
Brookfield Investments Corporation

2009 ANNUAL REPORT

Brookfield Investments Corporation

Brookfield Investments Corporation holds investments in the forest products and property sectors, as well as a portfolio of preferred shares issued by companies in the Brookfield group. The common shares of Brookfield Investments are held by Brookfield Asset Management Inc., a global asset manager focused on property, power and infrastructure assets.

DIRECTORS

John P. Barratt¹
Corporate Director

Alan V. Dean
Senior Vice-President
Brookfield Asset Management Inc.

Howard Driman¹
Director of Finance
UIA Federations Canada

James L. Kelly¹
Corporate Director

Edward C. Kress
Group Chairman, Power
Brookfield Asset Management Inc.

OFFICERS

Edward C. Kress
Chairman and President

Sachin G. Shah
Vice-President and Chief Financial Officer

Lisa W. Chu
Vice-President and Controller

Catherine J. Johnston
Vice-President and Secretary

1 Member of the Audit Committee

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FORWARD-LOOKING INFORMATION

This annual report contains forward-looking information concerning the company's business and operations. The words "expects", "believes", "continue", "intends", "objective", "likely", and other expressions of similar import, or the negative variations thereof, and similar expressions of future or conditional verbs such as "can", "may", "will", "would", or "could" are predictions of or indicate future events, trends or prospects and which do not relate to historical matters or identify forward-looking information. Forward-looking information in this annual report includes, among others, statements with respect to our conversion plan for the adoption of International Financial Reporting Standards ("IFRS"), anticipated changes to our reported financial position and results of operations due to the adoption of IFRS, differences related to equity accounted investments as a result of the implementation of IFRS, potential differences in product cycles, the value of our investments, future income taxes, our ability to generate stable income returns and capital appreciation, fund cash requirements, satisfy share retractions, finance our obligations, determine fair values and other statements with respect to the company's beliefs, outlooks, plans, expectations and intentions.

Although the company believes that the anticipated future results or achievements expressed or implied by the forward-looking information and statements are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking information and statements 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 information and statements.

Factors that could cause actual results to differ materially from those contemplated or implied by the forward-looking information include general economic conditions, the behavior of financial markets including fluctuations in interest and exchange rates, the availability of equity and debt financing and other risks and factors detailed from time to time in the company's other documents filed with the Canadian securities regulators.

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

REPORT TO SHAREHOLDERS

Brookfield Investments Corporation reported a net loss for the year ended December 31, 2009 of \$130 million, compared to a net income of \$55 million for 2008. The results for 2009 reflect \$131 million of non-cash charges related to the company's forest product investments including a \$67 million provision for impairment against our investment in Fraser Papers Inc. which was recorded in the fourth quarter of 2009, and \$13 million of foreign exchange revaluation losses.

Net loss for the three months ended December 31, 2009 was \$73 million, compared to a net loss of \$5 million for the same period in 2008.

Panel board investments, held through Norbord Inc., contributed a net loss of \$8 million for 2009, compared with a net loss of \$45 million for 2008. Although demand and pricing for oriented strand board is still within a cyclical low, the company's loss position improved over the prior year as a result of overhead cost reductions and lower input prices. Other forest product investments, held through Fraser Papers Inc., contributed a net loss of \$56 million, compared to a net loss of \$36 million in 2008. The increased loss reflects an impairment charge taken by Fraser Papers Inc. relating to the ongoing restructuring of its operations. The company also recorded a \$67 million provision against its investment in Fraser Papers Inc.

Dividend and interest income for 2009 was \$29 million, down from \$69 million last year. The prior year included a \$31 million dividend declared by the Canary Wharf Group, plc in the first quarter of 2008. Canary Wharf does not pay regular dividends.

During the year, the company invested substantially all of its cash on deposit into 36.8 million common shares of Brookfield Properties Corporation at \$9.50 per share, increasing its interest from 5% to 11%.

Other loss for 2009 was \$11 million, down from an income of \$129 million last year due mainly to the revaluation of the company's Norbord exchangeable debentures, which were settled in the second quarter of 2009 and 2008.

On behalf of the Board:



Edward C. Kress
Chairman and President
March 29, 2010

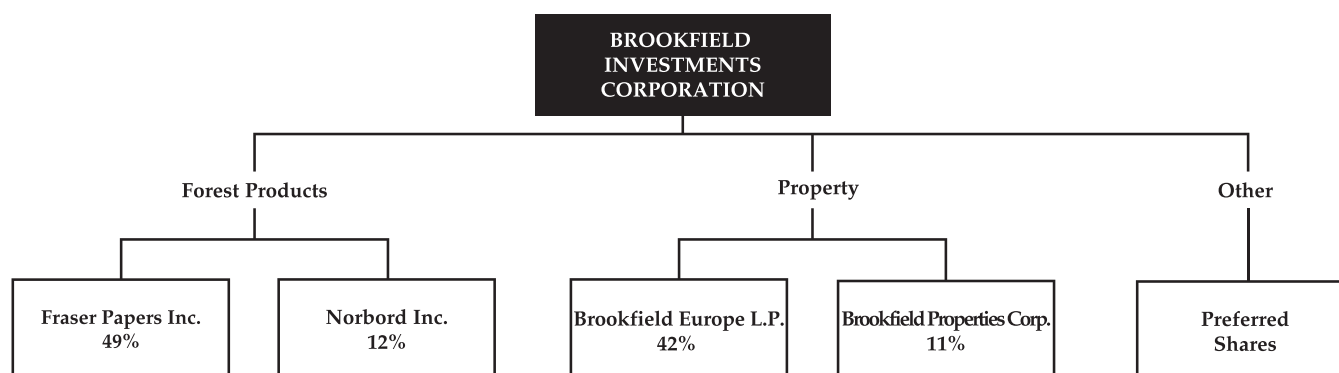
MANAGEMENT'S DISCUSSION & ANALYSIS

This section of our annual report includes management's discussion and analysis of our financial results ("MD&A") for 2009. The MD&A is intended to provide you with an assessment of our performance during 2009 compared to 2008, as well as information on our financial position and other relevant matters.

Brookfield Investments Corporation ("Brookfield Investments" or the "company") holds investments in the forest products and property sectors, as well as a portfolio of preferred shares issued by companies within the Brookfield group.

Brookfield Investments' principal investments as at December 31, 2009 are a 49% common share interest in Fraser Papers Inc. ("Fraser Papers"), a specialty paper and lumber company with operations in Canada and the United States; a 12% common share interest in Norbord Inc. ("Norbord"), a lumber and panelboard company with operations in Canada, the United States and the United Kingdom; a 42% limited partnership interest in Brookfield Europe L.P. ("Brookfield Europe"), which owns commercial office properties and property developments in Europe; and an 11% common share interest in Brookfield Properties Corporation ("Brookfield Properties"), a commercial property company with operations in Canada and the United States. Brookfield Investments also holds a preferred share portfolio, including preferred shares of the following companies: Brookfield Asset Management Inc. ("Brookfield"), BPO Properties Ltd. and Brookfield Properties Corporation.

The company's ownership interests in these investments are shown in the following chart:



The following analysis describes the components of the company's revenues and expenses in 2009, the related assets and liabilities, and the business environment for its operations.

The company's functional currency is the United States dollar ("U.S. dollar"), because most of its revenues are denominated in that currency and a significant portion of its investments have the U.S. dollar as their functional currency. Accordingly, its financial results are reported in U.S. dollars, and all financial information is presented in U.S. dollars unless otherwise indicated.

All financial data included in MD&A have been presented in accordance with Canadian generally accepted accounting principles.

The information in this section should be read in conjunction with the company's audited consolidated financial statements, which are included on pages 12 through 21 of this annual report. Additional information, including the company's Annual Information Form, is available on the company's web site at www.brookfieldinvestments.com and on SEDAR's web site at www.sedar.com.

INCOME ANALYSIS

Brookfield Investments reported a net loss for the year ended December 31, 2009 of \$130 million, compared to a net income of \$55 million for 2008. The results for 2009 reflect \$131 million of non-cash charges related to the company's forest product investments including a \$67 million provision for impairment against our investment in Fraser Papers which was recorded in the fourth quarter of 2009, and \$13 million of foreign exchange revaluation losses.

Net loss for the three months ended December 31, 2009 was \$73 million, compared to a net loss of \$5 million for the same period in 2008.

Panel board investments, held through Norbord, contributed a net loss of \$8 million for 2009, compared with a net loss of \$45 million for 2008. Although demand and pricing for oriented strand board is still within a cyclical low, the company's loss position improved over the prior year as a result of overhead cost reductions and lower input prices. Other forest product investments, held through Fraser Papers, contributed a net loss of \$56 million, compared to a net loss of \$36 million in 2008. The increased loss reflects an impairment charge taken by Fraser Papers relating to the ongoing restructuring of its operations. The company also recorded a \$67 million provision against its investment in Fraser Papers.

Foreign exchange losses of \$13 million were recorded for 2009, compared with gains of \$6 million for 2008. Foreign exchange gains and losses in the year resulted from the revaluation of non-U.S. dollar denominated deposits and investments.

Dividend and interest income for 2009 was \$29 million, down from \$69 million last year. The prior year included a \$31 million dividend declared by the Canary Wharf Group, plc in the first quarter of 2008. Canary Wharf does not pay regular dividends.

Other loss for 2009 was \$11 million, down from an income of \$129 million last year due mainly to the revaluation of the company's Norbord exchangeable debentures, which were settled in the second quarter of 2009 and 2008.

BALANCE SHEET ANALYSIS

Brookfield Investments' long-term investments at December 31, 2009 consisted of a 12% common share interest in Norbord, a 42% limited partnership interest in Brookfield Europe and an 11% common share interest in Brookfield Properties.

In August 2009, Brookfield Properties issued 109.3 million common shares pursuant to an equity offering. The company acquired 36.8 million common shares and accordingly increased its ownership from 5% at the end of 2008 to 11%.

On June 18, 2009 Fraser Papers announced a court-supervised restructuring under the Companies' Creditors Arrangement Act ("CCAA"). Fraser Papers continues to operate and remains in control of its assets and business operations. At the end of 2009, the company wrote off its remaining investment in Fraser Papers, with a carried value of \$67 million prior to the impairment.

In January 2009, Norbord issued 16.3 million common shares and 81.5 million warrants to shareholders pursuant to an agreement in connection with its 2008 rights offering. The company did not participate in the rights offering; accordingly, its ownership in Norbord decreased from 23% at the end of 2008 to 14%. During the second quarter of 2009, the company settled the remaining debentures exchangeable into Norbord shares through the delivery of 1 million common shares of Norbord, further reducing its ownership to 12%. The market value of the company's investment in Norbord amounted to \$72 million as at December 31, 2009 (December 31, 2008 – \$43 million). On October 13, 2009, Norbord's board of directors authorized the consolidation of all of Norbord's issued and outstanding common shares on the basis of one post-consolidation common share for every 10 pre-consolidation shares, effective October 16, 2009. All references to Norbord common shares presented in this section and the consolidated financial statements have been adjusted to reflect the common share consolidation.

Brookfield Europe was formed in December 2008 by Brookfield Asset Management Inc., the owner of all of Brookfield Europe's common shares, to combine all of Brookfield's European commercial

office property, property development and asset management activities into a single operating unit. In December 2008, the company sold its 15% indirect interest in Canary Wharf to Brookfield Europe, in return for a 42% limited partnership interest in Brookfield Europe.

Further information on Norbord is available through its web site at www.norbord.com.

Further information on Fraser Papers is available through its web site at www.fraserpapers.com.

Further information on Brookfield Properties is available through its web site at www.brookfieldproperties.com.

Loans receivable and payable includes funds on deposit with and borrowed from Brookfield, which bear interest at the prime rate on Canadian dollar deposits, and at LIBOR on U.S. dollar and British pound denominated balances and are available on demand.

The company holds a preferred share portfolio which provides stable cash flow and a source of capital to support its operations and future activities. The fair value of the portfolio as at December 31, 2009 was \$262 million compared with \$255 million at December 31, 2008. The composition of the company's securities portfolio as at December 31, 2009 is summarized below:

<i>US\$ millions, except number of shares</i>			Securities held at		Total
Security	Class	Shares	Cost ⁽¹⁾	Fair Value	Carrying Value
Great Lakes Holdings Inc.	Preferred shares	4,960,800	\$ 106	\$ —	\$ 106
BPO Properties Ltd.	Series K preferred shares	236	97	—	97
Brookfield Asset Management Inc.	Class A Series 14 preferred shares	350,000	—	27	27
Brookfield Asset Management Inc.	Class A Series 15 preferred shares	850,000	18	—	18
BPO Properties Ltd.	Series M preferred shares	760,000	—	9	9
BPO Properties Ltd.	Series J preferred shares	317,100	—	4	4
Brookfield Properties Corporation	Class AAA Series K preferred shares	20,000	—	1	1
			\$ 221	\$ 41	\$ 262

⁽¹⁾ Securities held at cost do not have a quoted price in an actively traded market

LIQUIDITY AND CAPITAL RESOURCES

The company generates sufficient cash flow from operations to fund its interest and dividend obligations. In addition, the company maintains funds on deposit and securities, which with varying degrees of timing, can be liquidated, and utilized to fund cash requirements. The company's sole common shareholder holds, directly and indirectly, \$660 million of the company's retractable preferred shares. The remaining \$40 million of retractable preferred shares are held by other holders, and satisfaction of any retractions can be made through the company's general cash resources or through the proceeds from the sale of assets.

The company's investments and deposits generated cash proceeds of \$29 million from the receipt of dividends for the year ended December 31, 2009, compared with \$69 million for the same period in 2008. The decrease in 2009 reflects lower interest rates in the company's floating rate investments, offset by additional dividend income earned on Brookfield Properties common shares acquired in the third quarter. The 2008 results also included a \$31 million interim dividend declared by the Canary Wharf Group, plc in the first quarter of 2008. Income from investments were utilized primarily for the payment of interest on the Norbord exchangeable debentures, which totalled \$1 million for the year ended December 31, 2009 (\$7 million for 2008), and dividends related to retractable preferred shares issued by the company, which totalled \$28 million for the year ended December 31, 2009 (\$29 million for 2008).

Dividends received from equity accounted investments are not included in income for accounting purposes as they are treated as a return of capital and therefore reduce the balance of the underlying investment.

The company utilized \$1 million of cash flow in operating activities for the year ended December 31, 2009, compared with \$25 million generated for the same period in 2008. Cash flow used in investing

activities amounted to \$350 million for the year ended December 31, 2009, compared with \$107 million generated for the same period in 2008. During 2009, the company acquired 36.8 million common shares of Brookfield Properties Corporation for \$350 million.

CONTRACTUAL OBLIGATIONS

The following table presents the contractual obligations of the company by payment periods:

US\$ millions	Payments Due by Period				
	Total	Less Than One Year	2 - 3 Years	4 - 5 Years	After 5 Years
Retractable preferred shares ⁽¹⁾					
Senior	\$ 142	\$ 142	\$ —	\$ —	\$ —
Junior	\$ 558	\$ 558	\$ —	\$ —	\$ —

⁽¹⁾ Retractable at the option of the holder, as described above under Liquidity and Capital Resources

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The company accounts for its long-term corporate investments in Norbord, Fraser Papers and Brookfield Europe on the equity basis. The excess of acquisition costs over the net underlying book value of these investments is considered to be goodwill. No goodwill has been recorded in the financial statements for the years ended December 31, 2009 and 2008. The company evaluates the carrying values of this excess for potential impairment on a regular basis in conjunction with its review of the carrying values of its overall investments.

In making decisions, Brookfield views its joint interests in Norbord collectively, rather than viewing its investment through the company as separate from its other holdings. Brookfield and the company hold shares in Norbord which collectively provide it with control of the underlying entity. Brookfield and the company share common officers who are privy to information that is available to a controlling shareholder and who have an ability to influence the strategic, financing, investing and operating activities of Norbord. Brookfield is the sole shareholder of the company, as well as the holder of the majority of Norbord common shares (73% as at December 31, 2009). Accordingly, the company's investment in Norbord is not viewed in isolation from Brookfield's holding in Norbord.

In determining the appropriate accounting treatment for its interest in Norbord, the company considered classification of its interest in Norbord as an available-for-sale security resulting in mark-to-market treatment with changes in value accumulating through other comprehensive income. This treatment seemed inappropriate given that the company's sole common shareholder has the ability to influence the underlying operations and that its officers share in insider information. Furthermore, using the market price to determine carrying value could result in a potentially misleading outcome whereby Norbord was generating net losses but extraneous factors such as perception of its industry's viability, liquidity position, future earnings capacity, capitalization and strategic position for future growth were increasing its share price. As a result, the company determined that equity accounting is the appropriate method to account for its investment in Norbord.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are required in the determination of cash flows and probabilities in assessing net recoverable amounts and net realizable values; assessing other than temporary impairments of long-term investments; tax and other provisions and fair values.

CHANGES IN ACCOUNTING POLICIES ADOPTED

(i) Goodwill and Intangible Assets

In February 2009, the CICA issued Handbook Section 3064, *Goodwill and Intangible Assets*, replacing Handbook Sections 3062, *Goodwill and Other Intangible Assets* and 3450, *Research and Development Costs*.

Various changes have been made to other sections of the CICA Handbook for consistency purposes. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition of intangible assets by profit-oriented enterprises. The new section became effective for the company on January 1, 2009, and has no impact on the consolidated financial statements.

(ii) Fair Value and Liquidity Risk Disclosure – Amendments to Financial Instruments – Disclosures

In June 2009, the CICA issued amendments to Section 3862, *Financial Instruments – Disclosures*, to provide improvements to fair value disclosures to align with disclosure rules established under United States GAAP and International Financial Reporting Standards (“IFRS”). The new rules result in enhanced fair value disclosures and require entities to assess the reliability and objectivity of the inputs used in measuring fair value. All financial assets and liabilities measured at fair value must be classified into one of three levels of a fair value hierarchy as follows: Level 1) unadjusted quoted prices in active markets for identical instruments; Level 2) inputs other than quoted prices that are observable for the asset or liability, directly or indirectly; and Level 3) inputs based on unobservable market data. Additionally, the amendments improve liquidity disclosure by requiring disclosure of maturities of derivative and non-derivative financial liabilities. These disclosures are included in Note 2 and Note 8 to the consolidated financial statements.

(iii) Impairment to Financial Assets – Amendment to Financial Instruments – Recognition and Measurement

On August 20, 2009, the CICA issued amendments to Section 3855, *Financial Instruments – Recognition and Measurement* to align with IFRS. The amendments include: 1) changing the categories into which debt instruments are required and permitted to be classified, 2) changing the impairment model for held-to-maturity instruments, and 3) requiring the reversal of impairment losses relating to available-for-sale debt instruments when the fair value of the debt instrument increases in a subsequent period. There was no impact on the consolidated financial statements as a result of these amendments.

(iv) Credit Risk and the Fair Value of Financial Assets and Liabilities

In January 2009, the Emerging Issues Committee issued Abstract No. 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* (“EIC-173”). EIC-173 requires an entity to determine the fair value of all financial instruments, including derivative instruments by taking into account the credit risk of the instrument. In particular, an entity is required to factor into fair value its own credit risk in addition to the credit risk of the counterparties to the instrument. EIC-173, which was effective for the company on January 1, 2009, did not have a material impact to the company’s consolidated financial statements and the related disclosures.

(v) Inventories

In September 2007, the CICA issued Section 3031, *Inventories*, replacing Section 3030, *Inventories*. This standard provides guidance on the determination of the cost of inventories and the subsequent recognition as an expense, including any write-down to net realizable value. This new standard became effective for the company on January 1, 2008. The impact of adopting this new standard was \$1 million increase to opening retained earnings.

SUMMARY OF FINANCIAL INFORMATION

The following table summarizes selected consolidated financial information of the company for the years ended December 31, 2009, 2008 and 2007:

US\$ million, except per share amounts	Years ended December 31		
	2009	2008	2007
(Loss) Income	\$ (50)	\$ 124	\$ (33)
Net (loss) income	(130)	55	(72)
Net (loss) income per common share	(2.82)	1.19	(1.55)
Total assets	1,133	1,062	1,447
Total long-term liabilities	700	681	708
Preferred share dividends paid per share			
Class 1 Senior Preferred Series A	\$ 1.03	\$ 1.10	\$ 1.09
Class 1 Junior Preferred Series A	1.24	1.24	1.24

The following table summarizes selected consolidated financial information of the company for the eight recently completed quarters:

US\$ millions, except per share amounts	2009				2008			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
(Loss) income	\$ —	\$ (73)	\$ 22	\$ 1	\$ 21	\$ 15	\$ 3	\$ 85
Net (loss) income	\$ (73)	\$ (82)	\$ 32	\$ (7)	\$ (5)	\$ 2	\$ 1	\$ 57
Net (loss) income per common share	\$ (1.59)	\$ (1.77)	\$ 0.70	\$ (0.16)	\$ (0.12)	\$ 0.06	\$ 0.01	\$ 1.24

Net loss during the fourth quarter of 2009 was \$73 million compared to net loss of \$5 million in the same period of 2008. The net loss in the fourth quarter of 2009 is mainly attributable \$79 million of non-cash charges from the companies' forest product investments. The 2008 results include \$28 million of revaluation gains related to its exchangeable debentures.

The company's outstanding common and retractable preferred shares are as follows:

	December 31, 2009	December 31, 2008
Common shares	46,040,326	46,040,326
Class 1 Senior Preferred Series A	5,990,785	5,990,785
Class 1 Junior Preferred Series A	17,999,718	17,999,718

RELATED PARTY TRANSACTIONS

A significant portion of the company's securities and financing transactions are conducted with Brookfield. At December 31, 2009, securities included \$262 million (December 31, 2008 – \$255 million) of securities of public and private companies in which Brookfield or its associates have direct or indirect equity interests. Loans receivable and payable includes funds on deposit with and borrowed from Brookfield, which bear interest at the prime rate on Canadian dollar deposits, and at LIBOR on U.S. dollar and British pound denominated balances and are available on demand. Dividend and interest income during the year from related party securities and deposits totalled \$29 million (2008 – \$37 million).

ASSESSMENT AND CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Management has evaluated the effectiveness of the company's internal control over financial reporting. There have been no changes in our internal control over financial reporting during the year ended December 31, 2009 that have materially affected, or are reasonably likely to affect the internal control over financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES

Brookfield Investments maintains appropriate information systems, procedures and controls to ensure that new information disclosed externally is complete, reliable and timely. The company's President and the Chief Financial Officer evaluated the effectiveness of the company's disclosure controls and procedures (as defined in "Multilateral Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings") as at December 31, 2009 and have concluded that the disclosure controls and procedures are operating effectively.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Accounting Standards Board confirmed in February 2008 that IFRS will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The company has developed and is in the process of implementing an IFRS conversion plan that will address changes in accounting policy, the restatement of comparative periods, organizational and internal control and the modification of existing systems, in addition to other related business matters. This plan remains on track and the company expects to complete its implementation of this

plan prior to the filing of its first financial statement prepared under IFRS. Overall responsibility for the implementation and success of the company's conversion plan rests with the company's senior financial management who report to and are overseen by the company's Audit Committee.

(i) Significant differences between IFRS and Canadian GAAP

IFRS are premised on a conceptual framework similar to Canadian GAAP, however, significant differences exist in certain matters of recognition, measurement and disclosure. The adoption of IFRS will not change the cash flows generated by the company, however, the adoption of IFRS may result in changes to the reported financial position and results of operations of the company.

A detailed analysis of the differences between IFRS and the company's current accounting policies under Canadian GAAP is currently in process. At this time, the following significant differences between Canadian GAAP and IFRS have been identified by the Company:

- *Available-for-sale equity securities not traded in an active market*
From time-to-time, the company holds investments in equity securities classified as available-for-sale that do not have a quoted price in an active market. Under Canadian GAAP these securities are recorded at cost. However, under IFRS where the fair value of such securities can be reliably measured, such securities are recorded at their estimated fair value. Changes in fair value are recorded within comprehensive income in the period of change.
- *Differences related to equity accounted investments*
The company has determined that it has significant influence over certain of its investments and accordingly uses the equity method to account for these investments. These investments include Norbord, Fraser Papers, and Brookfield Europe. Under IFRS the company expects to continue to equity account for these investments, however, the equity earnings or losses the company recognizes related to its investment in these companies will be determined in accordance with IFRS. The company expects that Brookfield Europe will account for its investment properties at fair value under IAS 40 *Investment Property*. Accordingly, any change in the fair value of the investment properties held by Brookfield Europe L.P. will be recorded in income by the company in the period of the change, the impact of which may be materially different than would otherwise be reported under Canadian GAAP. Other differences identified by these investees in determining their results in accordance with IFRS will also affect both the company's equity earnings and carrying amounts of its investments.

The company is currently in the process of quantifying the impact of these differences. Additional differences significant to the company may be identified as the company continues to complete its analysis.

(ii) *IFRS 1 First-time Adoption of International Financial Reporting Standards*

The adoption of IFRS requires the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity apply all standards effective at the end of its first IFRS reporting period retrospectively. However, IFRS 1 does require certain mandatory exceptions and provides limited optional exemptions in specified areas of certain standards from this general requirement. However, we do not expect such exemptions to be significant to our adoption of IFRS.

BUSINESS RISKS AND OUTLOOK

Brookfield Investments' forest product investments are cyclical. Fluctuations in the general level of economic activity in the world's major economies influence the demand for and prices of the various products produced by its investee companies, although the cycles for individual products may be at different phases at any time. The company's earnings from this sector are particularly sensitive to changes in the prices of panelboards and paper. The company's commercial property investments are subject to general economic conditions as well as risks specifically associated with the commercial property market. The company is also subject to exchange rate risk since its earnings from Brookfield Europe are denominated in pounds sterling. A further discussion on the risks associated with each of the company's investments is included in Management's Discussion and Analysis in each of their respective annual reports, which can be accessed through SEDAR at www.sedar.com or through their web sites as provided earlier in this report.



Sachin G. Shah
Vice-President and Chief Financial Officer
March 29, 2010

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements and other financial information in this Annual Report have been prepared by the company's management which is responsible for their integrity, consistency, objectivity and reliability. To fulfill this responsibility, the company maintains policies, procedures and systems of internal control to ensure that its reporting practices and accounting and administrative procedures are appropriate to provide a high degree of assurance that relevant and reliable financial information is produced and assets are safeguarded. These controls include the careful selection and training of employees, the establishment of well-defined areas of responsibility and accountability for performance and the communication of policies and code of conduct throughout the company. These consolidated financial statements have been prepared in conformity with Canadian generally accepted accounting principles, and where appropriate, reflect estimates based on management's judgment. The financial information presented throughout this Annual Report is generally consistent with the information contained in the accompanying consolidated financial statements.

Deloitte & Touche LLP, the independent auditors appointed by the shareholders, have examined the consolidated financial statements set out on pages 12 through 21 in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out below.

The consolidated financial statements have been further reviewed and approved by the Board of Directors acting through its Audit Committee, which is comprised of directors who are not officers or employees of the company. The Audit Committee, which meets with the auditors and management to review the activities of each and reports to the Board of Directors, oversees management's responsibilities for the financial reporting and internal control systems. The auditors have full and direct access to the Audit Committee and meet periodically with the committee both with and without management present to discuss their audit and related findings.

Toronto, Canada
March 29, 2010



Sachin G. Shah
Vice-President and Chief Financial Officer

AUDITORS' REPORT

TO THE SHAREHOLDERS OF BROOKFIELD INVESTMENTS CORPORATION

We have audited the consolidated balance sheets of Brookfield Investments Corporation (the "company") as at December 31, 2009 and 2008 and the consolidated statements of operations, comprehensive income (loss), accumulated other comprehensive loss, deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
March 29, 2010



Chartered Accountants
Licensed Public Accountants

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

<i>As at December 31 (US\$ millions)</i>	Note	2009	2008
Assets			
Loans receivable	3	\$ —	\$ 341
Securities	3	262	255
Investments			
Brookfield Properties Corporation	4	672	143
Brookfield Europe L.P.	4	119	96
Norbord Inc.	4	80	103
Fraser Papers Inc.	4	—	124
		\$ 1,133	\$ 1,062
Liabilities			
Deposits payable	3	\$ 5	\$ —
Accounts payable		9	30
Retractable preferred shares	5	700	681
Shareholders' equity	6	419	351
		\$ 1,133	\$ 1,062

On behalf of the Board:



Edward C. Kress
Director



John P. Barratt
Director

CONSOLIDATED STATEMENTS OF OPERATIONS

<i>Years ended December 31 (US\$ millions, except per share amounts)</i>	<i>Note</i>	2009	2008
Income			
Equity accounted income from Brookfield Europe L.P.		\$ 9	\$ 1
Equity accounted loss from Norbord Inc.		(8)	(45)
Equity accounted loss from Fraser Papers Inc.		(56)	(36)
Dividend and interest income		29	69
Foreign exchange (loss) gain		(13)	6
Other (loss) income		(11)	129
		(50)	124
Expenses			
Interest		30	36
Corporate		—	1
Provision for impairment		67	—
		97	37
Net (loss) income before income taxes		(147)	87
Income tax recovery (expense)		17	(32)
Net (loss) income		\$ (130)	\$ 55
Net (loss) income per common share	6	\$ (2.82)	\$ 1.19

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

<i>Years ended December 31 (US\$ millions)</i>	2009	2008
Net (loss) income	\$ (130)	\$ 55
Other comprehensive income (loss)		
Foreign currency translation, net of tax	9	(24)
Available-for-sale securities	186	(253)
Equity pick-up from subsidiaries	3	(5)
	198	(282)
Comprehensive income (loss)	\$ 68	\$ (227)

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS

<i>Years ended December 31 (US\$ millions)</i>	2009	2008
Balance, beginning of year	\$ (402)	\$ (120)
Other comprehensive income (loss)	198	(282)
Balance, end of year	\$ (204)	\$ (402)

CONSOLIDATED STATEMENTS OF DEFICIT

<i>Years ended December 31 (US\$ millions)</i>	<i>Note</i>	2009	2008
Deficit, beginning of year		\$ (291)	\$ (347)
Change in accounting policy	1	—	1
Net (loss) income		(130)	55
Deficit, end of year		\$ (421)	\$ (291)

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>Years ended December 31 (US\$ millions)</i>	Note	2009	2008
Cash flow from (used in) operating activities			
Net (loss) income		\$ (130)	\$ 55
Adjusted for the following:			
Dividends received from equity accounted investments		—	21
Equity accounted losses		55	80
Provision for impairment		67	—
Future income tax provisions		(17)	32
Net change in non-cash items		24	(163)
		(1)	25
Cash flow from (used in) investing activities			
Investment in Brookfield Properties		(350)	—
Investment in Fraser Papers Inc.		—	(29)
Investment in Norbord Inc.		—	(22)
Net proceeds on sale of Canary Wharf Group		—	158
		(350)	107
Cash and deposits receivable (payable)			
(Decrease) / Increase		(351)	132
Impact of foreign exchange		5	(21)
Balance, beginning of year		341	230
Balance, end of year		\$ (5)	\$ 341

Supplemental information

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

Basis of Presentation

These consolidated financial statements of Brookfield Investments Corporation ("Brookfield Investments" or the "company") include the accounts of the company and its wholly-owned subsidiaries BPO LCB Inc., Brookfield Investments International Corporation and, until December 2008, Brookfield Holdings (Luxembourg) S.A. All intercompany transactions and balances have been eliminated.

The company's functional and reporting currency is U.S. dollars.

Loans Receivable

Loans receivable are carried at amortized cost using the effective interest method less applicable allowances for doubtful accounts. The company places surplus cash on deposit with its parent, Brookfield Asset Management Inc. ("Brookfield") at market interest rates. These deposits are available on demand and are used by the company to fund its cash requirements.

Securities

Securities are classified as available-for-sale financial instruments and are recorded at fair value. Equity instruments that do not have a quoted market price from an active market are carried at cost.

Long-Term Corporate Investments

The company accounts for its long-term corporate investments in Norbord Inc. ("Norbord"), Fraser Papers Inc. ("Fraser Papers") and Brookfield Europe L.P. ("Brookfield Europe") on the equity basis for periods under significant influence. The excess of acquisition costs over the underlying net book value of these investments is considered to be goodwill. The company periodically evaluates the carrying value of this excess for potential impairment in conjunction with its review of the carrying values of its overall investments.

The company account for its investment in Brookfield Properties Corporation ("Brookfield Properties") as available-for-sale securities with dividends generally being recognized as income on the record date.

Foreign Currency Translation

Foreign currency denominated monetary assets and liabilities of the company are translated at the rate of exchange prevailing at the period end and revenues and expenses at average rates during the period. Gains and losses on translation of these items are included in income. Foreign currency gains and losses on the company's long-term investments are included in the cumulative translation adjustment account in other comprehensive income, which is a separate component of shareholders' equity.

Deferred Financing Costs

Costs incurred in connection with the arrangement of financing of held-for-trading financial instruments are expensed as incurred. For other financial instruments, transaction trading costs are capitalized on initial recognition and amortized using the effective interest method.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Significant estimates are required in the determination of cash flows and probabilities in assessing net recoverable amounts and net realizable values; assessing other than temporary impairments of long-term investments; tax and other provisions; and fair values. Actual results could differ from those estimates.

Changes in Accounting Policies Adopted During 2009 and 2008

(i) Goodwill and Intangible Assets

In February 2009, the CICA issued Handbook Section 3064, *Goodwill and Intangible Assets*, replacing Handbook Sections 3062, *Goodwill and Other Intangible Assets* and 3450, *Research and Development Costs*. Various changes have been made to other sections of the CICA Handbook for consistency purposes. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition of intangible assets by profit-oriented enterprises. The new section became effective for the company on January 1, 2009, and has no impact on the consolidated financial statements.

(ii) Fair Value and Liquidity Risk Disclosure – Amendments to Financial Instruments – Disclosures

In June 2009, the CICA issued amendments to Section 3862, *Financial Instruments – Disclosures* to provide improvements to fair value disclosures to align with disclosure rules established under United States GAAP and International Financial Reporting Standards (“IFRS”). The new rules result in enhanced fair value disclosures and require entities to assess the reliability and objectivity of the inputs used in measuring fair value. All financial assets and liabilities measured at fair value must be classified into one of three levels of a fair value hierarchy as follows: Level 1) unadjusted quoted prices in active markets for identical instruments; Level 2) inputs other than quoted prices that are observable for the asset or liability, directly or indirectly; and Level 3) inputs based on unobservable market data. Additionally, the amendments improve liquidity disclosure by requiring disclosure of maturities of derivative and non-derivative financial liabilities. These disclosures are included in Note 2 and Note 8 to the consolidated financial statements.

(iii) Impairment to Financial Assets – Amendment to Financial Instruments – Recognition and Measurement

On August 20, 2009, the CICA issued amendments to Section 3855, *Financial Instruments – Recognition and Measurement* to align with IFRS. The amendments include: 1) changing the categories into which debt instruments are required and permitted to be classified, 2) changing the impairment model for held-to-maturity instruments, and 3) requiring the reversal of impairment losses relating to available-for-sale debt instruments when the fair value of the debt instrument increases in a subsequent period. There was no impact on the consolidated financial statements as a result of these amendments.

(iv) Credit Risk and the Fair Value of Financial Assets and Liabilities

In January 2009, the Emerging Issues Committee issued Abstract No. 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* (“EIC-173”). EIC-173 requires an entity to determine the fair value of all financial instruments, including derivative instruments by taking into account the credit risk of the instrument. In particular, an entity is required to factor into fair value its own credit risk in addition to the credit risk of the counterparties to the instrument. EIC-173, which was effective for the company on January 1, 2009, did not have a material impact to the company’s consolidated financial statements and the related disclosures.

(v) Inventories

In September 2007, the CICA issued Section 3031, *Inventories*, replacing Section 3030, *Inventories*. This standard provides guidance on the determination of the cost of inventories and the subsequent recognition as an expense, including any write-down to net realizable value. This new standard became effective for the company on January 1, 2008. The impact of adopting this new standard was \$1 million increase to opening retained earnings.

Future Changes in Accounting Policies

(i) International Financial Reporting Standards (“IFRS”)

The Accounting Standards Board confirmed in February 2008 that IFRS will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The company has developed and is in the process of implementing an IFRS conversion plan that will address changes in accounting policy, the restatement of comparative periods, organizational and internal control and the modification of existing systems, in addition to other related business matters.

(ii) *Business Combinations, Consolidated Financial Statements and Non-controlling Interests*

In January 2009, the CICA issued three new accounting standards, Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests*. Section 1582 provides clarification as to what an acquirer must measure when it obtains control of a business, the basis of valuation and the date at which the valuation should be determined. Acquisition-related costs must be accounted for as expenses in the periods they are incurred, except for costs incurred to issue debt or share capital. This new standard will be applicable for acquisitions completed on or after November 1, 2011 although adoption in 2010 is permitted to facilitate the transition to IFRS in 2011. Section 1601 establishes standards for preparing consolidated financial statements after the acquisition date and Section 1602 established standards for the accounting and presentation of non-controlling interest. These standards must be adopted concurrently with Section 1582.

2. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or ask prices, as appropriate, in the most advantageous active market for that instrument to which the company has immediate access. Where bid and ask prices are unavailable, the closing price of the most recent transaction of that instrument is used. In the absence of an active market, fair values are determined based on prevailing market rates (bid and ask prices, as appropriate) for instruments with similar characteristics and risk profiles or internal or external valuation models, such as option pricing models and discounted cash flow analysis, using observable market inputs.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those assumptions, the company looks primarily to external readily observable market inputs including factors such as interest rate yield curves, currency rates, and price and rate volatilities as applicable. In limited circumstances, the company uses input parameters that are not based on observable market data and believes that using possible alternative assumptions will not result in significantly different fair values.

Financial instruments classified or designated as held-for-trading or available-for-sale are typically carried at fair value on the consolidated balance sheets. Equity instruments designated as available-for-sale that do not have a quoted market price from an active market are carried at cost. The carrying amount of available-for-sale financial assets that do not have a quoted market price was \$221 million at December 31, 2009 (December 31, 2008 - \$221 million). Any changes in the fair values of financial instruments classified as held-for-trading or available-for-sale are recognized in net income or other comprehensive income, respectively. The cumulative changes in the fair values of available-for-sale securities previously recognized in accumulated other comprehensive income are reclassified to net income when the underlying security is either sold or there is a decline in value that is considered to be other than temporary.

Available-for-sale securities measured at fair value or cost are assessed for impairment at each reporting date. As at December 31, 2009, unrealized losses in the fair values of available-for-sale securities measured at fair value amounted to \$166 million. Unrealized gains and losses for debt securities are primarily due to changing interest rates and for equity securities, are due to changes in market prices and foreign exchange movements. As at December 31, 2009, the company did not consider any investments to be other than temporarily impaired.

Dividends on available-for-sale equity instruments are recognized as part of investment and other income when the company's right to receive payment is established. Interest on available-for-sale financial assets is calculated using the effective interest method and recognized in the income statement as part of investment and other income.

Considering the hierarchy included within Section 3862, all of the company's assets measured at fair value are categorized as Level 1, by which the fair value measurements are determined from quoted prices (unadjusted) in active markets.

3. LOANS RECEIVABLE, SECURITIES AND DEPOSITS PAYABLE

Loans receivable and deposits payable include funds due / payable on demand from / to companies under common control.

The company holds a preferred share portfolio which provides stable cash flow and a source of capital to support its operations and future activities. The fair value of the portfolio as at December 31, 2009 was \$262 million compared with \$255 million at December 31, 2008. The composition of the company's securities portfolio as at December 31, 2009 and 2008 is summarized below:

		2009			
<i>US\$ millions, except number of shares</i>		Securities held at			Total
Security	Class	Shares	Cost ⁽¹⁾	Fair Value	Carrying Value
Great Lakes Holdings Inc.	Preferred shares	4,960,800	\$ 106	\$ —	\$ 106
BPO Properties Ltd.	Series K preferred shares	236	97	—	97
Brookfield Asset Management Inc.	Class A Series 14 preferred shares	350,000	—	27	27
Brookfield Asset Management Inc.	Class A Series 15 preferred shares	850,000	18	—	18
BPO Properties Ltd.	Series M preferred shares	760,000	—	9	9
BPO Properties Ltd.	Series J preferred shares	317,100	—	4	4
Brookfield Properties Corporation	Class AAA Series K preferred shares	20,000	—	1	1
			\$ 221	\$ 41	\$ 262

		2008			
<i>US\$ millions, except number of shares</i>		Securities held at			Total
Security	Class	Shares	Cost ⁽¹⁾	Fair Value	Carrying Value
Great Lakes Holdings Inc.	Preferred shares	4,960,800	\$ 106	\$ —	\$ 106
BPO Properties Ltd.	Series K preferred shares	236	97	—	97
Brookfield Asset Management Inc.	Class A Series 14 preferred shares	350,000	—	25	25
Brookfield Asset Management Inc.	Class A Series 15 preferred shares	850,000	18	—	18
BPO Properties Ltd.	Series M preferred shares	760,000	—	6	6
BPO Properties Ltd.	Series J preferred shares	317,100	—	2	2
Brookfield Properties Corporation	Class AAA Series K preferred shares	20,000	—	1	1
			\$ 221	\$ 34	\$ 255

⁽¹⁾ Securities held at cost do not have a quoted price in an actively traded market

During the year ended December 31, 2009, net investment income earned on balances with affiliates amounted to \$29 million (2008 - \$37 million).

The fair value of the loans receivable and deposits payable approximated their carrying value as at December 31, 2009 and 2008.

4. LONG-TERM CORPORATE INVESTMENTS

The company owns 55,404,605 common shares (2008 - 18,562,500) of Brookfield Properties, representing an 11% interest (2008 - 5%).

The company owns 24,754,879 common shares (2008 - 24,754,879) of Fraser Papers, representing a 49% interest (2008 - 49%).

The company owns 5,203,402 common shares (2008 - 6,203,402) of Norbord, which represents a 12% interest (2008 - 23%). The market value of the investment in Norbord amounted to \$72 million as at December 31, 2009 (December 31, 2008 - \$43 million). On October 13, 2009, Norbord's board of directors authorized the consolidation of all of Norbord's issued and outstanding common shares on the basis of one post-consolidation common share for every 10 pre-consolidation shares, effective October 16, 2009. All references to Norbord common shares presented in the consolidated financial statements have been adjusted to reflect the common share consolidation.

The company owns a 42% (2008 - 42%) limited partnership interest in Brookfield Europe.

5. RETRACTABLE PREFERRED SHARES

The company's Authorized Share Capital includes two classes of retractable preferred shares:

- (i) unlimited Class 1 Senior Preferred shares issuable in series; and
- (ii) unlimited Class 1 Junior Preferred shares issuable in series.

<i>US\$ millions, except number of shares</i>	December 31 2009	December 31 2008
5,990,785 Class 1 Senior Preferred Shares, Series A (2008 - 5,990,785)	\$ 142	\$ 123
17,999,718 Class 1 Junior Preferred Shares, Series A (2008 - 17,999,718)	558	558
	\$ 700	\$ 681

The retractable preferred shares are retractable at the option of the holder and, accordingly, are liabilities for accounting purposes.

The following rights and privileges apply to the outstanding Class 1 Senior Preferred shares:

- (i) entitlement to cumulative quarterly dividends calculated on the issue price of C\$25.00 per share at a fixed rate of 4.70% per annum.
- (ii) in the case of the Senior Preferred shares Series A, redeemable at the option of the company or the holder at C\$25.00 per share plus accrued and unpaid dividends thereon.

The following rights and privileges apply to the outstanding Class 1 Junior Preferred shares:

- (i) entitlement to non-cumulative quarterly dividends calculated on the issue price of \$31.00 per share at 4%, as and when declared by the board of directors of the company; and
- (ii) redeemable at the option of the company or the holder at any time at \$31.00 per share plus declared and unpaid dividends thereon.

6. SHAREHOLDERS' EQUITY

The company's authorized share capital includes an unlimited number of common shares.

Issued and Outstanding:

<i>US\$ millions, except number of shares</i>	December 31 2009	December 31 2008
46,040,326 Common shares (2008 - 46,040,326)	\$ 1,044	\$ 1,044
Deficit	(421)	(291)
Accumulated other comprehensive loss	(204)	(402)
	\$ 419	\$ 351

The common shares of the company are redeemable at the option of the holder for 95% of the net asset value at the time of redemption.

7. INCOME TAXES

Brookfield Investments qualifies and intends to continue to qualify as a mutual fund corporation under the Income Tax Act (Canada) (the "Act"), and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. The company is generally subject to a tax at 33 1/3% under Part IV of the Act on taxable dividends received. This tax is fully refundable upon payment of sufficient dividends.

The company's future tax liability relates primarily to temporary differences in subsidiary companies that are not mutual fund corporations. These temporary differences are principally comprised of differences between the carrying amount and the tax basis of share investments and loans.

Included in the future income tax liability balance of \$9 million are future income tax assets related to non-capital losses available to reduce taxable income which may arise in the future. The company has future income tax assets of \$2 million that relate to non-capital losses which expire over the next 20 years.

The effective tax rate of 22.12% differs from the statutory rate of 33.0% due to the non-recognition of certain temporary differences due to its mutual fund corporation status and non-taxable/non-deductible items including dividends, gains and losses related to sales transactions and foreign exchange translations.

8. RISK MANAGEMENT

The company's investments expose it to a variety of market risks, including currency risk, interest rate risk, and equity risk.

Market risk arises from changes in market factors such as interest rates, foreign exchange rates, and equity prices. The company is exposed to market risk through its securities and long-term investments. The following is a description of these risks and how management evaluates and monitors the exposure to them.

Interest Rate Risk

Interest rate risk is the risk of loss due to changes in interest rates, including changes in the risk-free rate and credit spreads. The company is exposed to interest rate risk through its investments in floating rate securities and loans receivable.

Based on the company's net floating interest rate position, a 50 basis point increase (decrease) in interest rates across all currencies and maturities would increase (decrease) the company's net income for the year ended December 31, 2009 by approximately \$1.3 million before tax.

Foreign Exchange Risk

Foreign exchange risk is the risk of variability due to changes in spot and forward rates, and the volatility of currency exchange rates. The company is exposed to currency risk in respect of foreign denominated securities and loans receivable.

The company is subject to foreign currency risk on the distributions resulting from investments in foreign denominated securities and loans receivable. The company mitigates the adverse effects of changes in the foreign currency by borrowing and issuing preferred shares denominated in foreign currencies.

A one per cent increase (decrease) in the U.S. dollar against all the currencies in which the company operates would decrease (increase) the company's net income for the year ended December 31, 2009 by approximately \$0.6 million before tax, primarily from exposure to the Canadian dollar and British pound.

Equity Risk

Equity risk is the risk of loss due to movements in equity prices. The company's primary exposure to equity risk is through its investments in securities and long-term investments in Brookfield Properties. A one percent change in the market value would change the fair value of the company's equity investments recorded in other comprehensive income by \$7.1 million, before tax.

Liquidity Risk

The company generates sufficient cash flow from operations to fund its interest expense obligations. In addition, the company maintains a portfolio of securities and has funds on deposit, which with varying degrees of timing, can be liquidated, and utilized to fund cash requirements. The company's sole common shareholder holds, directly and indirectly, \$660 million of the company's retractable preferred shares. The remaining \$40 million of retractable preferred shares are held by third parties, and satisfaction of any retractions can be made through the company's general cash resources or through proceeds from the sale of assets.

The following table presents the contractual obligations of the company by payment periods:

<i>US\$ millions</i>	Payments Due by Period				
	Total	Less Than One Year	2 - 3 Years	4 - 5 Years	After 5 Years
Retractable preferred shares ⁽¹⁾					
Senior	\$ 142	\$ 142	\$ —	\$ —	\$ —
Junior	\$ 558	\$ 558	\$ —	\$ —	\$ —

⁽¹⁾ Retractable at the option of the holder, as described above under Liquidity and Capital Resources

9. RELATED PARTY TRANSACTIONS

A significant portion of the company's securities and financing transactions are conducted with Brookfield. At December 31, 2009, securities included \$262 million (December 31, 2008 – \$255 million) of securities of public and private companies in which Brookfield or its associates have direct or indirect equity interests. Loans receivable and payable includes funds on deposit with and borrowed from Brookfield, which bear interest at the prime rate on Canadian dollar deposits, and at LIBOR on U.S. dollar and British pound denominated balances and are available on demand. Dividend and interest income during the year from related party securities and deposits totalled \$29 million (2008 – \$37 million).

10. CAPITAL MANAGEMENT

The company's objective is to provide its shareholders with stable income returns and capital appreciation. The company's assets are financed primarily with common shares and \$700 million of retractable preferred shares. The authorized share capital of the company consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. As at December 31, 2009, there were 46,040,326 common shares, 5,990,785 Class 1 Series A Senior preferred shares, and 17,999,718 Class 1 Series A Junior preferred shares issued and outstanding. There have been no changes in the company's issued and outstanding capital during the years ended December 31, 2009 and 2008.

11. OTHER INFORMATION

- (i) The company and its associates arrange investment transactions between themselves without transaction costs and all such transactions are at normal market terms.
- (ii) Cash interest paid for the year ended December 31, 2009 was \$30 million (2008 - \$36 million).

CORPORATE INFORMATION

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YEAR END

December 31

STOCK EXCHANGE LISTING

The Class 1 Senior Preferred Shares, Series A, of Brookfield Investments Corporation are listed on the Toronto Stock Exchange under the symbol **BRN.PR.A**

Brookfield Investments Corporation

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