Brookfield Asset Management

SUPPLEMENTAL INFORMATION *FOR THE QUARTER ENDED SEPTEMBER 30, 2008*

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Supplemental Information, contains forward-looking information within the meaning of Canadian provincial securities laws and other "forward-looking statements", within the meaning of certain securities laws including Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations. We may make such statements in this report, in other filings with Canadian regulators or the SEC or in other communications. These forward-looking statements include among others, statements with respect to sustainability of cash flows within our operations, our ability to withstand negative market conditions, the strength of our capital structure and liquidity levels, our ability to finance operations and refinance debt maturities, availability of credit facilities, future timber prices, our outlook for the Brazilian economy and our ability to take advantage of growth opportunities in that country, our ability to re-contract power at higher prices, our views on the intrinsic value of our power assets, commencement and completion of construction at our development properties, availability of and our ability to capitalize on investment opportunities, making acquisitions, our views on the North American economy and the economies of major developing countries, performance and rate of recovery of financial markets, our views on and the impact of electricity prices, our ability to capture higher market prices for our renewable power generation business, potential cash flow from our renewable power business, long-term returns on development opportunities, performance returns on, and cash flows from, our funds, expansion of our power generation business, increases in demand for "clean" sources of electricity and our ability to benefit from such demand, increasing costs of competing forms of power generation, power generation operating levels for 2008, power generation revenues from existing contracts through 2012, returns from our real estate opportunity investment funds, residential housing conditions in the United States, projected growth in residential operations in Brazil, future costs and margins, loan refinancing plans, expected growth in infrastructure transmission returns, expected decreased demand and pricing for timber due to weakness in the U.S. homebuilding sector, impact of interest rates and the value of various currencies against the U.S. dollar on our operations, the effects of our conversion to international financial reporting standards, our ability to deliver on our commitments to our clients and financial relationships, execute our business strategy, withstand extreme events and deal with unknowns, our ability to meet ongoing performance objectives with respect to cash flow growth and value creation and other statements with respect to our beliefs, outlooks, plans, expectations, and intentions.

The words "believe," "plan," "execute," "lead," "able," "typically," "expect," "potentially," "principally," "tend," "primarily," "represent," "anticipate," "position," "intend," "estimate," "endeavour," "seek," "often," "projected," "continue," "expand," "maintain," "deliver," "become," "sustain," "pursue," "generate," "think," "raising," "build," "extending," "capitalize," "begin," "create," "generally," "largely," and derivations thereof, and other expressions of similar import, or the negative variations thereof, and similar expressions of future or conditional verbs such as "may," "will," "should," "likely," "would," "can," or "could" are predictions of or indicate future events, trends or prospects and which do not relate to historical matters or identify forward-looking statements. Although Brookfield believes that the anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.

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

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

CAUTIONARY STATEMENT REGARDING USE OF NON-GAAP ACCOUNTING MEASURES

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

BUSINESS ENVIRONMENT AND RISKS

Factors that impact Brookfield's financial results include: the performance of each of our operations and various external factors influencing the specific sectors and geographic locations in which we operate; macro-economic factors such as economic growth, changes in currency, inflation and interest rates; regulatory requirements and initiatives; and litigation and claims that arise in the normal course of business. These and other factors are described in our annual report and our annual information form, both of which are available on our web site and at *www.sedar.com*.

PART 1 – INTRODUCTION

The information in this Supplemental Information ("Supplemental") should be read in conjunction with the most recently issued Annual Report of the company. Additional information, including the company's Annual Information Form, is available on the Corporation's web site at *www.brookfield.com* and on SEDAR's web site at *www.sedar.com*.

Business Overview

Brookfield is a global asset management company, with a primary focus on property, power and infrastructure assets. We have established leading operating platforms in these sectors and, through them, own and manage a broad portfolio of high quality assets that generate long-term cash flows and opportunities for value creation for us and our partners. We create value for our shareholders by increasing, over time, the cash flows generated by managing these assets for our partners as well as from the capital that we have invested alongside them. Part 3 of the Management Discussion and Analysis of Financial Results ("MD&A") in our 2007 Annual Report describes our Business Strategy in further detail.

Basis of Presentation

We have organized the Supplemental on a basis that is consistent with how we operate the business. We organize our activities into a Corporate Group and individual Operating Platforms which focus on specific business segments. These platforms include commercial properties, renewable power generation, infrastructure, development and other properties, specialty funds and advisory services.

We make a distinction within our operating platforms between Asset Management and Operations. We characterize Asset Management as including, among other things: strategic oversight, investment analysis, capital allocation and advisory and other specialized services such as investment banking, facilities management and property leasing. Operations represent the balance of activities directly associated with the underlying businesses. Accordingly, we segregate our financial results between Asset Management (i.e. what we earn as the manager of the assets or operations) and Operations (i.e. what we earn as an investor in the assets or operations). We also segregate our financial results and our assets, liabilities and capital by Operating Platform.

The segmented results of our asset management activities include revenues from third-party clients as well as revenues earned by us in respect of the capital we have invested in established funds or business units, which are otherwise eliminated in our consolidated financial statements. For the balance of our capital that is invested directly in similar assets, we notionally attribute an asset management charge to the operations by applying a percentage fee to their estimated value. We do this in order to present our results and margins on a consistent and more meaningful basis. While this attribution is currently an internal allocation between the asset management segment and the operations, we intend to establish most of these operations as externally managed entities over time, which will replace this notional attribution with contractual cash flows from both third parties and ourselves and provide us with additional capital to expand our operating platforms in the process.

We present invested capital and operating cash flows on a "total" basis, which is similar to our consolidated financial statements and a "net" basis which represents our pro rata interest in the underlying net assets and cash flows. The net basis, with the exception of the operations of Brookfield Properties Corporation ("Brookfield Properties"), is presented on a deconsolidated basis meaning that assets are presented net of associated liabilities and non-controlling interests. Similarly, cash flows are presented net of carrying charges associated with related liabilities and cash flow attributable to related non-controlling interests such as minority shareholders and investment partners. Net invested capital and net operating cash flows, in our view, represent a more consistently comparable basis of presentation than our consolidated financial statements which include our operations under various methods, including equity accounting, proportional consolidation and full consolidation. Please refer to Part 3 of the MD&A in our 2007 Annual Report which includes a description of our financial measures and a glossary of terms.

We provide reconciliations between the basis of presentation in the Supplemental and our consolidated financial statements. In particular, we reconcile operating cash flow and net income on page 24. The tables on pages 37 to 39 provide a reconciliation between our consolidated financial statements and basis of presentation used herein.

Unless the context indicates otherwise, references in this Supplemental to the "Corporation" refer to Brookfield Asset Management Inc., and references to "Brookfield" or "the company" refer to the Corporation and its direct and indirect subsidiaries and consolidated entities. All financial data included in the Supplemental has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and specified non-GAAP measures unless otherwise noted. All figures are presented in U.S. dollars, unless otherwise noted.

PART 2 – PERFORMANCE REVIEW

Summary

Operating cash flow totalled $355 million during the third quarter of 2008. In 2007 we recorded $255 million on a comparable basis, or $321 million including a security disposition gain of $66 million. Operating cash flow per share increased by 45% on a comparable basis, and by 12% including the 2007 gain. Year-to-date operating cash flow per share increased by 19% on a comparable basis. Net income was $171 million compared with $93 million in the comparable quarter last year. The increase reflects the variances in operating cash flow, offset in part by an increase in non-cash charges such as depreciation on recently acquired assets

We have increased our core liquidity to $3.7 billion, which includes $740 million received during October, from $2.8 billion at June 30, 2008, and completed a number of financings to extend the maturity of our debt profile. This included the sale of our U.S. Pacific Northwest timberlands to a newly formed investment fund managed by us, that generated $590 million of net cash proceeds, a modest gain that will be reflected in our fourth quarter results, and a $700 million increase in third party capital commitments.

The following table summarizes our cash flow from operations:

	Three months ended September 30		*Nine months ended September 30*	
(MILLIONS, EXCEPT PER SHARE AMOUNTS)	***2008***	*2007*	***2008***	*2007*
Cash flow from operations				
Comparable basis (excluding security disposition gain)	**$ 355**	$ 255	**$ 1,176**	$ 1,001
– per share	**0.58**	0.40	**1.92**	1.61
Total basis (including security disposition gain)	**$ 355**	$ 321	**$ 1,176**	$ 1,332
– per share	**0.58**	0.52	**1.92**	2.17

We recorded improved results across most of our operating platforms, particularly in our power generation group which benefited from strong water levels and higher realized prices, as well as our commercial office property business, which benefited from a disposition gain and the contribution from acquired properties. This more than offset the impact of weakness in the U.S. markets on our residential business and timberland operations. Our asset management activities demonstrated continued growth in fee income due to a higher level of invested capital and funds under management.

The following table presents net income for the past two periods determined in accordance with Canadian GAAP. We utilize operating cash flow, as opposed to net income, as our preferred metric in assessing the performance of our business. Nevertheless we recognize the importance of net income as a key measure for many users and provide a full discussion of our net income and a reconciliation to operating cash flow.

	Three months ended September 30		*Nine months ended September 30*	
(MILLIONS, EXCEPT PER SHARE AMOUNTS)	***2008***	*2007*	***2008***	*2007*
Net income				
– total	**$ 171**	$ 93	**$ 478**	$ 441
– per share	**0.27**	0.13	**0.75**	0.68

We reconcile net income to operating cash flow on page 24, and describe these non-cash charges on pages 26 and 27.

We believe that our operations are well positioned to withstand the current economic circumstances due to the high quality of our assets, the long-term contractual nature of many of our cash flows, our liquidity profile and the long duration and diversification of our financings.

These characteristics give us confidence that we will continue to generate strong operating cash flows during the balance of 2008 and into the future.

Operating Cash Flows

The following table presents our operating cash flows for the third quarter of 2008 and 2007 on a segmented basis. The results are classified by operating platform and net operating cash flows are separated between those attributable to our asset management activities and those generated from the capital invested by us in our operating platforms.

	Total Operating Cash Flow		Net Operating Cash Flow					
	2008	*2007*	***2008***			*2007*		
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)			***Asset Management***	***Operations***	***Total***	*Asset Management*	*Operations*	*Total*
Asset management income	**$ 109**	$ 96						
Operating platforms								
Commercial properties	**603**	351	**$ 117**	**$ 233**	**$ 350**	$ 98	$ 72	$ 170
Power generation	**213**	105	**18**	**88**	**106**	17	3	20
Infrastructure	**78**	65	**11**	**20**	**31**	14	18	32
Development and other properties	**57**	38	**8**	**55**	**63**	5	36	41
Specialty funds	**31**	23	**11**	**(12)**	**(1)**	16	13	29
Advisory services	**—**	—	**18**	**—**	**18**	19	—	19
Private equity investments	**25**	87	**—**	**3**	**3**	—	42	42
Total operating platforms	**1,116**	765	**183**	**387**	**570**	169	184	353
Cash and financial assets	**178**	215	**—**	**178**	**178**	—	211	211
	1,294	980	**183**	**565**	**748**	169	395	564
Unallocated expenses								
Financing	**(535)**	(454)	**—**	**(82)**	**(82)**	—	(78)	(78)
Operating costs	**(167)**	(108)	**(101)**	**(57)**	**(158)**	(73)	(32)	(105)
Current income taxes	**(2)**	6	**—**	**(3)**	**(3)**	—	5	5
Non-controlling interests in consolidated operations	**(235)**	(103)	**(14)**	**(136)**	**(150)**	(16)	(49)	(65)
Net operating cash flow	**$ 355**	$ 321	**$ 68**	**$ 287**	**$ 355**	$ 80	$ 241	$ 321

As discussed under Basis of Presentation, total operating cash flows are presented on a consolidated basis similar to our consolidated financial statements, where net operating cash flows represent the cash flow attributable to our net investment in each segment and is net of interest expense and co-investor interests.

Total Operating Cash Flow

Asset management income, which reflects third-party revenues for these purposes, totalled $109 million during the period compared to $96 million in 2007. The increase is due to fees on new capital raised as well as the addition of the Australian fund management business in 2007.

Operating platforms contributed $1,116 million compared to $765 million in 2007, an increase of $351 million. Commercial property operations contributed $252 million of the increase, reflecting the contribution from properties acquired in 2007 as well as a substantial disposition gain. The contribution from our power generating operations increased by $108 million due to higher energy prices and increased water flows.

Financing and operating costs both increased with the expansion of our operating platforms, in particular, the Australian and European operating platforms acquired in 2007. The increase in non-controlling interests reflects the portion of the growth in cash flows noted above that is attributable to the other investors in these businesses.

Net Operating Cash Flow

The net operating cash flow during the third quarter of $355 million (2007 – $321 million) is segregated into $68 million (2007 – $80 million) from asset management activities and $287 million (2007 – $241 million) from operations.

Asset Management Results

The following table summarizes asset management income and fees generated for the past two years. “Total” represents fee income generated by the assets and capital under management on a 100% basis, including amounts attributed to the capital we have invested in established funds with co-investors as well as assets that are held directly by Brookfield, whereas “Third Party” amounts represent fees and performance returns earned by us in respect of the assets and capital managed on behalf of our investment partners. We also allocate costs incurred in respect of our asset management activities in order to present the estimated margins generated by these activities. This margin analysis is not meaningful for third-party revenues because the costs represent activities conducted in respect of all of the asset management activities.

FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	Total		Third Party	
	2008	2007	**2008**	2007
Base management fees	**$ 106**	$ 97	**$ 32**	$ 24
Performance returns	**1**	1	**1**	1
Transaction fees	**1**	—	**1**	—
Property services	**70**	62	**70**	62
Investment banking	**5**	9	**5**	9
	183	169	**$ 109**	$ 96
Operating costs	**(101)**	(73)		
Non-controlling interests in consolidated operations	**(14)**	(16)		
	$ 68	$ 80		

The total contribution to cash flow from asset management and related activities was $68 million during the quarter compared to $80 million in 2007. The decrease was due to lower investment banking fees, reduced margins in our property services business, and increased expenses due to a higher activity level.

Base management fees recorded during the quarter totalled $106 million (2007 – $97 million), and included fees of $32 million (2007 – $24 million) earned from third-party investors, $11 million (2007 – $12 million) from the capital that we have invested in existing funds and $63 million (2007 – $61 million) attributed to assets that are not held in existing funds. The increase in third party fees is due to new funds added since the beginning of 2007.

The level of annualized base management fees is a key measure in assessing the growth of our business. As at September 30, 2008, annualized base management fees on all existing funds and assets under management from third parties was $130 million (December 31, 2007 – $120 million).

Property services fees include property and facilities management, leasing and project management and a range of real estate services. The increase reflects a higher level of activity within our facilities management operations and the newly acquired Australian operations. We provide specialized investment banking services in North America and Brazil.

The operating costs attributed to our asset management activities increased by $28 million to $101 million due to the addition of the Australian fund management business, acquired in the fourth quarter of 2007, which increased $24 million of expenses during the quarter. A large proportion of our North American property operations are conducted through 51% owned Brookfield Properties. Non-controlling interests represent the 49% interest, of the minority shareholders in these activities.

The level of performance returns recorded in our results continues to be modest because they tend to materialize later in the life cycle of a fund and because we have elected to follow accounting guidelines that defer recognition in our financial statements.

We will provide an estimate of these returns in our Annual Report. Nonetheless, we expect that accumulated returns have declined during 2008 due to lower asset valuations.

Operations

Operations contributed $287 million of net operating cash flow during the quarter compared to $241 million during 2007. The following overview is supplemented by further information contained in the "Operating Platforms" and "Other Items" sections of this report.

– Operating Platforms

The contribution from commercial properties increased by $161 million, due principally to the gain realized on the sale of a partial interest in a Toronto office complex. The contribution from property acquisitions included in total operating cash flow was largely offset by the associated financing costs. Net operating income from existing properties was stable on a quarter-over-quarter basis. Average in-place rents in North America remained stable at $23 per square foot and occupancy levels within our managed portfolio were unchanged at 96.0%.

Our power generating operations contributed $88 million of net operating cash flow in the quarter. This was due to higher prices and increased water flows, as noted under total operating cash flow, offset in part by costs of financings put in place to acquire new facilities. Realized prices increased by 14% and water levels were 15% above long-term averages. The prior quarter reflected extremely low water conditions.

The contribution from our infrastructure operations was largely unchanged. Valuation gains on our Brazilian transmission interests were offset by reduced margins in our timber operations. Furthermore, our beneficial ownership interests in these operations declined following the distribution of interests in these operations through the formation of Brookfield Infrastructure Partners ("Brookfield Infrastructure") at the beginning of the year.

Development and other properties contributed $55 million compared to $36 million. The increase reflects a higher level of invested capital in our opportunity investment funds and the contribution from the construction business added in 2007. The contribution from our residential operations was largely unchanged.

The contribution from our specialty funds declined by $25 million, which is due almost entirely to a reduction in unrealized gains that had been recorded in the prior quarter. Interest income from our bridge lending operations declined following a reduction in the level of outstanding loans. This was offset by improved results from investee companies within our restructuring funds.

Private equity investments contributed a higher level of operating cash flow in 2007 due to strong results from our insurance operations. The contribution in the current quarter was offset by restructuring charges arising from the sale of a portion of the business and weaker underwriting results.

– Other items

Investment income from our cash and financial assets contributed $178 million during the quarter. The prior quarter contribution of $211 million included $66 million in respect of sale of convertible debentures. Both quarters benefited from a high level of realized and unrealized investment gains.

Financing costs were relatively unchanged compared to the prior quarter as our borrowing levels were relatively consistent. Operating costs increased, reflecting the expansion of our platform including the addition of the Australian operations in 2007. The increase in non-controlling interests consists principally of minority shareholder interests in the property disposition gain noted above.

Assets Under Management and Invested Capital

The following table presents the book values of total assets under management at the end of September 30, 2008 and December 31, 2007, including our interests and those of our co-investors, capital commitments by our co-investors, and Brookfield's invested capital measured in terms of consolidated assets and net invested capital.

	Total Assets Under Management		*Co-investor Commitments*		*Brookfield Invested Capital*			
					Consolidated Assets		*Net Invested*	
(MILLIONS)	***Sept. 30 2008***	*Dec. 31 2007*	***Sept. 30 2008***	*Dec. 31 2007*	***Sept. 30 2008***	*Dec. 31 2007*	***Sept. 30 2008***	*Dec. 31 2007*
Operating platforms								
Commercial properties	**$ 26,892**	$ 29,508	**$ 3,068**	$ 2,898	**$ 21,989**	$ 24,073	**$ 4,764**	$ 4,488
Power generation	**6,985**	6,802	**—**	—	**6,985**	6,802	**1,394**	1,425
Infrastructure	**6,653**	6,755	**2,139**	1,192	**4,469**	4,435	**1,407**	1,645
Development and other properties	**10,962**	10,323	**384**	359	**10,962**	10,323	**3,108**	3,856
Specialty funds	**5,682**	7,487	**3,412**	3,547	**4,495**	2,736	**1,087**	1,137
Advisory services	**22,313**	26,237	**22,313**	26,237	**—**	—	**—**	—
	79,487	87,112	**31,316**	34,233	**48,900**	48,369	**11,760**	12,551
Private equity investments	**2,932**	3,851	**—**	—	**2,932**	3,851	**937**	1,336
Cash and financial assets	**1,386**	1,367	**—**	—	**1,386**	1,367	**1,127**	867
Other assets	**2,754**	2,010	**—**	—	**2,754**	2,010	**2,754**	2,010
	$ 86,559	$ 94,340	**$ 31,316**	$ 34,233	**$ 55,972**	$ 55,597	**$ 16,578**	$ 16,764

Brookfield's net invested capital is largely unchanged from the beginning of the year both in aggregate and by operating platform. Total consolidated assets were unchanged, however consolidated assets within our commercial property sector declined due to the reallocation of balances from properties acquired in 2007, which resulted in an increase in development and other properties and other assets. Total assets within our specialty funds groups increased due to the consolidation of one of our real estate finance funds in early 2008. Private equity assets declined due to the sale of one of our reinsurance businesses.

We increased co-investor commitments to our core/value-add and our opportunity/private equity funds by $1 billion. The increase consists of $1.4 billion in new commitments to a Brazil Timber Fund and our second Real Estate Finance Fund as well as the formation of Brookfield Infrastructure, offset by approximately $0.4 billion of capital returned to investors in existing funds. This increase was offset by a reduction of $3.9 billion in our advisory funds, due primarily to a reduction in the market value of the fixed income and equity securities under management for our clients. Subsequent to quarter-end, we secured $700 million of co-investor commitments to a timber fund.

Total assets under management declined due to factors described above. In addition, lower currency exchange rates resulted in lower carrying value for assets in several non-U.S. economies, as well as lower carrying values for the associated non-U.S. denominated financing and hedges.

Operating Platforms

Commercial Properties

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

	Total Operating Cash Flow		Net Operating Cash Flow					
			2008			2007		
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	**2008**	2007	**Asset Management**	**Operations**	**Total Platform**	Asset Management	Operations	Total Platform
Office properties	**$ 562**	$ 340	**$ —**	**$ 283**	**$ 283**	$ —	$ 104	$ 104
Retail properties	**41**	11	**—**	**(11)**	**(11)**	—	4	4
	603	351	**—**	**272**	**272**	—	108	108
Asset management and property services [1]	**—**	—	**117**	**(39)**	**78**	98	(36)	62
	$ 603	$ 351	**$ 117**	**$ 233**	**$ 350**	$ 98	$ 72	$ 170

1 Prior to operating costs

Property operations contributed total operating cash flow of $603 million in 2008 (2007 – $351 million). Net rents from existing properties were stable, and we received a positive contribution from additional leasing activity during the quarter. The increase reflects the contribution from properties acquired in late 2007 and disposition gains realized during the quarter. Net operating cash flow, which reflects financing costs and co-investor interests, was $350 million (2007 – $170 million) and includes net cash flow of $272 million in 2008 attributed to operations and disposition gains (2007 – $108 million) and $78 million attributed to asset management activities (2007 – $62 million). Cash flow from operating assets in the 2008 quarter reflects the variances in total cash flow offset partially by higher level of interest expense associated with acquired assets.

The following table summarizes assets under management and invested capital in our commercial property operations:

	Total Assets Under Management		Co-investor Commitments		Brookfield Invested Capital			
					Consolidated		Net Invested Capital	
(MILLIONS)	**Sept. 30 2008**	Dec. 31 2007	**Sept. 30 2008**	Dec. 31 2007	**Sept. 30 2008**	Dec. 31 2007	**Sept. 30 2008**	Dec. 31 2007
Office properties	**$ 25,300**	$ 27,810	**$ 2,458**	$ 2,298	**$ 20,397**	$ 22,375	**$ 4,704**	$ 4,385
Retail properties	**1,592**	1,698	**610**	600	**1,592**	1,698	**60**	103
	$ 26,892	$ 29,508	**$ 3,068**	$ 2,898	**$ 21,989**	$ 24,073	**$ 4,764**	$ 4,488

Net invested capital in commercial properties declined modestly during the first nine months of 2008 due to the sale of a partial interest in an office property during the third quarter. Assets under management and consolidated assets within our office property business both decreased by $2.5 billion and $2.0 billion respectively, due to the sale as well as the reallocation to other business units of working capital and non-operating balances assumed within the Australian business purchased in late 2007. This re-allocation had no impact on co-investor commitments and minimal impact on net invested capital due to the reallocation of associated working capital liabilities.

Office Properties

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

	Operating Cash Flow							
	2008				2007			
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	**Total**	**Interest Expense**	**Co-investor Interests**	**Net**	Total	Interest Expense	Co-investor Interests	Net
North America	**$ 488**	**$ 189**	**$ 23**	**$ 276**	$ 330	$ 206	$ 21	$ 103
Australasia	**63**	**56**	**3**	**4**	—	—	—	—
Europe	**11**	**8**	**—**	**3**	10	9	—	1
	$ 562	**$ 253**	**$ 26**	**$ 283**	$ 340	$ 215	$ 21	$ 104

The variations in total and net operating cash flows of $222 million and $179 million are set out in the following table:

FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	**2008**	2007	Variance
Existing properties	**$ 333**	$ 333	$ —
Acquired properties	**78**	—	78
Disposition gains and other	**151**	7	144
Total operating cash flow	**562**	340	222
Interest expense	**253**	215	38
Co-investors' interests	**26**	21	5
Net operating cash flow	**$ 283**	$ 104	$ 179

In North America, our average in-place net rents remained stable at $23 per square foot from the end of the comparable quarter in 2007. We leased 1.9 million square feet during the third quarter at an average net rent of $28.42 per square foot. The occupancy rate at the end of the third quarter within our managed portfolio was 96.0% and 94.8% overall. Lease expiries average less than 5% during 2009 and 2010 and the average lease term is seven years.

We acquired a portfolio in Australia in 2007 which contributed total operating cash flow of $63 million during the quarter. Average in-place rents in our Australian portfolio are $42 per square foot, approximately 12% below market rents and during the quarter we leased 175 thousand square feet of space. The occupancy rate across the portfolio remains high at 98.6% and the weighted average lease term is seven years.

Within our European portfolio, occupancy is 99% and the weighted average lease term is 18 years.

In July 2008, we completed the sale of our 50% interest in the TD Canada Trust Tower in Toronto to our partner for gross proceeds of C$425 million. The sale proceeds reflect a significant premium over our carrying value and is representative of the value that office properties such as this attract. As a result of this sale, we recognized a gain of $164 million ($82 million after deducting minority interests). In September, our Houston properties were impacted by hurricane damage resulting in a cost to us of $13 million ($4 million net of co-investor interests.)

Borrowing costs associated with existing properties were relatively unchanged. Interest expense associated with our Australian operations was $56 million during 2008. Borrowing costs in 2007 included $27 million of debt breakage costs.

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

	September 30, 2008				*December 31, 2007*			
(MILLIONS)	***Consolidated Assets***	***Consolidated Liabilities***	***Co-Investor Interests***	***Net Invested Capital***	*Consolidated Assets*	*Consolidated Liabilities*	*Co-Investor Interest*	*Net Invested Capital*
Office properties								
North America	**$ 8,301**	**$ 6,210**	**$ 186**	**$ 1,905**	$ 8,737	$ 6,802	$ 193	$ 1,742
U.S. Core Office Fund	**7,375**	**5,726**	**257**	**1,392**	7,247	5,502	257	1,488
Australasia	**2,767**	**1,628**	**125**	**1,014**	3,198	3,318	—	(120)
Europe	**1,126**	**760**	**—**	**366**	796	561	—	235
Working capital	**828**	**801**	**—**	**27**	2,397	1,357	—	1,040
	$ 20,397	**$ 15,125**	**$ 568**	**$ 4,704**	$ 22,375	$ 17,540	$ 450	$ 4,385

Invested capital in Europe increased due to the completion of two properties previously under development.

We finance our office properties with long-term mortgages. The average term of our mortgages in North America, Australia and Europe are seven years, two years, and nine years, respectively.

In North America, we have financed, refinanced or extended $157 million of commercial property debt in the third quarter and over $1.1 billion during the first nine months. In Australia, we have refinanced $1.3 billion of commercial property debt during 2008.

Retail

Total operating cash flows increased to $41 million for the third quarter of 2008 compared to $11 million in 2007. The increase reflects the acquisition of a 1.7 million square foot portfolio of high quality properties in 2007, located primarily in São Paulo and Rio de Janeiro. The acquisitions also include a number of development opportunities which are expected to generate substantial value

over the long-term but will restrain returns in the near term. Net operating cash outflow was $11 million for the current quarter, as the increase in total operating cash flows was offset by interest costs on acquisition debt and integration costs.

Asset Management – Commercial Properties

	2008			2007		
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	**Total**	**Operations**	**Third Party**	Total	Operations	Third Party
Asset management	**$ 47**	**$ (39)**	**$ 8**	$ 36	$ (36)	$ —
Property services	**70**	**—**	**70**	62	—	62
	$ 117	**$ (39)**	**$ 78**	$ 98	$ (36)	$ 62

Renewable Power Generation

We own one of the largest privately held hydroelectric power generating portfolios in the world. Our operations are diversified throughout 63 river systems in the U.S., Canada and Brazil. We have increased our generation capacity by 150% over the past five years and intend to continue to expand our business through acquisitions and development initiatives. Hydroelectric power generation benefits from rising energy prices and low operating costs, requires no fossil fuels and has negligible carbon emissions. Accordingly, we believe that our business is well positioned to benefit in both the near term and long-term and that demand for "clean" sources of electricity and the costs of competing forms of generation will continue to increase.

The following table summarizes the net operating cash flow generated by our power generating operations during the third quarter of 2008 and 2007:

	Total Operating Cash Flow		Net Operating Cash Flow					
			2008			2007		
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	**2008**	2007	**Asset Management**	**Operations**	**Total Platform**	Asset Management	Operations	Total Platform
Renewable power generation	**$ 213**	$ 105	**$ —**	**$ 106**	**$ 106**	$ —	$ 20	$ 20
Asset management	**—**	—	**18**	**(18)**	**—**	17	(17)	—
	$ 213	$ 105	**$ 18**	**$ 88**	**$ 106**	$ 17	$ 3	$ 20

Total operating cash flows increased by $108 million to $213 million due to a combination of higher realized prices and increased generation levels. Net operating cash flow increased by $86 million to $106 million, as the increase in total cash flows was partially offset by the interests of co-investors and other expenses. This increase was partially offset by higher financing costs and co-investor interests, reflecting the increasing scale of our operations and the higher level of profitability which is in turn shared with our co-investors.

The following table summarizes the total and net operating cash flows contributed by our power generating operations:

	Total Operating Cash Flow		Net Operating Cash Flow		
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	**2008**	2007	**2008**	2007	Variance
Hydroelectric generation					
North America					
United States	**$ 78**	$ 34	**$ 78**	$ 34	$ 44
Canada	**79**	34	**79**	34	45
Brazil	**40**	18	**40**	18	22
Total hydroelectric generation	**197**	86	**197**	86	111
Wind energy	**3**	6	**3**	6	(3)
Co-generation and pumped storage	**13**	13	**13**	13	—
Total other generation	**16**	19	**16**	19	(3)
Total operating cash flows	**213**	105	**213**	105	108
Cash taxes and other expenses			**(9)**	(1)	(8)
Interest expenses			**(76)**	(72)	(4)
Non-controlling interests			**(22)**	(12)	(10)
Operating cash flow	**$ 213**	$ 105	**$ 106**	$ 20	$ 86

Realized Prices and Operating Margins

The following table illustrates revenues and operating costs for our hydroelectric facilities:

THREE MONTHS ENDED SEPTEMBER 30 (GWH AND $ MILLIONS)	**2008** Actual Production	Realized Revenues	Operating Costs	Operating Cash Flows	*2007* Actual Production	Realized Revenues	Operating Costs	Operating Cash Flows
Ontario	**650**	**$ 60**	**$ 15**	**$ 45**	386	$ 32	$ 12	$ 20
Quebec	**521**	**38**	**9**	**29**	317	17	7	10
New England	**403**	**26**	**9**	**17**	306	15	7	8
New York	**719**	**54**	**21**	**33**	378	26	17	9
Brazil	**634**	**55**	**15**	**40**	356	27	9	18
Other	**451**	**41**	**8**	**33**	299	28	7	21
Total	**3,378**	**$ 274**	**$ 77**	**$ 197**	2,042	$ 145	$ 59	$ 86
Per MWh		**$ 81**	**$ 23**	**$ 58**		$ 71	$ 29	$ 42

Realized prices from our hydro portfolio increased by 14% over 2007 levels to $81 per megawatt hour ("MWh"). Spot prices were higher in the third quarter throughout most of our operations compared to the third quarter of 2007, as were contracts put in place to forward sell generation. The table on page 13 sets out the maturity profile of our contracts and the level of uncontracted generation through 2012 assuming long-term average hydrology. We also generated a higher proportion of our power in higher priced regions and benefited from the contribution of hydroelectric facilities acquired or commissioned since the third quarter of 2007. Our ability to capture peak pricing and sell other energy products, such as capacity, also contributes to higher realized prices.

Operating costs declined on a per megawatt basis reflecting increased utilization. Operating costs on a per unit basis are typically higher than annualized averages during the third quarter because hydrology is lower due to expected seasonal variances.

The contribution from our non-hydro facilities is set forth in the following table. Cash flows decreased due to lower generation levels.

THREE MONTHS ENDED SEPTEMBER 30 (GWH AND $ MILLIONS)	**2008** Actual Production	Realized Revenues	Operating Costs	Operating Cash Flows	*2007* Actual Production	Realized Revenues	Operating Costs	Operating Cash Flows
Wind energy	**78**	**$ 7**	**$ 4**	**$ 3**	98	$ 8	$ 2	$ 6
Co-generation and pumped storage	**350**	**43**	**30**	**13**	411	41	28	13
Total	**428**	**$ 50**	**$ 34**	**$ 16**	509	$ 49	$ 30	$ 19
Per MWh		**$ 117**	**$ 80**	**$ 37**		$ 96	$ 59	$ 37

Generation

Our facilities produced 3,806 gigawatt hours ("GWh") of electricity during the third quarter of 2008, compared with 2,551 GWh during 2007. Conventional hydroelectric facilities generated 3,378 GWh, an increase of 1,336 GWh or 65%. We produced 1,013 more gigawatt hours from existing hydroelectric capacity owned throughout 2008 and 2007 (i.e. "same store" basis) due to higher water flows; this was supplemented by the contribution of 323 additional gigawatt hours from hydroelectric facilities acquired or developed during 2007 and 2008. Hydroelectric generation was 15% above expected long-term averages, whereas the 2007 results were 22% below long-term averages. Our reservoirs have been maintained at normal levels for this time of year and, as a result, we should be able to operate our facilities at long-term average levels during the remainder of 2008, assuming normal water conditions prevail.

The following table summarizes generation during the third quarter of 2008 and 2007:

THREE MONTHS ENDED SEPTEMBER 30 (GIGAWATT HOURS)	Long-Term Average	*Actual Production* **2008**	2007	*Variance to* Long-Term Average	2007
Existing capacity	2,533	**2,976**	1,963	443	1,013
Acquisitions – during 2007	151	**156**	79	5	77
Acquisitions – during 2008	263	**246**	—	(17)	246
Total hydroelectric operations	2,947	**3,378**	2,042	431	1,336
Wind energy	108	**78**	98	(30)	(20)
Co-generation and pump storage	313	**350**	411	37	(61)
Total generation	3,368	**3,806**	2,551	438	1,255

Contract Profile

Approximately 80% of our projected generation for the balance of 2008 and 2009 was subject to long-term bilateral power sales agreements or shorter-term financial contracts at quarter end. The remaining generation is typically sold into wholesale electricity markets. Our long-term sales contracts, which cover approximately 55% of total generation during this period, have an average term of 10 years and the counterparties are almost exclusively customers with long-standing favourable credit histories or investment grade ratings. The financial contracts typically have a term of less than two years.

The following table sets out the profile of our contracts over the next five years from our existing facilities, assuming long-term average hydrology:

	Balance of	*Years ended December 31*			
	2008	*2009*	*2010*	*2011*	*2012*
Generation (GWh)					
Contracted					
Power sales agreements	2,119	7,566	7,534	7,036	6,267
Financial contracts	807	3,934	2,873	—	—
Uncontracted	696	2,914	3,989	7,366	8,127
	3,622	14,414	14,396	14,402	14,394
Contracted generation					
% of total	81%	80%	72%	49%	44%
Revenue ($millions)	205	830	787	542	512
Price ($/MWh)	70	72	76	77	82

The increase in the average selling price for contracted power from $70 per MWh to $82 per MWh over the next five years reflects contractual step-ups in long duration contracts with attractive locked-in prices and the expiry of lower priced contracts during the period. The decrease in these prices from those reported in prior quarters reflects the impact of lower currency exchange rates on non-U.S. contracts.

As shown in the following table, the carrying values of our hydroelectric assets increased to $4.5 billion at the end of the third quarter from $4.3 billion at year end reflecting acquisition and development activity, offset by accounting depreciation and foreign exchange revaluation. Net invested capital did not change significantly as acquisitions were funded with a combination of assumed debt, new project debt and cash on hand.

	Total Assets Under Management		*Co-investor Commitments*		*Brookfield Invested Capital*			
					Consolidated Assets		*Net Invested*	
	Sept. 30	*Dec. 31*	***Sept. 30***	*Dec. 31*	***Sept. 30***	*Dec. 31*	***Sept. 30***	*Dec. 31*
(MILLIONS)	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*
Hydroelectric generation	**$ 4,531**	$ 4,299	**$ —**	$ —	**$ 4,531**	$ 4,299	**$ 4,531**	$ 4,299
Wind, pumped storage and cogeneration	**531**	602	**—**	—	**531**	602	**531**	602
Development	**318**	236	**—**	—	**318**	236	**318**	236
	5,380	5,137	**—**	—	**5,380**	5,137	**5,380**	5,137
Cash and financial assets	**454**	784			**454**	784	**454**	784
Working capital	**1,151**	881			**1,151**	881	**252**	2
Property-specific and subsidiary debt							**(4,484)**	(4,285)
Co-investors' interests							**(208)**	(213)
	$ 6,985	$ 6,802	**$ —**	$ —	**$ 6,985**	$ 6,802	**$ 1,394**	$ 1,425

We believe the intrinsic value of our power assets is much higher than the book value because many of the assets have been acquired at attractive prices and depreciated for accounting purposes over many years which, in our view, is inconsistent with the nature of hydroelectric generating assets. This is demonstrated by the level of property-specific and subsidiary debt which, while appearing high compared to the book values, is almost entirely investment grade and relatively conservative compared to the economic value of the facilities and the strength and growth potential of the cash flows.

The following table sets out installed capacity and development projects as at September 30, 2008:

(MEGAWATTS)		Sept. 30 2008	June 30 2008	Dec. 31 2007
Installed capacity				
Hydroelectric generation		**3,087**	3,087	2,887
Wind energy		**189**	189	189
Pumped storage		**600**	600	600
Co-generation		**215**	215	215
		4,091	4,091	3,891
Development projects				
Hydroelectric	– under construction	**137**	137	137
	– advanced stage	**368**	368	368
Wind energy	– advanced stage	**350**	210	210
		855	715	715

During the third quarter, we commenced construction on a 39 megawatt hydroelectric facility in Brazil. The project is expected to be in commercial operation in the fourth quarter of 2009.

Asset Management – Power Generation

Asset management cash flow is determined by applying a fixed percentage fee to our estimated value of the equity capital invested in these operations. This is an internal allocation that is intended to be consistent with comparable asset management fees incurred elsewhere in our operations. The amount allocated in the current quarter was similar to the comparable quarter as the level of invested capital was relatively unchanged.

We continue to consider various alternatives to establish an externally managed entity through which we can share the ownership of these assets with others on a fee-bearing basis.

Infrastructure

Our infrastructure operations consist of timber and electrical transmission operations in the United States, Canada, Chile and Brazil that are owned through a number of managed funds and through direct interests. The cash flows contributed by these operations are summarized in the following table:

	Total Operating Cash Flow		Net Operating Cash Flow					
			2008			2007		
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	2008	2007	Asset Management	Operations	Total Platform	Asset Management	Operations	Total Platform
Timberlands	**$ 33**	$ 47	**$ —**	**$ 6**	**$ 6**	$ —	$ 14	$ 14
Transmission	**45**	18	**—**	**21**	**21**	—	13	13
	78	65	**—**	**27**	**27**	—	27	27
Asset management	**—**	—	**11**	**(7)**	**4**	14	(9)	5
	$ 78	$ 65	**$ 11**	**$ 20**	**$ 31**	$ 14	$ 18	$ 32

In January 2008 we transferred the ownership interests in a number of our assets to Brookfield Infrastructure, a specialty issuer listed on the New York Stock Exchange. We own 40% of and provide management services to Brookfield Infrastructure. The net invested capital and net operating cash flows presented in this section reflect the operations held within Brookfield Infrastructure on a pro rata basis as well as our directly held operations while assets under management and consolidated assets include Brookfield Infrastructure on a fully consolidated basis.

	Total Assets Under Management		Co-investor Commitments		Brookfield Invested Capital			
					Consolidated Assets		Net Invested	
(MILLIONS)	Sept. 30 2008	Dec. 31 2007	Sept. 30 2008	Dec. 31 2007	Sept. 30 2008	Dec. 31 2007	Sept. 30 2008	Dec. 31 2007
Timberlands	**$ 3,606**	$ 3,675	**$ 767**	$ 315	**$ 3,606**	$ 3,675	**$ 1,032**	$ 1,025
Transmission	**3,047**	3,080	**1,372**	877	**863**	760	**375**	620
	$ 6,653	$ 6,755	**$ 2,139**	$ 1,192	**$ 4,469**	$ 4,435	**$ 1,407**	$ 1,645

Co-investor commitments represent capital committed by clients to our western Canadian and eastern North American timber funds and the Chilean transmission operations as well as the 60% interests of unitholders in Brookfield Infrastructure. The increase during the year is due to the formation of Brookfield Infrastructure and a Brazil Timber Fund. The decrease in net invested capital on the transfer of interests to Brookfield Infrastructure was offset by the investment of additional capital into our Chilean transmission operations to fund growth capital investment and our U.S. Pacific Northwest timberlands in connection with the completion of a $1 billion long-term debt financing.

Subsequent to quarter end we transferred our direct ownership interests in the U.S. Pacific Northwest timber lands to a partially owned timber fund that is managed by us, resulting in a reduction in our net effective interest in these operations, the receipt of $590 million in cash, and a modest gain that will be recognized in our fourth quarter.

Timber

Timber operations contributed $33 million of total operating cash flow during the third quarter of 2008 compared with $47 million in 2007. Net operating cash flow declined to $6 million from $14 million.

	Total Operating Cash Flow		*Net Operating Cash Flow*		
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	***2008***	*2007*	***2008***	*2007*	*Variance*
Timber					
Western North America					
Timberlands	**$ 24**	$ 38	**$ 24**	$ 38	$ (14)
Higher and better use lands	**3**	3	**3**	3	—
Eastern North America	**3**	4	**3**	4	(1)
Brazil	**3**	2	**3**	2	1
	33	47	**33**	47	(14)
Other expenses			**(4)**	1	(5)
Interest expense			**(20)**	(27)	7
Co-investor's interests			**(3)**	(7)	4
	$ 33	$ 47	**$ 6**	$ 14	$ (8)

The slowdown in the U.S. homebuilding industry has resulted in lower demand and prices for premium species such as high quality Douglas fir. As a result, we continue to harvest at reduced levels while we wait for prices to recover. We have focused our harvest on species such as cedar and appearance grade logs where margins have held up better. In addition, we continue to increase the level of exports into Asian markets to capture better margins, net of transportation costs. Realized prices across our operations declined by approximately 12% and sales volumes increased by 6% over the comparable quarter in 2007, with the result that revenues were 6% lower than the 2007 quarter. Operating costs, however, were higher due in part to harvesting techniques employed and fuel charges with the result that the operating cash flows were lower. Interest costs were lower in the quarter primarily due to the refinancing of a $1.2 billion bridge loan in our U.S. timberlands operations with $1.0 billion of non-recourse debt which has an average term of seven and a half years and a 5.3% average interest rate. Co-investor interests declined, reflecting a lower harvest level within our Canadian West coast operations, offset by the cash flow attributable to unitholders of Brookfield Infrastructure.

The following table summarizes the operating results from our timber operations:

	2008			*2007*		
FOR THE THREE MONTHS ENDED SEPTEMBER 30 ($ MILLIONS)	*Sales (m^3)*	*Revenue*	*Harvest (m^3)*	*Sales (m^3)*	*Revenue*	*Harvest (m^3)*
Western North America						
Douglas fir	**573,600**	**$ 50**	**500,800**	533,600	$ 49	386,900
Whitewood	**338,700**	**20**	**360,200**	468,900	33	340,700
Other	**173,400**	**18**	**184,800**	102,500	16	74,300
	1,085,700	**88**	**1,045,800**	1,105,000	98	801,900
Eastern North America and Brazil	**741,600**	**24**	**727,600**	626,300	21	645,500
	1,827,300	**$ 112**	**1,773,400**	1,731,300	$ 119	1,447,400

Transmission

Transmission operations contributed $21 million of operating cash flow during the third quarter of 2008, net of carrying charges and co-investor interests, compared with $13 million for the same period in 2007 as shown in the following table:

	Total Operating Cash Flow		Net Operating Cash Flow		
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	**2008**	2007	**2008**	2007	Variance
Transmission facilities and investments					
Chile	**$ 8**	$ 6			
North America	**9**	8			
Brazil	**28**	4			
	45	18	**$ 45**	$ 18	$ 27
Other income / (expense) and taxes	**—**	—	**(1)**	(2)	1
Interest expense	**—**	—	**(3)**	(3)	—
	45	18	**41**	13	28
Co-investors' interests	**—**	—	**(20)**	—	(20)
	$ 45	$ 18	**$ 21**	$ 13	$ 8

The operating cash flows from our Chilean operations are recorded on an equity accounted basis (i.e. our proportionate share of the net operating cash flows after deducting interest expense and co-investor interests) and totalled $8 million in the quarter, compared to $6 million in 2007. The increase reflects rate base increases, inflation indexation and capital investments. These operations performed in line with expectations, as did our northern Ontario transmission and distribution operations. Our investment in transmission systems in Brazil is subject to a purchase and sale arrangement and we exercised our rights to sell this investment pursuant to the agreement for an inflation adjusted return of 14.8%. We recorded a revaluation gain of $24 million in the quarter ($9 million net of co-investor interests and taxes) in respect of this arrangement. We expect to receive after-tax proceeds of $275 million and the closing is expected to occur in January 2009, subject to regulatory and other approvals.

Co-investor interests increased overall, due primarily to their share of the upward revaluation of our Brazilian transmission interests.

Asset Management – Infrastructure

Asset management activities contributed $4 million of revenues from third parties during the third quarter of 2008, similar to the amount recorded in 2007. The increase in fees associated with Brookfield Infrastructure was offset by higher expenses due to increased activities, including corporate development initiatives.

During the second quarter we closed commitments of $280 million for a Brazil Timber Fund of which $230 million is from third party investors.

Development and Other Properties

Development and other properties include our real estate opportunity investment funds, residential operations, properties that are currently under development, properties that are held for development and our construction activities.

	Total Operating Cash Flow		Net Operating Cash Flow					
			2008			2007		
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	**2008**	2007	**Asset Management**	**Operations**	**Total Platform**	Asset Management	Operations	Total Platform
Opportunity investments	**$ 24**	$ 18	**$ —**	**$ 11**	**$ 11**	$ —	$ 3	$ 3
Residential	**17**	19	**—**	**35**	**35**	—	37	37
Under development / held for development	**1**	1	**—**	**1**	**1**	—	1	1
Construction	**15**	—	**—**	**15**	**15**	—	—	—
	57	38	**—**	**62**	**62**	—	41	41
Asset management	**—**	—	**8**	**(7)**	**1**	5	(5)	—
	$ 57	$ 38	**$ 8**	**$ 55**	**$ 63**	$ 5	$ 36	$ 41

The following table summarizes the assets under management and invested capital:

(MILLIONS)	Total Assets Under Management		Co-investor Commitments		Brookfield Invested Capital			
					Consolidated		Net Invested Capital	
	Sept. 30 2008	Dec. 31 2007	**Sept. 30 2008**	Dec. 31 2007	**Sept. 30 2008**	Dec. 31 2007	**Sept. 30 2008**	Dec. 31 2007
Opportunity investments	**$ 1,455**	$ 1,571	**$ 184**	$ 159	**$ 1,455**	$ 1,571	**$ 198**	$ 225
Residential	**3,050**	2,909	**200**	200	**3,050**	2,909	**227**	450
Under development	**3,887**	3,400	**—**	—	**3,887**	3,400	**1,003**	1,696
Held for development	**1,449**	1,201	**—**	—	**1,449**	1,201	**1,439**	1,170
Construction	**1,121**	1,242	**—**	—	**1,121**	1,242	**241**	315
	$ 10,962	$ 10,323	**$ 384**	$ 359	**$ 10,962**	$ 10,323	**$ 3,108**	$ 3,856

Assets under management and consolidated assets allocated to properties under development increased by approximately $0.5 billion during 2008 due mainly to the inclusion of the working capital associated with our construction business and additional elements of its development activities, which were included in commercial properties at year end.

Assets under management and capital invested in our opportunity investments were relatively unchanged during the third quarter. Our first opportunity fund was fully invested during the previous year following a number of acquisitions and we continue our efforts to invest the capital committed to our second fund. Net invested capital in residential operations excludes $272 million in advances as discussed under subsidiary borrowings.

The carrying values of properties held for development were relatively unchanged.

Opportunity Investment Funds

We operate two property funds that are focused on "opportunity investments" with total committed capital of $456 million, including $184 million from co-investors.

Total operating cash flow in the third quarter was $24 million (net – $11 million) compared to $18 million in 2007 (net – $3 million). The increase is due to property acquisitions and a higher level of capital invested by us. Interest expense was $8 million in the 2008 quarter and $11 million in the 2007 quarter. Co-investor cash flow totalled $5 million in the 2008 quarter compared to $4 million in the 2007 quarter.

Due to the focus on value enhancement and the relative short hold period for properties, we expect that returns will come more from disposition gains as opposed to net rental income relative to results from our core commercial office portfolios.

Residential

Canada

The contribution in the current quarter was relatively unchanged from the third quarter of 2007. The Alberta economy continues to perform well, however decreased home owner demand and a temporary oversupply of houses has slowed down the pace of growth relative to the exceptional performance experienced over the last several years.

The stable cash flows were supported by operating margins which improved to 33% from 31% in the third quarter of 2007 and 27% in the second quarter of 2008. We own approximately 15,895 acres (December 31, 2007 – 14,864 acres) in these operations of which approximately 980 acres were under active development at September 30, 2008 (December 31, 2007 – 1,004 acres) and 14,915 acres (December 31, 2007 – 13,860 acres) are included in "held for development" assets (reflecting the length of time that will likely pass before they are actively developed). Most of the land holdings were purchased in the mid-1990s or earlier, resulting in an embedded cost advantage.

United States

Our U.S. operations broke even in the quarter on a cash flow basis, similar to 2007, as the slow pace of the U.S. housing market continues to impact results. We continue to experience a supply and demand imbalance that is exacerbated by lower consumer confidence and restricted access to mortgage financing by buyers. We do not expect conditions to improve meaningfully until after 2009.

The results include an impairment charge of $13 million on a net basis to Brookfield. The gross operating margin in the business was 11% during the quarter, compared to 18% in 2007 reflecting a decrease in the average selling price. We closed 184 units during the quarter (2007 – 179 units) at an average selling price of $578,000 (2007 – $667,000). Net new orders during the quarter were 163 units (2007 – 130 units) and the backlog at the end of the quarter was 266 units (2007 – 323 units). We own or control 26,000 lots through direct ownership, options and joint ventures.

Brazil

We continued to expand our Brazilian operations, which are benefiting from the favorable demographics and economic conditions. Our Brazilian residential unit completed the acquisition of MB Engenharia S.A. ("MB") for approximately $100 million plus contingent consideration in the second quarter of 2008 and are actively working on integrating it into our operations. In October we received shareholder approval to merge our operations with Company S.A. We will own 40% of the combined entity. These transactions increase our presence in the important middle and mid-low segments of the Brazil market.

We own substantial density rights in our key markets of Rio de Janeiro and São Paulo that provide the basis for continued growth, and the acquisitions of MB and Company S.A. expand our operating footprint and are expected to provide additional growth opportunities.

Under Development

Properties that are under development do not typically contribute meaningful operating cash flow during the development process as most costs are capitalized and revenues are applied against these costs until properties are sold. In the case of the development portfolio acquired in late 2007, accounting guidelines required us to capitalize short-term profits upon acquisition. Unallocated overhead and interest costs that are not capitalized to specific projects are expensed as incurred.

The following table summarizes the capital deployed in properties under development, which are primarily commercial properties with a smaller component of retail and residential:

			Brookfield Invested Capital			
	Total Assets Under Management		*Consolidated Assets*		*Net Invested Capital*	
(MILLIONS)	***Sept. 30 2008***	*Dec. 31 2007*	***Sept. 30 2008***	*Dec. 31 2007*	***Sept. 30 2008***	*Dec. 31 2007*
Properties under development						
North America	**$ 977**	$ 965	**$ 977**	$ 965	**$ 977**	$ 965
Australia	**2,226**	1,569	**2,226**	1,569	**2,226**	1,569
United Kingdom	**376**	704	**376**	704	**376**	704
Brazil	**308**	162	**308**	162	**308**	162
Non-recourse financing	**—**	—	**—**	—	**(2,884)**	(1,704)
	$ 3,887	$ 3,400	**$ 3,887**	$ 3,400	**$ 1,003**	$ 1,696

Capital invested in North American development properties was unchanged in aggregate. We achieved substantial completion and occupancy of Four Allen Center in Houston and transferred the property to our commercial office portfolio. This was offset by the capitalization of costs related to continued development of the Bay Adelaide Centre in Toronto, Bankers Court in Calgary and other development initiatives.

In the United Kingdom, two development properties were completed and transferred into the commercial portfolio, resulting in a decrease in invested capital.

We deployed further capital in Brazil through the acquisition of MB discussed previously in the Residential section.

Held for Development

(MILLIONS)	Total Assets Under Management		Brookfield Invested Capital: Consolidated Assets		Brookfield Invested Capital: Net Invested Capital	
	Sept. 30 2008	Dec. 31 2007	**Sept. 30 2008**	Dec. 31 2007	**Sept. 30 2008**	Dec. 31 2007
Commercial office properties						
North America	**$ 254**	$ 207	**$ 254**	$ 207	**$ 254**	$ 207
Residential lots						
Canada and Brazil	**1,028**	804	**1,028**	804	**1,028**	804
Rural development						
Brazil	**167**	190	**167**	190	**157**	159
	$ 1,449	$ 1,201	**$ 1,449**	$ 1,201	**$ 1,439**	$ 1,170

We increased the capital invested in our Canadian residential operations, although the carrying value of residential lots and rural development was offset in part due to currency revaluation.

We earned $4 million in the quarter from our rural development lands in Brazil.

Construction

The following table summarizes the operating results from our construction operations during the third quarter:

AS AT AND FOR THE THREE MONTHS ENDED (MILLIONS)	Brookfield Invested Capital: Consolidated Assets		Brookfield Invested Capital: Net Invested		Operating Cash Flow: Total		Operating Cash Flow: Net	
	Sept. 30 2008	Dec. 31 2007	**Sept. 30 2008**	Dec. 31 2007	Sept. 30 **2008**	Sept. 30 2007	Sept. 30 **2008**	Sept. 30 2007
Australia	**$ 6**	$ —	**$ 6**	$ —	**$ 8**	$ —	**$ 8**	$ —
United Kingdom	**102**	104	**102**	104	**(3)**	—	**(3)**	—
Middle East	**50**	20	**50**	20	**10**	—	**10**	—
	158	124	**158**	124	**15**	—	**15**	—
Working capital	**963**	1,118	**83**	191	**—**	—	**—**	—
	$ 1,121	$ 1,242	**$ 241**	$ 315	**$ 15**	$ —	**$ 15**	$ —

We conduct the majority of our construction activities in Australia and the Middle East with each region accounting for approximately 52% and 33% of the outstanding backlog, respectively. Our construction activities are focused on large scale construction of real estate and infrastructure assets.

Revenue work book, totalled $5.1 billion at the end of the quarter (December 31, 2007 – $6.0 billion), representing 2.6 years of scheduled activity. The decline reflects early completions for which we received payment during the second quarter and the impact of foreign exchange revaluation.

The following table summarizes the work book at the end of the quarter:

(MILLIONS)	**September 30, 2008**	December 31, 2007
Australia	**$ 2,670**	$ 3,143
Middle East	**1,687**	1,693
United Kingdom	**775**	1,177
	$ 5,132	$ 6,013

Specialty Funds

Specialty investment funds operations, which include our bridge lending, restructuring and real estate finance groups, generated net operating cash outflow of $1 million during the third quarter of 2008, compared with an inflow of $29 million during the third quarter of 2007. The 2008 results reflect a $24 million reduction in unrealized gains within our bridge lending activities.

FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	Total Operating Cash Flow		Net Operating Cash Flow 2008			Net Operating Cash Flow 2007		
	2008	2007	**Asset Management**	**Operations**	**Total Platform**	Asset Management	Operations	Total Platform
Operations								
Bridge lending	**$ 16**	$ 20	**$ —**	**$ 11**	**$ 11**	$ —	$ 20	$ 20
Convertible debentures gain/(loss)	**(24)**	—	**—**	**(24)**	**(24)**	—	—	—
Restructuring	**12**	(3)	**—**	**1**	**1**	—	(7)	(7)
Real estate finance	**27**	6	**—**	**3**	**3**	—	6	6
	31	23	**—**	**(9)**	**(9)**	—	19	19
Asset management	**—**	—	**11**	**(3)**	**8**	16	(6)	10
	$ 31	$ 23	**$ 11**	**$ (12)**	**$ (1)**	$ 16	$ 13	$ 29

The following table summarizes the assets and capital in our specialty funds:

(MILLIONS)	Total Assets Under Management		Co-investor Commitments		Brookfield Invested Capital: Consolidated Assets		Brookfield Invested Capital: Net Invested	
	Sept. 30 2008	Dec. 31 2007	**Sept. 30 2008**	Dec. 31 2007	**Sept. 30 2008**	Dec. 31 2007	**Sept. 30 2008**	Dec. 31 2007
Bridge lending	**$ 876**	$ 1,187	**$ 1,135**	$ 1,510	**$ 393**	$ 488	**$ 308**	$ 488
Restructuring	**1,899**	1,538	**746**	753	**1,899**	1,538	**491**	361
Real estate finance	**2,767**	4,637	**1,471**	1,225	**2,179**	685	**264**	263
Real estate services	**140**	125	**60**	59	**24**	25	**24**	25
	$ 5,682	$ 7,487	**$ 3,412**	$ 3,547	**$ 4,495**	$ 2,736	**$ 1,087**	$ 1,137

The net capital invested by us in these activities was relatively unchanged at $1.1 billion throughout the first three quarters of 2008. The increase in capital invested in restructuring activities was offset by repayment of bridge loans. Consolidated assets increased since year end, reflecting the consolidation of our Real Estate Finance Fund I beginning the first quarter of 2008, although there has been no significant change in the third quarter.

Bridge Lending

Our bridge lending operations generated net cash outflow of $13 million in the third quarter of 2008, compared with an inflow of $20 million in 2007. The 2008 third quarter results included a $24 million reduction in previously accrued gains related to convertible debentures held within one of our funds. We have realized gains of $32 million based on our invested capital in this investment since inception and the market value of our remaining investment continues to exceed our original cost. Net interest income declined to $9 million from $16 million in the quarter, largely due to a reduction in invested capital, which averaged $403 million over the quarter compared to $616 million in the third quarter of 2007. The average yield during the quarter was 10%. Co-investor commitments declined as loans within our first bridge lending fund were repaid and the capital returned to our co-investors.

Restructuring

We continue to expand our underwriting activities in reaction to an increased number of attractive opportunities. Assets under management and total invested capital both increased to $1.9 billion compared to $1.8 billion at the end of the second quarter, and net invested capital increased slightly to $491 million from $450 million at the end of the second quarter.

Total operating cash flows generated by investments within our restructuring funds were $12 million during the quarter compared to a loss of $3 million in the 2007 quarter. On a net basis, which reflects our pro rata share of the cash flows after deducting financing costs as well as the interests of our fund co-investors and any other shareholders in the investee companies, operating cash inflow was $1 million in the third quarter of 2008, compared to a cash outflow of $7 million in 2007.

We hold positions in nine companies and our average exposure to each investee is approximately $51 million. Due to the nature of these activities, operating cash flows tend to be low and the expected returns are often realized through disposition gains.

Real Estate Finance

Investments within our two funds continue to perform in line with expectations. Assets under management declined due to the sale of a number of assets in entities which were managed by us. We added $275 million of co-investor commitments to our second fund. Net capital invested by us in real estate finance activities was $264 million, relatively unchanged from the beginning of the quarter.

The combined activities contributed $3 million of net operating cash flow during the third quarter of 2008, compared to $6 million in the 2007 quarter. The 2007 results are presented on an equity accounted basis (i.e. net of interest expenses and co-investor interests) whereas the 2008 results present the funds on a fully consolidated basis. Total operating cash flows were $27 million in 2008 and $17 million on a comparable basis in 2007.

Asset Management – Specialty Funds

Asset management activities within our specialty funds operations contributed $8 million of third-party income during 2008, compared to $10 million in the third quarter of 2007. The decline is due to lower capital deployed within our bridge lending operations.

Advisory Services

We manage equity and fixed income securities and provide investment banking services all with a particular focus on the property and infrastructure sectors. The results of these activities, which are included as "asset management income" within our total operating cash flows, are presented in the following table:

	2008			2007		
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	**Asset Management**	**Operations**	**Total Platform**	Asset Management	Operations	Total Platform
Real estate and fixed income securities	**$ 13**	**$ —**	**$ 13**	$ 10	$ —	$ 10
Investment banking	**5**	**—**	**5**	9	—	9
	$ 18	**$ —**	**$ 18**	$ 19	$ —	$ 19

The management of real estate and fixed income securities produced revenues of $13 million during the quarter, which consisted largely of base management fees. Our investment banking and advisory groups contributed $5 million of fees during the quarter.

The following table summarizes assets under management within our advisory activities. We do not have any meaningful amount of our own capital invested in these strategies as the assets under management tend to be securities as opposed to physical assets.

	Total Assets Under Management		Co-investor Commitments		Brookfield Invested Capital			
					Consolidated Assets		Net Invested	
(MILLIONS)	**Sept. 30 2008**	Dec. 31 2007	**Sept. 30 2008**	Dec. 31 2007	**Sept. 30 2008**	Dec. 31 2007	**Sept. 30 2008**	Dec. 31 2007
Real estate and fixed income securities								
Fixed income	**$ 17,609**	$ 20,210	**$ 17,609**	$ 20,210	**$ —**	$ —	**$ —**	$ —
Equity	**4,704**	6,027	**4,704**	6,027	**—**	—	**—**	—
	$ 22,313	$ 26,237	**$ 22,313**	$ 26,237	**$ —**	$ —	**$ —**	$ —

Co-investor commitments declined by $3.9 billion due primarily to a reduction in the market prices of securities under management offset by $900 million of net inflow since 2007.

Private Equity Investments

Our private equity investments generated net operating cash flow of $3 million compared to $42 million in the third quarter of 2007. Net invested capital declined due to the reduction of capital required in our insurance operations.

AS AT AND FOR THE THREE MONTHS ENDED (MILLIONS)	Brookfield Invested Capital				Operating Cash Flow			
	Consolidated Assets		Net Invested		Total		Net	
	Sept. 30 2008	Dec. 31 2007	**Sept. 30 2008**	Dec. 31 2007	**Sept. 30 2008**	Sept. 30 2007	**Sept. 30 2008**	Sept. 30 2007
Forest products	**$ 685**	$ 819	**$ 312**	$ 241	**$ (12)**	$ 22	**$ (11)**	$ 6
Infrastructure	**80**	85	**80**	85	**2**	1	**2**	1
Insurance operations	**1,796**	2,513	**388**	661	**(1)**	43	**(1)**	32
Other operations	**273**	281	**102**	249	**36**	13	**15**	(1)
Property	**98**	153	**55**	100	**—**	8	**(2)**	4
	$ 2,932	$ 3,851	**$ 937**	$ 1,336	**$ 25**	$ 87	**$ 3**	$ 42

Our forest products investments continue to face a challenging operating environment. Operating cash flow from other operations reflects a disposition gain on the sale of a non-core business unit.

Our reinsurance operations recorded a net operating cash outflow of $1 million during the quarter, compared to an inflow of $32 million in 2007, due to costs associated with the reorganization of the business operations. We reached agreements to sell two insurance units which has reduced the amount of capital required to support the business, and we continue to explore alternatives to surface value and release capital elsewhere in these operations.

Other Items

Cash and Financial Assets

Net operating cash flows from our cash and financial assets totalled $178 million during the third quarter of 2008 compared to $145 million on a comparable basis during the 2007 quarter as shown in the following table:

FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	Total Operating Cash Flow		Net Operating Cash Flow	
	2008	2007	**2008**	2007
Dividends, interest, gains and other	**$ 178**	$ 149	**$ 178**	$ 145
Exchangeable debenture gains	**—**	66	**—**	66
	$ 178	$ 215	**$ 178**	$ 211

The 2007 results include gains of $66 million on the partial monetization of an exchangeable debenture.

(MILLIONS)	Total Assets Under Management		Brookfield Invested Capital					
			Total			Net		
	Sept. 30 2008	Dec. 31 2007	**Sept. 30 2008**	June 30 2008	Dec. 31 2007	**Sept. 30 2008**	June 30 2008	Dec. 31 2007
Cash and cash equivalents	**$ 500**	$ 360	**$ 500**	$ 568	$ 360	**$ 500**	$ 568	$ 360
Financial assets								
Government bonds	**233**	420	**233**	352	420	**233**	352	420
Corporate bonds	**157**	286	**157**	176	286	**157**	176	286
Fixed income	**12**	22	**12**	20	22	**12**	20	22
High yield bonds	**77**	112	**77**	86	112	**77**	86	112
Preferred shares	**41**	40	**41**	41	40	**41**	41	40
Common shares	**187**	51	**187**	310	51	**187**	310	51
Loans receivable	**179**	76	**179**	126	76	**179**	126	76
Total financial assets	**886**	1,007	**886**	1,111	1,007	**886**	1,111	1,007
Deposits and other liabilities	**—**	—	**—**	—	—	**(259)**	(531)	(500)
Net investment	**$ 1,386**	$ 1,367	**$ 1,386**	$ 1,679	$ 1,367	**$ 1,127**	$ 1,148	$ 867

Net cash and financial assets was relatively unchanged at $1.1 billion, which reflects broker deposit liabilities and a small number of borrowed securities that have been sold short.

Over the last two years, as part of our ongoing risk management activities, we have established market positions which hedged some of our credit exposure. As at September 30, 2008, we held protection against widening credit spreads through credit default swaps with a total notional value of $3.2 billion (2007 – $2.4 billion), which have a limited downside and benefit from increases in credit spreads and defaults of the underlying debt. Realized and unrealized results on these positions are recorded in net income on a mark-to-market basis quarterly.

Financing Costs

Financing costs include interest expense on corporate borrowings, certain subsidiary borrowings and capital securities as set out in the following table:

	Total			Net		
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	**2008**	2007	Variance	**2008**	2007	Variance
Corporate borrowings	**$ 41**	$ 41	$ —	**$ 41**	$ 41	$ —
Property-specific mortgages	**381**	312	69	**—**	—	—
Subsidiary borrowings	**90**	80	10	**18**	16	2
Capital securities	**23**	21	2	**23**	21	2
	$ 535	$ 454	$ 81	**$ 82**	$ 78	$ 4

Interest on property-specific mortgages increased due to borrowings incurred in the course of expanding our operating base, including the acquisition of retail properties in Brazil and commercial properties in Australia.

Operating Costs

Operating costs include those of Brookfield Properties, and reflect the costs of our asset management activities as well as costs which are not directly attributable to specific business units.

	Total Operating Cash Flow		Net Operating Cash Flow		
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	**2008**	2007	**2008**	2007	Variance
Asset management					
Asset management activities	**$ 37**	$ 30	**$ 37**	$ 30	$ 7
Property services	**64**	43	**64**	43	21
	101	73	**101**	73	28
Corporate and other costs	**66**	35	**57**	32	25
	$ 167	$ 108	**$ 158**	$ 105	$ 53

Asset management costs increased from $73 million in the third quarter of 2007 to $101 million in the current quarter on a net basis, an increase of $28 million, while corporate and other costs increased by $25 million to $57 million. The Australian-based operations acquired in 2007 contributed asset management and property services of $24 million and corporate costs of $15 million.

Co-investor Interests in Net Operating Cash Flow

The following table details co-investor interests in our total and net operating cash flows. Additional information on the capital represented by co-investor interests is located on page 34.

FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	Total Operating Cash Flow [1] 2008	2007	Net Operating Cash Flow [1] 2008	2007	Variance
Participating interests					
Brookfield Properties					
Asset management	**$ 3**	$ 3	**$ 3**	$ 3	$ —
Operating returns	**64**	62	**64**	62	2
Disposition gains and other	**78**	—	**78**	—	78
	145	65	**145**	65	80
Other property operations	**22**	7	**—**	—	—
Power generation	**22**	11	**—**	—	—
Infrastructure	**19**	7	**—**	—	—
Other	**22**	13	**—**	—	—
	230	103	**145**	65	80
Non-participating interests					
Brookfield Multiplex Group	**4**	—	**4**	—	4
Brookfield Properties Corporation	**1**	—	**1**	—	1
	5	—	**5**	—	5
	$ 235	$ 103	**$ 150**	$ 65	$ 85

1 *Represents share of operating cash flows attributable of the interests of the respective shareholders and includes cash distributions*

The increase in participating interests in Brookfield Properties' net operating cash flow reflects a higher level of disposition gains. The increase in power generations cash flows resulted in corresponding increase in co-investor interests. The formation of Brookfield Infrastructure in early 2008 established additional co-investor interests in these operations. The co-investor interests in Brookfield Multiplex, purchased by us in 2007, relate to $360 million of previously issued non-participating securities issued prior to our involvement with the company.

The following table differentiates between the cash flow attributable to co-investors that is distributed and that which is retained in the business:

FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	Total 2008	2007	Net 2008	2007
Interests of co-investors in net operating cash flow	**$ 235**	$ 103	**$ 150**	$ 65
Less: distributed during the period	**(64)**	(42)	**(32)**	(29)
Retained	**$ 171**	$ 61	**$ 118**	$ 36

The undistributed cash flows attributable to co-investors are retained in the respective operating businesses and are available to expand their operations, reduce indebtedness or repurchase equity. The majority of net operating cash flow retained is within Brookfield Properties.

Net Income

In this section we describe components of our statements of net income that are not discussed on this basis elsewhere in this report and reconcile net income to operating cash flow.

The following table reconciles net income and operating cash flow:

FOR THE PERIODS ENDED SEPTEMBER 30 (MILLIONS)	Three Months Ended 2008	2007	Nine Months Ended 2008	2007
Operating cash flow and gains	**$ 355**	$ 321	**$ 1,176**	$ 1,332
Less: dividends from equity accounted investments	**(5)**	(5)	**(17)**	(15)
security disposition gain	**—**	(66)	**—**	(331)
	350	250	**1,159**	986
Other items, net of non-controlling interests	**(179)**	(157)	**(681)**	(545)
Net income	**$ 171**	$ 93	**$ 478**	$ 441

The 2007 reconciling items include a $66 million security disposition gain recorded on the sale of debentures during that quarter (nine months – $331 million), which was included in opening retained earnings as at January 1, 2007 as a result of a prescribed accounting change.

The following table summarizes our consolidated statements of net income:

	Three Months Ended		Nine Months Ended	
FOR THE PERIODS ENDED SEPTEMBER 30 (MILLIONS)	**2008**	2007	**2008**	2007
Revenues	**$ 3,216**	$ 2,219	**$ 9,862**	$ 6,185
Net operating income	**1,289**	909	**3,831**	3,137
Expenses				
Interest	**(535)**	(454)	**(1,537)**	(1,276)
Asset management and other operating costs	**(167)**	(108)	**(480)**	(323)
Current income taxes	**(2)**	6	**(40)**	(40)
Non-controlling interests in the foregoing	**(235)**	(103)	**(615)**	(512)
	350	250	**1,159**	986
Other items, net of non-controlling interests	**(179)**	(157)	**(681)**	(545)
Net income	**$ 171**	$ 93	**$ 478**	$ 441

Revenues

	Three Months Ended		Nine Months Ended	
FOR THE PERIODS ENDED SEPTEMBER 30 (MILLIONS)	**2008**	2007	**2008**	2007
Commercial properties	**$ 721**	$ 583	**$ 2,119**	$ 1,687
Power generation	**324**	196	**1,035**	716
Infrastructure	**117**	187	**345**	495
Development and other properties	**932**	375	**2,768**	1,054
Specialty funds	**444**	264	**1,569**	920
Investment income and other	**678**	614	**2,026**	1,313
	$ 3,216	$ 2,219	**$ 9,862**	$ 6,185

Revenues from commercial properties increased due to the expansion of our operations including the acquisition of a large portfolio in Australia in the fourth quarter of 2007. The increase in power generation revenues reflects increased water flows, higher pricing and increased generating capacity. Infrastructure revenues declined as we no longer consolidate the results of our Chilean transmission business. The increase in revenues from development and other properties is due largely to the acquisition of a global construction business in the fourth quarter of 2007. Our specialty funds' revenues increased due to the consolidation of revenues from our first Real Estate Finance Fund. Similarly, investment income and other includes revenues from operations consolidated after the second quarter of 2007 that were previously accounted for using the equity method.

Net Operating Income

Net operating income includes the following items from our consolidated statements of income: fees earned; other operating revenues less direct operating expenses; investment and other income; and realization gains. These items are described for each business unit in the Part 2 – Performance Review beginning on page 4.

The following table reconciles net operating income to the total operating cash flow in the segmented basis of presentation:

FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	Operating Platform	**2008**	2007
Net operating income		**$ 1,289**	$ 909
Add: dividends from equity accounted investments	Private Equity	**5**	5
exchangeable debenture gains	Cash and Financial Assets	**—**	66
Total operating cash flow		**$ 1,294**	$ 980

Other Items

Other items are summarized in the following table, and include items that are non-cash in nature and not considered by us to form part of our operating cash flow. Accordingly, they are included in the reconciliation between net income and operating cash flow presented on page 24.

FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	**2008**	2007	Variance
Depreciation and amortization	**$ (333)**	$ (250)	$ (83)
Equity accounted loss from investments	**(6)**	—	(6)
Other items	**104**	(33)	137
Future income taxes	**(105)**	11	(116)
Non-controlling interests in the foregoing items	**161**	115	46
	$ (179)	$ (157)	$ (22)

Depreciation and amortization prior to non-controlling interests increased by $83 million due to the acquisition of additional assets in a number of operating platforms during 2007, particularly commercial office properties. In addition, the consolidation of several entities during 2007 led to the inclusion of their depreciation charges in our results. Depreciation and amortization for each principal operating segment is summarized in the following table:

FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	**2008**	2007	Variance
Commercial properties	**$ 154**	$ 141	$ 13
Power generation	**50**	39	11
Infrastructure	**34**	34	—
Development and other properties	**62**	11	51
Specialty funds and private equity investments	**32**	24	8
Other	**1**	1	—
	$ 333	$ 250	$ 83

We recorded a net equity accounted loss of $6 million during the quarter from our investment in Norbord compared to $nil in 2007. Norbord continues to face an extremely weak price environment for its principal product, in addition to higher input costs.

Other items largely represent revaluation items and contributed net accounting income of $104 million in the third quarter of 2008, compared with charges of $33 million in 2007. These items are summarized in the following table:

FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	**2008**	2007	Variance
Norbord exchangeable debentures	**$ 20**	$ (2)	$ 22
Interest rate contracts	**(30)**	(54)	24
Power contracts	**132**	(5)	137
Other	**(18)**	28	(46)
	$ 104	$ (33)	$ 137

Revaluation items are non-cash accounting adjustments that we are required to record under GAAP to reflect changes in value of contractual arrangements that we believe are not appropriate to include in operating cash flow but are included in net income. Items being revalued include debentures issued by us that are exchangeable into Norbord common shares, which are revalued based on changes in the Norbord share price during the period. We hold an equivalent number of shares into which the debentures are exchangeable, but are not permitted to mark the investment to market.

Revaluation items also include the impact of revaluing fixed rate financial contracts that we maintain in order to provide an economic hedge against the impact of possible higher interest rates on the value of our long duration interest sensitive assets. The U.S. 10-year treasury rate moved from 3.97% to 3.82% between June 30, 2008 and September 30, 2008, which led to a $30 million decrease in the value of these contracts. We believe, however, that the corresponding impact on the value of our interest sensitive assets which is not included in net income more than offsets this amount.

We enter into contracts to sell power on a forward basis because it provides greater visibility and stability to our cash flows. The majority of our forward sales are designated as hedges for accounting purposes and changes in their fair value are recorded in other comprehensive income (loss). However, certain of our forward sales do not qualify for hedge accounting and therefore the change in the fair value is recognized in the statement of operations.

At times when power prices are rising, which is positive for our business, we will generally record mark-to-market losses on financial contracts of this nature, which in those circumstances might require us to sell power in future periods at below the market price. This may result in a reduction in the value of the contracts. Conversely, if market prices fall, as was the case during this quarter, we may record gains which reflect the fact that we have the ability to sell power in the future at prices that are greater than the current market prices, thereby increasing the value of the contracts. The corresponding impact on the value of our generating capacity is not, however, recorded in income.

The future income tax provision in the third quarter was $105 million compared to a recovery of $11 million in 2007. This reflects the utilization of tax pools to shelter disposition gains, increased profitability within our power generation operations and reflects an overall effective tax rate of 32%. The 2007 results reflect the elimination of a tax liability associated with our U.S. homebuilding operations upon final assessment and the generation of additional tax pools during the quarter.

PART 3 – CAPITALIZATION AND LIQUIDITY

The strength of our capital structure and the liquidity that we maintain enables us to achieve a low cost of capital for our shareholders and at the same time provides us with the flexibility to react quickly to potential investment opportunities and helps us withstand sudden adverse changes in economic circumstances.

The following are the key elements of our capital strategy:

- Match fund our long-life assets with long-duration term mortgage financings with recourse only to the assets being financed, and ensure we diversify maturities over a long period of time,
- Provide recourse only to the specific assets being financed, with no cross collateralization or parental guarantees,
- Limit borrowings to investment grade levels based on performance throughout a business cycle,
- Maintain access to a broad range of financing markets.

As a result of the foregoing, most of our borrowings are in the form of long-term financings with recourse only to the specific assets. The diversification of the maturity schedule means that financing requirements in any given year are manageable. Limiting recourse to specific assets or business units ensures that weak performance within one area does not compromise the ability to finance the balance of the operations.

Our focus on structuring financings with investment grade characteristics ensures that debt levels on any particular asset or business can typically be maintained throughout a business cycle, and also enables us to limit covenants and other performance requirements, thereby reducing the risk of early payment requirements or restrictions on the distribution of cash from the assets being financed. Furthermore, our ability to finance at the parent, operating unit, and asset level means that we are not overly dependent on any particular segment of the capital markets.

The sustainability of our capital strategy has been demonstrated by the $9 billion in debt financing raised since August 2007 to fund acquisitions and refinance existing obligations, including $1 billion since June 30, 2008.

To help ensure we are able to react to investment opportunities quickly and on a value basis, we typically maintain a high level of liquidity at the corporate level and within our key operating platforms. Our primary sources of liquidity, which we refer to as "core liquidity", consist of our cash and financial assets, net of deposits and other associated liabilities, and undrawn committed credit facilities. In addition to our core liquidity, we structure our affairs to facilitate monetization of longer-duration assets through financings or co-investor participation.

We generate substantial liquidity within our operations on an ongoing basis through our operating cash flow, which typically exceeds $1.5 billion on an annual basis, as well as from the ongoing turnover in assets with shorter investment horizons and periodic monetization of our longer-dated assets through the sale of co-investor participations, divestitures and refinancings. Accordingly, we believe we have the necessary liquidity to both manage our financial commitments and to capitalize on opportunities to invest capital at attractive returns. Nevertheless, we are cognizant of the current instability in the capital markets and continue to allocate capital in a prudent manner.

Core Liquidity

We currently have approximately $3.7 billion of core liquidity, of which $2.7 billion is at the corporate level and $1 billion is held by our core operating platforms.

Corporate level liquidity consists of $1.1 billion of cash and financial assets and $870 million of undrawn capacity on our credit facilities as at September 30, 2008. Subsequent to quarter end, we generated a further $740 million of net cash from the partial monetization of timber assets and the completion of a private placement of term debt, increasing our liquidity at the corporate level to approximately $2.7 billion. The undrawn credit capacity is generated from $1.4 billion of committed four-year term credit facilities with a large group of major financial institutions. The facilities are typically renewed on an annual basis for the following four years. Currently $1.2 billion mature in 2012 and $0.2 billion mature in 2011.

Core liquidity in our main operating units is approximately $1 billion, comprised of approximately $875 million of undrawn credit facilities, with the balance being cash and financial assets. Our North American office property operations maintain $500 million of

commited bank facilities, of which $207 million was undrawn at quarter end. Similarly, our renewable power operations maintain $378 million of facilities to support forward power sales arrangements and general corporate purposes of which $217 million was undrawn at quarter end. We also maintain $450 million of committed bank facilities within our infrastructure operations that were fully undrawn at quarter end. These facilities, together with available cash and securities, represent liquidity of approximately $1 billion and should increase to closer to $1.5 billion by year end with transactions commited, but not closed.

Corporate and Subsidiary Debt Maturities

This section summarizes our corporate and subsidiary debt maturities. Corporate maturities total $500 million prior to 2011 and subsidiary maturities total $2.2 billion, for aggregate maturities of $2.7 billion. While we fully expect to refinance or roll over most, if not all, of this debt in the normal course, we have the ability to retire all of this debt with our current liquidity of $3.7 billion in the worst-case scenario. Furthermore, we expect to continue to generate additional liquidity from operating cash flow of approximately $1.5 billion annually, as well as asset sales and financings.

As shown in the table below, we have only two corporate maturities scheduled prior to 2011.

AS AT SEPTEMBER 30, 2008 (MILLIONS)	Balance of 2008	2009	2010	2011 and After
Term debt	$ 300	$ —	$ 200	$ 1,350
Commercial paper and bank borrowings	—	—	—	498
Corporate maturities	$ 300	$ —	$ 200	$ 1,848

The $300 million maturity scheduled for December 2008 has already been pre-financed with a C$150 million perpetual preferred share issued in April 2008 and a private placement of 6.5% term debt completed in October, 2008. We fully expect to be able to refinance corporate maturities in the public or private markets, however we have the ability to draw on our core liquidity should we need, or choose, to do so.

The following table presents our proportionate share of subsidiary borrowings that mature prior to 2011, based on our ownership interest in the borrowing entity adjusted to reflect amortizations, repayments and currency rates as at the date of this report:

AS AT SEPTEMBER 30, 2008 [1] (MILLIONS)	Balance of 2008	2009	2010	2011 and After
Brookfield Renewable Power term debt	$ —	$ 373	$ —	$ 449
Brookfield Australia/Europe term bank facility [1]	335	302	496	—
Brookfield Properties corporate bank facilities	—	181	—	—
Retractable preferred shares	100	—	—	—
Other subsidiary borrowings	147	178	105	1,255
	$ 582	$ 1,034	$ 601	$ 1,704

1 Reflects anticipated rescheduling

Brookfield Renewable Power has $373 million of public term notes that mature in December 2009. We expect to refinance these notes on a long-term basis prior to maturity, notwithstanding current volatility in the debt capital markets, because of the substantial cash flow generated within the business and the high quality of its asset base. In that regard, these operations are expected to produce approximately $900 million of operating cash flow in 2008, and approximately $550 million after interest expenses and minority interests. The remaining borrowings consist of public notes that mature in 2018 and 2036.

We are in the process of finalizing an agreement to extend the final maturity for $798 million of the Australia/Europe term bank facility until 2010. The loan represents a loan-to-value ratio of less than 50% and the portfolio is well leased with 98.6% occupancy and an average lease term of seven years. We intend to permanently finance the business with asset-specific mortgages on the properties prior to the 2010 maturity.

We intend to repay $335 million of the term facility in November 2008, merge the associated European business units with the balance of our European operations, refinance the combined operations on an interim basis in the local market and, when markets normalize, permanently finance them with long-term debt financing placed in the European capital markets.

Brookfield Properties maintains term credit facilities with a group of major financial institutions that it expects to renew in early 2009. The retractable preferred shares have no mandatory redemption date, although holders have the right to have them redeemed at any time.

Similar to our capital strategy at the corporate level, we note that even in the event that we are unsuccessful in executing any or all of the strategies described above or we choose to otherwise retire these obligations with recurring operating cash flow or asset sales, we have substantial liquidity available at both the subsidiary and corporate level to fund our proportionate share of any shortfalls.

Property-specific Borrowing Maturities

Most of our debt capitalization is in the form of long-term property specific financings that are secured by our high quality assets and have no recourse to either the Corporation or our subsidiaries, with very few exceptions. The following table presents our proportionate share of maturities that occur prior to 2011 and which given our experience, even over the past three months, should be refinanceable at these amounts:

AS AT SEPTEMBER 30, 2008 (MILLIONS)	*Balance of 2008*	*2009*	*2010*	*2011+ and After*
Commercial properties				
Office - North America	$ 54	$ 190	$ 25	$ 3,772
Office - Australia	396	173	813	4
Office - Europe	—	—	—	512
Retail - Brazil	53	27	18	99
Power generation				
North America	87	189	146	2,584
Brazil	7	29	29	155
Infrastructure	—	18	—	1,245
Development and other properties				
North American opportunity funds	—	6	80	358
Residential investing and working capital - Canada	22	202	24	4
Residential investing and working capital - United States	71	186	59	19
Property development and construction	69	602	600	152
Specialty funds	16	8	264	144
	$ 775	$ 1,630	$ 2,058	$ 9,048

Commercial property financings are secured by high quality office buildings. The financings which mature in the next two years were mostly arranged a number of years ago and, accordingly, represent a low loan to value. As a result, we expect to refinance these maturities in the normal course at the same or a higher level. Maturities in our North American, European and Brazilian operations, are extremely low relative to the scale of these operations, reflecting the long-term nature of the financing. The Australian property market typically utilizes shorter duration financing, which we are rolling over in the normal course and seeking to extend on a long-term basis where possible. The 2008 maturities include $335 million which is secured by seven properties within our Australian portfolio that have an occupancy rate of 99.7%, an average lease term of 8.3 years and a 55% loan-to-value. We are in the final stages of renewing the financing for these properties.

Within our power generating operations, we have negligible maturities during the balance of 2008. Our proportionate share of maturities for the following two years are modest, and the facilities are expected to be refinanced the same or at higher levels given the strong operating margins and cash flows of these properties.

Development and other properties include property-specific borrowings within our opportunity funds, of which only $86 million are scheduled for repayment before 2011. Our share of residential property borrowings is $252 million within our Canadian-based residential operations and $335 million within our U.S. residential business, which have been reduced substantially over the past 18 months with paydowns by us and reductions from sale of lots in the normal course. The residential, property development and construction borrowings are largely of a working capital nature, financing the ongoing development and construction activities, and are typically repaid as the projects, lots or homes being financed are completed and sold, and then re-drawn against new activities.

Capitalization

The following table presents the components of our debt and equity capitalization on a deconsolidated, proportionate consolidation and full consolidation basis. Our consolidated capitalization includes 100% of the debt of consolidated entities, even though in most cases we only own a portion of the entity and therefore our pro rata exposure to this debt is much lower. Similarly, our subsidiary and property-specific borrowings are typically structured without any recourse to the Corporation.

Accordingly, we believe that the two most meaningful bases of presentation are proportional consolidation and deconsolidated which are set out in the following table. In our opinion, the consolidated capitalization is less meaningful and can only be assessed in the context of the overall asset base of the company and taking into consideration the full ownership base, including minority shareholders and institutional fund investors, which can be difficult to assess in the context of historical cost consolidated financial statements.

	Deconsolidated		*Proportionate*		*Consolidated*
AS AT SEPTEMBER 30, 2008 (MILLIONS)	*Market Value*	*Book Value*	*Market Value*	*Book Value*	*Book Value*
Corporate borrowings	$ 2,348	$ 2,348	$ 2,348	$ 2,348	$ 2,348
Non-recourse borrowings					
Property-specific mortgages	—	—	13,511	13,511	24,167
Subsidiary borrowings	747	747	4,174	4,174	5,216
Accounts payable and other	668	668	7,061	7,061	10,249
Capital securities	622	622	1,110	1,110	1,618
Non-controlling interests	3	3	14	14	5,683
Shareholders' equity	18,407	6,691	18,407	6,691	6,691
	$ 22,795	$ 11,079	$ 46,625	$ 34,909	$ 55,972
Debt to capitalization	14%	28%	43%		

The strategy of financing at the asset or operating unit level has resulted in a relatively low level of debt at the parent company level, as shown in our deconsolidated capitalization. Deconsolidated debt to capitalization levels remain well within our target of 20% to 30% on a book value basis and, in our opinion, are very conservative on a market value basis. The debt to total capitalization at September 30, 2008 on a deconsolidated consolidated basis was 14% based on our market capitalization and 28% based on book values. On a proportionately consolidated basis, the debt to market value capitalization was 43%, which we believe is appropriate given the quality of our long-term assets and the level of financing that assets of this nature typically support, as well as our liquidity profile.

The strong level of cash flows generated within our operations provides favourable interest and fixed charge coverage ratios, as shown in the following table:

	Operating Cash Flow			
	Underlying		*Remitted*	
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	***2008***	*2007*	***2008***	*2007*
Corporate borrowings	**$ 41**	$ 41	**$ 41**	$ 41
Subsidiary borrowings [1]	**18**	16	**18**	16
Other liabilities	**94**	69	**133**	69
Capital securities	**8**	7	**8**	7
Non-controlling interests	**2**	—	**2**	—
Shareholders' equity				
Preferred equity	**11**	13	**11**	13
Common equity	**344**	308	**203**	290
Total cash flows	**$ 518**	$ 454	**$ 416**	$ 436
Interest coverage [2]	**9x**	8x	**7x**	8x
Fixed charge coverage [3]	**7x**	6x	**5x**	6x

1 *Guaranteed by the Corporation or issued by corporate subsidiaries*
2 *Total cash flows divided by interest on corporate and subsidiary borrowings*
3 *Total cash flows divided by interest on corporate and subsidiary borrowings and distributions on capital securities and preferred equity*

Corporate Borrowings

Our corporate borrowings have an average term of nine years (2007 – 11 years) and more than 40% of the maturities extend beyond 2012. The average interest rate on our corporate borrowings was 6% at quarter end, similar to 2007.

		Net Invested Capital	
		Sept. 30	Dec. 31
(MILLIONS)	Average Term	**2008**	2007
Commercial paper and bank borrowings	4	**$ 498**	$ 167
Publicly traded term debt	10	**1,850**	1,881
Total	9	**$ 2,348**	$ 2,048

The Corporation has $1,445 million of committed corporate three-year and four-year revolving term credit facilities which are utilized principally as back-up credit lines to support commercial paper issuance. At September 30, 2008, $498 million of these facilities were drawn or allocated as back-up to outstanding commercial paper, and approximately $77 million (2007 – $63 million) of the facilities were utilized for letters of credit issued to support various business initiatives.

Property-specific Borrowings

As part of our financing strategy, we raise the majority of our debt capital in the form of asset-specific mortgages that have recourse only to the assets being financed and have no recourse to the Corporation.

	Deconsolidated Interest	Proportionate Interest	Consolidated	
	Sept. 30	**Sept. 30**	**Sept. 30**	Dec. 31
(MILLIONS)	**2008**	**2008**	**2008**	2007
Commercial properties	**$ —**	**$ 6,136**	**$ 14,216**	$ 15,426
Power generation	**—**	**3,225**	**3,613**	3,488
Infrastructure	**—**	**1,264**	**1,592**	1,796
Development and other properties	**—**	**2,453**	**3,367**	934
Specialty funds	**—**	**433**	**1,379**	—
Total	**$ —**	**$ 13,511**	**$ 24,167**	$ 21,644

Consolidated property-specific borrowings increased due to the consolidation of our real estate finance fund. These borrowings consist largely of long-term committed facilities that have no recourse to the Corporation, have investment grade ratings, and are backed by diversified portfolios of commercial real estate securities.

We continue to be able to raise property-specific borrowing in the normal course of business notwithstanding the more challenging credit environment, due to the quality of our assets and the sustainability of the cash flows.

Subsidiary Borrowings

We capitalize our subsidiary entities to maintain access to the debt capital markets, usually on an investment grade basis thereby reducing the demand for capital from the Corporation and sharing the cost of financing equally among other equity holders.

Subsidiary borrowings have no recourse to the Corporation except for a limited number of exceptions. As at September 30, 2008, subsidiary borrowings included $747 million (2007 – $711 million) of financial obligations that are either guaranteed by the Corporation or are issued by direct corporate subsidiaries.

(MILLIONS)	Deconsolidated Interest Sept. 30 2008	Proportionate Interest Sept. 30 2008	Consolidated Sept. 30 2008	Consolidated Dec. 31 2007
Subsidiary borrowings				
Commercial properties	$ —	$ 1,116	$ 1,305	$ 2,418
Power generation	—	872	872	797
Infrastructure	—	8	8	8
Development and other properties	—	564	674	1,389
Specialty funds	—	145	308	640
Private equity investments and other	—	490	538	738
Corporate subsidiaries	747	747	747	711
Co-investor capital				
Properties	—	232	764	762
Total	$ 747	$ 4,174	$ 5,216	$ 7,463

Other Liabilities

	Brookfield Invested Capital			
	Total		Net	
(MILLIONS)	Sept. 30 2008	Dec. 31 2007	Sept. 30 2008	Dec. 31 2007
Accounts payable	$ 3,635	$ 3,659	$ 1,252	$ 1,130
Insurance liabilities	1,239	1,655	—	—
Deferred tax liability	1,823	1,523	850	1,044
Other liabilities	3,552	4,265	966	974
	$ 10,249	$ 11,102	$ 3,068	$ 3,148

Accounts payable and other liabilities include $1.5 billion associated with Brookfield Properties (2007 – $1.4 billion). Deferred taxes represent future tax obligations that arise largely due to holding assets whose book value exceeds their value for tax purposes.

Capital Securities

Distributions paid on these securities, which are largely denominated in Canadian dollars, are recorded as interest expense, even though the securities are preferred shares that are convertible into common equity at our option. The securities are classified as liabilities for Canadian GAAP purposes because the holders of the preferred shares have the right, after a fixed date, to convert the shares into common equity based on the market price of our common shares at that time.

The average distribution yield on the capital securities at September 30, 2008 was 6% (2007 – 6%) and the average term was six years (2007 – seven years).

Interests of Co-investors

Interests of co-investors in net assets are comprised of two components: participating interests held by other holders in our funds and subsidiary companies, and non-participating preferred equity issued by subsidiaries.

(MILLIONS)	Number of Shares / % Interest	Brookfield Invested Capital			
		Total		Net	
	Sept. 30 2008	**Sept. 30 2008**	Dec. 31 2007	**Sept. 30 2008**	Dec. 31 2007
Participating interests					
Property					
Brookfield Properties Corporation	**196.8 / 49%**	**$ 1,610**	$ 1,622	**$ 1,610**	$ 1,622
Brookfield Homes Corporation	**11.0 / 42%**	**214**	245	**—**	—
Property funds and other	**various**	**887**	843	**—**	—
Power generation	**various**	**208**	170	**—**	—
Infrastructure					
Timberlands	**various**	**515**	314	**—**	—
Transmission	**various**	**337**	—	**—**	—
Other	**various**	**1,416**	911	**—**	—
		5,187	4,105	**1,610**	1,622
Non-participating interests					
Brookfield Multiplex Group		**360**	—	**360**	—
Brookfield Properties Corporation		**136**	151	**136**	151
		496	151	**496**	151
		$ 5,683	$ 4,256	**$ 2,106**	$ 1,773

We include Brookfield Properties on a fully consolidated basis in our segmented basis of presentation and accordingly the interests of others in these operations are reflected in both the total and net results. The other entities shown above are presented on a deconsolidated basis in our segmented analysis, and, as a result, the interests of other shareholders are presented in total invested capital and total operating cash flow only.

Shareholders' Equity

Preferred equity consists of perpetual preferred shares that represent an attractive form of leverage for common shareholders, and unchanged during the quarter.

(MILLIONS)	**Sept. 30 2008**	Dec. 31 2007
Common equity – book value	**$ 5,821**	$ 6,644
Common equity – market value	**17,537**	22,262

The market value of our common equity was $17.5 billion at the end of September 30, 2008. We repurchased 0.6 million common shares during the quarter at an average price of $26.01 per share. Further details on the components of our equity and distribution can be found on page 37.

PART 4 – ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS

The information in this section enables the reader to reconcile this basis of presentation in our consolidated financial statements to that employed elsewhere in the Supplemental. We also provide additional information for certain items not covered within that section. The tables presented on pages 37 to 39 provide a detailed reconciliation between our consolidated financial statements and the basis of presentation throughout the balance of this report.

CONSOLIDATED BALANCE SHEETS

Total assets at book value increased to $56.0 billion as at September 30, 2008 from $55.6 billion at the end of 2007.

	Book Value	
(MILLIONS)	***Sept. 30 2008***	*Dec. 31 2007*
Assets		
Cash and cash equivalents	**$ 1,670**	$ 1,561
Financial assets	**1,038**	1,529
Investments	**949**	1,352
Accounts receivable and other	**6,868**	7,327
Intangible assets	**1,838**	1,773
Goodwill	**1,811**	1,528
Operating assets		
Property, plant and equipment	**38,004**	37,790
Securities	**1,509**	1,828
Loans and notes receivable	**2,285**	909
	$ 55,972	$ 55,597

Investments

Investments represent equity accounted interests in partially owned companies as set forth in the following table, which are discussed further within the relevant business segments in the Description of Operating Platforms.

		% of Investment		Book Value	
(MILLIONS)	*Business Segment*	***Sept. 30 2008***	*Dec. 31 2007*	***Sept. 30 2008***	*Dec. 31 2007*
Chile transmission	Transmission	**17%**	28%	**$ 336**	$ 330
Brazil transmission	Transmission	**7.5 - 25%**	7.5 - 25%	**241**	205
Property funds	Commercial Office	**20 - 25%**	20 - 25%	**141**	382
Norbord Inc.	Investments	**36%**	41%	**118**	180
Real Estate Finance Fund	Specialty Funds	**33%**	27%	**—**	148
Other	Various			**113**	107
Total				**$ 949**	$ 1,352

We sold our interests in one of the commercial office funds that we had previously acquired through our purchase of Multiplex. We began accounting for our investment in our first Real Estate Finance Fund on a consolidated basis due to the increase in our ownership level and the performance income that is likely to be earned by us from this fund.

Goodwill

Goodwill represents purchase consideration that is not specifically allocated to the tangible and intangible assets being acquired. The balance increased by $283 million during the year due to the reallocation of values attributed to the Multiplex property business acquired in late 2007, which was partially offset by a reduction in the U.S. dollar equivalent of goodwill denominated in foreign currencies.

Property, Plant and Equipment

(MILLIONS)	***Sept. 30 2008***	*Dec. 31 2007*
Commercial properties	**$ 20,199**	$ 20,984
Power generation	**5,379**	5,137
Infrastructure	**2,943**	3,046
Development and other properties	**8,318**	7,573
Other plant and equipment	**1,165**	1,050
	$ 38,004	$ 37,790

The changes in these balances are discussed within each of the relevant business units within the Description of Operating Platforms section. Commercial properties includes office and retail property assets. Development and other properties include opportunity investments, residential properties, properties under development and properties held for development.

Securities

Securities include $1.1 billion (2007 – $1.6 billion) of largely fixed income securities held through our insurance operations, as well as our $182 million (2007 – $182 million) common share investment in Canary Wharf Group, which is included in our core office property operations and continues to be carried at historic cost.

Loans and Notes Receivable

Loans and notes receivable consist largely of loans advanced by our bridge lending operations, included in specialty funds. The increase is principally due to the consolidation of our first Real Estate Finance Fund beginning the first quarter of 2008.

Reconciliation of Segmented Disclosure to Consolidated Financial Statements

Balance Sheet

AS AT SEPTEMBER 30, 2008

(MILLIONS)	Commercial Properties	Power	Infrastructure	Development and Other	Specialty Funds	Investments	Cash and Financial Assets	Other Assets	Corporate	Consolidated
Assets										
Operating assets										
Property, plant and equipment										
Commercial properties	$ 20,199	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 20,199
Power generation	—	5,379	—	—	—	—	—	—	—	5,379
Infrastructure	—	—	2,943	—	—	—	—	—	—	2,943
Development and other properties	349	—	105	7,773	—	91	—	—	—	8,318
Other plant and equipment	—	—	—	39	790	336	—	—	—	1,165
Securities	182	—	—	—	238	1,089	—	—	—	1,509
Loans and notes receivable	100	—	—	—	2,134	51	—	—	—	2,285
Cash and cash equivalents	162	190	89	196	167	366	500	—	—	1,670
Financial assets	—	264	—	(259)	155	—	878	—	—	1,038
Investments	141	—	578	30	51	141	8	—	—	949
Accounts receivable and other	802	1,121	163	2,426	931	825	—	2,438	—	8,706
Goodwill	54	31	591	757	29	33	—	316	—	1,811
Total assets	**$ 21,989**	**$ 6,985**	**$ 4,469**	**$ 10,962**	**$ 4,495**	**$ 2,932**	**$ 1,386**	**$ 2,754**	**$ —**	**$ 55,972**
Liabilities and shareholders' equity										
Corporate borrowings	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,348	$ 2,348
Property-specific financing	13,751	3,612	1,592	3,833	1,379	—	—	—	—	24,167
Other debt of subsidiaries	1,623	872	8	1,119	309	282	256	—	747	5,216
Accounts payable and other liabilities	1,383	899	611	2,268	523	1,497	—	—	3,068	10,249
Capital securities	—	—	—	—	—	—	—	—	1,618	1,618
Non-controlling interests in net assets	468	208	851	634	1,197	216	3	—	2,106	5,683
Preferred equity	—	—	—	—	—	—	—	—	870	870
Common equity / net invested capital	4,764	1,394	1,407	3,108	1,087	937	1,127	2,754	(10,757)	5,821
Total liabilities and shareholders' equity	**$ 21,989**	**$ 6,985**	**$ 4,469**	**$ 10,962**	**$ 4,495**	**$ 2,932**	**$ 1,386**	**$ 2,754**	**$ —**	**$ 55,972**

AS AT DECEMBER 31, 2007

(MILLIONS)	Commercial Properties	Power	Infrastructure	Development and Other	Specialty Funds	Investments	Cash and Financial Assets	Other Assets	Corporate	Consolidated
Assets										
Operating assets										
Property, plant and equipment										
Commercial properties	$ 20,860	$ —	$ —	$ 124	$ —	$ —	$ —	$ —	$ —	$ 20,984
Power generation	—	5,137	—	—	—	—	—	—	—	5,137
Infrastructure	—	—	3,046	—	—	—	—	—	—	3,046
Development and other properties	—	—	106	7,389	—	78	—	—	—	7,573
Other plant and equipment	18	—	—	—	632	398	2	—	—	1,050
Securities	182	—	—	—	—	1,646	—	—	—	1,828
Loans and notes receivable	—	—	—	—	856	53	—	—	—	909
Cash and cash equivalents	470	77	38	305	74	237	360	—	—	1,561
Financial assets	—	707	—	(41)	180	—	683	—	—	1,529
Investments	382	—	535	30	194	194	17	—	—	1,352
Accounts receivable and other	1,996	848	119	1,987	800	1,208	305	1,837	—	9,100
Goodwill	165	33	591	529	—	37	—	173	—	1,528
Total assets	**$ 24,073**	**$ 6,802**	**$ 4,435**	**$ 10,323**	**$ 2,736**	**$ 3,851**	**$ 1,367**	**$ 2,010**	**$ —**	**$ 55,597**
Liabilities and shareholders' equity										
Corporate borrowings	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,048	$ 2,048
Property-specific financing	13,722	3,488	1,796	2,638	—	—	—	—	—	21,644
Other debt of subsidiaries	3,180	797	9	1,364	637	371	394	—	711	7,463
Accounts payable and other liabilities	2,228	879	668	1,803	434	1,877	65	—	3,148	11,102
Capital securities	—	—	—	—	—	—	—	—	1,570	1,570
Non-controlling interests in net assets	455	213	317	662	528	267	41	—	1,773	4,256
Preferred equity	—	—	—	—	—	—	—	—	870	870
Common equity / net invested capital	4,488	1,425	1,645	3,856	1,137	1,336	867	2,010	(10,120)	6,644
Total liabilities and shareholders' equity	**$ 24,073**	**$ 6,802**	**$ 4,435**	**$ 10,323**	**$ 2,736**	**$ 3,851**	**$ 1,367**	**$ 2,010**	**$ —**	**$ 55,597**

Results from Operations

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008										
(MILLIONS)	Asset Management	Commercial Properties	Power	Infrastructure	Development and Other	Specialty Funds	Investments	Investment Income / Gains	Corporate	Consolidated
Fees earned	$ 336	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 336
Revenues less direct operating costs										
Commercial properties	—	1,443	—	—	—	—	—	—	—	1,443
Power generation	—	—	728	—	—	—	—	—	—	728
Infrastructure	—	—	—	128	—	—	—	—	—	128
Development and other properties	—	(2)	—	5	240	—	2	—	—	245
Specialty funds	—	—	—	—	—	255	—	—	—	255
Investment and other income	—	58	—	107	(7)	2	186	350	—	696
	336	1,499	728	240	233	257	188	350	—	3,831
Expenses										
Interest	—	825	237	72	38	69	27	25	244	1,537
Asset management and other operating costs	—	—	—	5	—	—	18	—	457	480
Current income taxes	—	12	21	10	(20)	5	6	—	6	40
Non-controlling interests	—	52	73	58	22	77	6	(10)	337	615
Net income before the following	336	610	397	95	193	106	131	335	(1,044)	1,159
Dividends	—	—	—	—	—	—	17	—	—	17
Cash flow from operations	**336**	**610**	**397**	**95**	**193**	**106**	**148**	**335**	**(1,044)**	**1,176**
Allocation of fees on Brookfield capital	**244**	**(133)**	**(54)**	**(22)**	**(18)**	**(17)**	**—**	**—**	**—**	**—**
	580	477	343	73	175	89	148	335	(1,044)	1,176
Less: asset management expenses	(278)	—	—	—	—	—	—	—	278	—
non-controlling interests	(49)	—	—	—	—	—	—	—	49	—
Cash flow from operations	**$ 253**	**$ 477**	**$ 343**	**$ 73**	**$ 175**	**$ 89**	**$ 148**	**$ 335**	**$ (717)**	**$ 1,176**

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007										
(MILLIONS)	Asset Management	Commercial Properties	Power	Infrastructure	Development and Other	Specialty Funds	Investments	Investment Income / Gains	Corporate	Consolidated
Fees earned	$ 323	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 323
Revenues less direct operating costs										
Commercial properties	—	1,134	—	—	—	—	—	—	—	1,134
Power generation	—	—	463	—	—	—	—	—	—	463
Infrastructure	—	—	—	257	—	—	—	—	—	257
Development and other properties	—	—	—	7	301	—	(5)	—	—	303
Specialty funds	—	—	—	—	—	137	—	—	—	137
Investment and other income	—	2	—	14	(1)	9	190	306	—	520
	323	1,136	463	278	300	146	185	306	—	3,137
Expenses										
Interest	—	618	205	145	44	16	25	8	215	1,276
Asset management and other operating costs	—	—	—	—	—	—	16	—	307	323
Current income taxes	—	6	6	5	(3)	2	19	—	5	40
Non-controlling interests	—	67	44	38	51	21	25	—	266	512
Net income before the following	323	445	208	90	208	107	100	298	(793)	986
Dividends	—	—	—	—	—	—	15	—	—	15
Xstrata debenture gain	—	—	—	—	—	—	—	331	—	331
Cash flow from operations	**323**	**445**	**208**	**90**	**208**	**107**	**115**	**629**	**(793)**	**1,332**
Allocation of fees on Brookfield capital	**206**	**(106)**	**(51)**	**(17)**	**(16)**	**(16)**	**—**	**—**	**—**	**—**
	529	339	157	73	192	91	115	629	(793)	1,332
Less: asset management expenses	(188)	—	—	—	—	—	—	—	188	—
non-controlling interests	(48)	—	—	—	—	—	—	—	48	—
Cash flow from operations	**$ 293**	**$ 339**	**$ 157**	**$ 73**	**$ 192**	**$ 91**	**$ 115**	**$ 629**	**$ (557)**	**$ 1,332**

Results from Operations

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2008

(MILLIONS)	Asset Management	Commercial Properties	Power	Infrastructure	Development and Other	Specialty Funds	Investments	Investment Income / Gains	Corporate	Consolidated
Fees earned	$ 109	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 109
Revenues less direct operating costs										
Commercial properties	—	595	—	—	—	—	—	—	—	595
Power generation	—	—	213	—	—	—	—	—	—	213
Infrastructure	—	—	—	36	—	—	—	—	—	36
Development and other properties	—	(1)	—	3	60	—	—	—	—	62
Specialty funds	—	—	—	—	—	32	—	—	—	32
Investment and other income	—	9	—	39	(3)	(1)	20	178	—	242
	109	603	213	78	57	31	20	178	—	1,289
Expenses										
Interest	—	303	77	23	12	21	7	10	82	535
Asset management and other operating costs	—	—	—	3	2	—	10	—	152	167
Current income taxes	—	4	8	2	(17)	3	(1)	—	3	2
Non-controlling interests	—	24	22	23	(2)	16	6	(10)	156	235
Net income before the following	109	272	106	27	62	(9)	(2)	178	(393)	350
Dividends from Norbord	—	—	—	—	—	—	5	—	—	5
Cash flow from operations	**109**	**272**	**106**	**27**	**62**	**(9)**	**3**	**178**	**(393)**	**355**
Allocation of fees on Brookfield capital	**74**	**(39)**	**(18)**	**(7)**	**(7)**	**(3)**	**—**	**—**	**—**	**—**
	183	233	88	20	55	(12)	3	178	(393)	355
Less: asset management expenses	(101)	—	—	—	—	—	—	—	101	—
non-controlling interests	(14)	—	—	—	—	—	—	—	14	—
Cash flow from operations	**$ 68**	**$ 233**	**$ 88**	**$ 20**	**$ 55**	**$ (12)**	**$ 3**	**178**	**$ (278)**	**$ 355**

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2007

(MILLIONS)	Asset Management	Commercial Properties	Power	Infrastructure	Development and Other	Specialty Funds	Investments	Investment Income / Gains	Corporate	Consolidated
Fees earned	$ 96	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 96
Revenues less direct operating costs										
Commercial properties	—	350	—	—	—	—	—	—	—	350
Power generation	—	—	105	—	—	—	—	—	—	105
Infrastructure	—	—	—	54	—	—	—	—	—	54
Development and other properties	—	(1)	—	3	39	—	(1)	—	—	40
Specialty funds	—	—	—	—	—	16	—	—	—	16
Investment and other income	—	2	—	8	(1)	7	83	149	—	248
	96	351	105	65	38	23	82	149	—	909
Expenses										
Interest	—	227	72	30	17	7	19	4	78	454
Asset management and other operating costs	—	—	—	—	—	—	3	—	105	108
Current income taxes	—	5	1	1	(13)	1	4	—	(5)	(6)
Non-controlling interests	—	11	12	7	(7)	(4)	19	—	65	103
Net income before the following	96	108	20	27	41	19	37	145	(243)	250
Dividends	—	—	—	—	—	—	5	—	—	5
Xstrata debenture gain	—	—	—	—	—	—	—	66	—	66
Cash flow from operations	**96**	**108**	**20**	**27**	**41**	**19**	**42**	**211**	**(243)**	**321**
Allocation of fees on Brookfield capital	**73**	**(36)**	**(17)**	**(9)**	**(5)**	**(6)**	**—**	**—**	**—**	**—**
	169	72	3	18	36	13	42	211	(243)	321
Less: asset management expenses	(73)	—	—	—	—	—	—	—	73	—
non-controlling interests	(16)	—	—	—	—	—	—	—	16	—
Cash flow from operations	**$ 80**	**$ 72**	**$ 3**	**$ 18**	**$ 36**	**$ 13**	**$ 42**	**$ 211**	**$ (154)**	**$ 321**

PART 5 – SUPPLEMENTAL INFORMATION

This section contains information required by applicable continuous disclosure guidelines and to facilitate additional analysis.

Additional Share Data

Basic and Diluted Earnings Per Share

The components of basic and diluted earnings per share are summarized in the following table:

	Three Months Ended September 30		Nine Months Ended September 30	
(MILLIONS)	***2008***	*2007*	***2008***	*2007*
Net income	**$ 171**	$ 93	**$ 478**	$ 441
Preferred share dividends	**(11)**	(13)	**(35)**	(32)
Net income available for common shareholders	**$ 160**	$ 80	**$ 443**	$ 409
Weighted average – common shares	**584**	582	**583**	582
Dilutive effect of the conversion of preferred shares and options using treasury stock method	**11**	19	**12**	18
Common shares and common share equivalents	**595**	601	**595**	600

Issued and Outstanding Common Shares

The number of issued and outstanding common shares changed as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
(MILLIONS)	***2008***	*2007*	***2008***	*2007*
Outstanding at beginning of period	**583.8**	583.6	**583.6**	581.8
Issued (repurchased)				
Dividend reinvestment plan	**0.1**	0.1	**0.1**	0.1
Management share option plan	**0.1**	1.4	**3.0**	3.6
Issuer bid purchases	**(0.6)**	(4.1)	**(3.3)**	(4.5)
Outstanding at end of period	**583.4**	581.0	**583.4**	581.0
Reserved for conversion of preferred shares	**9.0**	—	**9.0**	—
Unexercised options	**27.9**	28.5	**27.9**	28.5
Total diluted common shares at end of period	**620.3**	609.5	**620.3**	609.5

In calculating our book value per common share, the cash value of our unexercised options of $516 million (2007 – $469 million) is added to the book value of our common share equity of $5,821 million (2007 – $6,644 million) prior to dividing by the total diluted common shares presented above.

QUARTERLY RESULTS

Net income and operating cash flows for the eight recently completed quarters are as follows:

	2008			2007				2006
(MILLIONS)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenues	**$ 3,216**	$ 3,436	$ 3,210	$ 3,158	$ 2,219	$ 2,125	$ 1,841	$ 2,904
Fees earned	**109**	113	114	92	96	95	132	70
Revenues less direct operating costs								
Commercial property	**595**	427	421	414	350	396	388	322
Power generation	**213**	264	251	148	105	170	188	142
Infrastructure	**36**	44	48	33	54	114	89	70
Development and other properties	**62**	119	64	115	40	117	146	164
Specialty funds	**32**	119	104	233	16	59	62	131
Investment and other income	**242**	142	312	133	248	116	129	78
Realization gains	**—**	—	—	204	—	27	—	528
	1,289	1,228	1,314	1,372	909	1,094	1,134	1,505
Expenses								
Interest	**535**	475	527	510	454	424	398	420
Asset management and other operating costs	**167**	148	165	141	108	105	110	108
Current income taxes	**2**	21	17	28	(6)	26	20	68
Non-controlling interest in net income before the following	**235**	212	168	124	103	204	205	142
Net income before the following	**350**	372	437	569	250	335	401	767
Equity accounted income (loss) from investments	**(6)**	(15)	(13)	(4)	—	(29)	(39)	(10)
Depreciation and amortization	**(333)**	(328)	(314)	(294)	(250)	(267)	(223)	(233)
Provisions and other	**104**	(46)	(63)	(95)	(33)	11	5	(37)
Future income taxes	**(105)**	3	18	35	11	(69)	(65)	3
Non-controlling interests in the foregoing items	**161**	124	132	135	115	172	116	121
Net income	**$ 171**	$ 110	$ 197	$ 346	$ 93	$ 153	$ 195	$ 611

Cash flow from operations for the last eight quarters are as follows:

	2008			2007				2006
(MILLIONS, EXCEPT PER SHARE AMOUNTS)	**Q3**	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4
Net income before the following	**$ 350**	$ 372	$ 437	$ 569	$ 250	$ 335	$ 401	$ 767
Dividends from equity accounted investment	**5**	6	6	6	5	5	5	5
Dividends from Canary Wharf [1]	**—**	—	—	—	—	—	—	87
Exchangeable debenture gain	**—**	—	—	—	66	100	165	—
Cash flow from operations and gains	**355**	378	443	575	321	440	571	859
Preferred share dividends	**11**	12	12	12	13	10	9	8
Cash flow to common shareholders	**$ 344**	$ 366	$ 431	$ 563	$ 308	$ 430	$ 562	$ 851
Common equity – book value	**$ 5,821**	$ 6,284	$ 6,140	$ 6,644	$ 6,328	$ 6,337	$ 6,061	$ 5,395
Common shares outstanding	**583.4**	583.8	581.7	583.6	581.0	583.6	582.2	581.8
Per common share								
Cash flow from operations	**$ 0.58**	$ 0.62	$ 0.72	$ 0.94	$ 0.52	$ 0.72	$ 0.93	$ 1.42
Net income	**0.27**	0.17	0.31	0.56	0.13	0.24	0.31	1.01
Dividends	**0.13**	0.13	0.12	0.12	0.12	0.12	0.11	0.11
Book value	**10.22**	11.15	10.95	11.64	11.17	11.07	10.59	9.37
Market trading price (NYSE)	**27.44**	32.54	26.83	35.67	38.50	39.90	34.84	32.12

1 *Reflects amount of dividend recorded as a capital reduction for the purposes of calculating net income under GAAP*

The dividends recorded from Canary Wharf are included in both net income and operating cash flow during 2008, whereas the 2006 dividend was included in cash flow only, as their dividend was considered to be a return of capital for the purposes of calculating net income.

Assets Under Management

The following tables set forth the assets, net invested capital and commitments managed by Brookfield, including the amounts managed on behalf of co-investors:

AS AT SEPTEMBER 30, 2008 (MILLIONS)	Year Formed	Total Assets Under Management: Assets	Total Assets Under Management: Net Invested Capital	Total Assets Under Management: Committed Capital [1]	Co-investor Interests: Net Invested Capital	Co-investor Interests: Committed Capital	Brookfield's Ownership Level
Core and Value Add							
U.S. Core Office [2]	2006	$ 7,375	$ 1,777	$ 1,950	$ 985	$ 1,025	62%
Canadian Core Office [2]	2005	1,515	867	867	626	626	25%
Multiplex Funds [3]	2007	2,249	944	944	807	807	various
West Coast Timberlands [4]	2005	878	518	518	385	385	28%
East Coast Timber Fund	2006	191	101	101	66	66	45%
Transmission – Chile [4]	2006	2,521	1,382	1,382	1,172	1,172	17%
Timber – U.S. [4]	2008	2,437	875	875	86	86	83%
Transmission – Canada / Brazil [4]	2008	526	365	365	200	200	various
Bridge Loan I	2003	721	721	1,246	458	460	36%
Bridge Loan II	2007	155	155	916	100	675	26%
Real Estate Finance	various	2,767	1,343	1,865	1,097	1,471	4-51%
Brookfield Real Estate Services Fund	2003	140	84	84	60	60	25%
		21,475	9,132	11,113	6,042	7,033	
Opportunity and Private Equity							
Real Estate Opportunity	2006	942	226	254	105	105	52%
Real Estate Opportunity II	2007	513	126	202	44	79	62%
Brazil Retail Property	2006	1,592	217	830	279	610	25%
Brazil Timber	2008	—	—	280	—	230	18%
Residential Properties – U.S. [5]	2007	1,160	424	424	200	200	29%
Tricap Restructuring I	2002	819	356	356	177	177	48%
Tricap Restructuring II	2006	1,080	748	975	391	569	39%
		6,106	2,097	3,321	1,196	1,970	
Listed Securities and Fixed Income							
Equity Funds	various	4,704	4,704	4,704	4,704	4,704	3%
Fixed Income Funds	various	17,609	17,609	17,609	17,609	17,609	n/a
		22,313	22,313	22,313	22,313	22,313	
Total fee bearing assets/capital		49,894	33,542	36,747	$ 29,551	$ 31,316	
Directly Held Non-Fee Bearing Assets							
Core Office – North America [2]		10,130	2,232	2,232			
Core Office – Europe		1,126	393	393			
Core Office – Australia		2,867	1,061	1,061			
Residential Properties – Canada [2] / Brazil		1,890	284	284			
Power Generation – North America		6,085	1,059	1,059			
Power Generation – Brazil		900	543	543			
Timber – Brazil		100	75	75			
Other		13,567	7,481	7,481			
		36,665	13,128	13,128			
		$ 86,559	$ 46,670	$ 49,875			

1 *Includes incremental co-investment capital*

2 *Represents interests held by 51%-owned Brookfield Properties*

3 *Comprised of four funds with ownership interests ranging from 20% to 25%*

4 *Represents direct interests plus pro rata share of indirect interests held by 40%-owned Brookfield Infrastructure Partners*

5 *Represents interests held by 58%-owned Brookfield Homes*