

BROOKFIELD PROPERTIES CORPORATION

(incorporated under the laws of Canada)

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual and Special Meeting of Shareholders of **Brookfield Properties Corporation** (the "Corporation") will be held on Wednesday, April 29, 1998 in the Glenn Gould Studio, Canadian Broadcasting Corporation, 250 Front Street West, Toronto, Ontario at 10:00 a.m., Toronto time, for the following purposes:

1. to receive the annual report to shareholders, including the consolidated financial statements of the Corporation for the fiscal year ended December 31, 1997, together with the report of the auditors thereon;
2. to consider and, if thought advisable, to pass a special resolution (the "Special Resolution") approving an amendment to the articles of the Corporation to increase the number of directors of the Corporation from 12 to 15;
3. to elect directors;
4. to consider and, if thought advisable, to pass a resolution (the "MSOP Resolution") approving the Corporation's amended Management Share Option Plan and the amendment of all outstanding share options to reflect the terms of the amended Management Share Option Plan;
5. to appoint auditors and to authorize the directors to fix the remuneration to be paid to the auditors; and
6. to transact such other business as may properly come before the meeting or any adjournment thereof.

The Special Resolution and MSOP Resolution are attached as Schedule A and B, respectively, to the management proxy circular (the "Circular") accompanying this Notice. The attached Circular provides additional information relating to the matters to be dealt with at the meeting and is incorporated into and forms part of this Notice.

If you are unable to be present at the meeting, please exercise your right to vote by signing and returning the enclosed form of proxy in the envelope provided for that purpose to CIBC Mellon Trust Company, P.O. Box 12005, Station BRM B, Toronto, Ontario M7Y 2K5 (courier address: 393 University Avenue, 5th Floor, Toronto, Ontario M5G 2M7), so as to arrive not later than the close of business on Monday, April 27, 1998 or, if the meeting is adjourned, 48 hours (excluding Saturdays and holidays) before any adjournment of the meeting.

By Order of the Board of Directors

Toronto, Canada
March 27, 1998

Steven J. Douglas
Senior Vice President & Chief Financial Officer

MANAGEMENT PROXY CIRCULAR

SOLICITATION OF PROXIES

The information contained in this management proxy circular (the "Circular") is furnished in connection with the solicitation of proxies to be used at the Annual and Special Meeting of Shareholders of Brookfield Properties Corporation (the "Corporation") to be held on Wednesday, April 29, 1998 at 10:00 a.m. in the Glenn Gould Studio, Canadian Broadcasting Corporation, 250 Front Street West, Toronto, Ontario, and at any adjournments thereof, for the purposes set forth in the accompanying notice of meeting. It is expected that the solicitation will be made primarily by mail, but proxies may also be solicited personally by officers or regular employees of the Corporation. **The solicitation of proxies by this Circular is being made by or on behalf of the management of the Corporation** and the total cost of solicitation will be borne by the Corporation. The information contained herein is given as at February 27, 1998, except where otherwise noted.

APPOINTMENT OF PROXIES

The persons named in the accompanying form of proxy are representatives of management and directors of the Corporation. **Each shareholder has the right to appoint a person other than the persons named in the enclosed form of proxy, who need not be a shareholder of the Corporation, to represent the shareholder at the meeting or any adjournment thereof.** Such right may be exercised by inserting such person's name in the blank space provided in the form of proxy.

To be valid, proxies must be deposited with CIBC Mellon Trust Company, P.O. Box 12005, Station BRM B, Toronto, Ontario M7Y 2K5 (courier address: 393 University Avenue, 5th Floor, Toronto, Ontario M5G 2M7), not later than the close of business on Monday, April 27, 1998 or, if the meeting is adjourned, 48 hours (excluding Saturdays and holidays) before any adjournment of the meeting.

NON-REGISTERED HOLDERS

Only registered holders of common shares and Class A Redeemable Voting preferred shares of the Corporation, or the persons they appoint as their proxies, are permitted to attend and vote at the meeting. However, in many cases, common shares and Class A Redeemable Voting preferred shares of the Corporation beneficially owned by a holder (a "Non-Registered Holder") are registered either:

- (i) in the name of an intermediary (an "Intermediary") that the Non-Registered Holder deals with in respect of the shares, such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or
- (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant. In accordance with the requirements of National Policy Statement No. 41 of the Canadian Securities Administrators, the Corporation has distributed copies of the notice of meeting, this management proxy circular, the form of proxy, the 1997 annual report (which includes management's discussion and analysis) (collectively, the "meeting materials") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward meeting materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the meeting materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive meeting materials will either:

- (i) be given a proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise uncompleted. This form of proxy need not be signed by the Non-Registered Holder. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and deposit it with the Secretary of the Corporation, c/o CIBC Mellon Trust Company P.O. Box 12005, Station BRM B, Toronto, Ontario M7Y 2K5 (courier address: 393 University Avenue, 5th Floor, Toronto, Ontario M5G 2M7) as described above; or
- (ii) more typically, be given a voting instruction form which must be completed and signed by the Non-Registered Holder in accordance with the directions on the voting instruction form (which may in some cases permit the completion of the voting instruction form by telephone).

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the shares they beneficially own. Should a Non-Registered Holder who receives either a proxy or a voting instruction form wish to attend and vote at the meeting in person (or have another person attend and vote on behalf of the Non-Registered

Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy and insert the Non-Registered Holder's (or such other person's) name in the blank space provided or, in the case of a voting instruction form, follow the corresponding instructions on the form. ***In either case, Non-Registered Holders should carefully follow the instructions of their Intermediaries and their service companies.***

REVOCATION

A shareholder who has given a proxy may revoke the proxy (a) by completing and signing a proxy bearing a later date and depositing it as aforesaid, (b) by depositing an instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing (i) at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or (ii) with the Chairman of the meeting prior to the commencement of the meeting on the day of the meeting or any adjournment thereof, or (c) in any other manner permitted by law.

A Non-Registered Holder may revoke a voting instruction form or a waiver of the right to receive meeting materials and to vote given to an Intermediary at any time by written notice to the Intermediary, except that an Intermediary is not required to act on a revocation of a voting instruction form or of a waiver of the right to receive materials and to vote that is not received by the Intermediary at least seven days prior to the meeting.

VOTING OF SHARES REPRESENTED BY MANAGEMENT PROXIES

The management representatives designated in the enclosed form of proxy will vote or withhold from voting the shares in respect of which they are appointed by proxy on any ballot that may be called for in accordance with the direction of the shareholder as indicated on the proxy and, if the shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly. **In the absence of such direction, such shares will be voted by the management representatives for the special resolution amending the articles of the Corporation to increase the number of directors from 12 to 15 (the "Special Resolution"), for the election of directors, for the resolution approving amendments to the Management Share Option Plan and corresponding amendments to all outstanding options (the "MSOP Resolution"), and for the appointment of auditors, as indicated under those headings in this Circular.**

The enclosed form of proxy confers discretionary authority upon the management representatives designated therein with respect to amendments to or variations of matters identified in the notice of meeting and with respect to other matters which may properly come before the meeting. At the date hereof, the management of the Corporation knows of no such amendments, variations or other matters.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As at February 27, 1998, the Corporation had outstanding 132,831,971 common shares and 6,312,000 Class A Redeemable Voting preferred shares. Each registered holder of common shares and Class A Redeemable Voting preferred shares of record at the close of business on March 11, 1998, the record date established for notice of the meeting, will be entitled to one vote in respect of each such share held by the shareholder on all matters to come before the meeting. In the event that a holder has transferred any such shares after the record date and the transferee of such shares establishes ownership thereof and makes a written demand, not later than 10 days before the meeting, to be included in the list of shareholders entitled to vote at the meeting, the transferee will be entitled to vote such shares. For a description of the procedures to be followed by Non-Registered Holders to direct the voting of shares beneficially owned, see "Non-Registered Holders" above.

To the knowledge of the directors and officers of the Corporation, the only person or corporation beneficially owning, directly or indirectly, or exercising control or direction over, shares of the Corporation carrying more than 10% of the votes attached to all outstanding voting shares of the Corporation is EdperBrascan Corporation ("EdperBrascan"), which owns, directly and indirectly, 69,803,013 common shares and 6,126,957 Class A Redeemable Voting preferred shares, being 52.6% and 97.1%, respectively, of the outstanding shares of each such class. EdperBrascan is a public company listed on the Toronto, Montreal and American Stock Exchanges. EdperBrascan's major shareholder is EdperPartners Limited ("EdperPartners") (formerly Partners Limited) which together with its shareholders collectively own, directly or indirectly, exercise control over or have options to acquire 85,120 Class B Limited Voting shares, representing all of the Class B Limited Voting shares of EdperBrascan and 18.8 million Class A Limited Voting shares representing 10.5% of the Class A Limited Voting shares of EdperBrascan on a fully diluted basis. Messrs. G.E. Arnell, I.G. Cockwell, J.T. Eyton, J.B. Flatt and R.J. Harding, who are directors of the Corporation are also shareholders of EdperPartners. EdperPartners is an investment holding company owned by 26 investors, most of whom are active in the business and affairs of EdperBrascan and its affiliates as directors and/or officers of these companies.

PROPOSED INCREASE IN NUMBER OF DIRECTORS

At the meeting, shareholders will be asked to consider and, if thought advisable, to pass the Special Resolution, the form of which is attached as Schedule “A” to this Circular, authorizing an amendment to the articles of the Corporation to increase the number of directors from 12 to 15. In order to become effective, the Special Resolution must be approved by at least two-thirds of the votes cast at the meeting by shareholders, in person or represented by proxy.

On any ballot that may be called for on the Special Resolution, the management representatives designated in the enclosed form of proxy intend to cast the votes to which the shares represented by such proxy are entitled in favour of the Special Resolution, unless the shareholder who has given such proxy has directed that the shares be voted against the Special Resolution.

ELECTION OF DIRECTORS

If the Special Resolution attached as Schedule “A” to this Circular is approved by the shareholders, the board will consist of 15 directors, all of whom will be elected at this meeting.

The articles of the Corporation provide that each shareholder entitled to vote in the election of directors has the right to cast a number of votes equal to the number of votes attached to the shares held by the shareholder multiplied by the number of directors to be elected. The shareholder may cast all such votes in favour of one candidate or distribute such votes among the candidates in any manner the shareholder sees fit. Where the shareholder has voted for more than one candidate without specifying the distribution of the shareholder’s votes among such candidates, the shareholder will be deemed to have distributed the shareholder’s votes equally among the candidates for whom the shareholder voted.

On any ballot that may be called for in the election of directors, the management representatives designated in the enclosed form of proxy intend to cast the votes to which the shares represented by such proxy are entitled equally among the proposed nominees whose names are set forth below, unless the shareholder who has given such proxy has directed that the shares be otherwise voted or withheld from voting in the election of directors. If a shareholder wishes to distribute the shareholder’s votes other than equally among the proposed nominees for whom the shareholder has directed the management representatives designated in the enclosed form of proxy to vote, the shareholder must do so personally at the meeting or by another proper form of proxy. Management does not contemplate that any of the proposed nominees will be unable to serve as a director, but if that should occur for any reason prior to the meeting, the management representatives designated in the enclosed form of proxy, unless directed to withhold from voting in the election of directors, reserve the right to vote for other nominees at their discretion.

The following table sets out the names of the persons proposed by management to be nominated for election as directors to hold office until the next annual meeting or until their successors are elected or appointed, all major positions and offices in the Corporation or any of its significant affiliates held by each nominee, the principal occupation or employment of each nominee, the year in which each nominee was first elected a director of the Corporation and the approximate number of shares of each class of shares of the Corporation that each nominee has advised the Corporation, are beneficially owned, directly or indirectly, or subject to control or direction by that person at the date of this Circular.

| Name, Municipality of Residence, Office, Principal Occupation and Positions Held | Year First Elected a Director | Common Shares Held |
|--|----------------------------------|--|
| GORDON E. ARNELL, Calgary, Alberta..... Chairman and Chief Executive Officer of the Corporation | 1989 | 42,400 ⁽⁴⁾ 43,413 ⁽⁵⁾ |
| JEAN A. BELIVEAU, O.C., ⁽²⁾ Montreal, Quebec..... President, Jean Beliveau Inc. (management company) | 1978 | 30,600 |
| IAN G. COCKWELL, Oakville, Ontario..... President, Brookfield Commercial Properties Ltd. (subsidiary of the Corporation) | 1997 | 55,361 1,316,872 ⁽⁵⁾ |
| L. ROSS CULLINGWORTH, Toronto, Ontario..... Vice Chairman of the Corporation | 1997 | 2,717 |

| Name, Municipality of Residence, Office, Principal Occupation and Positions Held | Year First Elected a Director | Common Shares Held |
|--|----------------------------------|--|
| SENATOR J. TREVOR EYTON, O.C., Caledon, Ontario Senior Group Chairman, EdperBrascan Corporation (diversified natural resources, energy and property development company) | 1978 | 13,950 50,933 ⁽⁵⁾ |
| ROBERT A. FERCHAT, ⁽²⁾ Mississauga, Ontario..... Chairman and Chief Executive Officer BCE Mobile Communications Inc. (wireless communications services) | 1997 | — |
| J. BRUCE FLATT, Toronto, Ontario..... President and Chief Operating Officer of the Corporation | 1995 | 180,160 ⁽⁴⁾ 307,143 ⁽⁵⁾ |
| ROGER D. GARON, Montreal, Quebec Chairman, Multi-Vet Ltd. (veterinary products company) | Director-elect | — |
| ROBERT J. HARDING, ⁽²⁾⁽³⁾ Toronto, Ontario..... Chairman, EdperBrascan Corporation | 1994 | 181,500 163,739 ⁽⁵⁾ |
| DAVID A. LEWIS, ⁽¹⁾⁽²⁾ Toronto, Ontario..... Corporate Director | 1997 | 8,000 |
| JOHN R. MCCAIG, ⁽³⁾ Calgary, Alberta..... Chairman, Trimac Corporation (diversified company) | 1995 | 2,000 |
| PAUL D. MCFARLANE, ⁽¹⁾ Toronto, Ontario..... Senior Vice President, Risk Management Division, Canadian Imperial Bank of Commerce (Canadian chartered bank) | Director-elect | — |
| ALLAN S. OLSON, ⁽¹⁾⁽³⁾ Edmonton, Alberta..... President, First Industries Corporation (investment and management company) | 1995 | — |
| SAM POLLOCK, O.C., ⁽¹⁾⁽²⁾⁽³⁾ Toronto, Ontario Vice Chairman of the Corporation | 1978 | 251,537 ⁽⁴⁾ |
| MICHAEL R. SMITH, Toronto, Ontario Solicitor, Smith & Zoldhelyi (barristers and solicitors) | Director-elect | — |

Notes:

- (1) Audit Committee member.
- (2) Management Resources and Compensation Committee member.
- (3) Nominating and Governance Committee member.
- (4) Messrs. S. Pollock, G.E. Arnell and J.B. Flatt also own, respectively, 150,000, 210,000 and 30,000 options to purchase common shares of the Corporation.
- (5) Represents proportionate interest in the Corporation's common shares held indirectly through EdperBrascan Corporation (see "Voting Shares and Principal Holders Thereof").

All of the persons named in the above table, other than Messrs. Roger D. Garon, Paul D. McFarlane and Michael R. Smith, were elected members of the board of directors at the last annual meeting. Mr. Garon has held his present principal occupation since 1995, prior to which he was President of Vetoquinol North America Inc. Mr. McFarlane has held his present principal occupation since 1994, prior to which he was Vice President, Risk Management Division of the Canadian Imperial Bank of Commerce. Mr. Smith has held his present principal occupation since 1988.

COMPENSATION OF DIRECTORS

Directors of the Corporation unaffiliated with major shareholders or affiliates of the Corporation are entitled to receive an annual director's fee of \$16,000 and an attendance fee of \$1,000 in respect of each meeting of the board of directors or committee thereof at which they are in attendance (\$350, if by telephone) (other than any meeting held immediately following an annual meeting of shareholders). In addition, such directors who are chairmen of board committees receive an annual retainer of \$3,000. Directors who are members of board committees receive an attendance fee of \$700 for each committee meeting attended (\$350 if the meeting occurs on the same day as a board meeting). In 1997, eight directors of the Corporation received a total of \$69,350. Directors are also reimbursed for travel and other out-of-pocket expenses incurred in attending board or committee meetings.

EXECUTIVE COMPENSATION

The following information is provided pursuant to the executive compensation disclosure requirements contained in the Regulations to the *Securities Act* (Ontario).

REPORT OF THE MANAGEMENT RESOURCES AND COMPENSATION COMMITTEE

The Management Resources and Compensation Committee of the board of directors of the Corporation (the "Committee") is comprised of four directors, Messrs. R.J. Harding (Chair), J.A. Beliveau, R.A. Ferchat and D.A. Lewis, none of whom is an officer of the Corporation. The Committee meets as required, and at least annually, to monitor and review management compensation policies and benefits, management succession planning and to review the overall composition and quality of the Corporation's management resources. The Committee has a specific mandate to review and approve executive compensation. This includes an annual evaluation of the performance of the Corporation's Chief Executive Officer and four highest paid executive officers (the "Named Executive Officers") and a review of performance reports for other executive officers of the Corporation. The Committee makes recommendations to the board of directors with respect to the compensation of the executive officers, and the board gives final approval on compensation matters.

Executive compensation is based on the relative role and responsibility of the executive as compared to other executives within the Corporation and the Canadian marketplace, as well as on the executive's individual performance. This applies equally to all executive officers, including the Chief Executive Officer of the Corporation. The compensation arrangements of the Corporation are focused on rewarding performance, taking into account length of service, level of responsibility and experience of the individual. A specific objective of the Corporation is to attract and retain highly qualified and motivated individuals. Accordingly, compensation levels are monitored to ensure that they are competitive within the relevant marketplace.

The key components of executive officers' compensation are base salary, short-term incentives and long-term incentives. The short and long-term incentive plans are designed to provide a significant amount of variable compensation which is linked to individual performance and increases in shareholder value.

Base salaries of executives are reviewed annually and are based on individual performance, responsibility and experience to ensure that they reflect the contribution of each executive. The Corporation believes that base salaries should be competitive and should be based on the median level for major companies within the relevant industry.

Short-term incentives are represented by cash bonus awards. Awards are determined based on both the performance of the Corporation and the individual executive. The performance of the Corporation is measured by the achievement of financial and other objectives of the Corporation, also taking into consideration the performance of industry competitors and macro-economic factors, as well as the efforts and achievements of the executive team. The performance of the individual executive is based on the degree to which that executive has met specific pre-agreed objectives.

Long-term incentives are intended to reward management based on increases in the value of the Corporation's common shares. The purpose of these arrangements is to achieve a commonality of interest between shareholders and management and to motivate executives to improve the Corporation's financial success, measured in terms of enhanced shareholder wealth over the longer term.

The Corporation's share ownership plans consist of two elements:

- (a) a Management Share Purchase Plan ("MSPP") under which key executives of the Corporation and its subsidiaries may apply for a loan from the Corporation in order to purchase common shares of the Corporation. Loans bear interest in the amount equal to the cash dividends paid on the shares and are repayable within a period of five years and can be extended for a further five years. Common shares purchased under the MSPP vest as to 20% per year on a cumulative basis over the five-year term of the loan; and

- (b) a Management Share Option Plan (“MSOP”) under which the Corporation grants options to purchase common shares of the Corporation at a fixed price, being the closing price of the common shares on the TSE on the last trading day preceding the date of grant. Vesting of options is at the discretion of the board.

The allocation of share options to executives is based on similar criteria as short-term incentives. During the fiscal year ended December 31, 1997, no shares were purchased by any Named Executive Officer under the Corporation’s MSPP.

On February 9, 1998, the Management Resources and Compensation Committee recommended to the Board that the MSOP, and all outstanding options thereunder, be amended as described under the heading “Approval of Amendments to the Management Share Option Plan and of Outstanding Share Options” below. On February 9, 1998 the Board approved the amendments, subject to regulatory and shareholder approval. The rationale for the amendments has been set forth on pages 9 to 10 below.

Based on Mr. Arnell’s responsibilities, efforts, effectiveness and achievement of corporate goals in 1997, the Management Resources and Compensation Committee approved a cash bonus to Mr. Arnell of \$150,000. In addition, the committee approved the award of 30,000 options to Mr. Arnell under the Corporation’s MSOP.

Signed by the members of the Management Resources and Compensation Committee,

Robert J. Harding, *Chair*

Jean A. Beliveau

Robert A. Ferchat

David A. Lewis

Summary Compensation of Named Executive Officers

The following table sets out the compensation paid to the Corporation’s Chief Executive Officer and the Named Executive Officers. Each such executive, other than Messrs. G.E. Arnell and J.B. Flatt, is employed by a subsidiary of the Corporation.

| Name and Principal Position | Year | Annual Compensation | | | Long-term Compensation Awards |
|--|------|---------------------|------------|--------------------------------|-------------------------------|
| | | Salary (\$) | Bonus (\$) | Other Annual Compensation (\$) | Stock Options Granted (#) |
| Gordon E. Arnell Chairman and CEO of the Corporation | 1997 | 300,000 | 150,000 | — | 30,000 |
| | 1996 | 300,000 | 100,000 | 73,374 ⁽¹⁾ | 180,000 |
| | 1995 | 300,000 | 100,000 | 203,430 ⁽¹⁾ | — |
| J. Bruce Flatt President and COO of the Corporation | 1997 | 250,000 | 100,000 | — | 30,000 |
| | 1996 | 225,000 | 75,000 | — | — |
| | 1995 | 200,000 | 80,000 | — | — |
| David D. Arthur President and CEO Gentra Inc. | 1997 | 235,000 | 75,000 | 25,000 | 25,000 |
| | 1996 | 225,000 | 75,000 | 20,000 | 215,000 |
| | 1995 | 225,000 | 60,000 | 20,000 | — |
| Alan Norris President and CEO Carma Corporation | 1997 | 225,000 | 110,000 | — | 60,000 ⁽²⁾ |
| | 1996 | 200,000 | 175,000 | — | 150,000 ⁽²⁾ |
| | 1995 | 200,000 | 25,000 | — | — |
| William J. Pringle President Brookfield Homes Ltd. | 1997 | 235,000 | 75,000 | 25,000 | 25,000 |
| | 1996 | 225,000 | 75,000 | 20,000 | 215,000 |
| | 1995 | 225,000 | 85,000 | 20,000 | — |

Notes:

- (1) Represents the difference between interest imputed under the *Income Tax Act* (Canada) during the year and interest paid on loans provided to purchase shares of the Corporation (see “Indebtedness of Directors, Executive Officers and Senior Officers Under Securities Purchase Programs”). These loans were all repaid in 1996.
- (2) Options granted to purchase common shares of Carma Corporation (“Carma”) in each of 1997 and 1996, subject to the terms of the Carma Management Share Option Plan.

**Aggregate Options Exercised During the Year Ended
December 31, 1997 and Year-end Option Values**

There were no options exercised to acquire common shares of the Corporation during 1997 by the Named Executive Officers. Options exercised by Named Executive Officers to acquire shares of subsidiary companies are listed below. During the year ended December 31, 1997, 189,500 share options were granted to employees of the Corporation. 70,000 options to acquire common shares of the Corporation were granted to Named Executive Officers, as listed below (also see "Report of the Human Resources Committee" below). Option values for Named Executive Officers as at December 31, 1997 were as follows:

| Name | Securities Acquired on Exercise (#) | Aggregate Value Realized (\$) | Unexercised Options at December 31, 1997 (#) | | Value of Unexercised in-the-Money Options at December 31, 1997 (\$) | |
|----------------------------|-------------------------------------|-------------------------------|--|---------------|---|---------------|
| | | | Exercisable | Unexercisable | Exercisable | Unexercisable |
| Gordon E. Arnell | — | — | 90,000 | 120,000 | 1,696,500 | 1,696,500 |
| J. Bruce Flatt | — | — | — | 30,000 | — | — |
| David D. Arthur | — | — | 79,000 | 161,000 | 1,443,650 | 2,381,600 |
| Alan Norris ⁽¹⁾ | 308,000 | 1,276,300 | 124,000 | 178,000 | 445,080 | 521,700 |
| William J. Pringle | — | — | 79,000 | 161,000 | 1,443,650 | 2,381,600 |

Notes:

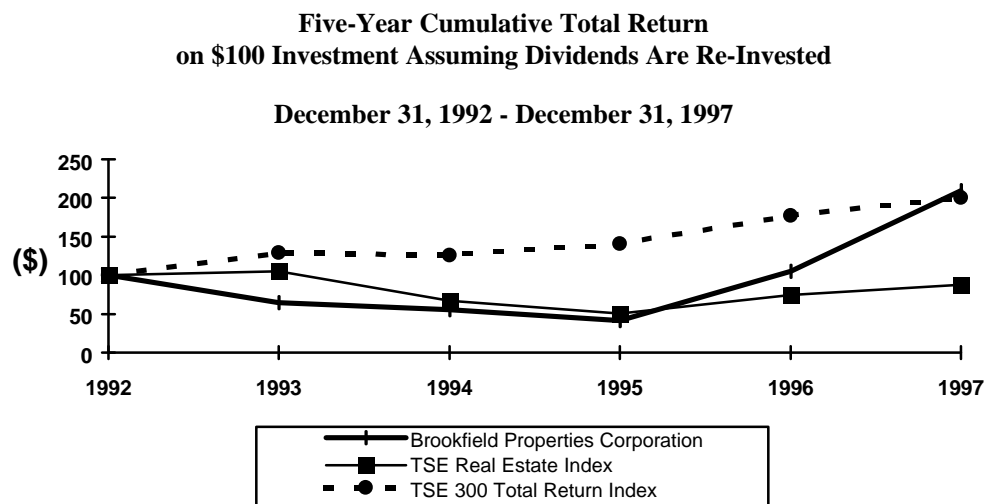
- (1) Options to purchase common shares of Carma Corporation.
- (2) "In-the-Money" means the excess of the market value of the Shares under option over the exercised price of the options prior to related income taxes. The closing price of the Corporation's common shares and Carma Corporation's common shares on The Toronto Stock Exchange on December 31, 1997 was \$23.85 and \$6.50 per share, respectively.

Retirement Allowances

As the Corporation does not have a pension plan, a supplementary retirement allowance has been provided to the Corporation's Chairman and Chief Executive Officer, Mr. G.E. Arnell, in recognition of his long service to the Corporation. The agreement provides for a supplementary payment of approximately \$63,000 annually commencing on January 1, 2000.

PERFORMANCE GRAPH

The following shows the cumulative total shareholder return (assuming re-investment of dividends) over the last five fiscal years, in comparison with the TSE 300 Total Return Index and the TSE Real Estate Index. The Total Return Index reflects the cumulative return of the TSE 300, including dividend re-investment.



INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS UNDER SECURITIES PURCHASE PROGRAMS

As at February 27, 1998, the aggregate indebtedness (other than “routine indebtedness” under applicable Canadian securities laws) to the Corporation or its subsidiaries of all officers, directors and employees and former officers, directors and employees of the Corporation and its subsidiaries made in connection with the purchase of securities of the Corporation or any of its subsidiaries was nil.

The following table sets forth the names of the officers of the Corporation and its subsidiaries to whom loans have been made in respect of the MSPP together with the largest amount outstanding during the fiscal year ended December 31, 1997 and the amount outstanding as at February 27, 1998. There were no financially assisted securities purchases during the year ended December 31, 1997.

| Name and Principal Position | Involvement of Corporation or Subsidiary | Largest Amount Outstanding During 12 Months Ended Dec. 31, 1997 (\$) | Amount Outstanding as at Feb. 27, 1998 (\$) | Shares Held as Security for Indebtedness ^(a) |
|---|---|--|---|---|
| Gordon E. Arnell Chairman and CEO of the Corporation | Loan from Corporation | 1,225,517 | 1,157,160 | Designated Shares |
| J. Bruce Flatt President and COO of the Corporation | Loan from Corporation | 2,506,000 | 500,000 | Designated Shares |
| L. Ross Cullingworth Vice Chairman of the Corporation | Loan from a subsidiary of the Corporation | 2,011,382 | — | Designated Shares |
| David Arthur President and CEO Gentra Inc. | Loan from Corporation | 345,604 | 345,604 | Designated Shares |
| Bill Pringle President Brookfield Homes Ltd. | Loan from Corporation | 220,180 | 220,180 | Designated Shares |

(a) Designated shares include common shares of the Corporation, publicly traded securities of subsidiary and associated companies, or securities of EdperPartners Limited (See “Voting Shares and Principal Holders Thereof”). The affairs of EdperPartners are governed by a shareholder’s agreement which among other items includes provisions relating to the dividend policy, redemption of shares and offering to purchase, every five years, 20% of EdperPartners’ outstanding shares based on the Company’s underlying stock market value at the time, subject to its financial capability at the time.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS OTHER THAN UNDER SECURITIES PURCHASE PROGRAMS

As at February 27, 1998, there were no loans to officers, directors and employees and former officers, directors and employees of the Corporation or its subsidiaries, for purposes other than in connection with purchases of securities of the Corporation or subsidiaries of the Corporation (other than “routine indebtedness” under applicable Canadian securities laws).

DIRECTORS’ AND OFFICERS’ LIABILITY INSURANCE

The Corporation carries insurance with an annual policy limit of \$10,000,000 subject to a corporate deductible of \$5,000,000 per loss. Under this policy, the Corporation and certain of its associated companies (collectively, the “Organization”) are reimbursed for payments made to directors or officers of the Organization required or permitted by law or under provisions of the by-laws of the companies within the Organization as indemnity for loss, including legal costs, arising from acts, errors or omissions done or committed by officers and directors in the course of their duties as such. The insurance coverage for directors and officers has certain exclusions including, but not limited to, exclusions for those acts which result in personal profit or advantage to which the insureds were not legally entitled and for libel and slander, some of which exclusions are covered under other insurance policies. The cost of such insurance is borne by the Corporation and is approximately \$38,000 annually.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

During the fiscal year of the Corporation ended December 31, 1997, no director, senior officer or associate of a director or senior officer nor, to the knowledge of the directors or senior officers of the Corporation after having made reasonable enquiry, any person or company who beneficially owns, directly or indirectly, voting securities of the Corporation carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation outstanding at the date hereof, or any associate or affiliate thereof, had any material interest, direct or indirect, in any material transaction of the Corporation or its affiliates nor do any such persons have a material interest, direct or indirect, in any proposed transaction of the Corporation or its affiliates.

APPROVAL OF AMENDMENTS TO THE MANAGEMENT SHARE OPTION PLAN AND OUTSTANDING SHARE OPTIONS

On February 9, 1998 the Board approved amendments to the MSOP, subject to regulatory and shareholder approval. The amendments requiring shareholder approval add a market growth option feature to provide an alternative method of exercising vested share options and permit the granting of share options to the directors of the Corporation.

The principal benefit of adding a market growth option feature will be to reduce the dilutive effect of the MSOP. Permitting the granting of share options to directors will allow the Corporation greater flexibility in compensating directors for their efforts and will more closely align their interests with those of the Corporation's shareholders.

Summary of the MSOP

The MSOP of the Corporation was established by the Board on November 7, 1990. Its purpose is to advance the interests and development of the Corporation by providing directors, officers or employees of the Corporation or officers or employees of any subsidiary with increased incentive to contribute to the success of the Corporation.

The terms, conditions and limitations of each share option granted under the MSOP are determined by the Board, within certain limitations in accordance with the policies of The Toronto Stock Exchange and Montreal Exchange (the "Exchanges"). The Board may, from time to time in its discretion, grant share options to Participants at a fixed exercise price (the "Exercise Price"). The Exercise Price of a share option is equal to the closing market price of a common share on The Toronto Stock Exchange (the "TSE") on the last trading day preceding the date of the grant of such option. A share option may be for a term of not more than ten years and is assignable by an optionholder (the "Participant") to the Participant's spouse, a trust the trustee of which is the Participant and the beneficiaries of which are one or more of the Participant and the Participant's spouse and children or a corporation controlled by the Participant. Notwithstanding a permitted assignment under the MSOP, an assigned option shall be deemed, for the purposes of applying the rules of the Exchange, to be held by the Participant to whom it was originally granted. Participants can exercise a vested share option under the MSOP and, upon payment to the Corporation of the Exercise Price, receive a common share. Common shares in respect of which share options are not exercised, or are cancelled, are available for subsequent option grants.

The aggregate number of common shares issuable under the MSOP may not exceed 4,500,000, subject to certain adjustments in the event of subdivision, consolidation or reclassification of the common shares, the payment of share dividends or other relevant changes to the capital of the Corporation. As at the date hereof, 1,029,500 share options are outstanding under the MSOP.

Amendments to the MSOP

The market growth feature will permit Participants, rather than exercising an in-the-money option, to receive an amount (the "growth amount") equal to the difference between the market price of the common shares underlying the options and the Exercise Price of the option, which growth amount will be payable either in cash or by the issuance by the Corporation to the Participant of a number of common shares calculated by dividing the growth amount by the market price of the underlying common shares. Where a Participant elects to exercise an option using the market growth feature and receives common shares, the market price of the shares received is equal to the weighted average of the trading prices of common shares on the TSE on each of the three trading days immediately preceding the exercise of the option.

The MSOP was also amended to permit share options to be granted to directors of the Corporation. Previously, share options could be granted only to officers or employees of the Corporation or any subsidiaries.

Amendments to Outstanding Options

The Board also approved corresponding amendments to all outstanding options, subject to regulatory and shareholder approval. All other terms and conditions of each outstanding option (including the Exercise Price, vesting provisions and expiration date) will remain unchanged.

Shareholder Approval

The Exchanges require shareholder approval of the amendment to the MSOP to add the market growth feature, the corresponding amendment to outstanding options and the amendment to permit the granting of share options to directors of the Corporation. Accordingly, at the meeting, shareholders will be asked to consider and, if thought advisable, to pass the MSOP Resolution, the form of which is attached as Schedule "B" to this Circular, approving the amendments to the MSOP and the corresponding amendment to outstanding share options. In order to be effective, the MSOP Resolution must be approved by a majority of the votes cast at the meeting by holders of common shares, excluding votes attached to common shares beneficially owned by insiders to whom options have been or may be granted under the MSOP, and associates of such individuals. To the knowledge of the Corporation, approximately 769,000 votes will not be counted in the vote on the MSOP Resolution. If such resolution is not passed, the aforementioned amendment to the MSOP and to all outstanding share options will not be effective.

The persons designated in the enclosed form of proxy, unless otherwise instructed, intend to vote for the MSOP Resolution approving the amendments to the MSOP and the corresponding amendments to all outstanding share options.

APPOINTMENT OF AUDITORS

The management representatives designated in the enclosed form of proxy intend to vote the shares represented thereby in favour of a resolution re-appointing Deloitte & Touche, Chartered Accountants, Toronto, Canada, as auditors of the Corporation, to hold office until the next annual meeting of shareholders, and authorizing the directors to fix the remuneration to be paid to the auditors, unless the shareholder who has given such proxy has directed that the shares be withheld from voting in the appointment of auditors. Deloitte & Touche have been the auditors of the Corporation since 1978.

AVAILABILITY OF DISCLOSURE DOCUMENTS

The Corporation will provide any person or company, upon request to its Corporate Secretary, with a copy of:

- (i) the most recent annual information form of the Corporation, together with a copy of any document or the pertinent pages of any document incorporated therein by reference;
- (ii) the comparative financial statements of the Corporation for the fiscal year ended December 31, 1997, together with the report of the auditors thereon;
- (iii) the most recent annual report of the Corporation, which includes management's discussion and analysis of financial conditions and results of operations;
- (iv) the interim financial statements of the Corporation for the periods subsequent to the end of its fiscal year; and
- (v) this Circular.

OTHER BUSINESS

The Corporation knows of no matter to come before the meeting other than the matters referred to in the accompanying notice of meeting.

DIRECTORS' APPROVAL

The contents and sending of this Circular have been approved by the directors of the Corporation.

Toronto, Canada
February 27, 1998

Steven J. Douglas
Senior Vice President & Chief Financial Officer

SCHEDULE “A”

SPECIAL RESOLUTION TO INCREASE THE NUMBER OF DIRECTORS

BE IT RESOLVED as a Special Resolution THAT:

1. the articles of the Corporation be amended to increase the number of directors from 12 to 15; and
2. any director or officer of the Corporation is hereby authorized and directed for and on behalf of the Corporation to execute and deliver articles of amendment, in duplicate, to the Director under the *Canada Business Corporations Act*, in order to give effect to this Special Resolution; and to execute and deliver to all such other documents and instruments and to do all such acts and things as in the opinion of such director or officer may be necessary or desirable to carry out the intent of this Special Resolution.

SCHEDULE “B”

**RESOLUTION RELATING TO AMENDMENTS TO THE
MANAGEMENT SHARE OPTION PLAN AND OUTSTANDING SHARE OPTIONS**

RESOLVED THAT:

1. the Management Share Option Plan of the Corporation (the “MSOP”) and all outstanding share options under the MSOP be amended, as described in the accompanying Management Proxy Circular; and
2. any director or officer of the Corporation is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute or cause to be executed, and to deliver or cause to be delivered, all such documents and instruments, and to do or cause to be done all such other acts and things, as in the opinion of such director or officer may be necessary or desirable to carry out the intent of this resolution.