Brookfield

Supplemental Information Q3 2010

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 harbour" 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 Supplemental Information, in other filings with Canadian regulators or the SEC or in other communications. See "Cautionary Statement Regarding Forward-looking Statements" below.

BASIS OF PRESENTATION

Use of Non-IFRS 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 net asset value of its businesses. Brookfield's consolidated statements of cash flow from operations enables a full reconciliation between this measure and net income so that readers are able to consider both measures in assessing Brookfield's results. Operating cash flow is not a generally accepted accounting principle measure under International Financial Reporting Standards ("IFRS") and differs from net income, and may differ from definitions of operating cash flow used by other companies. We derive operating cash flow from the information contained in our consolidated financial statements, which are prepared in accordance with IFRS, and is reconciled to net income within this Supplemental Information. We define operating cash flow as net income prior to such items as fair value changes, depreciation and amortization, future income tax expense and certain non-cash items that in our view are not reflective of the underlying operations.

Information Regarding the Supplemental Information

Unless the context indicates otherwise, references in this Supplemental Information 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.

We utilize operating cash flow and net asset values in this Supplemental Information when assessing our operating results and financial position, and do this on a deconsolidated basis organized by operating platform. This is consistent with how we review performance internally and, in our view, represents the most straightforward approach.

This year we have measured invested capital based on net asset value unless otherwise stated, using the procedures and assumptions that we intend to follow in preparing our financial statements under IFRS, which we believe provides a much better representation of our financial position than historical book values. These values are reported on a pre-tax basis, meaning that we have not reflected adjustments that we expect to make in our IFRS financial statements to reflect the difference between carrying values of assets and their tax basis. We do this because we do not expect to liquidate the business and, until any such taxes become payable, we have the ability to invest this capital to generate cash flow and value for shareholders.

The IFRS-related disclosures and values in this document have been prepared using the standards and interpretations currently issued and expected to be effective at the end of our first annual IFRS reporting period, which we intend to be December 31, 2010. Certain accounting policies expected to be adopted under IFRS may not be adopted and the application of such policies to certain transactions or circumstances may be modified and as a result the September 30, 2010 and December 31, 2009 net asset values prepared on a basis consistent with IFRS are subject to change. The amounts have not been audited or subject to review by our external auditor.

The U.S. dollar is our functional and reporting currency for purposes of preparing our consolidated financial statements, given that we conduct more of our operations in that currency than any other single currency. Accordingly, all figures are presented in U.S. dollars, unless otherwise noted.

This Supplemental Information and additional information, including the Corporation'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.

Overview

Operating and financial results have continued to be favorable in almost all of our business activities and we have achieved a number of important milestones. The following is a summary of highlights that influenced our capital allocation and operating results during the quarter and can be reasonably expected to impact our performance in the near future.

- *Operating cash flow was $354 million during the quarter. This compares to $149 million in the 2009 quarter prior to realization gains.*

  We recorded increased earnings from virtually all of our operating segments during the quarter. This was due to increases in office rents and the completion of development properties within our commercial office activities; operating cash flow from infrastructure operations acquired in late 2009; increased activity within our residential development business, particularly in Brazil; increased profitability of investee companies within our private equity group; and capital markets and currency-related gains. The one notable exception was our power generating operations, which suffered from below-average water flows.

- *We completed $6.5 billion of capital raising initiatives between the end of June and the date of this report, benefitting from favorable debt and equity capital markets.*

  These activities enhanced our liquidity, funded investment initiatives and enabled us to extend our debt maturity profile at a low cost of capital. Financings included $1.7 billion of co-investor commitments, $1.7 billion of asset-specific financings, $1.5 billion of unsecured term debt, $0.9 billion of construction financings, $0.5 billion of perpetual preferred shares and $0.2 billion of equity monetizations. One result is the extension of the corporate maturity profile at each of Brookfield Asset Management and our renewable power business to nine years and eight years, respectively, with an average rate on new debt issues of 5.2%.

- *The net asset value of our common shares before common share dividends increased by $873 million or $1.43 per share since June 30th, due mostly to operating cash flow and currency appreciation.*

  Net asset value per share was estimated to be $30.99 per share. This reflects the value of our tangible assets, but does not include a number of "franchise" or intangible values that contribute to the overall intrinsic underlying value of the business.

In particular, our asset management business has the potential to add further value to the company by not only providing us with additional capital to grow the business, but also by generating an increasing stream of base management and performance fees that should attract a favorable multiple valuation in the market. We also believe that we add value by judiciously and opportunistically reallocating capital among our businesses to continuously increase returns. Finally, the quality of our operations enables us to generate superior risk-adjusted returns, which in our view should achieve enhanced cash flows and, accordingly, premium valuation for our assets.

We have observed a meaningful decline in long-term interest rates, which is beginning to manifest itself in the form of lower discount and capitalization evidenced by increased valuations in recent market transactions. These have yet to be reflected in our net asset values, some of which are prepared on an annual basis, however we expect our year-end valuations will reflect a lower interest rate and inflation environment, which we believe will result in a higher appraised value of our equity.

We added $2.5 billion of capital under management since June 30th.

This includes a further $1.1 billion in client commitments towards our $2.7 billion Americas Infrastructure Fund and $1.1 billion of equity in Brookfield Infrastructure Partners that we expect to issue in exchange for the remaining equity of the Australian infrastructure portfolio that we restructured in late 2009. These and other fundraising initiatives resulted in higher fee revenues during the quarter, and increased our annualized base management fees to approximately $190 million. The current level of base management fees represents a seven-fold growth over the past five years, reflecting new fund launches and investment of the capital raised. The capital and the management arrangements also give us the opportunity to generate additional performance returns and carried interests that we earn from our clients, typically once our returns exceed a pre-determined hurdle return.

We invested $450 million into new opportunities during the quarter, and are investing a further $2.1 billion in two major initiatives subsequent to September 30th.

We are investing approximately $1.0 billion of our capital as part of the $2.6 billion cornerstone investment by us and our clients into the restructuring of General Growth Properties and issuing equity from our infrastructure subsidiary to acquire the remaining interests in the Australian infrastructure portfolio for approximately $1.1 billion. This is in addition to $450 million invested in a variety of assets during the quarter. We believe that these investments are being completed at very favorable valuations which should lead to increased cash flow returns and value appreciation in the coming years.

We advanced several transactions to simplify our organization structure and better position these key operating companies to create enhanced value for shareholders.

Our flagship commercial office company, Brookfield Office Properties, took a major step forward in becoming a global pure play office company by acquiring our interests in our Australian office portfolio during the quarter and announcing a plan to sell its Canadian residential business to its shareholders, including Brookfield. We are seeking to concurrently merge the Canadian residential business with our U.S. operations to create a unique North American residential company that will be well positioned to participate in the eventual recovery in the U.S. residential markets. In addition, the merger of Brookfield Infrastructure and its partially owned Australian infrastructure subsidiary simplifies the ownership structure and establishes Brookfield Infrastructure as a global leader in infrastructure with a $3.4 billion market capitalization.

We discuss each of these items, and the balance of our activities, more fully in the following sections.

Operating Highlights

Our operating groups completed a number of initiatives to add value to our businesses and which influenced our operating results for the quarter.

We leased 1.1 million square feet across our global office portfolio at rents that were 9% higher than the expiring leases leading to a 4% increase in cash flow from existing properties. Markets have stabilized in almost all of our major centers and are improving noticeably in several cities. The portfolio remains 95% leased with an average lease term of seven years and rents that are 9% less than the comparable market rents, providing for potential further growth. Our total portfolio encompasses 70 million square feet in 118 buildings in 18 major markets in the United States, Australia, Canada and the UK.

We generated 2,894 gigawatt hours of electricity during the quarter. Unfortunately this was 20% below long-term averages and 22% less than the third quarter of 2009. Fortunately, this shortfall was largely offset by the higher prices realized from the favourable generation mix within the portfolio under long-term contracts arranged in the past two years. We completed our 50 megawatt Gosfield Wind Farm in Southwestern Ontario and work continues on several other development projects that are benefitting from the attractiveness of renewable energy. We extended the term of our shorter term contracts into 2012, and have now contracted 83% of expected generation until the beginning of 2013 at attractive prices, and the majority of our power remains under long-term contracts with an average term of 13 years.

Within our infrastructure business we completed the renewal of several regulatory frameworks and contract negotiations on favorable terms, with one exception. This added cash flow in the quarter and should lead to increased cash flows in the future from these businesses. Approximately 85% of the expected annualized operating cash flows in these operations, excluding our timber operations, are governed by regulatory

frameworks or contracts with an average term of six years. In addition, we are pursuing a number of capital expansion projects with favorable potential returns.

In our residential activities in Brazil, we launched new projects with an estimated value of R$741 million ($437 million), an increase of 53% in local currency terms over the 2009 quarter, and achieved contracted sales of R$824 million ($466 million), up 32%. We expect to deliver almost 4,800 units during the year, benefitting from the continued expansion of the Brazilian economy.

Cash Flow from Operations

The following table sets out our operating cash flows on a segmented basis:

	Three months ended September 30, 2010		Nine months ended September 30, 2010	
(MILLIONS, EXCEPT PER SHARE AMOUNTS)	**2010**	2009	**2010**	2009
Operating platforms				
Renewable power generation	**$ 46**	$ 56	**$ 206**	$ 279
Commercial properties	**83**	63	**243**	189
Infrastructure	**37**	10	**101**	37
Development activities	**77**	(1)	**121**	9
Private equity and finance	**50**	5	**121**	84
Investment and other income	**126**	84	**250**	254
Total operating platform cash flow	**419**	217	**1,042**	852
Asset management and other services	**90**	65	**239**	175
	509	282	**1,281**	1,027
Operating cash flow prior to unallocated costs:				
Interest expense	**(76)**	(65)	**(225)**	(194)
Operating costs	**(66)**	(70)	**(178)**	(181)
Current income taxes	**(13)**	2	**(18)**	(4)
Operating cash flow and gains - prior to realization gains	**354**	149	**860**	648
Realization gains	**—**	346	**187**	389
Operating cash flow and gains	**$ 354**	$ 495	**$ 1,047**	$ 1,037
– Per share - prior to realization gains	**$ 0.57**	$ 0.24	**$ 1.38**	$ 1.07
– Per share - including realization gains	**0.57**	0.83	**1.70**	1.74

Operating cash flow from our operating platforms and invested capital (i.e. our share of the cash flow based on the capital we have invested in each of these businesses and other investments) increased to $419 million from $217 million in the same quarter last year. Asset management fees and the contribution from our various services business, such as construction and property management, contributed $90 million compared to $65 million. Unallocated interest and operating costs were largely unchanged. We recorded a realization gain in 2009 on the sale of partial interests in our Canadian renewable power facilities.

Renewable power operations contributed net operating cash flow during the quarter of $46 million, compared to $56 million last year. Low hydrology levels in Ontario, Quebec and New York resulted in lower generation however this was partially offset by higher price contracts and an increase in cash flow from wind and other generating facilities. Water levels have begun to normalize in our key markets during October which should result in generation that is closer to long-term averages in the fourth quarter.

The contribution from our commercial office business reflects a 2% increase in rents on a "same property" basis and a $26 million dividend from our investment in Canary Wharf Group.

The $27 million increase in infrastructure cash flows included $20 million from the business acquired in the fourth quarter of 2009 (i.e. subsequent to the comparable quarter). Our other existing businesses, excluding timber, contributed $3 million more than last year. These businesses are largely regulated or contractual in nature, providing for stable operating results that increase with inflation and the investment of additional capital. Our timber business, which is more correlated with the economic cycle, contributed $4 million compared to $nil last year, well below its potential, due to continued low level of economic activity in North America. We have reduced our harvest and will build timber inventories in expectation of improving lumber prices.

Our development activities include residential development and opportunity property investments, both of which are focused primarily on the acquisition or development and subsequent sale of assets, as opposed to our power, property and infrastructure businesses, which have a much longer ownership time frame. The combined contribution from these activities increased by $78 million, of which $32 million was from residential development and $45 million related to our opportunity property investments. Residential results benefitted from an increased number of project completions in Brazil, improved margins in North America and increased activity in Australia. Opportunity properties results include $34 million of gains on the sale of three properties during the quarter.

Private equity and finance results benefitted from improved operating results at a number of the companies held within our distress investment and private equity portfolios reflecting a better operating environment and restructuring initiatives carried out over the past several years.

Investment and other income totalled $126 million in the quarter compared to $84 million in the third quarter of 2009, reflecting a higher level of investment and currency gains in the quarter. Unallocated costs, including corporate interest expense, increased by $22 million, reflecting a variance in current income taxes that we expect to largely recover in the next twelve months.

Asset management fees and the contribution from other services increased to $90 million in the quarter and $239 million on a year-to-date basis. In particular, long-term base management fees were higher as a result of new funds and increased third party capital commitments. Our construction services businesses expanded their operating margins and activity levels and new contracts are being negotiated against a backdrop of increased economic activity in Australia and the UK.

Invested Capital and Net Asset Values

Our capital is invested primarily in renewable hydroelectric power plants in North America and Brazil, commercial office properties in central business districts of major international centres and regulated infrastructure assets globally. These segments, together with cash and financial assets, represent approximately 70% of our invested capital and contribute to the strength and stability of our capitalization, operating cash flows and net asset values. Approximately 25% of our invested capital is deployed in more cyclical activities, such as residential development activities and our private equity and finance, with commensurately higher long-term return expectations.

The allocation of invested capital and our corporate capitalization were relatively unchanged during the quarter as shown in the following table:

	Brookfield's Invested Capital [1]			% of Capital		
(MILLIONS, EXCEPT PER SHARE AMOUNTS)	**Sept. 30, 2010**	June 30, 2010	Dec. 31, 2009	**Sept. 30, 2010**	June 30, 2010	Dec. 31, 2009
Operating platforms						
Renewable power generation	**$ 8,454**	$ 8,345	$ 8,468	**33%**	34%	36%
Commercial properties	**5,169**	5,126	4,841	**20%**	21%	20%
Infrastructure	**1,858**	1,785	1,646	**7%**	7%	7%
Development activities	**3,106**	3,346	3,153	**12%**	13%	13%
Private equity and finance	**2,664**	2,516	2,031	**11%**	10%	9%
Cash and financial assets	**2,019**	1,708	1,645	**8%**	7%	7%
Other assets	**1,103**	1,051	1,045	**4%**	4%	4%
Asset management and other services	**1,174**	936	1,053	**5%**	4%	4%
Invested capital	**25,547**	24,813	23,882	**100%**	100%	100%
Less: Corporate obligations	**(3,482)**	(3,457)	(3,372)			
Accounts payable and other	**(1,722)**	(1,832)	(2,028)			
Preferred shares and capital securities	**(2,061)**	(2,040)	(1,776)			
Net asset value of common equity	**$ 18,282**	$ 17,484	$ 16,706			
Per share	**$ 30.99**	$ 29.69	$ 28.53			

1. At net asset value, excludes accounting provisions for future tax liabilities

Our net asset value increased by approximately $900 million ($1.43 per share) during the quarter and $1.8 billion ($2.85 per share) for the first nine months of the year, prior to common share distributions. The increase during the quarter reflects operating cash flow during the period, asset valuation gains, and the impact of higher currencies on our operations outside of the United States, offset in part by depreciation and amortization on assets that are not periodically revalued under IFRS.

The following table summarizes the changes in our net asset value during 2010:

	Three months ended September 30, 2010		Nine months ended September 30, 2010	
(MILLIONS, EXCEPT PER SHARE AMOUNTS)	**Total**	**Per share**	Total	Per share
Opening net asset value[1]	**$ 17,484**	**$ 29.69**	$ 16,706	$ 28.53
Operating cash flow	**354**	**0.57**	1,047	1.70
Less: realization gains[2]	**—**	**—**	(102)	(0.19)
Preferred share dividends	**(18)**	**n/a**	(53)	n/a
Fair value changes				
Operating assets	**80**	**0.13**	239	0.37
Less: realization of previously recognized fair value increases[2]	**(48)**	**(0.08)**	(48)	(0.08)
Foreign currency	**399**	**0.65**	91	0.15
Depreciation and amortization	**(169)**	**(0.27)**	(510)	(0.83)
Other	**(25)**	**(0.06)**	(114)	(0.26)
Changes in IFRS carrying values	**573**	**0.94**	550	0.86
Changes in values not recognized under IFRS	**300**	**0.49**	1,250	1.99
Total return	**873**	**1.43**	1,800	2.85
Common share dividends	**(75)**	**(0.13)**	(224)	(0.39)
Total change in value	**798**	**1.30**	1,576	2.46
Closing net asset value[1]	**$ 18,282**	**$ 30.99**	$ 18,282	$ 30.99

1. Determined on a pre-tax basis
2. Represents the portion of disposition gains that were previously included in equity as unrealized gains or appraisal surplus

We define net asset value as our common equity as presented in our IFRS financial statements adjusted to eliminate deferred income taxes and to reflect changes in the fair value of assets that are not otherwise revalued under IFRS. Further information on net asset values, including our valuation methodology and assumptions are summarized on pages 34 to 35 of this report.

We did not record any meaningful valuation changes within our commercial property, renewable power and infrastructure operations during the quarter. Our renewable power and infrastructure facilities (with the exception of timber) are revalued only on an annual basis and the impact of lower interest rates on the discount and capitalization rates employed in valuing our commercial office properties has yet to be recognized to the extent we believe likely. We have observed a substantial increase in the valuation of transactions occurring subsequent to quarter end and we will be performing a comprehensive review of the impact of lower interest rates and updated inflation expectations on our asset valuations in preparing our full year financial report.

Changes during the quarter in values not recognized under IFRS represented to a $300 million increase relating to the elimination of accounting depreciation on power generating assets that are revalued annually ($116 million in quarter; $357 million year-to-date) and increases in the values of companies held within our private equity the portfolios based on stock market valuations and valuations prepared for our fund investors ($100 million in quarter; $500 million year-to-date).

Liquidity and Financing Activities

We completed $6.5 billion of financings since June 30th to supplement our liquidity and extend our maturity profile, and generated $198 million of equity proceeds through asset monetizations as shown in the following table:

	Proceeds	Rate	Term
Borrowings			
Unsecured	$ 1,477	4.54%	7 years
Asset specific	1,663	5.94%	4 years
Construction	876	6.85%	3 years
Preferred shares	540	4.85%	Perpetual
Equity/asset sales	198	n/a	Perpetual
Unlisted funds	1,742	n/a	12 years
	$ 6,496		

The proceeds are available to fund debt maturities, investment activities and supplement core liquidity. Core liquidity, which represents cash and financial assets and undrawn credit facilities at the Corporation and our principal operating subsidiaries, was approximately $4.2 billion at quarter end, compared to $4.0 billion at the end of 2009. This includes $3.0 billion at the corporate level and $1.2 billion at our principal operating units. We continued to maintain a higher level of liquidity than in prior years as we pursue a number of investment initiatives, and expect to deploy approximately $1.0 billion of this liquidity to fund the General Growth restructuring in November.

Deconsolidated and proportionately consolidated debt-to-total capitalization ratios were relatively unchanged at 14% and 41%, respectively. The average term of our corporate debt is eight years.

The following table presents our proportionate share of debt maturities that are scheduled to occur prior to 2013:

AS AT SEPTEMBER 30, 2010 (MILLIONS)	2010	2011	2012
Corporate	$ —	$ —	$ 733
Subsidiary	136	761	144
Asset-specific	455	2,524	2,288

We continue to finance our operations primarily on an investment grade basis. The high quality and stable cash flow profile of our asset base and the strength of our financial relationships has enabled us to refinance maturities in the normal course even during the more difficult stages of the recession and credit crisis. We have ample core liquidity and ongoing cash flow to fund any repayments in the event that we choose to or are otherwise required to reduce any borrowings. We continue to actively pursue opportunities to "pre-finance" maturities scheduled to occur during the next three years in order to lock in the current favourable borrowing costs and extend our maturity profile.

Assets Under Management

Total assets under management at quarter end were $113 billion which includes assets managed on behalf of our clients, as well as on our own behalf. These represent the physical assets and working capital held by the various listed and unlisted entities and investees within our various operations as well as the debt and equity securities that we manage on an advisory basis through our public securities operations. This metric provides an indication of the scale of our operations, and while it is not a direct indicator of our profitability, we believe our global scale provides a valuable competitive advantage.

Approximately $70 billion of these assets are consolidated for accounting purposes and are therefore presented on our consolidated balance sheet. The balance of $43 billion includes $23 billion of the securities managed on an advisory basis and $20 billion of assets that are held within equity accounted investees or joint venture arrangements. The physical assets and working capital balances are funded with a combination of debt and equity capital, with the equity capital being provided by our clients, public shareholders through the capital markets, and the Corporation. Our share of the invested capital was approximately $26 billion as at September 30, 2010. Our share of the underlying cash flow generated by these operations is an important component of our total returns.

One of our most important objectives is to increase the amount of capital that we manage on behalf of our clients. This provides us with an important source of capital to pursue investment opportunities and fund growth activities as well as the opportunity to earn asset management income in the form of base management and performance fees. Raising capital in this form is accretive, because we have the opportunity to earn fees and equity-like performance returns, whereas we believe issuing capital from our own treasury (an alternative method of financing growth) would be dilutive based on current market prices relative to our view of the intrinsic underlying value of the business.

The following table illustrates the capital managed for third parties at September 30, 2010, including the amounts currently invested as well as allocations of capital to specific funds totalling $8.7 billion that have yet to be invested:

	September 30, 2010			December 31, 2009		
(MILLIONS)	**Core and Value Added**	**Opportunity and Private Equity**	**Total**	Core and Value Added	Opportunity and Private Equity	Total
Unlisted funds and managed listed issuers						
Power generation	**$ 1,291**	**$ —**	**$ 1,291**	$ 995	$ —	$ 995
Commercial properties	**3,563**	**5,176**	**8,739**	3,479	4,600	8,079
Infrastructure	**6,255**	**114**	**6,369**	4,937	69	5,006
Development	**—**	**281**	**281**	—	291	291
Private equity and finance	**2,387**	**870**	**3,257**	3,098	661	3,759
	13,496	**6,441**	**19,937**	12,509	5,621	18,130
Public securities	**—**	**—**	**23,256**	—	—	23,787
Other listed entities	**—**	**—**	**7,823**	—	—	5,737
	$ 13,496	**$ 6,441**	**$ 51,016**	$ 12,509	$ 5,621	$ 47,654

We added approximately $700 million of committed capital to our commercial property funds, primarily in connection with our real estate turnaround fund and our General Growth recapitalization in particular. We also added $1.1 billion of commitments to our Americas Infrastructure Fund upon its final closing. We continue to launch new funds and currently have four funds in the market and are seeking to raise $1.7 billion of third party commitments, in addition to our own commitment to these funds.

Net Income

The following table reconciles operating cash flow and gains to net income for the past three months and nine months:

(MILLIONS, EXCEPT PER SHARE AMOUNTS)	Three months ended Sept. 30		Nine months ended Sept. 30	
	2010	2009	**2010**	2009
Revenues	**$ 3,841**	$ 2,844	**$ 9,666**	$ 7,426
Operating cash flow and gains	**$ 354**	$ 495	**$ 1,047**	$ 1,037
Less: disposition gains[1]	**—**	(346)	**(187)**	(389)
	354	149	**860**	648
Other items				
Depreciation and amortization	**(169)**	(142)	**(510)**	(423)
Fair value changes	**(64)**	(591)	**(6)**	(1,553)
Deferred income taxes	**(9)**	167	**21**	277
Net income (loss) attributable common shareholders	**$ 112**	$ (417)	**$ 365**	$ (1,051)
– Per share (diluted)	**$ 0.16**	$ (0.75)	**$ 0.53**	$ (1.89)

1. Disposition gains that are recorded in equity for IFRS purposes, as opposed to net income

In 2010, the reconciling items consisted primarily of accounting depreciation in respect of our power generating facilities and industrial businesses. Fair value changes were negative in aggregate as revaluation gains on tangible assets were offset by the recognition, in operating cash flow, of previously recorded appraisal surpluses and the resultant decrease in unrealized fair value gains, and accounting revaluations relative to power sales and financial instruments. In 2009, we recorded lower appraised values for our commercial properties, which led to downward fair value adjustments in that period. Net income for the third quarter prior to these items and excluding disposition gains that are not recorded for IFRS purposes, increased by $205 million, reflecting the increase in operating cash flows.

We do not utilize net income on its own as a key metric in assessing the performance of our business because, in our view, it does not provide a consistent measure of the ongoing performance of the underlying operations. For example, net income includes fair value adjustments in respect of our commercial properties, timber and financial assets but not our renewable power, utility and development assets which currently represent approximately 50% of our invested capital. Nevertheless we recognize the importance of net income as a key measure for many users and provide a discussion of net income and a reconciliation to operating cash flow below and elsewhere within our Supplemental Information. Furthermore, we incorporate most of the elements of net income that are not included in operating cash flow, along with components of other comprehensive income, in determining our net asset values and total return.

Renewable Power Generation

Summarized Financial Results

The following table summarizes the capital invested in our renewable power operations and our share of the operating cash flows:

	Assets Under Management		Net Invested Capital		Net Operating Cash Flow	
AS AT AND FOR THE THREE MONTHS ENDED (MILLIONS)	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Sept. 30, 2009
Hydroelectric generation	**$ 13,000**	$ 13,128	**$ 12,522**	$ 12,610	**$ 149**	$ 159
Other forms of generation	**894**	720	**587**	412	**14**	3
Facilities under development	**158**	233	**158**	233	**—**	—
	14,052	14,081	**13,267**	13,255	**163**	162
Other assets	**1,787**	1,785	**1,645**	1,762	**—**	—
	15,839	15,866	**14,912**	15,017	**163**	162
Financial leverage	**—**	—	**(4,980)**	(5,005)	**(96)**	(82)
Accounts payable and other	**—**	—	**(724)**	(831)	**(7)**	—
Co-investor interests	**—**	—	**(1,704)**	(1,163)	**(14)**	(24)
Brookfield's IFRS values	**15,839**	15,866	**7,504**	8,018	**46**	56
Value not recognized under IFRS	**—**	—	**950**	450	**—**	—
Brookfield's invested capital	**$ 15,839**	$ 15,866	**$ 8,454**	$ 8,468	**$ 46**	$ 56

Operating Results

Variances in our cash flows are primarily the result of changes in the level of water flows, which determine the amount of electricity that we can generate from our hydroelectric facilities, and the prices we realize for power that is not sold under long-term contracts and ancillary revenues such as capacity payments. The following table sets out the variances in operating cash flows, isolating the impact of currency exchange rates:

FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	**2010**	2009	Variance
Existing hydroelectric generation (assuming no change in foreign exchange rates)			
United States	**$ 88**	$ 78	$ 10
Canada	**7**	44	(37)
Brazil	**48**	37	11
	143	159	(16)
Recently developed or acquired hydroelectric generation	**2**	—	2
Impact of current year change in foreign exchange rates	**4**	—	4
Total contribution from hydroelectric facilities	**149**	159	(10)
Other forms of generation	**14**	3	11
Total operating cash flow	**163**	162	1
Interest expense	**(92)**	(82)	(10)
Current income taxes and other expenses	**(7)**	—	(7)
Co-investor interests	**(11)**	(24)	13
Impact of current year change in foreign exchange rates	**(7)**	—	(7)
Net operating cash flow	**$ 46**	$ 56	$ (10)

The principal operating variances included:

• A $16 million decline in the contribution from existing hydroelectric facilities reflecting a decrease due to lower generation partially offset by higher realized prices;

• an increase of $11 million in the contribution from wind, pumped storage and co-generation facilities, due primarily to better than average wind levels and the contribution from a newly commissioned wind farm in Southwestern Ontario;

• a $13 million reduction in the cash flow to minority interests due to reduced generation for the facilities held within our 42%-owned renewable power fund; and

• interest expenses increased as debt associated with development projects came on line during 2010 as well as the impact of higher currency rates. In addition, current taxes of $7 million were incurred in the quarter.

Realized Prices – Hydroelectric Generation

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

	2010				2009			
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (GIGAWATT HOURS AND $ MILLIONS)	**Production (GWh)**	**Realized Revenues**	**Operating Costs**	**Operating Cash Flows**	Production (GWh)	Realized Revenues	Operating Costs	Operating Cash Flows
United States	**1,243**	**$ 122**	**$ 34**	**$ 88**	1,373	$ 109	$ 31	$ 78
Canada	**526**	**39**	**29**	**10**	1,317	69	25	44
Brazil	**796**	**72**	**21**	**51**	714	57	19	38
Total	**2,565**	**$ 233**	**$ 84**	**$ 149**	3,404	$ 235	$ 75	$ 160
Per MWh		**$ 91**	**$ 33**	**$ 58**		$ 69	$ 22	$ 47

Operating cash flow on a per megawatt hour (MWh) basis increased from $47 per MWh in 2009 to $58 per MWh in 2010, due in large part to an increase in the average realized price per unit of electricity sold in the third quarter of 2010 to $91 per MWh from $69 per MWh. Approximately 80% of our generation occurred in the United States and Brazil, which are higher priced markets compared to 60% during the third quarter of 2009.

Total revenues in Brazil benefitted from completion of two facilities earlier in the year which added 65 megawatts of capacity. Realized prices also include revenues from selling capacity reserves and from re-contracting power sales into higher priced markets, which were higher in the current quarter on a per unit basis. Operating costs are largely fixed in our hydro operations and accordingly increase on a per megawatt hour basis when generation levels are low. Revenues and expenses in Canada and Brazil increased by $8 per MWh and $4 per MWh, respectively, due to higher average currency exchange rates during the quarter.

Generation

The following table summarizes generation during the third quarter of 2010 and 2009:

					Variance of Results		
	Actual Production		Long-Term Average		vs. Long-term Average		Actual vs. Prior Year
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (GIGAWATT HOURS)	**2010**	2009	**2010**	2009	**2010**	2009	**2010**
Existing capacity							
United States	**1,237**	1,373	**1,123**	1,123	**114**	250	**(136)**
Canada	**526**	1,317	**1,182**	1,182	**(656)**	135	**(791)**
Brazil	**665**	684	**672**	672	**(7)**	12	**(19)**
Acquisitions and developments – 2009 and 2010	**137**	30	**203**	29	**(66)**	1	**107**
Total hydroelectric operations	**2,565**	3,404	**3,180**	3,006	**(615)**	398	**(839)**
Wind energy	**108**	70	**102**	102	**6**	(32)	**38**
Co-generation and pump storage	**221**	246	**313**	313	**(92)**	(67)	**(25)**
Total generation	**2,894**	3,720	**3,595**	3,421	**(701)**	299	**(826)**
% variance					**(20)%**	9%	**(22)%**

Hydroelectric generation was 839 gigawatt hours (GWh) or 25% below production levels in the third quarter of 2009 and 615 GWh or 19% below long-term averages. The decrease reflects below average rainfall in Ontario and Quebec. Precipitation levels have recovered in most regions and October generation reflected long-term averages. Reservoir levels have recovered in most regions and are in line with average levels for this time of year. This puts us in a good position to achieve our generation targets for the fourth quarter should precipitation remain in line with long-term averages for the balance of the year, although results for the full year will be below plan.

Revenues in Brazil are subject to a market stabilization feature that provides “assured” energy levels based on long-term average generation rather than actual generation produced, mitigating the impact of changing water levels. This market feature stabilizes revenues and cash flows and resulted in us earning revenues on 287 GWh during the quarter (2009 – 2 GWh) that was not provided from existing or newly developed as acquired facilities, as actual volumes were lower than average. The feature also requires that we do not earn revenue on generation in excess of long-term average.

Invested Capital

The following table presents the capital invested in our renewable power operations by major geographic region and asset class based on net asset values:

	September 30, 2010				December 31, 2009			
(MILLIONS)	**Consolidated Assets**	**Consolidated Liabilities**	**Co-investor Interests**	**Net Invested Capital**	Consolidated Assets	Consolidated Liabilities	Co-investor Interests	Net Invested Capital
Hydroelectric								
United States	**$ 5,733**	**$ 1,871**	**$ 178**	**$ 3,684**	$ 5,774	$ 2,035	$ 158	$ 3,581
Canada	**4,608**	**2,092**	**1,466**	**1,050**	4,616	2,082	948	1,586
Brazil	**2,181**	**667**	**60**	**1,454**	2,220	621	57	1,542
Other generation	**587**	**350**	**—**	**237**	412	267	—	145
Facilities under development	**158**	**—**	**—**	**158**	233	—	—	233
Working capital and other	**1,645**	**724**	**—**	**921**	1,762	831	—	931
Brookfield's IFRS values	**$ 14,912**	**$ 5,704**	**$ 1,704**	**7,504**	$ 15,017	$ 5,836	$ 1,163	8,018
Value not recognized under IFRS				**950**				450
				$ 8,454				$ 8,468

Changes in net invested capital for IFRS purposes since last year relate primarily to the recording of depreciation and amortization for accounting purposes, offset by sustaining capital expenditures and investments in additional capacity. Currency adjustments were relatively minor during the period. Other variances included the following:

- In the United States, an increase in net capital due to the amortization of debt;
- In Canada, an increase in co-investor interests due to the sale of equity in our Canadian renewable power fund and a mark-to-market of these equity interests for accounting purposes; and
- The continued development of wind and hydroelectric facilities, offset by the completion and transfer of a wind farm from “facilities under development” to “other generation”.

Net Asset Value

The following table presents changes in the net asset value of our power generation operations during the quarter at September 30, 2010:

FOR THE PERIOD ENDED SEPTEMBER 30, 2010 (MILLIONS)	Q3	YTD
Net asset value – beginning of period	**$ 8,345**	**$ 8,468**
Operating cash flow	**46**	**308**
Less: realization gains	**—**	**(102)**
Fair value changes		
Revaluation items	**26**	**107**
Foreign exchange	**191**	**(32)**
Capital distributed	**(171)**	**(388)**
Accounting depreciation	**(116)**	**(357)**
Other	**(17)**	**(50)**
Changes in IFRS values	**(41)**	**(514)**
Changes in values not recognized under IFRS	**150**	**500**
Net asset value – end of period	**$ 8,454**	**$ 8,454**

Revaluation items include the following:

- Facilities under development are carried at historical cost until they are commissioned as operational, at which time they are recorded as operating assets and revalued at appraised value based on expected discounted cash flows. The revaluation of completed development projects added $42 million during the quarter ($81 million year-to-date);

- The carrying value of units held by other investors in our Canadian renewable power fund is based on the stock market value at period end. The increase in the trading price of these units increased the liability by $70 million during the quarter ($86 million year-to-date);

- Certain of our power sales agreements are revalued quarterly based on the difference between contracted and expected future prices. The value of these contracts increased by $54 million during the quarter ($112 million year-to-date).

Values not recognized under IFRS increased by $150 million ($500 million year-to-date) to $950 million at quarter-end to recognize items such as the accumulated value of development projects and the impact of certain power contracts on the value of generation capacity in circumstances where the contracts are marked to market but the capacity is not. Changes in the quarter included:

- A $36 million reduction in the value of contracted capacity not otherwise recognized ($44 million year-to-date);

- A $42 million reduction in the unrecorded value of development projects following the completion of a wind project in Southwestern Ontario and full recognition as a revaluation item in our IFRS values offset in part by the advancement of several other projects; and

- The elimination of $116 million of accounting depreciation during the quarter ($357 million year-to-date) on renewable power assets that are revalued on an annual basis.

The key valuation metrics of our hydro and wind generating facilities at the end of 2009 and 2008 are summarized on page 34. The valuations are impacted primarily by the discount rate and long-term power prices. A 100-basis point change in the discount and terminal capitalization rates and a $10.00 change in long-term power prices will impact the value of our net invested capital by $2.1 billion and $0.7 billion, respectively.

Contract Profile

We have hedged approximately 83% of our long-term average generation during the balance of 2010 through the end of 2012. This protects our revenues from fluctuating energy prices. Approximately 67% of the expected generation is hedged with long-term contracts that have an average term of 13 years while 16% of the balance is hedged with shorter term financial contracts that expire over the next two years.

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

		Years ended December 31			
	Balance of 2010	2011	2012	2013	2014
Generation (GWh)					
Contracted					
Power sales agreements					
Hydro	1,979	10,157	9,113	8,900	8,272
Wind	196	783	1,197	1,197	1,197
Gas and other	221	406	397	398	134
	2,396	11,346	10,707	10,495	9,603
Financial contracts	885	2,107	2,885	—	—
Total contracted	3,281	13,453	13,592	10,495	9,603
Uncontracted	546	2,747	3,028	6,362	6,990
Long-term average generation	3,827	16,200	16,620	16,857	16,593
Contracted generation – as at September 30, 2010					
% of total generation	86%	83%	82%	62%	58%
Price ($/MWh)	88	81	78	88	85

The average contracted price fluctuates as existing contracts roll off and new contracts are entered into and also with changes in currency exchange rates for contracts in Brazil and Canada.

Financing

We completed an offering of C$450 million of public notes in October 2010 at a rate of 5.14% and maturing in 2020. Proceeds from the issue were used to repurchase the C$400 million 8.75% notes maturing in 2012. As a result, we do not currently have any public note maturities until 2016. The debt to capitalization of this business at quarter end was 46%. The corporate unsecured public notes bear interest at an average rate of 5.5%, have an average term of 11 years and are rated BBB by S&P, BBB (high) by DBRS and BBB by Fitch. We also arranged a C$354 million construction facility to fund the development of a wind farm in Southwestern Ontario during the third quarter.

Our average cost of debt, reflecting the refinancing of the 2012 notes completed in October, was 6.7% compared to 7.2% at June 30, 2010. With the exception of bank borrowings and a $359 million project level construction financing, all of our North American financings are fixed rate. Interest rates on our Brazilian financings are all at floating rates.

We have very few maturities between now and 2012, as set out in the following table:

	Proportionate					Consolidated
AS AT SEPTEMBER 30, 2010 (MILLIONS)	2010	2011	2012	2013 & After	Total	Total
Unsecured						
Bank facilities	$ —	$ 154	$ —	$ —	$ 154	$ 154
Public notes	—	—	—	1,015	1,015	1,015
Project specific						
Canada	4	19	182	378	583	1,273
United States	11	32	260	1,292	1,595	1,857
Brazil	13	55	66	547	681	681
	$ 28	$ 260	$ 508	$ 3,232	$ 4,028	$ 4,980
% of total outstanding	1%	6%	13%	80%	100%	100%

Commercial Properties

Summarized Financial Results

The following table summarizes the capital invested by us in our commercial properties operations and our share of the operating cash flows:

	Assets Under Management		Net Invested Capital		Net Operating Cash Flow	
AS AT AND FOR THE THREE MONTHS ENDED (MILLIONS)	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Sept. 30, 2009
Office properties						
North America	**$ 21,837**	$ 19,763	**$ 12,824**	$ 11,482	**$ 227**	$ 219
Australia	**4,518**	4,145	**4,021**	3,248	**72**	42
Europe	**1,193**	951	**1,193**	951	**33**	8
	27,548	24,859	**18,038**	15,681	**332**	269
Other assets	**1,994**	2,336	**1,407**	1,742	**6**	8
	29,542	27,195	**19,445**	17,423	**338**	277
Mortgage debt	**—**	—	**(7,722)**	(7,485)	**(130)**	(108)
Subsidiary debt	**—**	—	**(429)**	(376)	**(5)**	(6)
Capital securities	**—**	—	**(1,031)**	(1,009)	**(14)**	(14)
Accounts payable	**—**	—	**(1,149)**	(1,016)	**(20)**	(20)
Co-investor interests	**—**	—	**(4,636)**	(3,739)	**(86)**	(72)
	29,542	27,195	**4,478**	3,798	**83**	57
Development properties	**1,278**	1,428	**163**	497	**—**	—
Retail properties	**3,532**	3,224	**528**	546	**—**	6
Brookfield's invested capital	**$ 34,352**	$ 31,847	**$ 5,169**	$ 4,841	**$ 83**	$ 63

Office Properties

Operating Cash Flows

Variances in our cash flows are primarily the result of changes in contracted rental rates, occupancy levels, financing costs and currency exchange rates, each of which is described in more detail below.

The following table sets out the variances in operating cash flows, isolating the impact of currency fluctuations:

FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	**2010**	2009	Variance
Existing properties (assuming no change in foreign exchange rates)			
United States	**$ 167**	$ 166	$ 1
Canada	**49**	48	1
Australia	**45**	42	3
Europe	**7**	8	(1)
	268	264	4
Acquired, developed or sold properties	**7**	5	2
Consolidation of property fund	**23**	—	23
Canary Wharf dividend	**26**	—	26
Impact of current year change in foreign exchange rates	**8**	—	8
Total operating cash flow	**332**	269	63
Other	**6**	8	(2)
Interest expense	**(145)**	(148)	3
- Newly consolidated property fund	**(20)**	—	(20)
Co-investor interests	**(85)**	(72)	(13)
Impact of current year change in foreign exchange rates	**(5)**	—	(5)
Net operating cash flow	**$ 83**	$ 57	$ 26

Operating cash from existing properties increased by 2% over the prior year due to increased rental rates and releasing activity. We acquired a controlling interest in an Australian property fund that we previously equity accounted, which brought $23 million of operating cash flow and $20 million of interest expense into our accounts. Co-investor interests in cash flow increased by $13 million, representing participating interests of other investors in our North American operations and the newly consolidated property fund as well as the impact of higher interest rates on preferred equity financing our Australian operations. We received a $26 million special dividend from our investment in Canary Wharf Group.

Financial Profile

The following table presents capital invested in our office properties by region:

	September 30, 2010				December 31, 2009			
(MILLIONS)	**Consolidated Assets**	**Consolidated Liabilities**	**Co-Investor Interests**	**Net Invested Capital**	Consolidated Assets	Consolidated Liabilities	Co-Investor Interests	Net Invested Capital
Office properties								
North America	**$ 11,815**	**$ 7,215**	**$ 2,453**	**$ 2,147**	$ 11,859	$ 6,817	$ 2,880	$ 2,162
U.S. Office Fund	**1,687**	**—**	**844**	**843**	792	—	396	396
Australasia	**4,583**	**2,501**	**1,339**	**743**	3,658	2,395	463	800
Europe	**1,360**	**615**	**—**	**745**	1,114	674	—	440
	$ 19,445	**$ 10,331**	**$ 4,636**	**$ 4,478**	$ 17,423	$ 9,886	$ 3,739	$ 3,798

The carrying values of our North American operations were relatively unchanged from year-end. Our U.S. Office Fund, which is held through our 50%-owned office property subsidiary, is equity accounted under IFRS as we do not control the underlying entity. The carrying value of the Fund increased to $1.7 billion at September 30, 2010, representing an increase of $895 million. Approximately $570 million of the increase relates to the purchase of debt issued by the Fund and the balance relates to increased valuations of the underlying properties. The $895 million increase accrues 50% to our net invested capital in the Fund and 50% to the minority shareholders in our office property subsidiary.

Total assets in our Australian operations increased by approximately $900 million year-to-date. Approximately $300 million relates to currency appreciation, $420 million to the consolidation of assets within a fund in which control was acquired during the period, and the balance relates to the completion of an office property that was transferred from office development properties. In addition, we transferred a full ownership interest in 16 of our premier properties to 50%-owned Brookfield Office Properties, representing $3.2 billion of the total portfolio value and $1.5 billion net of associated liabilities. This had no impact on the carrying value of the consolidated assets or the associated liabilities, but gives rise to an increase in co-investor interest of approximately $750 million, of which approximately $180 million relates to our City Square commercial office development, representing the 50% effective interest in these properties that now accrues to the minority shareholders in Brookfield Office Properties. The remaining increase in co-investor interest in Australian properties since year end is due largely to currency appreciation and the consolidation of two property funds in which co-investor interests aggregated to $130 million.

Total assets and net invested capital in Europe increased primarily due to the acquisition of an additional 7% ownership interest in Canary Wharf Group, increasing our ownership to 22%.

Net Asset Value

The following table illustrates the changes in net asset value of our commercial office interests during the period:

FOR THE PERIOD ENDED SEPTEMBER 30, 2010 (MILLIONS)	Q3	YTD
Net asset value – beginning of period	**$ 4,455**	**$ 3,798**
Operating cash flow	**83**	**244**
Fair value changes		
Appraisal gains	**9**	**135**
Foreign exchange	**244**	**183**
Capital transactions		
Capital contributed, net of distributions	**215**	**379**
Acquisitions and completion of development activities	**111**	**395**
Reduction in effective interest in Australian portfolio	**(574)**	**(574)**
Other	**(65)**	**(82)**
Changes in IFRS values	**23**	**680**
Net asset value – end of period	**$ 4,478**	**$ 4,478**

The changes in the net asset value of our commercial office interests reflect operating cash flow, fair value changes and the changes in the capital allocated to the business. Fair value changes reflected currency appreciation of our Australian and Canadian portfolios as well as relatively minor increases in the appraised values of certain properties. Changes in capital included acquisitions, in particular an additional interest in Canary Wharf Group, as well as the transfer of development properties upon completion. In addition, this reflects an approximate $570 million decrease in our effective interest in a portion of our Australian portfolio as described above.

The key valuation metrics of our commercial office properties are presented on page 34. The valuations are most sensitive to changes in the discount rate. A 100-basis point change in the discount rate and terminal capitalization rate results in an aggregate $1.5 billion change in our common equity value after reflecting the interests of minority shareholders.

Leasing Profile

Our total worldwide portfolio occupancy rate in our office properties at the end of the third quarter of 2010 was consistent with year end at 95%. The average term of the leases was seven years, unchanged from the prior year.

					Expiring Leases (000's sq. ft.)							
AS AT SEPTEMBER 30, 2010	% Leased	Average Term	Net Rental Area	Currently Available	Remainder 2010	2011	2012	2013	2014	2015	2016	2017 & Beyond
North America												
United States	94%	7.0	43,012	2,725	306	2,852	3,104	6,742	2,861	4,248	2,183	17,991
Canada	97%	7.8	17,752	546	308	826	1,119	3,280	515	2,612	1,535	7,011
Australia	98%	7.2	8,864	196	105	609	356	369	694	942	1,019	4,574
United Kingdom	100%	11.0	556	—	—	—	—	—	262	—	—	294
Total/Average	95%	7.2	70,184	3,467	719	4,287	4,579	10,391	4,332	7,802	4,737	29,870
Percentage of total			100%	4.9%	1.0%	6.1%	6.5%	14.8%	6.2%	11.1%	6.8%	42.6%

Average in-place net rents across the North American portfolio approximate $25 per square foot compared to $24 per square foot at the end of 2009. The increase reflects ongoing releasing activity at rents higher than currently in place. We leased 1.1 million square feet in the third quarter of 2010 at rents 9% higher than expiring in-place leases. Net rents continue to be at a discount of approximately 7% to the average market rent of $27 per square foot. This discount leads us to believe that we will be able to maintain or increase our net rental income in the coming years, as we did in the current quarter.

Average in-place rents in our Australian portfolio are A$46 per square foot, approximately 1% below market rents. The occupancy rate across the portfolio remains high at 98% and the weighted average lease term is

approximately seven years. Our twenty largest tenants have a weighted average lease life of eight years and account for approximately 70% of our leasable area. These tenants have an average rating profile of AA. We had minimal lease expiries during the quarter and we continue to lease more space than is coming due.

With the exception of 2013, where we have a large lease maturity with Bank of America/Merrill Lynch, no more than 6% of our total net rental area expires in any year prior to 2015. We expect to roll over most of this space with the existing tenants and do not anticipate undue difficulty locating replacement tenants for the balance. The high quality and location of our buildings give us a high degree of confidence in this regard. Our net exposure to Bank of America/Merrill Lynch space is 1.6 million square feet, or 0.8 million square feet when reflecting our 50% ownership interest in our North American property operations. We are engaged in active discussion with Bank of America/Merrill Lynch and the sub-lease tenants to secure new leasing arrangements for this space well in advance of the 2013 maturity.

Financing

We raised a total of $1.4 billion in capital since June 30, 2010, and $2.9 billion on a year-to-date basis, consisting of financings and dispositions including extensions and renewals.

(MILLIONS)	Q3	YTD
Corporate bank facilities	$ —	$ 75
Mortgages	1,064	2,128
Dispositions	—	175
Preferred shares	295	557
	$ 1,359	$ 2,935

We finance our commercial office operations primarily with non-recourse mortgages and equity from our co-investors. We supplement this with appropriate levels of subsidiary borrowings and capital securities (which are preferred shares classified as liabilities for accounting purposes) in order to create a stabilized capitalization profile to offset mortgage amortization.

The following table presents the maturity profile of our commercial office portfolio borrowings on a proportionate basis:

	Proportionate[1]					Consolidated
AS AT SEPTEMBER 30, 2010 (MILLIONS)	2010	2011	2012	2013 & After	Total	Total
Subsidiary level						
North America	$ 50	$ 84	$ —	$ —	$ 134	$ 268
Australia	—	—	5	—	5	5
Europe	—	156	—	—	156	156
	50	240	5	—	295	429
Asset specific						
North America	23	134	342	2,221	2,720	4,998
U.S. Office Fund	—	599	—	411	1,010	—
Australia	—	512	530	549	1,591	2,277
Europe	—	—	—	447	447	447
	23	1,245	872	3,628	5,768	7,722
	$ 73	$ 1,485	$ 877	$ 3,628	$ 6,063	$ 8,151
% of total outstanding	1%	25%	14%	60%	100%	100%

1. Includes proportionate interest in debt of equity accounted investments

Commercial property financings are secured by high quality office buildings on an individual or, in certain circumstances, a pooled basis. Many of the financings which mature in the next three years were arranged a number of years ago and, accordingly, represent a low loan-to-value. As a result, we continue to refinance most of these maturities in the normal course at similar or higher levels.

We have minimal financing requirements in North America, Australia and Europe remaining in 2010. Australian financing markets are much shorter dated than North American markets which is reflected in our maturity profile. We have very few maturities in our North American operations prior to 2013 relative to the scale of our business, with the exception of maturities within our U.S. Office Fund that mature in October 2011. Our proportionate share of these maturities is $464 million, taking into consideration the interests of our investment partners, and consists of $139 million of property-specific mortgages and $325 million secured by a portfolio of commercial properties. Operating cash flows from the assets managed by us within the portfolio have increased by 28% based on in-place leases since acquiring the portfolio, which have improved the credit metrics of the portfolio. During the second quarter, we repurchased at a discount approximately $570 million principal amount of the debt ($275 million representing our share) which, in our view, likely eliminates any requirements for additional capital from us, and establishes a capitalization profile more consistent with the level we intend to establish prior to maturity.

Office Development Properties

The following table presents capital invested in our office development activities by region:

	September 30, 2010				December 31, 2009			
(MILLIONS)	**Consolidated Assets**	**Consolidated Abilities**	**Co-investor Interests**	**Net Invested Capital**	Consolidated Assets	Consolidated Liabilities	Co-investor Interests	Net Invested Capital
North America								
Manhattan West, New York	**$ 281**	**$ 227**	**$ 27**	**$ 27**	$ 286	$ 227	$ 29	$ 30
U.S. Office Fund	**28**	**—**	**14**	**14**	153	—	77	76
Other	**171**	**—**	**86**	**85**	183	—	92	91
Australia								
City Square, Perth	**467**	**102**	**183**	**182**	247	45	—	202
Other	**257**	**111**	**—**	**146**	490	217	—	273
Unsecured development debt	**—**	**328**	**—**	**(328)**	—	175	—	(175)
United Kingdom	**74**	**—**	**37**	**37**	—	—	—	—
	$ 1,278	**$ 768**	**$ 347**	**$ 163**	$ 1,359	$ 664	$ 198	$ 497

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

In Australia, we continued development of the City Square project in Perth, which has a total projected construction cost of approximately $906 million, is 72% pre-leased to BHP Billiton and is scheduled for completion in August 2012. This project was sold to 50%-owned Brookfield Office Properties during the third quarter, giving rise to a 50% co-investor interest in the net capital invested in the project.

In the United Kingdom, we acquired in March 2010, through Brookfield Office Properties, a joint venture interest in 100 Bishopsgate, a development property in central London with capacity to build approximately 0.8 million square feet of office space.

The decrease in net invested capital also reflects the completion of development projects in the United States and Australia and transfer to our commercial office portfolios.

Retail Operations

	Net Invested Capital		Net Operating Cash Flow	
AS AT AND FOR THE THREE MONTHS ENDED (MILLIONS)	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Sept. 30, 2009
Retail properties	**$ 3,192**	$ 2,816	**$ 32**	$ 49
Working capital/operating costs	**164**	(25)	**(2)**	(4)
Borrowings/interest expense	**(2,005)**	(1,566)	**(40)**	(33)
Co-investor interests	**(823)**	(679)	**10**	(6)
	$ 528	$ 546	**$ —**	$ 6

Operating cash flow prior to debt service and co-investor interests was $nil in the third quarter of 2010, compared with $6 million for the same period in 2009. Several of the properties continue to undergo significant redevelopment, which continued to reduce net rent and increase costs during the year, but positions the portfolio well for cash flow growth going forward.

Consolidated assets and net invested capital were relatively unchanged during the quarter. Borrowings increased to fund the last payout of vendor financing. The average duration of financing on our properties is four years.

Infrastructure

Summarized Financial Results

The following table summarizes the capital we have invested in our infrastructure operations as well as our share of the operating cash flows:

	Assets Under Management		Net Invested Capital		Net Operating Cash Flow	
AS AT AND FOR THE THREE MONTHS ENDED (MILLIONS)	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Sept. 30, 2009
Utilities	**$ 8,592**	$ 7,626	**$ 467**	$ 537	**$ 25**	$ 13
Transport and energy	**3,698**	3,498	**225**	196	**8**	—
Timber	**4,449**	4,264	**866**	813	**4**	—
Corporate and other costs	**—**	—	**—**	—	**—**	(3)
Brookfield's IFRS value	**16,739**	15,388	**1,558**	1,546	**37**	10
Value not recognized under IFRS	**—**	—	**300**	100	**—**	—
Brookfield's invested capital	**$ 16,739**	$ 15,388	**$ 1,858**	$ 1,646	**$ 37**	$ 10

Utilities

Our utilities business is predominantly comprised of businesses that operate regulated assets which earn a fixed rate of return on their asset base as well as businesses with long-term contracts designed to generate a fixed return on capital. They are generally uniquely positioned to provide critical backbone services in their respective markets which typically allows for stable growth and margin expansion.

The following table presents the capital invested by us in our utility operations and our share of the associated cash flows:

	Net Invested Capital		Net Operating Cash Flow	
AS AT AND FOR THE THREE MONTHS ENDED (MILLIONS)	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Sept. 30, 2009
South America	**$ 246**	$ 220	**$ 11**	$ 8
Australasia/Europe	**187**	257	**11**	—
North America	**34**	60	**3**	5
	$ 467	$ 537	**$ 25**	$ 13

Over 90% of the revenues from these assets are governed by regulated frameworks with the balance subject to long-term contracts. Accordingly, we expect this segment to produce consistent revenues that does not fluctuate with volumes and margins that should increase with inflation and other factors such as operational improvements. We also expect to achieve continued growth in revenues and income by investing additional capital into our existing operations.

Utilities operations contributed $25 million of net operating cash flow in the quarter, after deducting carrying charges and co-investor interests, compared with $13 million during 2009. The contribution from our Chilean transmission operations was $11 million in the third quarter of 2010, compared with $8 million in 2009, reflecting an increase in net operating income consistent with the ongoing benefit of inflation indexation and growth capital expenditures.

Net operating cash flows in Australasia and Europe primarily reflect the contribution from our Australian coal export terminal acquired in late 2009. The terminal charges a capacity toll on a take-or-pay basis to coal producers to transport coal onto ships destined for the export markets in Asia giving us certainty on revenue.

Transport and Energy

The following table presents the capital invested by us in our transport and energy operations, and associated net operating cash flows:

	Net Invested Capital		Net Operating Cash Flow	
AS AT AND FOR THE THREE MONTHS ENDED (MILLIONS)	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Sept. 30, 2009
North America	**$ 80**	$ 75	**$ 3**	$ —
Australasia	**75**	57	**2**	—
Europe	**70**	64	**3**	—
	$ 225	$ 196	**$ 8**	$ —

Our transport and energy businesses are capital intensive businesses which provide transportation, storage and handling of energy, freight and bulk commodities. These businesses typically benefit from high barriers to entry, such as locational advantages and regulatory restrictions, which enables us to negotiate long-term contracts with customers that are subject in many cases to a regulatory framework. Currently 70% of our expected cash flows are subject to long-term contracts that govern price but not volume. As a result, operating variances typically arise from fluctuations in volume and, to a lesser degree, changes in prices on uncontracted revenues. We believe these operations are well positioned to benefit from increases in commodity demand and the global movement of goods. Our invested capital in these businesses did not change meaningfully during the quarter.

These operations contributed $8 million of net operating cash flow which represents our proportionate share of the underlying cash flow, after deducting carrying charges and co-investor interests. These operations were acquired in late 2009 and accordingly there was no contribution to cash flow during the third quarter of 2009.

Timber

The following table sets out the assets and liabilities deployed in our timber segment based on net asset values.

	September 30, 2010				December 31, 2009			
(MILLIONS)	**Consolidated Assets**	**Consolidated Liabilities**	**Co-investor Interests**	**Net Invested Capital**	Consolidated Assets	Consolidated Liabilities	Co-investor Interests	Net Invested Capital
North America								
Western	**$ 3,090**	**$ 1,478**	**$ 1,002**	**$ 610**	$ 3,092	$ 1,478	$ 1,010	$ 604
Eastern	**116**	**—**	**—**	**116**	115	—	—	115
Brazil	**255**	**17**	**193**	**45**	161	7	122	32
Working capital	**748**	**653**	**—**	**95**	701	639	—	62
	$ 4,209	**$ 2,148**	**$ 1,195**	**$ 866**	$ 4,069	$ 2,124	$ 1,132	$ 813

Consolidated assets and net invested capital held within our timber operations were relatively unchanged during the quarter. Co-investor interests reflect direct interests of others in our timber operations as well as in Brookfield Infrastructure, through which a portion of these businesses are held.

	2010				2009			
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	**Net Operating Income**	**Interest Expense**	**Co-investor Interests**	**Net Operating Cash Flow**	Net Operating Income	Interest Expense	Co-investor Interests	Net Operating Cash Flow
North America								
Western	**$ 22**	**$ 23**	**$ (2)**	**$ 1**	$ 22	$ 21	$ 1	$ —
Eastern	**2**	**—**	**—**	**2**	—	—	—	—
Brazil	**1**	**—**	**—**	**1**	—	3	(3)	—
	$ 25	**$ 23**	**$ (2)**	**$ 4**	$ 22	$ 24	$ (2)	$ —

Net operating cash flow remains at a negligible level as we continue to operate at a reduced harvest level until prices recover. In particular, domestic North American demand remains weak given the depressed level of U.S. homebuilding activity. We have increased our shipments to Asia in response to more attractive pricing in these markets, which received nearly 50% of our sales in the quarter.

We sold 1.4 million cubic metres during the third quarter, compared to 1.5 million cubic metres in the same quarter last year reflecting a harvest level substantially below long-term average. We continue to be positioned well for a moderate recovery in demand, in particular for our higher margin douglas-fir species.

Development Activities

The following table summarizes the capital we have invested in our development activities as well as our share of the operating cash flows:

Summarized Financial Results

	Assets Under Management		Net Invested Capital		Net Operating Cash Flow	
AS AT AND FOR THE THREE MONTHS ENDED (MILLIONS)	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Sept. 30, 2009
Residential	**$ 5,311**	$ 5,320	**$ 950**	$ 1,296	**$ 31**	$ (13)
Opportunity investments	**1,399**	1,413	**268**	262	**45**	11
Development land	**2,316**	2,277	**1,088**	845	**1**	1
Brookfield's IFRS value	**9,026**	9,010	**2,306**	2,403	**77**	(1)
Value not recognized under IFRS	**—**	—	**800**	750	**—**	—
Brookfield's invested capital	**$ 9,026**	$ 9,010	**$ 3,106**	$ 3,153	**$ 77**	$ (1)

Residential Development

	September 30, 2010				December 31, 2009			
(MILLIONS)	**Consolidated Assets**	**Consolidated Liabilities**	**Co-investor Interests**	**Net Invested Capital**	Consolidated Assets	Consolidated Liabilities	Co-investor Interests	Net Invested Capital
Brazil	**$ 3,204**	**$ 2,295**	**$ 515**	**$ 394**	$ 2,684	$ 1,830	$ 465	$ 389
Canada	**789**	**602**	**94**	**93**	789	325	235	229
Australia	**164**	**126**	**—**	**38**	459	232	—	227
United Kingdom	**61**	**14**	**—**	**47**	192	110	—	82
United States	**845**	**328**	**139**	**378**	850	336	145	369
	$ 5,063	**$ 3,365**	**$ 748**	**$ 950**	$ 4,974	$ 2,833	$ 845	$ 1,296

The capital deployed in these activities was relatively unchanged since the end of 2009. We have continued to reduce the level of activity in Australia and the United Kingdom. We recently announced a transaction whereby we will merge our Canadian and United States operations into a single publicly listed entity, whereas they are currently held through two separate public companies. This will simplify our ownership structure and create a well positioned North American residential business.

The net operating cash flows attributable to each of these business units are as follows:

	2010				2009			
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	**Total**	**Interest Expense**	**Co-investor Interests**	**Net**	Total	Interest Expense	Co-investor Interests	Net
Brazil	**$ 32**	**$ 25**	**$ 5**	**$ 2**	$ (25)	$ 12	$ (16)	$ (21)
Canada	**32**	**—**	**16**	**16**	21	—	10	11
Australia and UK	**13**	**3**	**—**	**10**	(1)	3	—	(4)
United States	**5**	**1**	**1**	**3**	5	(4)	3	6
Revaluation Items	**—**	**—**	**—**	**—**	(11)	(3)	(3)	(5)
	$ 82	**$ 29**	**$ 22**	**$ 31**	$ (11)	$ 8	$ (6)	$ (13)

Operating cash flow in these businesses is derived from the margin on the development and sale of homes, condominiums and lots. We also develop office properties in conjunction with these activities in Brazil, which are included in these results. Condominium and office property sales are typically recognized on substantial completion of a project, which results in fewer but larger recognition events and, therefore, larger fluctuations in earnings. Similarly, lot sales can occur in bulk transactions which can have a significant impact on earnings, but which occur less frequently. In contrast, home and individual lot sales represent smaller but more numerous transactions that tend to be recognized on a more consistent, albeit seasonal, basis. Finally, this business tends to be more dependent on broader economic conditions and will vary with the economic cycle.

Our Brazil business results are highly dependent on how many condominium and office projects reach substantial completion in a particular quarter. Two important operating metrics are launches, which represent the opening of new projects for sale and future construction, and contracted sales which will give rise to closings once the project is completed and the units can be delivered to the purchasers. In the third quarter of 2010 there were a relatively small number of closings compared to ongoing sales volumes, albeit a larger number than 2009. As a result, the operating cash flow after deducting general and administrative and interest expenses was only $2 million. The operating margin on condominium projects, prior to unallocated costs, averaged 32% during the quarter. Contracted sales, on the other hand, increased to R$824 million ($466 million) in the third quarter representing a 32% increase in local currency terms from the third quarter of 2009 and combined launches of new projects totalled R$741 million ($437 million), up 53%.

The Canadian operations contributed $16 million of net operating cash flow in the quarter, compared to $11 million in 2009. The increase in cash flows is due primarily to increased home sales in the quarter from 116 last year to 292 homes in Q3. This was partially offset by decreased lot sales. In addition, operating margins increased to 24% during the quarter from 22% in 2009.

Our Australian and UK operations recorded $10 million of operating cash flow in the third quarter of 2010 compared with a $4 million net outflow in 2009, reflecting the completion of a large project in the UK.

Our U.S. operations generated $3 million of cash flows after reflecting interest, taxes and non-controlling interests during the third quarter of 2010. The gross margin from housing sales increased to approximately 17%, compared with 14% last year, however, closings declined to 98 units during the quarter (2009 – 192 units), and the backlog at the end of the quarter was 170 units compared to 326 units in 2009. The average selling price was $651,000 (2009 – $468,000). The decrease relates to the expiry of government stimulus programs, together with continued economic weakness.

Opportunity Investments

We operate two niche real estate opportunity funds with $575 million of invested capital. Our current investment in the funds is $268 million and our share of the underlying cash flow during the third quarter of 2010 was $45 million (2009 – $11 million). Cash flows included $34 million of gains from the sale of three properties during the quarter.

Development Land

The following table presents the capital invested by us in longer term development land. The values of residential lots in this table are based on historical book values consistent with both IFRS and Canadian GAAP, whereas rural development lands held for agricultural purposes are carried at net asset values under IFRS.

	September 30, 2010				December 31, 2009			
(MILLIONS)	**Consolidated Assets**	**Consolidated Liabilities**	**Co-investor Interests**	**Net Invested Capital**	Consolidated Assets	Consolidated Liabilities	Co-investor Interests	Net Invested Capital
Residential lots								
North America	**$ 769**	**$ —**	**$ 385**	**$ 384**	$ 797	$ —	$ 399	$ 398
Brazil	**688**	**271**	**335**	**82**	691	308	320	63
Australia and UK	**435**	**234**	**—**	**201**	371	369	—	2
Rural development lands								
Brazil	**424**	**3**	**—**	**421**	384	2	—	382
	$ 2,316	**$ 508**	**$ 720**	**$ 1,088**	$ 2,243	$ 679	$ 719	$ 845

Residential Lots

Residential development properties include land, both owned and optioned, which is in the process of being developed for sale as residential lots, but not expected to enter the process for more than three years. We utilize options to control lots for future years in our higher land cost markets in order to reduce risk. To that end, we hold options on approximately 9,000 lots which are located predominantly in California and Virginia. We invested additional capital into development land in Alberta to maintain our market position and hold approximately 14,000 acres in total. We also hold approximately 20,000 residential lots, homes and condominium units in our markets in Australia and New Zealand.

Rural Development Lands

We own approximately 370,000 acres of prime agricultural development land in the Brazilian States of São Paulo, Minas Gerais, Mato Grosso do Sul and Mato Grosso. These properties are being used for agricultural purposes, including the harvest of sugar cane for its use in the production of ethanol.

Net asset value

The net book value of our development activities after deducting borrowings and minority interests was $2.3 billion as at September 30, 2010.

The valuation of residential development assets and residential lots within the Development Land segment is considered inventory for these purposes, and are recorded at the lower of the existing carrying value and their expected net realizable value. Net realizable value is determined as the value at the anticipated time of sale less costs to complete. Many of our land holdings were acquired many years ago and we believe the net asset value of these lands exceeds the carrying values for IFRS purposes based on comparable sales and stock market valuations. Accordingly, we reflect this excess value as "unrecognized value under IFRS" in determining the net asset value of our shareholders' equity. The excess value totalled $800 million at September 30, 2010, compared to $750 million at June 30, 2010 and $750 million at December 31, 2009.

Rural development lands held for agricultural purposes are carried at fair value under IFRS. There were no changes to any appraisal surpluses during the quarter.

Private Equity and Finance

Summarized Financial Results

The following table presents the net asset value of the capital invested in our Private Equity and Finance activities, together with our share of the operating cash flows:

	Assets Under Management		Net Invested Capital		Net Operating Cash Flow	
AS AT AND FOR THE THREE MONTHS ENDED (MILLIONS)	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Sept. 30, 2009
Restructuring	**$ 2,579**	$ 2,050	**$ 656**	$ 613	**$ 25**	$ 10
Real estate finance	**2,897**	3,170	**393**	336	**19**	7
Bridge lending	**545**	585	**113**	100	**2**	(6)
	6,021	5,805	**1,162**	1,049	**46**	11
Other investments	**2,055**	1,925	**602**	582	**4**	(6)
Brookfield's IFRS value	**8,076**	7,730	**1,764**	1,631	**50**	5
Value not recognized under IFRS	**—**	—	**900**	400	**—**	—
Brookfield's invested capital	**$ 8,076**	$ 7,730	**$ 2,664**	$ 2,031	**$ 50**	$ 5

Restructuring

We operate three restructuring funds with total invested capital of $1.1 billion and remaining uninvested capital commitments from clients of $326 million. Our share of the net invested capital is $656 million.

The portfolio consists of nine investments in a diverse range of industries. Our average exposure to a specific company is $60 million and our largest single exposure is $218 million. We concentrate our investing activities on businesses with tangible assets and cash flow streams in order to better protect our capital.

Our share of the operating cash flow produced by these businesses during the quarter was $25 million, compared to $10 million in 2009. This reflects improved profitability within portfolio companies due to restructuring initiatives, improved economic circumstances and tax incentives applicable to one of our U.S. industrial businesses. In particular, we have made significant efforts to improve the cost structure and optimize inventory levels in these businesses and we are seeing the benefit of that in the results. We expect that the majority of our investment returns will come in the form of disposition gains as operating cash flows during the restructuring period are typically below normalized returns.

Real Estate Finance

We operate two real estate finance funds with total committed capital of approximately $1.1 billion. Our share of capital invested in these operations was $393 million at September 30, 2010 (December 31, 2009 – $336 million). There are $199 million of uncalled capital commitments, of which our clients have committed $144 million and we have committed $55 million.

These activities contributed $19 million of net operating cash flow during the third quarter of 2010 compared to $7 million for the same period in 2009. We realized a gain of $52 million on the sale of an asset within one of the funds, of which our share was $14 million.

	Net Invested Capital		Net Operating Cash Flow	
AS AT AND FOR THE THREE MONTHS ENDED (MILLIONS)	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Sept. 30, 2009
Total fund investments	**$ 2,897**	$ 2,787	**$ 79**	$ 20
Less: borrowings	**(1,644)**	(1,699)	**(13)**	(5)
Less: co-investor interests	**(860)**	(755)	**(47)**	(8)
Net investment in real estate finance funds	**393**	333	**19**	7
Securities – directly held	**—**	3	**—**	—
	$ 393	$ 336	**$ 19**	$ 7

We have been careful to structure our financing arrangements to provide sufficient duration and flexibility to manage our investments with a longer term horizon. We have matched terms in respect of asset and liability positions with an overall asset and a liability duration of three years. In addition, both our asset returns and net corresponding liabilities are subject to changes in short-term floating rates.

Bridge Lending

The net capital invested by us in bridge loans increased to $113 million from $100 million at the end of 2009, due mostly to currency appreciation. In addition to our own capital, we also manage $413 million in loan commitments on behalf of clients.

Our portfolio at quarter end was comprised of five loans, and our largest single exposure at that date was $55 million. Our share of the portfolio at quarter end has an average term of six months excluding extension privileges.

We are continuing to originate and underwrite lending opportunities however the volume of opportunities is relatively low given the reduced level of business activity as well as the reduction in cost of other forms of debt capital.

Other Investments

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

The net operating cash flow from these investments in the third quarter of 2010 totalled $4 million, compared to an outflow of $6 million for the same period in 2009.

	Net Invested Capital		Net Operating Cash Flow	
AS AT AND FOR THE THREE MONTHS ENDED (MILLIONS)	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Sept. 30, 2009
Industrial	**$ 289**	$ 256	**$ (1)**	$ (4)
Infrastructure	**83**	81	**1**	1
Business services	**150**	174	**5**	—
Property and other	**80**	71	**(1)**	(3)
	$ 602	$ 582	**$ 4**	$ (6)

Our largest industrial investment is a 63% fully diluted interest in Norbord, which is the second largest and lowest cost manufacturer of oriented strand board in North America. The substantial downturn in the U.S. housing market resulted in lower volumes and prices for Norbord's products, resulting in operating losses; however both prices and volumes have recovered significantly in recent months. The market value of our investment in Norbord at the date of this report was approximately $360 million based on the stock market prices, compared to a carrying value of $223 million.

Net Asset Value

Certain investments are carried at historical book value for IFRS purposes, and have an incremental unrecognized value in respect of publicly available share prices overall as comparable valuations. Accordingly, we include in our net asset value these incremental amounts which totalled $900 million at September 30, 2010 (December 31, 2009 – $400 million).

ASSET MANAGEMENT AND OTHER SERVICES

The following table summarizes fee revenues earned from clients for our asset management and investment banking services as well as the net contribution (i.e. net of direct expenses) earned from our property services and construction services businesses:

	Operating Cash Flow	
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	**2010**	2009
Base management fees[1]	**$ 49**	$ 38
Performance returns[1]	**—**	3
Transaction fees[1]	**2**	9
Investment banking[1]	**4**	2
	55	52
Property services[2]	**7**	2
Construction services[2]	**28**	11
	$ 90	$ 65

1. Revenues
2. Net of direct expenses

Base Management Fees

Base management fees increased to $49 million, reflecting the contribution from new funds launched during the past two years and an increase in the capital committed to existing mandates. The current quarter includes a “catch-up” fee of $5 million on the final closing of our Americas Infrastructure Fund that would have otherwise accrued in prior quarters.

Annualized base management fees on existing funds and assets under management will increase to $190 million by year end (December 31, 2009 – $140 million) when taking into account the proposed merger between Brookfield Infrastructure Partners and Prime Infrastructure which we expect to complete in the fourth quarter. The weighted average term of these fees is eight years, although we expect to increase the level of base management fees as we continue to expand our asset management activities.

Transaction Fees

Transaction fees include investment fees earned in respect of financing activities and include commitment fees, work fees and exit fees.

Investment Banking Fees

Our investment banking services are provided by teams located in United States, Canada, Australia and Brazil. The group advised on transactions totalling $2 billion in value during the quarter, and secured a number of prominent mandates.

Property Services Income

Property services fees include property and facilities management, leasing and project management and a range of real estate services. The contribution during the quarter increased due to a higher level of activity as well as the return of margins to more normal levels following the integration of a major relocation business acquired during 2009.

Construction Services

The following table summarizes the operating results from our construction operations during the third quarter of 2010 and 2009:

FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	Net Operating Cash Flow 2010	Net Operating Cash Flow 2009
Australia	**$ 17**	$ 3
Middle East	**10**	8
United Kingdom	**1**	—
	$ 28	$ 11

The remaining work-in-hand totalled $3.6 billion at the end of September 30, 2010 (December 31, 2009 – $3.3 billion) and represented approximately three years of scheduled activity. We secured two new projects in Australia during the quarter with a total value of $1.5 billion and progressed a number of projects in each of our markets. We are pursuing a number of new projects in Australia and the Middle East which should position us well for future growth.

The following table summarizes the work-in-hand at the end of the third quarter of 2010 and end of last year:

(MILLIONS)	Sept. 30, 2010	Dec. 31, 2009
Australia	**$ 1,944**	$ 1,167
Middle East	**777**	1,075
United Kingdom	**916**	1,081
	$ 3,637	$ 3,323

Third-Party Capital

The following table summarizes third-party capital allocations at the end of the third quarter of 2010 and end of last year:

	September 30, 2010			December 31, 2009		
(MILLIONS)	Core and Value Added	Opportunity and Private Equity	Total	Core and Value Added	Opportunity and Private Equity	Total
Unlisted funds and managed listed issuers						
Renewable power generation	**$ 1,291**	**$ —**	**$ 1,291**	$ 995	$ —	$ 995
Commercial properties	**3,563**	**5,176**	**8,739**	3,479	4,600	8,079
Infrastructure	**6,255**	**114**	**6,369**	4,937	69	5,006
Development	**—**	**281**	**281**	—	291	291
Private equity and finance	**2,387**	**870**	**3,257**	3,098	661	3,759
	13,496	**6,441**	**19,937**	12,509	5,621	18,130
Public securities	**—**	**—**	**23,256**	—	—	23,787
Other listed entities	**—**	**—**	**7,823**	—	—	5,737
	$ 13,496	**$ 6,441**	**$ 51,016**	$ 12,509	$ 5,621	$ 47,654

Unlisted Funds and Managed Listed Issuers

This segment includes the unlisted funds and listed issuers through which we own and manage a number of property, power, infrastructure and specialized investment strategies on behalf of our clients and ourselves. Third-party capital commitments to these funds increased by $1.8 billion since year end ($1.4 billion since June 30, 2010), reflecting additional capital committed to infrastructure funds, real estate turnaround opportunities and to our Private equity and finance funds, net of the impact of foreign exchange. We expect to add a further $1.1 billion in November with the merger of Brookfield Infrastructure and its Australian infrastructure affiliates.

The amounts in the table above include $8.7 billion of capital (2009 – $6.7 billion) that has not been invested to date but which is available to pursue acquisitions pursuant to each fund's specific mandate. Of the total uninvested capital, $4 billion relates to our global real estate turnaround consortium, of which $1.5 billion is expected to be invested in General Growth during the fourth quarter.

Public Securities

We specialize in fixed income and equity securities with a particular focus on real estate and infrastructure, including high yield and distress securities. Our clients are predominantly pension funds and insurance companies throughout North America and Australia.

The following table summarizes assets under management within these operations. We typically do not invest our own capital in these strategies as the assets under management tend to be securities rather than physical assets.

	Total Assets Under Management		Third-Party Commitments	
(MILLIONS)	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Dec. 31, 2009
Real estate and fixed income securities				
Fixed income	**$ 16,151**	$ 17,589	**$ 16,151**	$ 17,589
Equity	**7,105**	6,218	**7,105**	6,198
	$ 23,256	$ 23,807	**$ 23,256**	$ 23,787

Other Listed Entities

We have established a number of our business units as listed public companies to allow other investors to participate and which provide us with additional capital to expand these operations. This includes common equity held by others in Brookfield Properties, Brookfield Homes and Brookfield Incorporações among others.

Unallocated Operating Costs

Operating costs include the costs of our asset management activities as well as corporate costs which are not directly attributable to specific business units.

	Net		
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	**2010**	2009	Variance
Operating costs	**$ 66**	$ 65	$ 1
Cash income taxes	**13**	(2)	15
	$ 79	$ 63	$ 16

CORPORATE CAPITALIZATION, LIQUIDITY AND OPERATING COSTS

In this section, we review our corporate (i.e. deconsolidated) capitalization, liquidity profile and operating costs.

Liquidity Profile

We continue to maintain higher liquidity levels over the past two years as a result of the uncertain economic circumstances and increased potential for attractive investment opportunities. As at September 30, 2010, our consolidated core liquidity was approximately $4.2 billion, consisting of $3.0 billion at the corporate level and $1.2 billion within our principal operating subsidiaries. In addition to our core liquidity, we have $8.7 billion of uninvested capital allocations from our investment partners that is available to fund qualifying investments.

Cash and Financial Assets

AS AT AND FOR THE THREE MONTHS ENDED (MILLIONS)	Net Invested Capital			Net Operating Cash Flow	
	Sept. 30, 2010	June 30, 2010	Dec. 31, 2009	**Sept. 30, 2010**	Sept. 30, 2009
Financial assets					
Government bonds	**$ 481**	$ 587	$ 547		
Corporate bonds	**198**	286	290		
Other fixed income	**88**	99	115		
High-yield bonds and distressed debt	**621**	675	694		
Preferred shares	**309**	279	282		
Common shares	**326**	237	184		
Loans receivable/deposits	**399**	104	(150)		
Total financial assets	**2,422**	2,267	1,962	**$ 140**	$ 84
Cash and cash equivalents	**237**	15	34	**—**	—
Deposits and other liabilities	**(640)**	(574)	(351)	**(14)**	—
Net investment	**$ 2,019**	$ 1,708	$ 1,645	**$ 126**	$ 84

Net cash and financial asset balances increased by $374 million to $2.0 billion since year end with most of the increase occurring during the third quarter of 2010. In addition to the carrying values of financial assets, we hold positions with a notional value of $75 million (December 31, 2009 – $75 million) through total return swaps and hold protection against widening credit spreads through credit default swaps with a total notional value of $75 million (December 31, 2009 – $365 million). The carrying value of these derivative instruments reflected in our financial statements at September 30, 2010 was a liability of $nil (December 31, 2009 – gain of $3 million). Deposits and other liabilities include broker deposits and a small number of borrowed securities that have been sold short.

Corporate Capitalization

Our corporate capitalization consists of financial obligations of (or guaranteed by) the Corporation as set forth in the following table. The increase relates principally to a higher level of shareholders equity.

AS AT AND FOR THE THREE MONTHS ENDED (MILLIONS)	Net Invested Capital			Net Operating Cash Flow[2]	
	Sept. 30, 2010	June 30, 2010	Dec. 31, 2009	**Sept. 30, 2010**	Sept. 30, 2009
Corporate borrowings					
Bank borrowing and commercial paper	**$ 310**	$ 351	$ 388	**$ 3**	$ 2
Term debt	**2,315**	2,274	2,205	**40**	38
	2,625	2,625	2,593	**43**	40
Contingent swap accruals	**857**	832	779	**25**	21
Accounts payable and other accruals/expenses	**1,722**	1,832	2,028	**79**	63
Capital securities	**648**	627	632	**8**	9
Shareholders' equity					
Preferred equity	**1,413**	1,413	1,144	**18**	13
Common equity[1]	**18,282**	17,484	16,706	**336**	482
	19,695	18,897	17,850	**354**	495
Total corporate capitalization	**$ 25,547**	$ 24,813	$ 23,882	**$ 509**	$ 628
Debt to capitalization	**14%**	14%	14%		
Interest coverage				**6x**	9x
Fixed charge coverage				**5x**	7x

1. Includes unrecognized values under IFRS
2. Includes a $346 million realization gain in 2009

Corporate Borrowings

Bank borrowing and commercial paper represent shorter term borrowings that are pursuant to or backed by $1,445 million of committed revolving term credit facilities. Approximately $106 million (December 31, 2009 – $125 million) of the facilities were also utilized for letters of credit issued to support various business initiatives at quarter end. The facilities are periodically renewed and extended for three to four year periods at a time. Currently, $325 million of the facilities are scheduled to expire in 2011 and $1,120 million of the facilities are scheduled to expire in 2012.

Term debt consists of public bonds and private placements, all of which are fixed rate and have maturities ranging from 2012 until 2035. These financings provide an important source of long-term capital and an appropriate match to our long-term asset profile. During October, we issued C$350 million ($340 million) of 10-year notes with a coupon of 5.30%. We intend to use the proceeds to reduce shorter-term corporate maturities.

Our corporate borrowings have an average term of eight years (December 31, 2009 – eight years) and all of the maturities extend into 2012 and beyond. The average interest rate on our corporate borrowings was 6% at September 30, 2010, consistent with the end of 2009.

AS AT SEPTEMBER 30, 2010 (MILLIONS)	Average Term	2010	2011	2012	2013 & After	Total
Commercial paper and bank borrowings	2	$ —	$ —	$ 310	$ —	$ 310
Term debt	9	—	—	423	1,892	2,315
	8	$ —	$ —	$ 733	$ 1,892	$ 2,625

Corporate debt levels increased by $32 million since the end of the year primarily due to changes in foreign exchange.

Contingent Swap Accruals

We entered into interest rate swap arrangements with AIG Financial Products ("AIG-FP") in 1990, which include a zero coupon swap that was originally intended to mature in 2015. Our financial statements include an accrual of $857 million in respect of these contracts which represents the compounding of amounts based on interest rates from the inception of the contracts. We have also recorded an amount of $225 million in accounts payable and other liabilities which represents the difference between the present value of any future payments under the swaps and the current accrual. We believe that the financial collapse of American International Group ("AIG") and AIG-FP triggered a default under the swap agreements, thereby terminating the contracts with the effect that we are not required to make any further payments under the agreements, including the amounts which might, depending on various events and interest rates, otherwise be payable in 2015. AIG disputes our assertions and therefore we have commenced legal proceedings seeking a declaration from the court confirming our position. We recognize this may not be determined for a considerable period of time, and therefore will continue to account for the contracts as we have in prior years until we receive clarification.

Capital Securities

Capital securities are preferred shares that are classified as liabilities because the holders of the preferred shares have the right, after a fixed date, to convert the shares into common equity based on the market price of our common shares at that time unless previously redeemed by us. The dividends paid on these securities are recorded in interest expense.

The carrying values of capital securities increased to $648 million from $632 million at the end of 2009 due to an increase in the value of the Canadian dollar, in which most of these securities are denominated. The average distribution yield on the capital securities at September 30, 2010 was 6% (September 30, 2009 – 6%) and the average term to the holders' conversion date was four years as at September 30, 2010 (December 31, 2009 – four years).

Shareholders' Equity

(MILLIONS)	Net Invested Capital[1]		Book Value[2]	
	Sept. 30, 2010	Dec. 31, 2009	**Sept. 30, 2010**	Dec. 31, 2009
Preferred equity	**$ 1,413**	$ 1,144	**$ 1,413**	$ 1,144
Common equity	**18,282**	16,706	**12,222**	11,867
	$ 19,695	$ 17,850	**$ 13,635**	$ 13,011

1. Pre-tax basis, including unrecognized values under IFRS
2. Based on IFRS financial statements

Preferred equity consists of perpetual preferred shares representing an attractive form of leverage for common shareholders. We issued C$275 million ($269 million) of perpetual preferred shares during the first quarter of 2010 with an initial coupon of 5.40% that resets after 6.5 years and at a predetermined credit spread every five years thereafter unless previously redeemed by the Corporation. During October, we issued a further C$250 million ($245 million) of similar preferred shares with an initial coupon of 4.50%.

Working Capital

Other Assets

The following is a summary of other assets:

(MILLIONS)	Net Invested Capital	
	Sept. 30, 2010	Dec. 31, 2009
Accounts receivable	**$ 254**	$ 297
Restricted cash	**169**	208
Intangible assets	**44**	43
Goodwill	**185**	199
Prepaid and other assets	**351**	198
	$ 1,003	$ 945

Other assets include working capital balances employed in our business that are not directly attributable to specific operating units.

Other Liabilities

(MILLIONS)	Net Invested Capital	
	Sept. 30, 2010	Dec. 31, 2009
Accounts payable	**$ 287**	$ 279
Insurance liabilities	**384**	721
Other liabilities	**1,051**	1,028
	$ 1,722	$ 2,028

Other liabilities include $225 million of mark-to-market adjustments in respect of contingent swap accruals.

NET ASSET VALUE

The following table provides an analysis of the changes in our net asset values during the quarter and relates these changes to our Net Income, Other Comprehensive Income and other items in our Statement of Changes in Equity such as shareholder distributions.

AS AT AND FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	Net Asset Value Total	Financial Statement Allocation Net Income	Other Comprehensive Income	Other Items[1]	Net Asset Value Per Share
Opening equity value, July 1, 2010	$ 17,484	$ —	$ —	$ —	$ 29.69
Operating cash flow	354	354	—	—	0.57
Less: preferred share dividends	(18)	—	—	(18)	n/a[4]
Fair value changes					
Operating assets	80	52	28	—	0.13
Unrecognized values[2]	300	n/a	n/a	n/a	0.49
Realization in cash flow of previously recognized fair value increases	(48)	(48)	—	—	(0.08)
Foreign currency	399	—	399	—	0.65
Depreciation and amortization	(169)	(169)	—	—	(0.27)
Other items	(25)	(68)	34	9	(0.06)
Total return – pre-tax	873	121	461	(9)	1.43
Common share dividends	(75)	—	—	(75)	(0.13)
Deferred income taxes[3]	n/a	(9)	38	—	n/a
Total change in value	798	112	499	(84)	1.30
Closing equity value	$ 18,282	$ 112	$ 499	$ (84)	$ 30.99

1. Other items included in shareholders' equity
2. Revaluation of items not reflected at fair value under IFRS
3. Net asset values presented on a pre-tax basis
4. Operating cash flow per share shown net of preferred share dividends

We add back deferred tax provisions, which primarily reflect the difference between the carrying values of our assets and their tax basis, because we do not expect to liquidate the business and, until any such taxes become payable, we have the ability to invest this capital to generate cash flow and value for shareholders. Any cash tax liabilities are included in liabilities and reflected in net asset value.

Finally, IFRS does not permit revaluation of all assets. We therefore provide an adjustment, entitled "unrecognized values" and determined by management, to our net asset values to ensure that the tangible value of our assets and equity is updated at least annually. This adjustment is based on stock market prices as well as internal and external appraisals. We provide a discussion and analysis of unrecognized values on page 35.

The components of net asset value are presented in the following table:

(MILLIONS, EXCEPT PER SHARE AMOUNTS)	**September 30, 2010**		June 30, 2010		December 31, 2009	
	Total	**Per Share**	Total	Per Share	Total	Per Share
Common equity – per IFRS financial statements	**$ 12,222**	**$ 21.15**	$ 11,695	$ 20.29	$ 11,867	$ 20.57
Deferred income taxes	**2,760**	**4.48**	2,789	4.53	2,789	4.59
Pre-tax equity	**14,982**	**25.63**	14,484	24.82	14,656	25.16
Value not recognized under IFRS	**3,300**	**5.36**	3,000	4.87	2,050	3.37
	$ 18,282	**$ 30.99**	$ 17,484	$ 29.69	$ 16,706	$ 28.53

Valuation Methodology

Use of Management and Third Party Appraisals

Assets held in funds often require annual revaluation based on third party appraisal. In these cases, we utilize the appraised third party values and assumptions as the basis of our IFRS carrying values with adjustments in accordance with IFRS rules, if necessary. Assets not otherwise valued for fund requirements are valued by management, and also valued by third party appraisers on a rotating basis so that each asset is revalued externally at least once every three years. A summary of our revaluation methodology is provided below:

Renewable Power: Revalued annually by management and on a rotating basis at least once every three to five years by third party appraisers and more frequently if required for refinancing activity.

Commercial Properties: Revalued quarterly by management and on a rotating basis by third party appraisers at least once every three years and more frequently if required for fund reporting or refinancing activity.

Timberlands: Our timberlands in Western North America and Brazil are held in funds which require annual third party appraisals. Timberlands held in Eastern North America are revalued using management estimates. Quarterly revaluations are prepared using management estimates to update annual third party facility appraisals.

Other Infrastructure Assets: Our Chilean transmission system is owned with a consortium of institutional investors who require annual third party appraisals. Our Ontario transmission system is revalued annually using management estimates based on the regulated rate base. Other infrastructure assets acquired in the fourth quarter of 2009, such as our coal terminal, ports, pipelines and rail are valued at the purchase price and will be revalued annually using management estimates and on a rotating basis by external appraisers at least once every three years commencing on December 31, 2010.

Financial assets: Marked-to-market quarterly based on publicly available inputs and management estimates if public inputs do not exist.

Liabilities: Public and private debt is held at amortized cost from the date of issuance. Interest rate swaps and other hedging products are marked-to-market quarterly.

Valuation Assumptions

The assumptions used in valuing our tangible assets are based on market conditions prevalent during the third quarter of 2010 and the end of 2009. We believe that these values would be lower on a liquidation basis (which we have no intention of undertaking) and higher if assessed in the context of normal economic circumstances. We believe that a 100-basis point decrease in the discount rates used to value our two largest asset classes, commercial office properties and renewable power generating facilities, would increase our values by $3.75 billion, in aggregate, or $6.09 per share, for a total value of $37.08 per share. A corresponding 100-basis point increase would have the opposite effect on our values. The following is a summary of key assumptions used in our valuations:

Renewable Power

	United States		Canada		Brazil	
	Dec. 31, 2009	Dec. 31, 2008	**Dec. 31, 2009**	Dec. 31, 2008	**Dec. 31, 2009**	Dec. 31, 2008
Discount rate	**8.2%**	8.2%	**7.3%**	7.3%	**11.0%**	11.0%
Terminal capitalization rate	**8.4%**	8.4%	**7.9%**	7.9%	**11.0%**	11.0%
Exit date	**2029**	2029	**2029**	2029	**2029**	2029

Commercial Properties

	United States		Canada		Australia	
	Sept. 30, 2010	Dec. 31, 2009	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Dec. 31, 2009
Discount rate	**8.7%**	8.8%	**7.4%**	7.4%	**9.1%**	9.3%
Terminal capitalization rate	**6.8%**	6.9%	**6.7%**	6.7%	**7.6%**	7.8%
Exit date	**2020**	2019	**2020**	2019	**2020**	2019

Infrastructure

Key assumptions include a weighted average discount and terminal capitalization rate of 6.5% and an average terminal valuation date of 72 years. Timber prices were based on a combination of forward prices available in the market and the price forecasts of each appraisal firm.

The valuation of our transmission operations is based on an independent valuation of our Chilean transmission business and an internal valuation of our Northern Ontario operations. The valuation of our Chilean transmission business is based on a weighted average real discount rate and terminal capitalization rate of 8.1% and a terminal valuation date of 2023. The valuation of interests in the other businesses are based on their November 2009 acquisition price. These assets will be revalued annually for adjustments to net asset value assumptions.

Unrecognized Values

Certain assets and cash flows under IFRS are not reflected at fair value and as a result, we have provided an estimate of the incremental value of these items over their carried values to arrive at a more complete determination of net asset value. These items include items carried at historical book values such as the values for our services businesses, renewable power and infrastructure development projects, assets acquired at distressed values that are not otherwise revalued and development land carried at the lower of cost or market. We include the incremental value of these items in our net asset value because they represent tangible, measurable values which can be, and often are, realized in normal market transactions and because we consider the value of these items ourselves when valuing the business internally.

We exclude from this analysis the incremental value attributable to our asset management and business franchise, even though we believe these activities will contribute to additional cash flow growth and enhancement of our existing and future business activities.

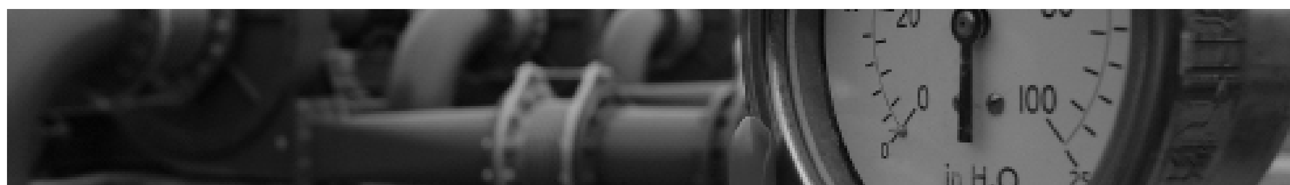
The following table presents the unrealized values by operating platform:

(MILLIONS)	**Sept. 30, 2010**	June 30, 2010	Mar. 31, 2010	Dec. 31, 2009
Services	**$ 250**	$ 250	$ 250	$ 250
Operating platforms				
Renewable power	**950**	800	600	450
Commercial properties	**—**	—	—	—
Infrastructure	**300**	300	100	100
Development	**800**	750	750	750
Private equity and finance	**900**	800	400	400
Cash and financial assets	**—**	—	—	—
Other assets	**100**	100	100	100
	$ 3,300	$ 3,000	$ 2,200	$ 2,050

The increase in value of renewable power assets reflects development projects accruing on long-term contracts including the procurement of power development projects. In addition, we eliminate the impact of quarterly power depreciation on our operating assets, which we are required to recognize for accounting purposes, from our net asset value as these assets are revalued at the end of each year.

Infrastructure assets acquired in Q4 2009 are carried at cost; however, based on valuations inherent in comparable market transactions and the confirmation of our rate base for certain rate regulated assets we have recognized additional value during the quarter which we expect to realize in our IFRS equity once a formal valuation is completed at the end of the year.

The value of investments in our Private equity and finance funds increased during the quarter reflecting in part the value of our investment in General Growth Properties following the court approval of our plan to recapitalize the company. In addition, valuations in a number of our non-public investments benefitted from cost rationalization initiatives implemented in prior periods combined with improvements in operating conditions. These items were offset, in part, by investments which are carried at cost for IFRS purposes but recognized at market prices for the purposes of determining our net asset value which declined during the quarter.



This section contains a review of our consolidated financial statements which are prepared in accordance with IFRS. It contains information to enable the reader to reconcile the basis of presentation in our consolidated financial statements to that employed in the Supplemental Information, as well as a review of certain balances that are not reviewed elsewhere in the Supplemental Information.

CONSOLIDATED STATEMENTS OF INCOME

The following table summarizes the major components of other items on a total basis and also by presenting them net of the associated non-controlling interests:

	Total		Net[1]		
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	**2010**	2009	**2010**	2009	Variance
Operating cash flow	**$ 354**	$ 495	**$ 354**	$ 495	$ (141)
Less: deferred gains[2]	**—**	(346)	**—**	(346)	346
	354	149	**354**	149	205
Other items					
Depreciation and amortization	**(193)**	(161)	**(169)**	(142)	(27)
Fair value changes	**(54)**	(873)	**(64)**	(591)	527
Deferred income taxes	**(36)**	177	**(9)**	167	(176)
Non-controlling interests	**41**	291	**—**	—	—
Net income (loss) attributable to common shareholders	**$ 112**	$ (417)	**$ 112**	$ (417)	$ 529

1. Net of non-controlling interests
2. Disposition gains that are recorded in equity for IFRS purposes, as opposed to net income

Net income was $112 million for the third quarter of 2010, compared to a net loss of $417 million for the same period in 2009.

The principle differences between operating cash flow and net income for IFRS purposes are the periodic non-cash revaluation of our office property portfolios, depreciation on our power generating facilities and other non-cash revaluation items. These items are described in more detail in the following section.

IFRS generally precludes the recognition of disposition gains on interests in controlled subsidiaries if we continue to consolidate the investment after the sale, and the gains are recorded directly into equity as opposed to the statement of operations. We consider these gains to be an important component of performance measurement and accordingly include them in the determination of operating cash flow and gains. As such, they become a reconciling item between net income and operating cash flow.

Revaluation and Other Items, Net of Non-controlling Interests

Depreciation and Amortization

Depreciation and amortization for each principal operating segment is summarized in the following table:

	Total		Net[1]		
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	**2010**	2009	**2010**	2009	Variance
Renewable power generation	**$ (116)**	$ (102)	**$ (116)**	$ (102)	$ (14)
Infrastructure	**(4)**	(2)	**(1)**	(1)	—
Development activities	**(8)**	(5)	**(8)**	(5)	(3)
Private equity and finance	**(33)**	(23)	**(17)**	(14)	(3)
Other property, plant and equipment	**(32)**	(29)	**(27)**	(20)	(7)
	$ (193)	$ (161)	**$ (169)**	$ (142)	$ (27)

1. Net of non-controlling and minority interests

Depreciation expenses throughout most of our businesses are generally stable year-over-year except for currency fluctuations. We do not recognize depreciation or depletion on our investment properties and timber, respectively, as each of these asset classes are revalued on a quarterly basis through income. Depreciation on our renewable power facilities represents the majority of our quarterly depreciation due to the significant investment we have in the underlying assets. The increase during the quarter reflects new facilities developed in Brazil and commissioned during 2010, and the impact of currency appreciation.

Fair Value Changes

Fair value changes for each principal operating segment is summarized in the following table:

		Total		Net[1]		
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	Operating Segment	**2010**	2009	**2010**	2009	Variance
Operating assets						
Investment property	Commercial Office	**$ 119**	$ (701)	**$ 51**	$ (414)	$ 465
Agriculture	Timberlands and Agrilands	**(1)**	1	**1**	1	—
		118	(700)	**52**	(413)	465
Other items						
Interest rate contracts	Corporate	**(55)**	(46)	**(55)**	(46)	(9)
Power contracts	Renewable Power	**54**	33	**54**	33	21
Redeemable units	Renewable Power	**(70)**	(181)	**(70)**	(181)	111
Other		**(8)**	21	**3**	16	(13)
		(79)	(173)	**(68)**	(178)	110
		39	(873)	**(16)**	(591)	575
Less: Realization of previously recognized fair value increases		**(93)**	—	**(48)**	—	(48)
		$ (54)	$ (873)	**$ (64)**	$ (591)	$ 527

1. Net of non-controlling interests

The net impact of unrealized fair value losses in the quarter totalled $64 million versus $591 million in 2009. The prior year's loss was primarily the result of a decline in the valuation of our commercial office properties due to decreased rent assumptions and higher discount rates attributed to future cash flows. Valuations in 2010 improved since the third quarter of 2009 as leasing fundamentals in most of our markets improved. In addition, we are observing cap rate compression in a number of our key markets as the demand for high quality office properties increases and we would expect this to have a meaningful impact on the valuation of our portfolio at year end if current conditions persist.

We hold interest rate contracts to provide an economic hedge against the impact of possible higher interest rates on the value of our long duration, interest sensitive physical assets. The U.S. 10-year treasury rate declined from 2.93% to 2.51% during the third quarter of 2010, which led to a $55 million decrease in the net value of these contracts. Accounting rules require that we revalue these contracts each period even if the corresponding assets are not revalued.

In our power operations, we enter into long-term contracts to provide generation capacity, and are required to record changes in the market value of these contracts through net income whereas we are not permitted to record the corresponding change in the value of the capacity and generation that we have pre-sold. The decline in energy prices during the quarter increased the value of these contracts.

The units of our Canadian renewable power fund that are held by non-controlling interests contain features that require us to record them as a liability based on the quoted market price at the end of each reporting period, notwithstanding that the facilities owned by the fund are revalued based on appraisals (as opposed to a stock market value) annually.

Liabilities and Shareholders' Equity

The following analysis of our liabilities and shareholders' equity is based on our consolidated balance sheet, and therefore includes the obligations of consolidated entities, including partially owned funds and subsidiaries.

We note, however, that in many cases our consolidated capitalization includes 100% of the debt of the 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. For example, we have access to the capital of our clients and co-investors through public market issuance and, in some cases, contractual obligations to contribute additional equity. In other cases, this basis of presentation excludes some or all of the debt of partially owned entities that are equity accounted or proportionately consolidated such as our U.S. core office fund and much of our infrastructure business.

Accordingly, we believe that the two most meaningful bases of presentation to use in assessing our capitalization are proportionate consolidation and deconsolidation. The following tables depict the composition of our capitalization on these bases, along with our consolidated capitalization, all based on the net asset value of our equity and the interests of other investors.

Our deconsolidated capitalization depicts the amount of debt that is recourse to the Corporation, and the extent to which it is supported by our deconsolidated invested capital and remitted cash flows. At quarter end, our deconsolidated debt to capitalization was 14% (December 31, 2009 – 14%) which is a prudent level in our opinion. This reflects our strategy of having a relatively low level of debt at the parent company level and finance our operations primarily at the asset or operating unit level with no recourse to the corporation.

Proportionate consolidation which reflects our proportionate interest in the underlying entities, depicts the extent to which our underlying assets are leveraged, which is an important component of enhancing shareholder returns. We believe the 41% debt-to-capitalization ratio at quarter end (December 31, 2009 – 44%) is appropriate given the high quality of the assets, the stability of the associated cash flows and the level of financings that assets of this nature typically support, as well as our liquidity profile.

Our consolidated debt-to-capitalization ratio is 38% (December 31, 2009 - 39%). This reflects the full consolidation of partially-owned entities, notwithstanding that our capital exposure to these entities is limited and also excludes debt that is issued by equity accounted investees, which results in a lower debt-to-capitalization than the proportionally consolidated numbers. This is in part why we believe that 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 consolidated financial statements.

As presented in the following table, debt to capitalization in the third quarter was consistent with 2009 in all three bases of presentation.

	Deconsolidated		Proportionate		Consolidated	
(MILLIONS)	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Dec. 31, 2009
Corporate borrowings	**$ 2,625**	$ 2,593	**$ 2,625**	$ 2,593	**$ 2,625**	$ 2,593
Non-recourse borrowings						
Property-specific mortgages	**—**	—	**14,062**	14,747	**20,669**	19,678
Subsidiary borrowings[1]	**857**	779	**3,506**	3,550	**4,074**	3,800
Accounts payable and other	**1,722**	2,028	**7,610**	7,931	**10,542**	10,159
Capital securities	**648**	632	**1,163**	1,136	**1,679**	1,641
Non-controlling interests[2]	**—**	—	**—**	—	**13,335**	11,254
Shareholders' equity[2]	**19,695**	17,850	**19,695**	17,850	**19,695**	17,850
	$ 25,547	$ 23,882	**$ 48,661**	$ 47,807	**$ 72,619**	$ 66,975
Debt to capitalization	**14%**	14%	**41%**	44%	**38%**	39%

1. Includes $857 million (December 31, 2009 – $779 million) of contingent swap accruals which are guaranteed by the Corporation and are accordingly included in Corporate Capitalization
2. Pre-tax basis, including unrecognized values under IFRS

The table above illustrates our use of subsidiary and property-specific financings to minimize risk. As at September 30, 2010 only 13% of our consolidated debt capitalization is issued or guaranteed by the Corporation, whereas 75% is recourse only to specific assets or groups of assets and 12% is issued by subsidiaries and has no recourse to the Corporation.

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

	Deconsolidated		Consolidated	
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	**2010**	2009	**2010**	2009
Corporate borrowings	**$ 43**	$ 40	**$ 43**	$ 40
Contingent swap accruals	**25**	21	**25**	21
Property-specific borrowings	**—**	—	**313**	234
Subsidiary borrowings	**—**	—	**49**	65
Operating expenses	**79**	63	**132**	85
Capital securities	**8**	9	**22**	23
Non-controlling interest	**—**	—	**271**	136
Shareholders' equity				
Preferred equity	**18**	12	**18**	12
Common equity	**336**	483	**336**	483
	354	495	**354**	495
Total cash flows	**$ 509**	$ 628	**$ 1,209**	$ 1,099
Interest coverage[1]	**6x**	9x	**3x**	3x
Fixed charge coverage[2]	**5x**	7x	**2x**	3x

1. Total cash flows divided by interest on borrowings and swap accruals
2. Total cash flows divided by interest on borrowings, swap accruals and distributions on capital securities and preferred equity

Corporate Borrowings

We discuss corporate borrowings on page 31.

Subsidiary Borrowings

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

Subsidiary borrowings have no recourse to the Corporation with only a limited number of exceptions. As at September 30, 2010, subsidiary borrowings included $857 million (December 31, 2009 – $779 million) of contingent swap accruals that are guaranteed by the Corporation. (see page 31).

		Proportionate		Consolidated	
(MILLIONS)	Average Term	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Dec. 31, 2009
Subsidiary borrowings					
Renewable power generation	7	**$ 1,169**	$ 1,144	**$ 1,169**	$ 1,144
Commercial properties	1	**643**	500	**778**	551
Infrastructure	1	**25**	—	**17**	—
Development activities	1	**310**	475	**310**	475
Private equity and finance	4	**456**	541	**897**	740
Other	1	**46**	111	**46**	111
Contingent swap accruals [1]	5	**857**	779	**857**	779
Total	4	**$ 3,506**	$ 3,550	**$ 4,074**	$ 3,800

1. Guaranteed by the Corporation

Subsidiary borrowings were relatively unchanged on both a consolidated and proportionate basis from year-end. The reduction in borrowings on bank lines in our Canadian residential development business was offset by higher borrowing within our North American commercial property operations.

The following table presents our proportionate share of subsidiary borrowing maturities, based on our ownership interest in the borrowing entity:

AS AT SEPTEMBER 30, 2010 (MILLIONS)	2010	2011	2012	2013 & After	Proportionate Total
Renewable power generation	$ —	$ 154	$ —	$ 1,015	$ 1,169
Commercial properties	56	372	—	215	643
Infrastructure	7	—	18	—	25
Development activities	2	180	—	128	310
Private equity and finance	25	55	126	250	456
Other	46	—	—	—	46
Contingent swap accruals	—	—	—	857	857
	$ 136	$ 761	$ 144	$ 2,465	$ 3,506

Maturities prior to 2013 consist primarily of shorter term bank facilities that are renewed in the normal course.

Property-Specific Borrowings

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

		Proportionate		Consolidated	
(MILLIONS)	Average Term	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Dec. 31, 2009
Renewable power generation	11	**$ 2,859**	$ 3,179	**$ 3,811**	$ 3,861
Commercial properties	4	**7,078**	7,468	**10,146**	9,540
Infrastructure	9	**1,898**	2,063	**1,987**	1,988
Development activities	2	**1,386**	1,337	**2,723**	2,319
Private equity and finance	4	**841**	700	**2,002**	1,970
Total	6	**$ 14,062**	$ 14,747	**$ 20,669**	$ 19,678

Property-specific borrowings did not significantly change on a consolidated basis and decreased slightly on a proportional basis compared to December 2009.

The following table presents our proportionate share of property-specific borrowings maturities, based on our ownership interests in the borrowing entity, adjusted to reflect amortization and repayments to the date of this report:

AS AT SEPTEMBER 30, 2010 (MILLIONS)	2010	2011	2012	2013 & After	Proportionate Total
Renewable power generation	$ 28	$ 106	$ 508	$ 2,217	$ 2,859
Commercial properties	152	1,429	1,353	4,144	7,078
Infrastructure	39	178	97	1,584	1,898
Development activities	216	746	184	240	1,386
Private equity and finance	20	65	146	610	841
	$ 455	$ 2,524	$ 2,288	$ 8,795	$ 14,062

Renewable power generation and commercial properties borrowings are described in greater detail on pages 15 and 19, respectively. Development includes borrowings within our Brazilian, Canadian and U.S. residential business that are largely of a working capital nature, financing the ongoing development and construction activities, and are typically repaid as the projects, lots or homes being financed are completed and sold, and then re-drawn against any new projects that we elect to pursue.

Capital Securities

Capital securities are preferred shares that are convertible into common equity at our option, but are classified as liabilities, because the holders of the preferred shares have the right, after a fixed date, to convert the shares into common equity based on the market price of our common shares at that time unless previously redeemed by us.

		Proportionate		Consolidated	
(MILLIONS)	Average Term to Conversion	**Sept. 30, 2010**	Dec. 31, 2009	**Sept. 30, 2010**	Dec. 31, 2009
Issued by the Corporation	4	**$ 648**	$ 632	**$ 648**	$ 632
Issued by Brookfield Properties Corporation	4	**515**	504	**1,031**	1,009
	4	**$ 1,163**	$ 1,136	**$ 1,679**	$ 1,641

The carrying values of capital securities increased due to the stronger Canadian dollar, in which most of these securities are denominated. The average distribution yield on the capital securities at September 30, 2010 was 6% (December 31, 2009 – 6%) and the average term to the holders' conversion date was four years (December 31, 2009 – four years).

Basic and Diluted Earnings Per Share

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

	Operating Cash Flow		Net Income	
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	**2010**	2009	**2010**	2009
Net income (loss)/operating cash flow	**$ 354**	$ 495	**$ 112**	$ (417)
Preferred share dividends	**(18)**	(12)	**(18)**	(12)
Net income (loss)/operating cash flow available for common shareholders	**$ 336**	$ 483	**$ 94**	$ (429)
Weighted average – common shares	**574.3**	572.2	**574.3**	572.2
Dilutive effect of the conversion of options using treasury stock method	**9.9**	6.8	**9.9**	—
Common shares and common share equivalents	**584.2**	579.0	**584.2**	572.2

Issued and Outstanding Common Shares

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

(MILLIONS)	Three Months Ended Sept. 30		Nine Month Ended Sept. 30	
	2010	2009	**2010**	2009
Outstanding at beginning of period	**574.9**	572.0	**572.9**	572.6
Issued (repurchased)				
Dividend reinvestment plan	**0.1**	—	**0.1**	0.1
Management share option plan	**1.1**	0.1	**3.1**	0.9
Issuer bid purchases	**—**	—	**—**	(1.5)
Outstanding at end of period	**576.1**	572.1	**576.1**	572.1
Unexercised options	**39.9**	35.7	**39.9**	35.7
Total diluted common shares at end of period	**616.0**	607.8	**616.0**	607.8

In calculating our book value per common share, the cash value of our unexercised options of $807 million (December 31, 2009 – $634 million) is added to the book value of our common share equity of $12,222 million (December 31, 2009 – $11,867 million) prior to dividing by the total diluted common shares presented above.

Balance Sheet

AS AT SEPTEMBER 30, 2010

(MILLIONS)	Renewable Power	Commercial Properties	Infrastructure	Development Activities	Private Equity and Finance	Cash and Financial Assets	Other Assets	Corporate Capitalization	Consolidated Financial Statements
Assets									
Operating assets									
Property, plant and equipment	$ 13,267	$ 7	$ 1,314	$ 2	$ 2,471	$ —	$ 85	$ —	$ 17,146
Investment properties	—	18,137	220	1,288	1,138	—	—	—	20,783
Timber	—	—	2,544	391	80	—	—	—	3,015
Inventory	7	4	32	5,136	423	—	—	—	5,602
Investments	285	3,703	1,353	161	21	24	24	—	5,571
Cash and cash equivalents	158	380	71	423	479	237	83	—	1,831
Financial assets	(13)	835	3	(176)	220	2,236	—	—	3,105
Loans and notes receivable	—	—	—	—	1,568	162	—	—	1,730
Accounts receivable and other	1,065	794	211	1,241	931	—	1,295	—	5,537
Intangible assets	127	60	299	—	285	—	374	—	1,145
Goodwill	16	335	591	312	39	—	1,022	—	2,315
	14,912	24,255	6,638	8,778	7,655	2,659	2,883	—	67,780
Deferred tax asset	142	587	24	255	119	—	412	—	1,539
Total assets	**$ 15,054**	**$ 24,842**	**$ 6,662**	**$ 9,033**	**$ 7,774**	**$ 2,659**	**$ 3,295**	**$ —**	**$ 69,319**
Liabilities									
Corporate borrowings	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,625	$ 2,625
Non-recourse borrowings									
Property specific mortgages	3,811	10,146	1,987	2,723	1,888	114	—	—	20,669
Subsidiary borrowings	1,169	778	17	310	897	44	2	857	4,074
Accounts payable and other liabilities	724	967	316	1,690	1,133	395	949	1,776	7,950
Deferred tax liability	2,996	1,035	713	280	265	—	—	63	5,352
Interests of others in funds	1,154	—	193	—	—	—	—	—	1,347
Capital securities	—	1,031	—	—	—	—	—	648	1,679
Shareholders' equity									
Non-controlling interests	550	5,806	1,904	1,775	1,861	87	5	—	11,988
Preferred equity	—	—	—	—	—	—	—	1,413	1,413
Common equity	4,650	5,079	1,532	2,255	1,730	2,019	2,339	(7,382)	12,222
Total liabilities and shareholders' equity	**$ 15,054**	**$ 24,842**	**$ 6,662**	**$ 9,033**	**$ 7,774**	**$ 2,659**	**$ 3,295**	**$ —**	**$ 69,319**
Common equity	$ 4,650	$ 5,079	$ 1,532	$ 2,255	$ 1,730	$ 2,019	$ 2,339	$(7,382)	$ 12,222
Deferred income taxes	2,854	90	26	51	34	—	(412)	117	2,760
Unrecognized values	950	—	300	800	900	—	350	—	3,300
Net asset value	**$ 8,454**	**$ 5,169**	**$ 1,858**	**$ 3,106**	**$ 2,664**	**$ 2,019**	**$ 2,277**	**$(7,265)**	**$ 18,282**

Results from Operations

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

(MILLIONS)	Renewable Power	Commercial Properties	Infrastructure	Development Activities	Private Equity and Finance	Investment Income and Other Income	Asset Management and Other Services	Corporate Financing Charges	Consolidated Financial Statements
Fees earned	$ —	$ —	$ —	$ —	$ —	$ —	$ 239	$ —	$ 239
Revenues less direct operating costs									
Renewable power generation	560	—	—	—	—	—	—	—	560
Commercial properties	—	832	—	—	84	—	—	—	916
Infrastructure	—	—	144	—	1	—	—	—	145
Development activities	—	—	—	357	1	—	—	—	358
Private equity and finance	—	—	—	—	268	—	—	—	268
Equity accounted investments	18	189	157	(2)	—	—	—	—	362
Investment and other income	—	96	7	7	92	306	—	—	508
	578	1,117	308	362	446	306	239	—	3,356
Expenses									
Interest	279	528	92	74	101	13	—	225	1,312
Operating costs	—	85	17	—	16	—	—	178	296
Current income taxes	16	6	2	37	1	4	—	18	84
Non-controlling interests	77	255	96	130	207	39	—	—	804
Operating cash flow	206	243	101	121	121	250	239	(421)	860
Disposition gains	102	—	—	1	84	—	—	—	187
Cash flow from operations	**$ 308**	**$ 243**	**$ 101**	**$ 122**	**$ 205**	**$ 250**	**$ 239**	**$ (421)**	**$ 1,047**

Results from Operations

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010

(MILLIONS)	Renewable Power	Commercial Properties	Infrastructure	Development Activities	Private equity and finance	Investment Income and Other Income	Asset Management and Other Services	Corporate Financing Charges	Consolidated Financial Statements
Fees earned	$ —	$ —	$ —	$ —	$ —	$ —	$ 90	$ —	$ 90
Revenues less direct operating costs									
Renewable power generation	157	—	—	—	—	—	—	—	157
Commercial properties	—	272	—	—	65	—	—	—	337
Infrastructure	—	—	40	—	—	—	—	—	40
Development activities	—	—	—	176	—	—	—	—	176
Private equity and finance	—	—	—	—	90	—	—	—	90
Equity accounted investments	6	65	56	(1)	—	—	—	—	126
Investment and other income	—	33	6	—	14	140	—	—	193
	163	370	102	175	169	140	90	—	1,209
Expenses									
Interest	96	189	30	19	39	3	—	76	452
Operating costs	—	20	7	—	1	—	—	66	94
Current income taxes	7	2	1	16	(5)	4	—	13	38
Non-controlling interests	14	76	27	63	84	7	—	—	271
Cash flow from operations	**$ 46**	**$ 83**	**$ 37**	**$ 77**	**$ 50**	**$ 126**	**$ 90**	**$ (155)**	**$ 354**

Balance Sheet

AS AT DECEMBER 31, 2009

(MILLIONS)	Renewable Power	Commercial Properties	Infrastructure	Development Activities	Private Equity and Finance	Cash and Financial Assets	Other Assets	Corporate Capitalization	Consolidated Financial Statements
Assets									
Operating assets									
Property, plant and equipment	$ 12,985	$ 2	$ 1,253	$ 59	$ 2,083	$ —	$ 136	$ —	$ 16,518
Investment properties	—	16,728	215	1,242	1,025	—	—	—	19,210
Timber	—	—	2,512	358	81	—	—	—	2,951
Inventory	7	1	32	5,109	404	—	—	—	5,553
Investments	270	2,652	1,363	120	25	24	—	—	4,454
Cash and cash equivalents	145	311	29	307	323	35	122	—	1,272
Financial assets	(37)	1,388	8	(148)	371	1,767	2	—	3,351
Loans and notes receivable	—	—	—	—	1,639	170	—	—	1,809
Accounts receivable and other	1,631	506	70	1,078	684	—	1,191	—	5,160
Intangible assets	—	44	306	194	196	—	181	—	921
Goodwill	16	341	591	311	34	—	955	—	2,248
	15,017	21,973	6,379	8,630	6,865	1,996	2,587	—	63,447
Deferred tax asset	64	633	16	237	135	—	393	—	1,478
Total assets	**$ 15,081**	**$ 22,606**	**$ 6,395**	**$ 8,867**	**$ 7,000**	**$ 1,996**	**$ 2,980**	**$ —**	**$ 64,925**
Liabilities									
Corporate borrowings	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,593	$ 2,593
Non-recourse borrowings									
Property specific mortgages	3,861	9,540	1,988	2,319	1,844	126	—	—	19,678
Subsidiary borrowings	1,144	551	—	475	740	36	—	854	3,800
Accounts payable and other liabilities	723	1,264	209	1,633	1,028	110	765	2,037	7,769
Deferred tax liability	2,875	1,032	700	275	192	—	—	105	5,179
Interests of others in funds	899	—	122	—	—	—	—	—	1,021
Capital securities	—	1,009	—	—	—	—	—	632	1,641
Shareholders' equity									
Non-controlling interests	264	4,616	1,870	1,817	1,585	81	—	—	10,233
Preferred equity	—	—	—	—	—	—	—	1,144	1,144
Common equity	5,315	4,594	1,506	2,348	1,611	1,643	2,215	(7,365)	11,867
Total liabilities and shareholders' equity	**$ 15,081**	**$ 22,606**	**$ 6,395**	**$ 8,867**	**$ 7,000**	**$ 1,996**	**$ 2,980**	**$ —**	**$ 64,925**
Common equity	$ 5,315	$ 4,594	$ 1,506	$ 2,348	$ 1,611	$ 1,643	$ 2,215	$ (7,365)	$ 11,867
Deferred income taxes	2,703	247	40	55	20	2	(467)	189	2,789
Unrecognized values	450	—	100	750	400	—	350	—	2,050
Net asset value	**$ 8,468**	**$ 4,841**	**$ 1,646**	**$ 3,153**	**$ 2,031**	**$ 1,645**	**$ 2,098**	**$ (7,176)**	**$ 16,706**

Results from Operations

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

(MILLIONS)	Renewable Power	Commercial Properties	Infrastructure	Development Activities	Private Equity and Finance	Investment Income and Other Income	Asset Management and Other Services	Corporate Financing Charges	Consolidated Financial Statements
Fees earned	$ —	$ —	$ —	$ —	$ —	$ —	$ 175	$ —	$ 175
Revenues less direct operating costs									
Renewable power generation	560	—	—	—	—	—	—	—	560
Commercial properties	—	716	—	—	(1)	—	—	—	715
Infrastructure	—	—	74	—	—	—	—	—	74
Development activities	—	—	2	74	—	—	—	—	76
Private equity and finance	—	—	—	—	90	—	—	—	90
Equity accounted investments	—	164	40	5	—	—	—	—	209
Investment and other income	32	55	20	5	143	269	—	—	524
	592	935	136	84	232	269	175	—	2,423
Expenses									
Interest	236	445	71	49	67	23	—	194	1,085
Operating costs	—	84	3	—	9	(3)	—	181	274
Current income taxes	12	4	13	—	6	—	—	4	39
Non-controlling interests	65	213	12	26	66	(5)	—	—	377
Operating cash flow	279	189	37	9	84	254	175	(379)	648
Disposition gains	375	19	7	—	—	(12)	—	—	389
Cash flow from operations	**$ 654**	**$ 208**	**$ 44**	**$ 9**	**$ 84**	**$ 242**	**$ 175**	**$ (379)**	**$ 1,037**

Results from Operations

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009

(MILLIONS)	Renewable Power	Commercial Properties	Infrastructure	Development Activities	Private equity and finance	Investment Income and Other Income	Asset Management and Other Services	Corporate Financing Charges	Consolidated Financial Statements
Fees earned	$ —	$ —	$ —	$ —	$ —	$ —	$ 65	$ —	$ 65
Revenues less direct operating costs									
Renewable power generation	141	—	—	—	—	—	—	—	141
Commercial properties	—	258	—	—	—	—	—	—	258
Infrastructure	—	—	25	—	—	—	—	—	25
Development activities	—	—	2	10	—	—	—	—	12
Private equity and finance	—	—	—	—	18	—	—	—	18
Equity accounted investments	(13)	44	12	1	—	—	—	—	44
Investment and other income	34	24	4	6	38	84	—	—	190
	162	326	43	17	56	84	65	—	753
Expenses									
Interest	82	161	25	16	20	9	—	70	383
Operating costs	—	24	—	—	1	(3)	—	65	87
Current income taxes	—	—	1	(2)	—	1	—	(2)	(2)
Non-controlling interests	24	78	7	4	30	(7)	—	—	136
Operating cash flow	56	63	10	(1)	5	84	65	(133)	149
Disposition gains	346	—	—	—	—	—	—	—	346
Cash flow from operations	**$ 402**	**$ 63**	**$ 10**	**$ (1)**	**$ 5**	**$ 84**	**$ 65**	**$ (133)**	**$ 495**

Cautionary Statement Regarding Forward-Looking Statements

This Supplemental Information contains forward-looking information within the meaning of Canadian provincial securities laws and "forward-looking statements" within the meaning of 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 harbour" provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations. The words, "potential," "intend," "grow," "plan," "seek," "expect," "believe," "objective," "continue," "enable," "expand," "likely," and derivations thereof and other expressions, including conditional verbs such as "will," "can," "may," "would" and "should" are predictions of or indicate future events, trends or prospects or identify forward-looking statements. Forward-looking statements in this Supplemental Information include statements with respect to: our use of IFRS standards currently issued and expected to be effective at the end of our first annual IFRS reporting period, including the effect on our prior reported net asset values if certain accounting policies are not adopted under IFRS as expected; the generation of an increasing stream of base management and performance fees and our belief that it should attract a favorable multiple valuation in the market; our ability to increase returns by reallocating capital among our businesses; our ability to enhance cash flows through superior risk-adjusted returns and provide premium valuations for our assets; our expectation that year-end valuations will reflect a lower interest rate and inflation environment which we believe will result in a higher appraised value of our equity; our belief that investments made during and subsequent to the quarter should lead to increased cash flow returns and value appreciation; the merger of our Canadian residential business with our US operations, and an eventual recovery in the U.S. residential markets; the hedging of expected power generation and its impact; our expectation that the regulatory frameworks and contracts in our infrastructure business should lead to increased cash flows; our ability to complete capital expansion projects in our infrastructure business with favorable return profiles; our expectations regarding our Brazilian residential operations and the continued expansion of the Brazilian economy; our expectation of power generation results getting closer to long-term averages in the fourth quarter based on more normalized water levels in October; increased economy activity in Australia and the U.K. and our expectations on its impact on our construction services business; our ability to fund repayments of borrowings and refinance borrowings maturing in the near term at favorable costs and extended maturities; our ability to raise additional third party commitments to our funds; our ability to achieve our generation targets for the fourth quarter should precipitation remain in line; our ability to roll over existing tenants, locate replacement tenants and maintain or increase our net rental income in our office properties; our expectation of additional capital requirements with respect to our U.S. Office Fund; our expectations regarding growth in revenues and income in our utilities business; increases in commodity demand and the global movement of goods and their impact on our transportation and energy businesses; our estimate of our share of operating cash flow in our timber business with elevated harvest levels and pricing consistent with historical levels; our expected annualized base management fees on existing funds and assets under management by year end; our expectation that the proposed merger of Brookfield Infrastructure Partners and Prime Infrastructure will be completed in the fourth quarter; the stability of depreciation expenses year-over-year; the impact of cap rate compression on the valuation of our office property portfolio at year end; and other statements with respect to our beliefs, outlooks, plans, expectations, and intentions. Although Brookfield Asset Management believes that its 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; rate of recovery of the current financial crisis; the behaviour of financial markets, including fluctuations in interest and exchange rates; availability of equity and debt financing and refinancing; strategic actions including dispositions; the ability to complete and effectively integrate acquisitions into existing operations and the ability to attain expected benefits; adverse hydrology conditions; regulatory and political factors within the countries in which the company operates; tenant renewal rates; availability of new tenants to fill office property vacancies; tenant bankruptcies; 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 Management's Discussion and Analysis of Financial Results under the heading "Business Environment and Risks."

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Brookfield Asset Management, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as 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-IFRS 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 net asset value of its businesses. Brookfield's consolidated statements of cash flow from operations provides a full reconciliation between this measure and net income. Readers are encouraged to consider both measures in assessing Brookfield's results. Operating cash flow is not a generally accepted measure under IFRS 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; macroeconomic 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 Management's Discussion and Analysis of Financial Results in the Corporation's 2009 Annual Report which is available on our web site and at www.sedar.com.