Brookfield

Supplemental Information Q2 2010

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Supplemental Information contains forward-looking information within the meaning of Canadian provincial securities laws and other "forward-looking statements" within the meaning of certain securities laws including Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, "safe 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. Please see page 33 for a more fulsome discussion.

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 June 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.

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)	**June 30, 2010**	Dec. 31, 2009	**June 30, 2010**	Dec. 31 2009	**June 30, 2010**	June 30, 2009
Hydroelectric generation	**$ 12,809**	$ 13,128	**$ 12,332**	$ 12,610	**$ 154**	$ 202
Other forms of generation	**706**	720	**400**	412	**15**	11
Facilities under development	**242**	233	**242**	233	**—**	—
Realization gains	**—**	—	**—**	—	**102**	—
	13,757	14,081	**12,974**	13,255	**271**	213
Other assets	**1,591**	1,785	**1,500**	1,762	**—**	—
	15,348	15,866	**14,474**	15,017	**271**	213
Financial leverage	**—**	—	**(4,818)**	(5,005)	**(93)**	(82)
Accounts payable and other	**—**	—	**(675)**	(831)	**(3)**	(5)
Co-investor interests	**—**	—	**(1,436)**	(1,163)	**(26)**	(20)
Brookfield's net interest	**$ 15,348**	$ 15,866	**$ 7,545**	$ 8,018	**$ 149**	$ 106

Operating Results

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

FOR THE THREE MONTHS ENDED JUNE 30 (MILLIONS)	**2010**	2009	Variance
Existing hydroelectric generation (assuming no change in foreign exchange rates)			
United States	**$ 100**	$ 108	$ (8)
Canada	**11**	53	(42)
Brazil	**34**	41	(7)
	145	202	(57)
Recently developed or acquired hydroelectric generation	**1**	—	1
Impact of current year change in foreign exchange rates	**8**	—	8
	154	202	(48)
Other forms of generation	**15**	11	4
Realization gains	**102**	—	102
Total operating cash flow	**271**	213	58
Interest expense and other	**(89)**	(87)	(2)
Co-investor interests	**(24)**	(20)	(4)
Impact of current year change in foreign exchange rates	**(9)**	—	(9)
Net operating cash flow	**$ 149**	$ 106	$ 43

Cash flow from existing hydroelectric generation assets prior to changes in foreign exchange rates and asset additions decreased by $57 million or 28% during the quarter. The decrease relates to lower generation, primarily in Ontario, Quebec and New York, partially offset by increased realized pricing on long-term contracts secured in recent periods. The increase in co-investor interests is the result of the sale of our Canadian generation assets to our 50%-owned Hydro Fund in 2009 and the concurrent issuance of equity to public shareholders.

Realized Prices – Hydroelectric Generation

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

	2010				2009			
FOR THE THREE MONTHS ENDED JUNE 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	**1,589**	**$ 135**	**$ 35**	**$ 100**	1,972	$ 144	$ 36	$ 108
Canada	**726**	**54**	**40**	**14**	1,253	75	22	53
Brazil	**738**	**66**	**26**	**40**	700	57	16	41
Total	**3,053**	**$ 255**	**$ 101**	**$ 154**	3,925	$ 276	$ 74	$ 202
Per MWh		**$ 83**	**$ 33**	**$ 50**		$ 70	$ 19	$ 51

The average realized price per unit of electricity sold in the second quarter of 2010 increased to $83 per megawatt hour ("MWh") from $70 per MWh in 2009. In the United States and Canada, revenues on a per MWh basis increased over last year due to higher priced long-term contracts secured in both of these markets. Revenues in Brazil benefitted from completion of two facilities in the prior quarter 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, although these were lower in the current quarter. Operating costs in local currencies on a per MWh basis increased due to the impact of lower generation volumes on the portion of the costs that is fixed. Revenues and expenses in both Canada and Brazil increased as well due to higher average currency exchange rates during the quarter.

Generation

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

	Actual Production		Long-Term Average		Variance of Results		
					vs. Long-term Average		Actual vs. Prior Year
FOR THE THREE MONTHS ENDED JUNE 30 (GIGAWATT HOURS)	**2010**	2009	**2010**	2009	**2010**	2009	**2010**
Existing capacity	**2,943**	3,896	**3,883**	3,883	**(940)**	13	**(953)**
Acquisitions – during 2009 and 2010	**110**	29	**149**	29	**(39)**	—	**81**
Total hydroelectric operations	**3,053**	3,925	**4,032**	3,912	**(979)**	13	**(872)**
Wind energy	**102**	120	**129**	129	**(27)**	(9)	**(18)**
Co-generation and pump storage	**218**	198	**318**	318	**(100)**	(120)	**20**
Total generation	**3,373**	4,243	**4,479**	4,359	**(1,106)**	(116)	**(870)**

Hydroelectric generation was 872 gigawatt hours below production levels in the second quarter of 2009 and 979 gigawatt hours (24%) below long-term averages. The decrease reflects below average rainfall in Ontario, Quebec and New York. At the end of the quarter storage levels were 16% below long-term average. Precipitation levels began to recover in June, however are still below long-term average in certain markets for this time of year.

Invested Capital

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

(MILLIONS)	June 30, 2010				December 31, 2009			
	Consolidated Assets	Consolidated Liabilities	Co-investor Interests	Net Invested Capital	Consolidated Assets	Consolidated Liabilities	Co-investor Interests	Net Invested Capital
Hydroelectric								
United States	**$ 5,772**	**$ 1,858**	**$ 192**	**$ 3,722**	$ 5,774	$ 2,035	$ 158	$ 3,581
Canada	**4,492**	**2,024**	**1,186**	**1,282**	4,616	2,082	948	1,586
Brazil	**2,068**	**649**	**58**	**1,361**	2,220	621	57	1,542
Other generation	**400**	**287**	**—**	**113**	412	267	—	145
Facilities under development	**242**	**—**	**—**	**242**	233	—	—	233
Working capital and other	**1,500**	**675**	**—**	**825**	1,762	831	—	931
	$ 14,474	**$ 5,493**	**$ 1,436**	**$ 7,545**	$ 15,017	$ 5,836	$ 1,163	$ 8,018

Net Asset Value

The following table presents the net asset value of our power generation operations for IFRS purposes as at June 30, 2010 after deducting borrowings and minority interests and the major changes during the second quarter of 2010. We do not revalue our renewable power assets quarterly; accordingly changes in value during the quarter reflect accounting depreciation, revaluation of the non-controlling interests in our renewable power fund, foreign exchange and capital reallocation.

FOR THE THREE MONTHS ENDED JUNE 30, 2010 (MILLIONS)	Q2	YTD
Net asset value – beginning of period	**$ 7,895**	**$ 8,018**
Operating cash flow	**149**	**262**
Revaluation of non-controlling interests[1]	**103**	**(16)**
Completion of development projects	**—**	**39**
Power contracts	**(59)**	**58**
Foreign exchange	**(236)**	**(223)**
Capital distributed	**(63)**	**(217)**
Accounting depreciation[2]	**(130)**	**(241)**
Realization gains	**(102)**	**(102)**
Other	**(12)**	**(33)**
Net asset value – end of period	**$ 7,545**	**$ 7,545**

1. Change in market price of publicly listed units in the 50%-owned Canadian renewable power fund
2. Excluded in determining overall net asset values and total return as these facilities are revalued on an annual basis.

The valuation of power development facilities are carried at historical cost for IFRS purposes and any adjustment to fair value is not recognized until they are complete. In addition, certain contracts for physical sale of power are not included in the net asset values of the associated facilities under IFRS.

The key valuation metrics of our hydro and wind generating facilities at the end of 2009 and 2008 are summarized on page 25.

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 84% and 78% of our long-term average generation from fluctuating energy prices during the remainder of 2010 and 2011, respectively. This provides us with greater certainty in respect of realized pricing.

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:

	Balance of 2010	Years ended December 31 2011	2012	2013	2014
Generation (GWh)					
Contracted					
Power sales agreements					
Hydro	3,682	9,456	8,575	8,362	7,734
Wind	251	657	1,012	1,012	1,012
Gas and other	202	396	398	398	134
	4,135	10,509	9,985	9,772	8,880
Financial contracts	1,564	1,895	—	—	—
Total contracted	5,699	12,404	9,985	9,772	8,880
Uncontracted	1,065	3,470	6,126	6,376	6,376
Long-term average generation	6,764	15,874	16,111	16,148	15,256
Contracted generation – as at June 30, 2010					
% of total generation	84%	78%	62%	61%	58%
Revenue ($millions) expected	514	968	878	867	773
Price ($/MWh)	95	78	88	89	87

Financing

We completed a $95 million project specific financing in the second quarter at a rate of 5.71% with a seven-year term. We have no material remaining maturities outstanding until 2012. The debt to capitalization of this business at quarter end was 45%. The corporate unsecured public notes bear interest at an average rate of 6.5%, have an average term of seven years and are rated BBB by S&P, BBB (high) by DBRS and BBB by Fitch.

Our average cost of debt was 7.2% at the end of June 2010, consistent with the prior year. With the exception of bank borrowings and a $258 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.

The maturity profile of borrowings within our power operations on a proportionate basis is set out in the following table:

AS AT JUNE 30, 2010 (MILLIONS)	Proportionate 2010	2011	2012	2013 & After	Total	Consolidated Total
Unsecured						
Bank facilities	$ 35	$ 114	$ —	$ —	$ 149	$ 149
Public notes	—	—	375	607	982	982
Project specific						
Canada	6	18	120	468	612	1,180
United States	11	32	260	1,338	1,641	1,858
Brazil	23	47	61	504	635	649
	$ 75	$ 211	$ 816	$ 2,917	$ 4,019	$ 4,818
% of total outstanding	2%	5%	20%	73%	100%	100%

Maturities in 2012 include a C$400 million public bond that we expect to refinance in the normal course given the cash flows and ratings profile of the business.

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)	**June 30, 2010**	Dec. 31, 2009	**June 30, 2010**	Dec. 31, 2009	**June 30, 2010**	June 30, 2009
Office properties						
North America	**$ 19,586**	$ 19,763	**$ 12,667**	$ 11,635	**$ 265**	$ 254
Australia	**4,288**	4,145	**3,271**	3,248	**69**	39
Europe	**1,143**	951	**1,143**	951	**8**	8
	25,017	24,859	**17,081**	15,834	**342**	301
Other assets	**1,965**	2,336	**1,362**	1,742	**16**	16
	26,982	27,195	**18,443**	17,576	**358**	317
Mortgage debt	**—**	—	**(7,307)**	(7,485)	**(118)**	(102)
Subsidiary debt	**—**	—	**(247)**	(376)	**(6)**	(6)
Capital securities	**—**	—	**(1,001)**	(1,009)	**(15)**	(14)
Accounts payable	**—**	—	**(1,051)**	(1,016)	**(42)**	(31)
Co-investor interests	**—**	—	**(4,334)**	(3,816)	**(88)**	(74)
	26,982	27,195	**4,503**	3,874	**89**	90
Development properties	**994**	1,428	**125**	421	**—**	—
Retail properties	**3,119**	3,224	**498**	546	**1**	(1)
Brookfield's net interest	**$ 31,095**	$ 31,847	**$ 5,126**	$ 4,841	**$ 90**	$ 89

Commercial 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 JUNE 30 (MILLIONS)	**2010**	2009	Variance
Existing properties (assuming no change in foreign exchange rates)			
United States	**$ 173**	$ 169	$ 4
Canada	**45**	41	4
Australia	**42**	39	3
Europe	**8**	8	—
	268	257	11
Acquired, developed or sold properties	**27**	5	22
Lease termination income	**8**	—	8
Realization gains	**19**	39	(20)
Impact of current year change in foreign exchange rates	**20**	—	20
Total operating cash flow	**342**	301	41
Other	**16**	16	—
Interest expense and other costs	**(172)**	(153)	(19)
Co-investor interests	**(82)**	(74)	(8)
Impact of current year change in foreign exchange rates	**(15)**	—	(15)
Net operating cash flow	**$ 89**	$ 90	$ (1)

Operating cash from existing properties increased by 4% over the prior year due to increased rental rates and releasing activity. In addition, recently completed developments net of acquisitions and dispositions contributed $22 million of additional operating cash flow. Realization gains include a $19 million gain resulting

from the repurchase of debt secured by office properties in Washington at a discount to par value. The 2009 results included a gain related to the restructuring of our U.S. Office Fund to simplify its ownership structure. The increased operating results were offset by higher interest expense and co-investors share of income. Interest expense on floating rate debt in Australia increased as short term rates increased in the period and higher exchange rates impacted the U.S. dollar equivalent value of the changes.

Financial Profile

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

	June 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	**$ 11,942**	**$ 7,025**	**$ 3,072**	**$ 1,845**	$ 11,859	$ 6,817	$ 2,880	$ 2,162
U.S. Office Fund	**1,661**	**—**	**831**	**830**	945	—	473	472
Australasia	**3,535**	**1,984**	**431**	**1,120**	3,658	2,395	463	800
Europe	**1,305**	**597**	**—**	**708**	1,114	674	—	440
	$ 18,443	**$ 9,606**	**$ 4,334**	**$ 4,503**	$ 17,576	$ 9,886	$ 3,816	$ 3,874

Consolidated office property assets increased to $18.4 billion from $17.6 billion. Consolidated assets and liabilities within our North American and Australian operations increased due to increased valuations, higher currency exchange rates and the completion of three properties in Canada, the United States and Australia during the quarter which were previously included in commercial developments. In addition, we acquired the remaining 50% interest in an office property in Washington D.C. for $20 million and simultaneously extended the financing on the property for three years.

Our U.S. Office Fund and other jointly owned properties which were previously consolidated under Canadian GAAP are equity accounted under IFRS as we do not control the underlying entity. The increase in the total equity investment which we own through 50%-held Brookfield Properties, to $1.7 billion, reflects increases in the appraised value of the properties within the fund, as well as the purchase of debt issued by the fund, resulting in an increase in both our net invested capital as well as the 50% held by others.

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 JUNE 30, 2010 (MILLIONS)	Q2	YTD
Net asset value – beginning of period	**$ 4,478**	**$ 3,874**
Operating cash flow	**89**	**161**
Unrealized valuation change	**30**	**126**
Capital contributed, net of distributions	**13**	**164**
Acquisition and development activities	**20**	**258**
Foreign exchange	**(99)**	**(61)**
Other	**(28)**	**(19)**
Net asset value – end of period	**$ 4,503**	**$ 4,503**

Net asset values of our net capital invested in commercial office properties increased by $25 million during the quarter ($629 million since year end). This includes appraisal increases as well as the capital invested in North America to repurchase debt related to our U.S. Office Fund in anticipation of the refinancing of that entity prior to the maturity in 2011. There was a decline in the value of both the Canadian and the Australian dollar during the quarter reducing the U.S. dollar value of our properties in those markets.

The key valuation metrics of our commercial office properties at the end of Q2 2010 and Q4 2009 are presented on page 25.

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. We acquired $570 million of our U.S. Office Fund debt at a discount during the year. In addition, we also acquired the remaining 50% of one of our Washington office properties for $20 million during the quarter.

Leasing Profile

Our total worldwide portfolio occupancy rate in our office properties at the end of the second 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 JUNE 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%	7.2	43,012	2,640	836	2,800	3,162	6,870	2,810	4,162	2,139	17,593
Canada	97%	7.4	17,752	545	534	787	1,126	3,287	505	2,561	1,499	6,908
Australia	98%	7.2	8,895	198	159	602	358	358	698	929	1,035	4,558
United Kingdom	100%	8.7	556	—	—	—	—	—	262	—	—	294
Total/Average	95%	7.3	70,215	3,383	1,529	4,189	4,646	10,515	4,275	7,652	4,673	29,353
Percentage of total			100.0%	4.8%	2.2%	6.0%	6.6%	15.0%	6.1%	10.9%	6.6%	41.8%

Average in-place net rents across the North American portfolio approximate $25 per square foot consistent with the end of 2009. We leased 1.3 million square feet in the second quarter of 2010 at rents 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 provides greater assurance 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$48 per square foot, approximately 6% 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 71% 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 7% 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 $0.3 billion in financings and dispositions in the second quarter of 2010, including extensions and renewals, and $1.6 billion on a year-to-date basis.

(MILLIONS)	Q2	YTD
Corporate bank facilities	$ 25	$ 75
Mortgages	85	1,064
Dispositions	175	175
Preferred shares	—	262
	$ 285	$ 1,576

We hold substantial liquidity within these operations, principally at our North American property subsidiary.

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 levelized capitalization profile to offset mortgage amortization.

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

AS AT JUNE 30, 2010 (MILLIONS)	Proportionate[1]					Consolidated
	2010	2011	2012	2013 & After	Total	Total
Subsidiary level						
North America	$ 50	$ —	$ —	$ —	$ 50	$ 100
Europe	—	147	—	—	147	147
	50	147	—	—	197	247
Asset specific						
North America	110	243	331	2,105	2,789	5,078
U.S. Office Fund	1	597	—	412	1,010	—
Australia	—	570	650	585	1,805	1,805
Europe	—	—	—	424	424	424
	111	1,410	981	3,526	6,028	7,307
	$ 161	$ 1,557	$ 981	$ 3,526	$ 6,225	$ 7,554
% of total outstanding	2%	25%	16%	57%	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, 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 that North American markets which is reflected in our maturity profile. We have very few maturities in our North American operations over the next three years relative to the scale of our business, with the exception of $2.9 billion of aggregate maturities within our U.S. Office Fund that mature in October 2011. Our proportionate share of these maturities is $597 million, taking into consideration the interests of our investment partners, and consists of $137 million of property-specific mortgages and $460 million secured by a pool 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. We have repurchased at a discount approximately $570 million principal amount of the debt ($283 million representing our share) in advance of the 2011 maturity which reduces or likely eliminates any requirements for additional capital from us, and establishes a capitalization profile more consistent with the level we intend to refinance at maturity.

Commercial Office Development Properties

The following table presents capital invested in our commercial office development activities by region based on net asset values:

(MILLIONS)	June 30, 2010 Consolidated Assets	June 30, 2010 Consolidated Liabilities	June 30, 2010 Co-investor interests	June 30, 2010 Net Invested Capital	December 31, 2009 Consolidated Assets	December 31, 2009 Consolidated Liabilities	December 31, 2009 Co-investor Interests	December 31, 2009 Net Invested Capital
North America								
Manhattan West, New York	**$ 280**	**$ 227**	**$ 26**	**$ 27**	$ 286	$ 227	$ 29	$ 30
Other	**94**	**—**	**47**	**47**	183	—	92	91
United Kingdom	**69**	**—**	**35**	**34**	—	—	—	—
Australia								
City Square	**329**	**42**	**—**	**287**	247	45	—	202
Other	**222**	**95**	**—**	**127**	490	217	—	273
Development debt	**—**	**397**	**—**	**(397)**	—	175	—	(175)
	$ 994	**$ 761**	**$ 108**	**$ 125**	$ 1,206	$ 664	$ 121	$ 421

We own development rights on Ninth Avenue between 31st Street and 33rd Street in New York City which is entitled for 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 A$875 million, is 72% pre-leased to BHP Billiton and is scheduled for completion in August 2012.

In the United Kingdom, we acquired 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 in March 2010.

Property-specific financing includes debt associated with developments in Australia and Europe, all of which we expect to refinance on a long-term basis once the properties are fully completed.

Retail Operations

AS AT AND FOR THE THREE MONTHS ENDED (MILLIONS)	Net Invested Capital June 30, 2010	Net Invested Capital Dec. 31, 2009	Net Operating Cash Flow June 30, 2010	Net Operating Cash Flow June 30, 2009
Retail properties	**$ 2,765**	$ 2,816	**$ 35**	$ 35
Working capital/operating costs	**187**	(25)	**(1)**	(5)
Borrowings/interest expense	**(1,790)**	(1,566)	**(34)**	(32)
Co-investor interests	**(664)**	(679)	**1**	1
	$ 498	$ 546	**$ 1**	$ (1)

Operating cash flow prior to debt service and co-investor interests was $35 million in the second quarter of 2010, consistent with 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. The average duration of financing on our properties is five 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)	**June 30, 2010**	Dec. 31, 2009	**June 30, 2010**	Dec. 31, 2009	**June 30, 2010**	June 30, 2009
Utilities	**$ 7,648**	$ 7,626	**$ 443**	$ 537	**$ 18**	$ 13
Fee-for-services	**3,278**	3,498	**196**	196	**11**	—
Timber	**4,335**	4,264	**846**	813	**12**	3
Corporate and other costs	**—**	—	**—**	—	**(7)**	(1)
	$ 15,261	$ 15,388	**$ 1,485**	$ 1,546	**$ 34**	$ 15

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. These businesses are similar in that they produce very stable, inflation protected long-term returns which generally do not fluctuate based on volume or short term market prices. 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)	**June 30, 2010**	Dec. 31, 2009	**June 30, 2010**	June 30, 2009
South America	**$ 209**	$ 220	**$ 10**	$ 11
Australasia/Europe	**180**	257	**7**	—
North America	**54**	60	**1**	2
	$ 443	$ 537	**$ 18**	$ 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 revenue 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 $18 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 $10 million in the second quarter of 2010, compared with $9 million in 2009, reflecting an increase in net operating income consistent with the ongoing benefit of inflation indexation and growth capital expenditures. The 2009 results include $2 million from our investment in Brazilian transmission lines that were sold that year.

Net operating cash flows in Australasia and Europe primarily reflect the contribution from our 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.

Fee-for-services

The following table presents the capital invested by us in our fee-for-services operations, and associated net operating cash flows:

AS AT AND FOR THE THREE MONTHS ENDED (MILLIONS)	Net Invested Capital		Net Operating Cash Flow	
	June 30, 2010	Dec. 31, 2009	**June 30, 2010**	June 30, 2009
North America	**$ 72**	$ 75	**$ 5**	$ —
Australasia	**52**	57	**4**	—
Europe	**72**	64	**2**	—
	$ 196	$ 196	**$ 11**	$ —

Our fee for service 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, 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. 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.

Fee for service operations contributed $11 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 second quarter of 2009.

Timber

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

(MILLIONS)	**June 30, 2010**				December 31, 2009			
	Consolidated Assets	**Consolidated Liabilities**	**Co-investor Interests**	**Net Invested Capital**	Consolidated Assets	Consolidated Liabilities	Co-investor Interests	Net Invested Capital
North America								
Western	**$ 3,068**	**$ 1,478**	**$ 997**	**$ 593**	$ 3,092	$ 1,478	$ 1,010	$ 604
Eastern	**113**	**—**	**—**	**113**	115	—	—	115
Brazil	**169**	**15**	**122**	**32**	161	7	122	32
Working capital	**753**	**645**	**—**	**108**	701	639	—	62
	$ 4,103	**$ 2,138**	**$ 1,119**	**$ 846**	$ 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.

FOR THE THREE MONTHS ENDED JUNE 30 (MILLIONS)	**2010**				2009			
	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	**$ 40**	**$ 21**	**$ 9**	**$ 10**	$ 10	$ 24	$ (9)	$ (5)
Eastern	**2**	**—**	**—**	**2**	—	—	—	—
Brazil	**—**	**—**	**—**	**—**	8	(3)	3	8
	$ 42	**$ 21**	**$ 9**	**$ 12**	$ 18	$ 21	$ (6)	$ 3

Net operating cash flow increased to $12 million from $3 million for the same period in 2009 as both domestic and export demand strengthened, leading to higher prices, which enabled us to increase the level of harvest of both Douglas-fir and whitewood species. We sold 1.5 million cubic metres of timber during the second quarter of 2010, compared to 1.3 million cubic metres in 2009, as a result of the improved market condition, although we are still significantly below potential harvest levels.

Interest costs were in line with 2009, while co-investor interests increased due to higher operating income in the quarter. The average interest rate on related borrowings is 5% and the overall duration of borrowings is seven years.

The increased levels of demand in the second quarter were a positive sign in this business. Asian demand has steadily increased over the last two years and provides us with an alternative market to service if prices on demand domestically is weak. We are cautious, however, with respect to the sustainability of domestic demand until a full economic recovery takes hold.

Development Activities

Summarized Financial Results

	Assets Under Management		Net Invested Capital		Net Operating Cash Flow	
AS AT AND FOR THE THREE MONTHS ENDED (MILLIONS)	**June 30, 2010**	Dec. 31, 2009	**June 30, 2010**	Dec. 31, 2009	**June 30, 2010**	June 30, 2009
Residential	**$ 5,214**	$ 5,320	**$ 1,172**	$ 1,296	**$ 30**	$ 10
Opportunity investments	**1,496**	1,413	**294**	262	**11**	5
Development land	**2,148**	2,277	**1,130**	845	**(4)**	7
	$ 8,858	$ 9,010	**$ 2,596**	$ 2,403	**$ 37**	$ 22

The increase in operating cash flows is due primarily to improved results from our U.S. and Canadian operations relative to last year. We typically do not generate any operating cash flow from development lands, other than our agricultural business, until they are transferred into third-party development activities or operating portfolios.

Capital invested in development activities increased by $123 million during the quarter, due primarily to profits retained in our Brazilian residential development business and additional investments into our opportunity fund to acquire a portfolio of properties.

Residential Development

	June 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	**$ 2,927**	**$ 2,035**	**$ 499**	**$ 393**	$ 2,684	$ 1,830	$ 465	$ 389
Canada	**775**	**305**	**238**	**232**	789	325	235	229
Australia	**261**	**122**	**—**	**139**	459	232	—	227
United Kingdom	**141**	**111**	**—**	**30**	192	110	—	82
United States	**860**	**341**	**141**	**378**	850	336	145	369
	$ 4,964	**$ 2,914**	**$ 878**	**$ 1,172**	$ 4,974	$ 2,833	$ 845	$ 1,296

Total assets, which include property assets as well as housing inventory, cash and cash equivalents and other working capital balances, decreased slightly since the end of 2009. Consolidated liabilities include borrowings that consist primarily of construction financings which are repaid with the proceeds received from sales of building lots, single-family houses and condominiums, and are generally renewed on a rolling basis as new construction commences.

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

FOR THE THREE MONTHS ENDED JUNE 30 (MILLIONS)	2010				2009			
	Total	**Interest Expense**	**Co-investor Interests**	**Net**	Total	Interest Expense	Co-investor Interests	Net
Operating margins								
North America	**$ 42**	**$ —**	**$ 15**	**$ 27**	$ 10	$ —	$ 5	$ 5
Australia and Brazil	**35**	**26**	**6**	**3**	37	15	16	6
Revaluation items	**—**	**—**	**—**	**—**	(4)	(1)	(2)	(1)
	$ 77	**$ 26**	**$ 21**	**$ 30**	$ 43	$ 14	$ 19	$ 10

The Canadian operations contributed $17 million of net operating cash flow in the quarter, compared to $6 million in 2009. The increase in cash flows is due primarily to increased home and lot sales. In addition, operating margins increased to 24% from 19% in 2009. We continue to benefit from our strong market position and low-cost land bank, particularly in Alberta where we hold a 29% market share in Calgary. We own approximately 15,000 acres (December 31, 2009 – 15,000 acres) of which approximately 874 acres were under active development at the end of the quarter. The balance of this average is included in "Held for Development" because of the length of time that will likely pass before they are actively developed.

Our U.S. operations generated $10 million of cash flows after reflecting interest, taxes and non-controlling interests during the second quarter of 2010, reflecting a higher level of closings and improved margins. The gross margin from housing sales was approximately 18%, compared with 8% last year. We closed on 210 units during the quarter (2009 – 169 units) at an average selling price of $449,000 (2009 – $486,000). The backlog at the end of the quarter was 181 units compared to 310 units in 2009. The decrease likely relates to the expiry of government stimulus programs, together with continued economic weakness. In aggregate, we own or control over 26,000 lots through direct ownership, options and joint ventures.

The carrying values of our Australian operations reflect our acquisition of this business in 2007 and therefore much of the expected future development profits were capitalized into the carrying values at that time. Accordingly, margins are expected to be lower in the first few years of ownership and interest costs are more likely to be expensed than capitalized.

In our Brazilian business, profits are not recognized until projects are completed, which results in more deferred recognition. As a result, notwithstanding significantly increased sales results, the net contribution in the quarter was largely unchanged. Contracted sales during the second quarter of 2010 in Brazilian residential business totalled R$1.3 billion ($697 million) (2009 – R$569 million and $316 million) representing gross sales revenues to be earned in current and future periods. Combined launches of new projects totalled R$805 million ($447 million) (2009 – R$591 million and $328 million) of sales value.

Opportunity Investments

We operate two niche real estate opportunity funds with $608 million of invested capital. Our current investment in the funds is $294 million and our share of the underlying cash flow during second quarter of 2010 was $11 million (2009 – $5 million). In February 2010, we acquired a 2.9 million square foot portfolio from a major financial institution which has in turn leased the majority of the space. This is the third such transaction we have completed in the past two years and included 16 properties throughout the United States.

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.

(MILLIONS)	June 30, 2010 Consolidated Assets	Consolidated Liabilities	Co-investor Interests	Net Invested Capital	December 31, 2009 Consolidated Assets	Consolidated Liabilities	Co-investor Interests	Net Invested Capital
Residential lots								
North America	$ 755	$ —	$ 378	$ 377	$ 797	$ —	$ 399	$ 398
Brazil	591	262	282	47	691	308	320	63
Australia and UK	405	92	—	313	371	369	—	2
Rural development lands								
Brazil	397	4	—	393	384	2	—	382
	$ 2,148	$ 358	$ 660	$ 1,130	$ 2,243	$ 679	$ 719	$ 845

1. Includes rural development lands based on IFRS net asset values and residential lots based on management prepared estimates

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 16,000 residential lots, homes and condominium units in our markets in Australia and New Zealand, which will provide the basis for continued growth.

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, which is used largely as a gasoline co-generation of power and additive substitute.

Net asset value

The historical book value of our development assets after deducting borrowings and minority interests was $1.1 billion as at June 30, 2010, equal to our invested capital.

The valuation of residential development assets and residential lots within the Development Land segment are 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. Accordingly, we reflect this excess value as “unrecognized value under IFRS” in determining the net asset value of our shareholders’ equity.

Rural development lands held for agricultural purposes are carried at fair value under IFRS.

Special Situations

Summarized Financial Results

The following table presents the net asset value of the capital invested in our Special Situations 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)	**June 30, 2010**	Dec. 31, 2009	**June 30, 2010**	Dec. 31, 2009	**June 30, 2010**	June 30, 2009
Specialty Funds						
Restructuring	**$ 2,546**	$ 2,050	**$ 633**	$ 613	**$ 26**	$ 3
Real estate finance	**3,122**	3,170	**362**	336	**5**	4
Bridge lending	**512**	585	**112**	100	**9**	8
	6,180	5,805	**1,107**	1,049	**40**	15
Other investments	**2,041**	1,925	**609**	582	**(11)**	(9)
Disposition gains	**—**	—	**—**	—	**—**	65
	$ 8,221	$ 7,730	**$ 1,716**	$ 1,631	**$ 29**	$ 71

Operating cash flow in the second quarter of 2010 from specialty funds was $40 million compared to $15 million in 2009, prior to the results from other investments and disposition gains. We realized a disposition gain of $65 million in the prior year resulting from the monetization of a partial interest in an industrial business.

Restructuring

We operate two restructuring funds with total invested capital of $2.5 billion and remaining uninvested capital commitments from clients of $150 million. Our share of the invested capital is $633 million.

The portfolio consists of nine investments in a diverse range of industries. Our average exposure to a specific company is $58 million and our largest single exposure is $211 million. We concentrate our investing activities on businesses with tangible assets and cash flow streams that protect our capital.

Our share of the operating cash flow produced by these businesses during the quarter was $26 million, compared to $3 million in 2009. This reflects improved profitability within portfolio companies due to restructuring initiatives and improved economic circumstances. In particular, improved market conditions in our forest products businesses allowed us to increase lumber shipments substantially over the prior year. In addition, we have made significant efforts to improve the costs structure of 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 $1.3 billion. Our share of capital invested in these operations was $362 million at June 30, 2010 (December 31, 2009 – $336 million). There are $212 million of uncalled capital commitments, of which our clients have committed $153 million and we have committed $59 million.

These activities contributed $5 million of net operating cash flow during the second quarter of 2010 compared to $4 million for the same period in 2009.

	Net Invested Capital		Net Operating Cash Flow	
AS AT AND FOR THE THREE MONTHS ENDED (MILLIONS)	**June 30, 2010**	Dec. 31, 2009	**June 30, 2010**	June 30, 2009
Total fund investments	**$ 2,739**	$ 2,787	**$ 29**	$ 18
Less: borrowings	**(1,551)**	(1,699)	**(16)**	(7)
Less: co-investor interests	**(827)**	(755)	**(8)**	(7)
Net investment in real estate finance funds	**361**	333	**5**	4
Securities – directly held	**1**	3	**—**	—
	$ 362	$ 336	**$ 5**	$ 4

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 $112 million from $100 million at the end of 2009. In addition to our own capital, we also manage $400 million in loan commitments on behalf of clients, which include a number of major financial institutions.

Our portfolio at quarter end was comprised of six loans, and our largest single exposure at that date was $53 million. Our share of the portfolio at quarter end has an average term of seven months excluding extension privileges.

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 and dispose of more mature assets.

The net operating cash outflow from these investments in the second quarter of 2010 totalled $11 million, similar to the same period in 2009. We realized a $65 million gain in the second quarter of 2009 related to the disposition of 10 million common shares of Norbord Inc., a leading North American industrial business focussed on panel board manufacturing.

	Net Invested Capital		Net Operating Cash Flow	
AS AT AND FOR THE THREE MONTHS ENDED (MILLIONS)	**June 30, 2010**	Dec. 31, 2009	**June 30, 2010**	June 30, 2009
Industrial	**$ 288**	$ 256	**$ (6)**	$ (3)
Infrastructure	**80**	81	**2**	2
Business services	**164**	174	**(8)**	(7)
Property and other	**77**	71	**1**	(1)
	609	582	**(11)**	(9)
Disposition gains	**—**	—	**—**	65
	$ 609	$ 582	**$ (11)**	$ 56

Industrial

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 $370 million based on the stock market prices, compared to a carrying value of $223 million.

Business Services

Business services include the provision of property and casualty products in Canada. We are winding down our re-insurance business through an orderly runoff.

Net Asset Value

The net invested capital in our special situations operations was $1.7 billion as at June 30, 2010. The values are based on publicly available share prices where available as well as comparable valuations and internal calculations. Certain investments continue to be carried at historical book value for IFRS purposes, and have an incremental unrecognized value which is included in "unrecognized value under IFRS".

ASSET MANAGEMENT AND OTHER SERVICES

We earn fees and other sources of income for providing a wide range of asset management and related services to our clients. These include fees in respect of managing private funds, listed issuers and portfolios of fixed income and equity securities, investment banking services and a broad range of property and construction services, including leasing, relocation services and facilities management.

	Operating Cash Flow			
FOR THE THREE MONTHS ENDED JUNE 30 (MILLIONS)		**2010**		2009
Base management fees[1]	**$**	**37**	$	28
Performance returns[1]		**8**		1
Transaction fees[1]		**3**		6
Investment banking[1]		**3**		4
		51		39
Property services[2]		**5**		7
Construction services[2]		**22**		12
	$	**78**	$	58

1. Revenues
2. Net of direct expenses

Base Management Fees

Base management fees increased to $37 million, reflecting the contribution from new funds launched during the past two years and an increase in the capital committed to existing mandates. As at June 30, 2010, annualized base management fees on existing funds and assets under management amounted to $155 million (December 31, 2009 – $140 million).

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 $1.9 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.

Construction Services

We secured four new projects in Australia during the quarter with a total value of $266 million 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 operating results from our construction operations during the second quarter of 2010 and 2009:

	Net Operating Cash Flow			
FOR THE THREE MONTHS ENDED JUNE 30 (MILLIONS)		**2010**		2009
Australia	**$**	**5**	$	1
Middle East		**15**		8
United Kingdom		**2**		3
	$	**22**	$	12

Construction service fees increased in the quarter, predominantly in the Middle East, due to improved margin on two projects and the completion of one project. The remaining work-in-hand totalled $2.7 billion at the end of June 30, 2010 (December 31, 2009 – $3.3 billion) and represented approximately three years of scheduled activity. The decrease reflects the completion of contracts with revenues totalling $123 million, and the impact of foreign exchange revaluation on Australian and UK revenues.

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

(MILLIONS)	**June 30, 2010**	December 31, 2009
Australia	**$ 829**	$ 1,167
Middle East	**913**	1,075
United Kingdom	**922**	1,081
	$ 2,664	$ 3,323

Third-Party Capital

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

	June 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 specialty issuers						
Commercial properties	**$ 2,242**	**$ 5,175**	**$ 7,417**	$ 2,380	$ 4,600	$ 6,980
Infrastructure	**4,181**	**—**	**4,181**	3,818	—	3,818
Development	**—**	**288**	**288**	—	291	291
Special situations	**3,041**	**620**	**3,661**	3,098	661	3,759
	9,464	**6,083**	**15,547**	9,296	5,552	14,848
Public securities	**—**	**—**	**23,100**	—	—	23,787
Other listed entities	**—**	**—**	**8,302**	—	—	8,552
	$ 9,464	**$ 6,083**	**$ 46,949**	$ 9,296	$ 5,552	$ 47,187

Unlisted Funds and Specialty Issuers

This segment includes the unlisted funds and specialty 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 $699 million since year end, reflecting additional capital committed to real estate turnaround opportunities and to our special situations funds, net of the impacts of foreign exchange.

The allocations in the table above include $7.4 billion of capital that has not been invested to date but which is available to pursue large scale acquisitions pursuant to each fund's specific mandate. Of the total uninvested capital, $4 billion relates to our global real estate turnaround consortium.

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 fixed income mandates are managed in New York and our equity mandates are managed in Chicago. 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.

(MILLIONS)	Total Assets Under Management		Third-Party Commitments	
	June 30, 2010	Dec. 31, 2009	**June 30, 2010**	Dec. 31, 2009
Real estate and fixed income securities				
Fixed income	**$ 17,098**	$ 17,589	**$ 17,098**	$ 17,589
Equity	**6,022**	6,218	**6,002**	6,198
	$ 23,120	$ 23,807	**$ 23,100**	$ 23,787

We secured $1.2 billion of new advisory mandates since December 2009, offset by $2.7 billion of redemptions. In addition, market values increased by $0.8 billion over December 2009.

Other Listed Entities

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

FOR THE THREE MONTHS ENDED JUNE 30 (MILLIONS)	Net		
	2010	2009	Variance
Operating costs	**$ 54**	$ 48	$ 6
Cash income taxes	**—**	5	(5)
	$ 54	$ 53	$ 1

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 challenging economic circumstances and increased potential for attractive investment opportunities. As at June 30, 2010, our consolidated core liquidity was approximately $4.2 billion, consisting of $2.7 billion at the corporate level and $1.5 billion within our principal operating subsidiaries. In addition to our core liquidity, we have $7.4 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	
	June 30, 2010	Dec. 31, 2009	**June 30, 2010**	June 30, 2009
Financial assets				
Government bonds	**$ 587**	$ 547		
Corporate bonds	**286**	290		
Other fixed income	**99**	115		
High-yield bonds and distressed debt	**675**	694		
Preferred shares	**279**	282		
Common shares	**237**	184		
Loans receivable/deposits	**104**	(150)		
Total financial assets	**2,267**	1,962	**$ 63**	$ 58
Cash and cash equivalents	**15**	34	**—**	—
Deposits and other liabilities	**(574)**	(351)	**(25)**	(8)
Net investment	**$ 1,708**	$ 1,645	**$ 38**	$ 50

Net cash and financial asset balances increased to $1.7 billion during the second quarter of 2010 from $1.6 billion at the end of 2009. 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 $0.1 billion (December 31, 2009 – $0.4 billion). The market value of these derivative instruments reflected in our financial statements at June 30, 2010 was a loss of $1 million (December 31, 2009 – gain of $3 million). Net invested capital includes liabilities such as 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:

	Net Invested Capital		Net Operating Cash Flow	
AS AT AND FOR THE THREE MONTHS ENDED (MILLIONS)	**June 30, 2010**	Dec. 31, 2009	**June 30, 2010**	June 30, 2009
Corporate borrowings				
Bank borrowing and commercial paper	**$ 351**	$ 388	**$ 6**	$ 5
Term debt	**2,274**	2,205	**39**	30
	2,625	2,593	**45**	35
Contingent swap accruals	**832**	779	**20**	21
Accounts payable and other accruals/expenses	**1,832**	2,028	**54**	53
Capital securities	**627**	632	**9**	8
Shareholders' equity				
Preferred equity	**1,413**	1,144	**19**	9
Common equity[1]	**14,484**	14,656	**308**	285
	15,897	15,800	**327**	294
Total corporate capitalization	**$ 21,813**	$ 21,832	**$ 455**	$ 411
Debt to capitalization	**16%**	15%		
Interest coverage			**6x**	6x
Fixed charge coverage			**4x**	5x

1. Excludes unrecognized values under IFRS

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 $101 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, $1,195 million of the facilities are scheduled to expire in 2012 and the balance in 2011.

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.

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 June 30, 2010, consistent with the end of 2009.

AS AT JUNE 30, 2010 (MILLIONS)	Average Term	2010	2011	2012	2013 & After	Total
Commercial paper and bank borrowings	2	$ —	$ —	$ 351	$ —	$ 351
Term debt	9	—	—	422	1,852	2,274
	8	$ —	$ —	$ 773	$ 1,852	$ 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 $832 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 $190 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 as interest expense.

The carrying values of capital securities decreased to $627 million from $632 million at the end of 2009 due to a decrease in the value of the Canadian dollar, in which most of these securities are denominated. The average distribution yield on the capital securities at June 30, 2010 was 6% (June 30, 2009 – 6%) and the average term to the holders' conversion date was four years as at June 30, 2010 (December 31, 2009 – four years).

Shareholders' Equity

	Net Invested Capital[1]		Book Value[2]	
(MILLIONS)	**June 30, 2010**	Dec. 31, 2009	**June 30, 2010**	Dec. 31, 2009
Preferred equity	**$ 1,413**	$ 1,144	**$ 1,413**	$ 1,144
Common equity	**14,484**	14,656	**11,695**	11,867
	$ 15,897	$ 15,800	**$ 13,108**	$ 13,011

1. Excluding future tax provisions and net asset values not otherwise recognized 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 every five years unless previously redeemed by the Corporation. The average dividend rate at June 30, 2010 was 5%.

Working Capital

Other Assets

The following is a summary of other assets:

	Net Invested Capital	
(MILLIONS)	**June 30, 2010**	Dec. 31, 2009
Accounts receivable	**$ 269**	$ 297
Restricted cash	**137**	208
Intangible assets	**44**	43
Prepaid and other assets	**501**	397
	$ 951	$ 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 June 30, 2010	Dec. 31, 2009
Accounts payable	**$ 229**	$ 279
Insurance liabilities	**626**	721
Other liabilities	**977**	1,028
	$ 1,832	$ 2,028

Other liabilities include $190 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 JUNE 30, 2010 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	Net Asset Value	Financial Statement Allocation			Net Asset Value
	Total	Net Income	Other Comprehensive Income	Other Items [1]	Per Share
Opening equity value, April 1, 2010	$ 17,081	$ —	$ —	$ —	$ 29.09
Operating cash flow[2]	327	225	—	102	0.53
Less: preferred share dividends	(19)	—	—	(19)	n/a[5]
Fair value changes	58	46	12	—	0.09
Unrecognized values[3]	800	n/a	n/a	n/a	1.30
Foreign currency	(311)	—	(311)	—	(0.50)
Depreciation and amortization	(184)	(184)	—	—	(0.30)
Realization gains	(102)	—	—	(102)	(0.19)
Other	(92)	(51)	(17)	(24)	(0.20)
Total return – pre-tax	477	36	(316)	(43)	0.73
Common share dividends	(74)	—	—	(74)	(0.13)
Deferred income taxes[4]	n/a	53	(16)	—	n/a
Total change in value	403	89	(332)	(117)	0.60
Closing equity value	$ 17,484	$ 89	$ (332)	$ (117)	$ 29.69

1. Other items included in Statement of Changes in Equity
2. Includes a $102 million disposition gain on sale of shares that is recorded in equity as appraisal surplus.
3. Revaluation of items not reflected at fair value under IFRS
4. Net asset values presented on a pre-tax basis
5. 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, determined by management, to our net asset values to ensure that the tangible value of our assets and equity is updated at least annually.

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

(MILLIONS, EXCEPT PER SHARE AMOUNTS)	June 30, 2010		March 31, 2010		December 31, 2009	
	Total	**Per Share**	Total	Per Share	Total	Per Share
Common equity – per IFRS financial statements	**$ 11,695**	**$ 20.29**	$ 12,055	$ 20.93	$ 11,867	$ 20.57
Deferred income taxes	**2,789**	**4.53**	2,826	4.59	2,789	4.59
Pre-tax equity	**14,484**	**24.82**	14,881	25.52	14,656	25.16
Unrecognized values	**3,000**	**4.87**	2,200	3.57	2,050	3.37
	$ 17,484	**$ 29.69**	$ 17,081	$ 29.09	$ 16,706	$ 28.53

Valuation Methodology

Use of Management and Third Party Appraisals

Our tangible assets are generally held in public and private operating subsidiaries and various listed and unlisted funds. 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 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. All quarterly revaluations are prepared using management estimates.

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. 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 in the current period 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 second 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. For example, in aggregate, 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 share values by $3.75 billion, or $6.09 per share, for a total value of $35.78 per share. A corresponding 100-basis point increase would have the opposite effect on share 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	
	June 30, 2010	Dec. 31, 2009	**June 30, 2010**	Dec. 31, 2009	**June 30, 2010**	Dec. 31, 2009
Discount rate	**8.8%**	8.8%	**7.4%**	7.4%	**9.2%**	9.3%
Terminal capitalization rate	**6.9%**	6.9%	**6.6%**	6.7%	**7.6%**	7.8%
Exit date	**2020**	2019	**2020**	2019	**2020**	2019

Infrastructure

The valuation of our timber operations is based on independent appraisals. 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 based on the regulated rate base. In valuing our Chilean transmission business, key assumptions included a weighted average real discount rate and terminal capitalization rates 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 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, 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 value 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 business and asset management franchise, even though we believe these capabilities will contribute to additional cash flow growth and enhancement of our existing and future business activities.

The increase in value of renewable power assets reflects long-term contracts procured during the period on certain power development projects in Ontario. 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 they 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 special situations 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.

Our estimate of the aggregate unrecognized value increased to $3.0 billion at June 30, 2010 from $2.2 billion as at March 31, 2010 and $2.1 billion at year end.

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

RECONCILIATION OF SEGMENTED DISCLOSURE TO CONSOLIDATED FINANCIAL STATEMENTS

The information in this section enables the reader to reconcile the basis of presentation in our consolidated financial statements to the segmented basis employed in the Supplemental.

Balance Sheet

AS AT JUNE 30, 2010

(MILLIONS)	Renewable Power	Commercial Properties	Infrastructure	Development Activities	Special Situations	Cash and Financial Assets	Other Assets	Corporate	Consolidated Financial Statements
Assets									
Operating assets									
Property, plant and equipment	$ 12,974	$ 6	$ 1,241	$ 1	$ 2,432	$ —	$ 159	$ —	$ 16,813
Investment properties	—	16,631	212	1,398	1,009	—	—	—	19,250
Timber	—	—	2,488	363	80	—	—	—	2,931
Inventory	6	5	34	4,862	436	—	(1)	—	5,342
Investments	249	3,418	1,179	136	25	29	19	—	5,055
Cash and cash equivalents	192	339	66	317	421	15	68	—	1,418
Financial assets	(15)	1,055	13	(125)	231	2,087	—	—	3,246
Loans and notes receivable	—	—	—	—	1,610	151	—	—	1,761
Accounts receivable and other	1,052	746	112	1,218	879	—	1,140	—	5,147
Intangible assets	—	54	284	135	273	—	199	—	945
Goodwill	16	302	591	303	38	—	891	—	2,141
	14,474	22,556	6,220	8,608	7,434	2,282	2,475	—	64,049
Deferred tax asset	91	555	16	256	84	—	346	—	1,348
Total assets	**$ 14,565**	**$ 23,111**	**$ 6,236**	**$ 8,864**	**$ 7,518**	**$ 2,282**	**$ 2,821**	**$ —**	**$ 65,397**
Liabilities									
Corporate borrowings	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,625	$ 2,625
Non-recourse borrowings									
Property specific mortgages	3,687	9,442	1,967	2,511	1,819	113	—	—	19,539
Subsidiary borrowings	1,131	663	—	173	918	110	2	832	3,829
Accounts payable and other liabilities	674	883	198	1,495	1,107	273	836	1,875	7,341
Deferred tax liability	2,911	974	701	291	266	—	—	42	5,185
Interests of others in funds	915	—	122	—	—	—	—	—	1,037
Capital securities	—	1,001	—	—	—	—	—	627	1,628
Shareholders' equity									
Non-controlling interests	521	5,106	1,790	1,852	1,758	78	—	—	11,105
Preferred equity	—	—	—	—	—	—	—	1,413	1,413
Common equity	4,726	5,042	1,458	2,542	1,650	1,708	1,983	(7,414)	11,695
Total liabilities and shareholders' equity	**$ 14,565**	**$ 23,111**	**$ 6,236**	**$ 8,864**	**$ 7,518**	**$ 2,282**	**$ 2,821**	**$ —**	**$ 65,397**
Common equity	$ 4,726	$ 5,042	$ 1,458	$ 2,542	$ 1,650	$ 1,708	$ 1,983	$ (7,414)	$11,695
Deferred income taxes	2,819	84	27	54	66	—	(346)	85	2,789
Unrecognized values	800	—	300	750	800	—	350	—	3,000
Net asset value	**$ 8,345**	**$ 5,126**	**$ 1,785**	**$ 3,346**	**$ 2,516**	**$ 1,708**	**$ 1,987**	**$ (7,329)**	**$ 17,484**

Results from Operations

FOR THE SIX MONTHS ENDED JUNE 30, 2010

(MILLIONS)	Services	Renewable Power	Commercial Properties	Infrastructure	Development Activities	Special Situations	Investment Income / Gains	Corporate	Consolidated Financial Statements
Fees earned	$ 149	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 149
Revenues less direct operating costs									
Renewable power generation	—	403	—	—	—	—	—	—	403
Commercial properties	—	—	560	—	—	20	—	—	580
Infrastructure	—	—	—	104	—	1	—	—	105
Development activities	—	—	—	—	181	—	—	—	181
Special situations	—	—	—	—	—	178	—	—	178
Equity accounted investments	—	12	124	101	(1)	—	—	—	236
Investment and other income	—	—	63	1	7	78	166	—	315
	149	415	747	206	187	277	166	—	2,147
Expenses									
Interest	—	183	339	62	55	62	10	149	860
Operating costs	—	—	65	10	—	15	—	112	202
Current income taxes	—	9	4	1	21	6	—	5	46
Non-controlling interests	—	63	179	69	67	123	32	—	533
Operating cash flow	149	160	160	64	44	71	124	(266)	506
Disposition gains	—	102	—	—	1	84	—	—	187
Cash flow from operations	**$ 149**	**$ 262**	**$ 160**	**$ 64**	**$ 45**	**$ 155**	**$ 124**	**$ (266)**	**$ 693**

Results from Operations

FOR THE THREE MONTHS ENDED JUNE 30, 2010

(MILLIONS)	Services	Renewable Power	Commercial Properties	Infrastructure	Development Activities	Special Situations	Investment Income / Gains	Corporate	Consolidated Financial Statements
Fees earned	$ 78	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 78
Revenues less direct operating costs									
Renewable power generation	—	164	—	—	—	—	—	—	164
Commercial properties	—	—	291	—	—	10	—	—	301
Infrastructure	—	—	—	58	—	—	—	—	58
Development activities	—	—	—	—	110	—	—	—	110
Special situations	—	—	—	—	—	104	—	—	104
Equity accounted investments	—	5	67	51	(2)	—	—	—	121
Investment and other income	—	—	35	—	1	75	63	—	174
	78	169	393	109	109	189	63	—	1,110
Expenses									
Interest	—	93	174	32	18	37	5	74	433
Operating costs	—	—	41	5	—	9	—	54	109
Current income taxes	—	3	1	—	15	6	—	—	25
Non-controlling interests	—	26	87	38	39	108	20	—	318
Operating cash flow	78	47	90	34	37	29	38	(128)	225
Disposition gains	—	102	—	—	—	—	—	—	102
Cash flow from operations	**$ 78**	**$ 149**	**$ 90**	**$ 34**	**$ 37**	**$ 29**	**$ 38**	**$ (128)**	**$ 327**

Balance Sheet

AS AT DECEMBER 31, 2009

(MILLIONS)	Renewable Power	Commercial Properties	Infrastructure	Development Activities	Special Situations	Cash and Financial Assets	Other Assets	Corporate	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 SIX MONTHS ENDED JUNE 30, 2009

(MILLIONS)	Services	Renewable Power	Commercial Properties	Infrastructure	Development Activities	Special Situations	Investment Income / Gains	Corporate	Consolidated Financial Statements
Fees earned	$ 110	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 110
Revenues less direct operating costs									
Renewable power generation	—	419	—	—	—	—	—	—	419
Commercial properties	—	—	458	—	—	(1)	—	—	457
Infrastructure	—	—	—	49	—	—	—	—	49
Development activities	—	—	—	—	64	—	—	—	64
Special situations	—	—	—	—	—	72	—	—	72
Equity accounted investments	—	—	—	—	—	—	—	—	—
Investment and other income	—	11	151	44	3	105	185	—	499
	110	430	609	93	67	176	185	—	1,670
Expenses									
Interest	—	154	284	46	33	47	14	124	702
Operating costs	—	—	60	3	—	8	—	116	187
Current income taxes	—	12	4	12	2	6	(1)	6	41
Non-controlling interests	—	41	135	5	22	36	2	—	241
Operating cash flow	110	223	126	27	10	79	170	(246)	499
Disposition gains	—	29	19	7	—	—	(12)	—	43
Cash flow from operations	**$ 110**	**$ 252**	**$ 145**	**$ 34**	**$ 10**	**$ 79**	**$ 158**	**$ (246)**	**$ 542**

Results from Operations

FOR THE THREE MONTHS ENDED JUNE 30, 2009

(MILLIONS)	Services	Renewable Power	Commercial Properties	Infrastructure	Development Activities	Special Situations	Investment Income / Gains	Corporate	Consolidated Financial Statements
Fees earned	$ 58	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 58
Revenues less direct operating costs									
Renewable power generation	—	208	—	—	—	—	—	—	208
Commercial properties	—	—	241	—	—	(1)	—	—	240
Infrastructure	—	—	—	18	—	—	—	—	18
Development activities	—	—	—	(1)	74	1	—	—	74
Special situations	—	—	—	—	—	34	—	—	34
Equity accounted investments	—	—	—	—	—	—	—	—	—
Investment and other income	—	5	92	27	(4)	97	61	—	278
	58	213	333	44	70	131	61	—	910
Expenses									
Interest	—	82	156	21	16	21	7	64	367
Operating costs	—	—	34	3	—	6	—	48	91
Current income taxes	—	5	1	11	3	6	(1)	5	30
Non-controlling interests	—	20	72	1	29	27	2	—	151
Operating cash flow	58	106	70	8	22	71	53	(117)	271
Disposition gains	—	—	19	7	—	—	(3)	—	23
Cash flow from operations	**$ 58**	**$ 106**	**$ 89**	**$ 15**	**$ 22**	**$ 71**	**$ 50**	**$ (117)**	**$ 294**

Net Income

Net income is equal to "operating cash flow and gains" less "other items, net of non-controlling interests", which consists largely of non-cash items such as depreciation and amortization, provisions in respect of future tax liabilities and other provisions that we do not consider to be relevant in measuring operating cash flow performance.

Operating cash flow and gains is discussed in Part 1 – Review of Operations on a segmented basis, and are reconciled to a consolidated basis in the tables on pages 29 and 31 in this section.

Revaluation and Other Items, Net of Non-controlling Interests

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 JUNE 30 (MILLIONS)	**2010**	2009	**2010**	2009	Variance
Operating cash flow	**$ 327**	$ 294	**$ 327**	$ 294	$ 33
Less: deferred gains	**(102)**	(23)	**(102)**	(23)	(79)
	225	271	**225**	271	(46)
Other items					
Depreciation and amortization	**(208)**	(137)	**(184)**	(121)	(63)
Fair value changes	**(1)**	(887)	**(5)**	(574)	569
Deferred income taxes	**39**	92	**53**	82	(29)
Non-controlling interests	**34**	319	**—**	—	—
Net income attributable to common shareholders	**$ 89**	$ (342)	**$ 89**	$ (342)	$ 431

1. 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 JUNE 30 (MILLIONS)	**2010**	2009	**2010**	2009	Variance
Renewable power generation	**$ (130)**	$ (85)	**$ (130)**	$ (85)	$ (45)
Infrastructure	**(4)**	(2)	**(2)**	(1)	(1)
Development activities	**(8)**	(6)	**(7)**	(6)	(1)
Specialty situations	**(31)**	(18)	**(17)**	(10)	(7)
Other property, plant and equipment	**(35)**	(26)	**(28)**	(19)	(9)
	$ (208)	$ (137)	**$ (184)**	$ (121)	$ (63)

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 no longer 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 and increased during the quarter as new facilities in Brazil were commissioned during 2010 and depreciation in Canada and Brazil increased due to 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 JUNE 30 (MILLIONS)	**2010**	2009	**2010**	2009	Variance
Investment property (commercial office)	**$ 95**	$ (842)	**$ 46**	$ (544)	$ 590
Agriculture (timberlands and agrilands)	**(11)**	(2)	**—**	(3)	3
Interest rate contracts	**(36)**	100	**(36)**	100	(136)
Power contracts	**(59)**	(7)	**(59)**	(7)	(52)
Other	**10**	(136)	**44**	(120)	164
	$ (1)	$ (887)	**$ (5)**	$ (574)	$ 569

1. Net of non-controlling interests

Cautionary Statement Regarding Forward-Looking Statements

Note: 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," "expect," "believe," "objective," "continue," "enable," "expand," 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 Supplement 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; projections of power generation from existing facilities over the next five years; expected future refinancing, including of a C$400 million public bond; our ability to maintain or increase our net rental income in the coming years; our ability to lease more space in our Australian portfolio than is coming due; our ability to lease space as leases expire over the next five years, including to roll over space with existing tenants or locate replacement tenants, including with respect to a large lease with Bank of America/Merrill Lynch; our ability to finance and refinance our commercial office operations; future construction on Ninth Avenue property in New York City; development of City Square project in Perth and 100 Bishopsgate in London; our expectation of consistent revenue and margins in our utilities business, including increases with inflation and operational improvements; the impact of potential increases in commodity demand on our fee for service infrastructure businesses; global demand in our timber business; our expectation of investment returns from our restructuring funds; future growth of our construction services business, including scheduled work-in-hand activity; our assumptions and forecasts used in valuing our tangible assets; 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.