1,345
Other[1]	100%	146
San Diego County		
La Costa[1]	24%	2,400
Scripps Ranch North[1]	70%	1,196
Total – Land		5,797

URBAN DEVELOPMENT SITES		Square Feet
Chicago		
669 North Michigan Avenue[1]	100%	23,500
Illinois World Trade Center Lands[1]	100%	103,000
Denver		
Centerstone[1]	100%	100,000
Block 197[1]	100%	25,500
Orange County		
MacArthur Place	73%	2,091,000
Total Urban Development Sites		2,343,000

RESIDENTIAL UNITS		Units
Chicago		
Chicago Place Residential – 700 N. Michigan[1]	60%	204
Catalina Island		
Hamilton Cove	80%	192
Total Residential Units		396

[1] Held for Sale

Board of Directors

Gordon E. Arnell
Chairman of the Board
BCE Development Corporation
President and Chief Executive Officer
Brookfield Development Corporation
Toronto

Kevin E. Benson
President and Chief Executive Officer
Trizec Corporation Ltd.

Warren Chippindale (1)
Company Director
Formerly 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

John R. McCaig (2)
Chairman and Chief Executive Officer
Trimac Limited
Calgary

Gerald T. McGoey
Executive Vice President
and Chief Financial Officer
BCE Inc.
Montreal

Allan S. Olson (2)
Formerly Chairman and
Chief Executive Officer
Banister Continental Limited
Edmonton

John A. Rhind (1) (2)
Chairman of the Executive Committee
of the Board
Confederation Life Insurance Company
Toronto

L.R. Wilson
President and Chief Operating Officer
BCE Inc.
Montreal

(1) Member of Audit Committee
(2) Member of Independent Directors Committee

Corporate Officers

Gordon E. Arnell
Chairman of the Board,
President and Chief Executive Officer

Glenn M. Azuma
Senior Vice President

Lawrence Herber
Senior Vice President

Edwin B. Nordholm
Senior Vice President

William B. Seith
Senior Vice President

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Auditors
Deloitte & Touche
Suite 1200
One First Canadian Place
Toronto, Ontario M5X 1B3

Transfer Agents and Registrars
Common Shares
National Trust Company

Class A Preference Shares, Series 1
9.125% Preference Shares, Senior Series A and
9.75% Preference Shares, Senior Series B
The Montreal Trust Company

Trustees for Debentures
8% Subordinated Debentures
National Trust Company

10¾% Subordinated Debentures
Central Guaranty Trust Company

Stock Exchange Listings
Montreal
Toronto
Ticker Symbol: BD

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