

BROOKFIELD HOMES CORP

Form DEF 14A

March 06, 2007

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

BROOKFIELD HOMES CORPORATION

(Name of Registrant as Specified in Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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BROOKFIELD HOMES CORPORATION
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held On
May 4, 2007

Fellow Stockholders of Brookfield Homes Corporation:

You are invited to attend the 2007 Annual Meeting of Stockholders of Brookfield Homes Corporation. The Annual Meeting will be held at the Hilton McLean Tysons Corner Hotel, 7920 Jones Branch Drive, McLean, Virginia on May 4, 2007 at 11:00 a.m., Eastern Time, for the following purposes:

to elect nine directors;

to ratify the appointment of Deloitte & Touche LLP as our independent auditors for 2007; and

to conduct other business properly brought before the meeting.

Only stockholders of record at the close of business on March 12, 2007, are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

While we would like to have each of you attend the meeting and vote your shares in person, we realize this may not be possible. Whether or not you plan to attend the meeting, your vote is very important. A form of proxy on which to indicate your vote and an envelope, postage prepaid, in which to return your proxy are enclosed. **WE URGE YOU TO COMPLETE, SIGN AND RETURN THE ENCLOSED FORM OF PROXY SO THAT YOUR SHARES WILL BE REPRESENTED.** If you later decide to attend the Annual Meeting, you may revoke your proxy at that time and vote your shares in person.

If you desire any additional information concerning the Annual Meeting or the matters to be acted upon at the meeting, we would be glad to hear from you. Please contact the undersigned at 858-481-2965.

Yours very truly,

Shane D. Pearson

Secretary to the Board of Directors

Fairfax, Virginia

March 23, 2007

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BROOKFIELD HOMES CORPORATION
8500 Executive Park Avenue, Suite 300
Fairfax, Virginia 22031
PROXY STATEMENT
FOR
ANNUAL MEETING OF STOCKHOLDERS
To Be Held On May 4, 2007
GENERAL

Time, Place and Purposes of Meeting

The 2007 Annual Meeting of Stockholders of Brookfield Homes Corporation will be held on May 4, 2007 at 11:00 a.m., Eastern Time, at the Hilton McLean Tysons Corner Hotel, 7920 Jones Branch Drive, McLean, Virginia (in this proxy statement, unless the context requires otherwise, references to we, our, us, and Company refer to Brookfield Homes Corporation). The purposes of the Annual Meeting are set forth in the Notice of Annual Meeting of Stockholders to which this proxy statement is attached.

Solicitation of Proxies

This proxy statement is furnished in connection with the solicitation of proxies by our board of directors. We expect that this proxy statement and the accompanying form of proxy will first be mailed on or about March 23, 2007 to each stockholder of record on March 12, 2007. We will bear the entire cost of this solicitation. The solicitation of proxies will be made primarily by use of the mail. In addition, our directors, officers and regular employees may make solicitations by telephone, telegraph, e-mail or personal interview, and may request banks, brokers, fiduciaries and other persons holding stock in their names, or in the names of their nominees, to forward proxies and proxy materials to their principals and obtain authorization for the execution and return of such proxies. We will reimburse such banks, brokers and fiduciaries for their reasonable out-of-pocket expenses in connection therewith.

Revocation and Voting of Proxies

A proxy for use at the Annual Meeting is enclosed. Any proxy given may be revoked by you at any time before it is exercised by filing with us a notice in writing revoking it or by duly executing a proxy bearing a later date. Proxies also may be revoked in person at the Annual Meeting if you desire to vote your shares in person. Subject to such revocation and except as otherwise stated herein or in the form of proxy, all proxies duly executed and received prior to, or at the time of, the Annual Meeting will be voted in accordance with the specifications of the proxies. If no specification is made, proxies will be voted for the nominees for election of directors set forth elsewhere herein (see PROPOSAL ONE ELECTION OF DIRECTORS) and for the ratification of the appointment of Deloitte & Touche LLP as our independent auditors for 2007 (see PROPOSAL TWO - RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS) and, at the discretion of the proxy holders, on all other matters properly brought before the Annual Meeting or any adjournment thereof.

Outstanding Shares and Voting Rights

March 12, 2007 has been set as the record date for the purpose of determining stockholders entitled to notice of, and to vote at, the Annual Meeting. There were 26,627,825 shares of our common stock, \$0.01 par value per share, issued and outstanding on February 15, 2007. On any matter submitted to a stockholder vote, each holder of our common stock will be entitled to one vote, in person or by proxy, for each share of common stock registered in his, her or its name on the books of our Company as of the record date. A list of such stockholders will be available for examination by any stockholder at our Fairfax, Virginia office, 8500 Executive Park Avenue, Suite 300, Fairfax, Virginia, for at least ten days before the Annual Meeting.

Quorum Requirement

Our By-laws provide that at any meeting of stockholders, there must be present, either in person or by proxy, in order to constitute a quorum, stockholders owning a majority of our issued and outstanding capital stock entitled to vote at said meeting.

Table of Contents**Vote Required**

If a broker holds your shares, this proxy statement and a proxy card have been sent to the broker. You may have received this proxy statement directly from your broker, together with instructions as to how to direct the broker how to vote your shares. If you do not give your broker instructions or discretionary authority to vote your shares on the Proposals and your broker returns the proxy card indicating such lack of authority, your shares will be broker non-votes with respect to the Proposals for which the broker does not have authority to vote. Broker non-votes will be counted as present for purposes of determining a quorum, but will not be counted as shares entitled to vote. If you abstain from voting on the Proposals, your shares will be counted as present at the meeting, for purposes of determining a quorum, and entitled to vote. As a result, abstentions will have no effect on the election of directors but will have the effect of a vote against the other proposal being considered at the meeting.

In the election for directors, the nine persons receiving the highest number of for votes will be elected.

The ratification of the appointment of Deloitte & Touche LLP as our independent auditors for 2007 requires approval by a majority of shares of common stock entitled to vote on the Proposal and present in person or represented by proxy at the Annual Meeting.

If any other proposals are properly presented to the stockholders at the meeting, the number of votes required for approval will depend upon the nature of the proposal. Generally, under Delaware law the number of votes required to approve a proposal is a majority of the shares of common stock entitled to vote and present in person or by proxy represented at the Annual Meeting. The enclosed proxy card gives discretionary authority to the proxy holders to vote on any matter not included in this proxy statement that is properly presented to the stockholders at the meeting.

Stockholders Sharing Same Address

In some cases, only one copy of this proxy statement and our 2006 Annual Report is being delivered to multiple stockholders sharing an address, unless we have received contrary instructions from one or more of the stockholders. Upon written or oral request, we will promptly deliver a separate copy of this proxy statement and our 2006 Annual Report to a stockholder at a shared address to which a single copy was delivered. You can notify us that you wish to receive a separate copy of our proxy statements and annual reports in the future, or alternatively, that you wish to receive a single copy of the materials instead of multiple copies. Contact information for these purposes is: Brookfield Homes Corporation, Attention: Investor Relations, 12865 Pointe Del Mar, Suite 200, Del Mar, CA, 92014, telephone number: 858-481-2567, or email: lnorthwood@brookfieldhomes.com.

PROPOSAL ONE ELECTION OF DIRECTORS

Our board of directors has nominated the nine persons set forth below for election as our directors at the Annual Meeting, a majority of whom are independent. All of the nominees are currently serving as our directors.

Unless otherwise specified in the accompanying proxy, the shares voted pursuant thereto will be voted for each of the persons named below as nominees for election as directors. All directors are elected to serve until the next annual meeting of stockholders and their successors have been elected and qualified. If any nominee is unable to serve, the proxies will be voted by the proxy holders in their discretion for another person. The board of directors has no reason to believe that any nominee will not be able to serve as a director for his or her prescribed term.

Name	Age	Director Since	Principal Occupation and Business Experience
Ian G. Cockwell	59	2002	Ian Cockwell was appointed President and Chief Executive Officer in October 2002. From 1994 to 2002, Mr. Cockwell served in various senior executive positions with Brookfield Residential Group, a division of Brookfield Properties Corporation, a New York Stock Exchange listed company. From 1998 until 2002, Mr. Cockwell was Chairman and Chief Executive Officer responsible for Brookfield Properties master-planned communities business.

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Name	Age	Director Since	Principal Occupation and Business Experience
Joan H. Fallon	58	2005	Joan Fallon became a director in December 2005. Ms. Fallon is a principal of JH Fallon and Associates, a real estate consulting firm that she established in 2003. From 1995 to 2003, she served as Portfolio Manager/Managing Director of the TIAA Real Estate Account, a separate account of TIAA-CREF. From 1980 to 1995, Ms. Fallon held various positions within the real estate division of TIAA-CREF and prior to that, within the pension and insurance divisions of TIAA-CREF.
Robert A. Ferchat	72	2002	Robert Ferchat became a director in December 2002. Mr. Ferchat was Chairman and Chief Executive Officer of BCE Mobile Communications, Inc. from 1994 until 1999. Mr. Ferchat served as a director of Brookfield Properties from 1997 until 2002.
J. Bruce Flatt	41	2002	Bruce Flatt was appointed Chairman of our board of directors in October 2002. Since February 2002, Mr. Flatt has served as Managing Partner and Chief Executive Officer of Brookfield Asset Management Inc., prior to which he served as the President and Chief Executive Officer of Brookfield Properties beginning in April 2000. Between August 1995 and April 2000, Mr. Flatt served as President and Chief Operating Officer of Brookfield Properties.
Bruce T. Lehman	54	2002	Bruce Lehman became a director in December 2002. Mr. Lehman is a principal in Armada LLC, an investor and principal in residential real estate. Prior to this, Mr. Lehman was an independent consultant, providing strategic advice to clients in the homebuilding industry from 2000 to 2002. Mr. Lehman was President-Merchant Housing Division, of Catellus Residential Group, a wholly-owned subsidiary of Catellus Development Corp. from 1996 until 2000. Mr. Lehman also held this position with Catellus Residential Group's predecessor company Akins Real Estate Group, from 1989 until 2000.
Alan Norris	50	2003	Alan Norris became a director in February 2003. Mr. Norris is President and Chief Executive Officer of Carma Group, a developer of master-planned communities wholly-owned by Brookfield Properties. Mr. Norris joined Carma in 1983 and assumed increasingly senior positions over the next 11 years when he was promoted to his current position.
David M. Sherman	49	2003	David Sherman became a director in February 2003. Mr. Sherman is a Co-Managing Member of Metropolitan Real Estate Equity Management, LLC, a real estate fund-of-funds manager, a position he has held since the firm's inception in 2002. Since 2000, Mr. Sherman has also served as an adjunct professor of real estate at Columbia University Graduate School of Business Administration. Mr. Sherman was the Managing Director, and head of REIT Equity Research at Salomon Smith Barney, Inc. from 1995 until 2000. Prior to this, Mr. Sherman held various positions in real estate investment banking and finance.

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Name	Age	Director Since	Principal Occupation and Business Experience
Robert L. Stelzl	61	2002	Robert Stelzl became a director in December 2002. Mr. Stelzl is President of Rivas Capital, a private real estate investor and fund manager. Mr. Stelzl recently retired from Colony Capital LLC, a global real estate private equity investor where he was a Principal since 1995. Mr. Stelzl is currently a director of Brookfield Properties.
Michael D. Young	62	2007	Michael Young was re-appointed to the board in February, 2007. Mr. Young is President of Quadrant Capital Partners, Inc., a private equity firm with offices in Dallas and Toronto. Mr. Young served as Managing Director of CIBC World Markets Inc., a financial services firm, from 1994 until 2003. Mr. Young has been a trustee of IPC US Real Estate Investment Trust since 2002 and a trustee of Calloway Real Estate Investment Trust since 2003. Mr. Young was recommended as a nominee to serve on the Company's board of directors by the Company's Governance and Nominating Committee.

THE BOARD OF DIRECTORS RECOMMENDS VOTING FOR EACH OF THE DIRECTOR NOMINEES.

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The following table shows the beneficial ownership of shares of our outstanding common stock as of February 15, 2007 by:

each person known by us to be the beneficial owner of more than 5% of our common stock;

each of our directors and director nominees;

each of our executive officers named in the Summary Compensation Table on page 19 under EXECUTIVE COMPENSATION; and

all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, and generally includes voting or investment power with respect to securities (refer to footnote 1 to the table for additional information about how beneficial ownership is calculated). Unless stated otherwise, the shares are owned directly and the named beneficial owners possess sole voting and investment power with respect to the shares set forth in the table.

Name of Beneficial Owner	Amount and Nature of Common Stock Beneficially Owned	
	Number of Shares Beneficially Owned ⁽¹⁾ ⁽²⁾	Percentage of Class ⁽³⁾
Brookfield Asset Management Inc. ⁽⁴⁾ Suite 300, BCE Place 181 Bay Street, Toronto, Ontario M5J 2T3 Morgan Stanley 1585 Broadway Avenue New York, New York 10036	14,140,893 ⁽⁵⁾	53.11
Baron Capital Group, Inc. 767 Fifth Avenue, 49 th Floor New York, New York 10153	4,053,484 ⁽⁶⁾	15.22
Alson Capital Partners, LLC 810 Seventh Avenue, 39 th Floor New York, New York 10019	2,382,300 ⁽⁷⁾	8.95
Ian G. Cockwell ⁽⁹⁾	1,365,182 ⁽⁸⁾	5.13
Joan H. Fallon	15,050,860	56.35
Robert A. Ferchat	5,000	*
J. Bruce Flatt ⁽⁹⁾	14,176,925	53.24
Paul G. Kerrigan	306,825	1.15
Bruce T. Lehman		*
Alan Norris	3,000	*
William B. Seith	19,000	*
David M. Sherman	2,500	*
Robert L. Stelzl	2,600	*
Michael D. Young	8,500	*
All directors and officers as a group (11 persons)	15,434,317	57.57

* Less than 1%.

- (1) Under the rules of the Securities and Exchange Commission governing the determination of beneficial ownership of securities, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or to direct the voting of the security, or investment power, which includes the power to dispose of or to direct the disposition of the security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed a beneficial owner of the same securities, and a person may be deemed to be a beneficial owner of securities as to which the person has no economic interest.

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- (2) Beneficial ownership includes shares held indirectly through Partners Limited, which is described in note 4 below. Beneficial ownership also includes shares that the executive officers and directors could acquire by exercising stock options on, or within 60 days after, February 15, 2007 as follows: Mr. Cockwell 82,000; Mr. Kerrigan 82,207; and Mr. Seith 19,000. Refer to the section of this proxy statement entitled Executive Compensation for details of issued stock options. No shares are pledged as security by any of the named executive officers or directors other than 129,618 shares pledged as security by Mr. Kerrigan.
- (3) The percentages are calculated based on the 26,627,825 shares of our common stock that are outstanding as of February 15, 2007. For each person, separately, his or her percentage was calculated by including his or her options as set forth in footnote (2) in both the numerator and the denominator, and for the group, the percentage was calculated by including the aggregate number of options set forth in footnote (2) in both the numerator and the denominator.
- (4) Brookfield Asset Management Inc. (Brookfield) is an asset management company listed on the New York and Toronto stock exchanges. J. Bruce Flatt, the Chairman of our board of directors, is also a director and Managing Partner and Chief Executive Officer of Brookfield. We are advised by Brookfield that its major shareholder is Partners Limited (Partners). Partners and its shareholders, collectively own, directly or indirectly, exercise control or direction over, or have options and warrants to acquire, approximately 45 million Class A Limited Voting Shares, representing approximately 17% of the outstanding Class A Limited Voting Shares of Brookfield on a fully diluted basis, and 85,120 Class B Limited Voting Shares, representing 100% of the Class B Limited Voting Shares of Brookfield. Messrs. Cockwell and Flatt, who are directors and officers of our company, are also shareholders of Partners and may be deemed to share beneficial ownership of our common stock with Brookfield. There are 45 shareholders of Partners, none of whom hold more than a 15% effective equity interest. To the extent any of such shareholders is deemed to be a beneficial owner of shares of our common stock held by Brookfield, such person disclaims beneficial ownership of those shares of our common stock.
- (5) Based solely upon information contained in the Schedule 13G/A of Brookfield filed with the Securities and Exchange Commission (the SEC) with respect to common stock owned as of December 31, 2006.
- (6) Based solely upon information contained in the Schedule 13G/A of Morgan Stanley filed with the SEC with respect to common stock owned as of December 31, 2006.
- (7) Based solely upon information contained in the Schedule 13G of Baron Capital Group, Inc., filed with the SEC with respect to common stock owned as of December 31, 2006.
- (8) Based solely upon information contained in the Schedule 13G of Alson Capital Partners, LLC filed with the SEC with respect to common stock owned as of January 11, 2007.
- (9) Includes 14,140,893 shares beneficially owned by Brookfield. Messrs. Cockwell and Flatt disclaim beneficial ownership of the shares of common stock held by Brookfield.

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INFORMATION REGARDING THE BOARD OF DIRECTORS

Corporate Governance Standards

The board of directors has adopted a Statement of Corporate Governance Practices which contains a number of corporate governance standards designed to comply with the New York Stock Exchange's Corporate Governance Rules (the "NYSE Rules") and the rules and regulations of the Securities and Exchange Commission (the "SEC Rules"). The significant corporate governance standards adopted by the board of directors are discussed below. The Statement of Corporate Governance Practices is posted on our website under the Investor Relations and Corporate Governance links and is available in print to any stockholder who so requests. Our website is www.brookfieldhomes.com.

Controlled Company

Brookfield Asset Management Inc. exercises voting power over approximately 53% of our outstanding common shares. As such, we are a "Controlled Company" under NYSE Rules. At present, we have not elected to utilize any of the controlled company corporate governance exemptions available to us under the NYSE Rules.

Director Independence

The board has adopted a set of "Independence Standards" consistent with the NYSE Rules, to assist it in determining whether a member of the board is independent under the NYSE Rules. The Independence Standards are available on our website under the Investor Relations and Corporate Governance links and are contained in our Statement of Corporate Governance Practices. In order to be determined to be independent in accordance with these Independence Standards, a director must have no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company), other than as a director of the Company. The Independence Standards specify the criteria by which the independence of our directors will be determined, including guidelines for directors and their immediate families with respect to past employment or affiliation with the Company, its management or its independent auditor. To assist it in determining director independence, a director is not independent if:

the director is or has been within the last three years, an employee of the Company, or an immediate family member is, or has been within the last three years, an executive officer of the Company;

the director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$100,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

(a) the director or an immediate family member is a current partner of a firm that is the Company's internal or external auditor; (b) the director is a current employee of such a firm; (c) the director has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or (d) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company's audit within that time;

the director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee; or

the director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.

Based on the Independence Standards, the board has determined that Joan H. Fallon, Robert A. Ferchat, Bruce T. Lehman, David M. Sherman and Robert L. Stelzl are independent, for purposes of serving as independent members of the board of directors, the Management Resources and Compensation Committee and the Governance and Nominating Committee.

Audit Committee Independence, Financial Literacy and Audit Committee Financial Expert

In addition to being independent based on the Independence Standards, the NYSE Rules and related SEC Rules require that each member of an audit committee satisfy additional independence and financial literacy requirements,

and at least one of these members must satisfy the additional requirement of having accounting or related financial

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management expertise. This additional requirement can be satisfied by the board determining that at least one Audit Committee member is an audit committee financial expert within the meaning of the SEC Rules. Accordingly, the Audit Committee Charter contains a set of standards that relate to audit committee independence, financial literacy and audit committee accounting and financial management expertise. See *Committees of the Board* Audit Committee for further information about the independence of the Audit Committee.

Regular Meetings of Non-Management and Independent Directors

Consistent with our present practice and in accordance with the NYSE Rules, at the time of each regularly scheduled board meeting, the non-management directors as well as the independent directors ordinarily will each meet separately for a period of time. Annually, the board of directors appoints an independent director who presides over both non-management and independent director sessions and is referred to as the Presiding Director. Presently, the Audit Committee Chairman serves as the Presiding Director. The non-management and the independent directors may also meet at such other times as determined by the Presiding Director or at the request of any non-management or independent director.

Shareholder Communications

Stockholders may send communications to the board of directors by writing to the Company's Corporate Secretary, 12865 Pointe Del Mar, Suite 200, Del Mar, CA, 92014. Communications will be reviewed and investigated and referred to the board of directors for appropriate action. Interested parties with a good faith concern about the Company's conduct and who wish to contact the Presiding Director directly may do so by writing to: Presiding Director, Brookfield Homes Corporation, 12865 Pointe Del Mar, Suite 200, Del Mar, CA, 92014. The status of all outstanding concerns addressed to the Presiding Director will be reported to the directors as appropriate, on at least a quarterly basis.

Code of Ethics

We have adopted a code of ethics that applies to our employees, officers and directors, including our principal executive officer and principal financial and accounting officer. The code of ethics is available on our website at www.brookfieldhomes.com and is available in print to any shareholder who requests it. Any amendments to, or waivers from, our code of ethics, as they relate to any executive officer or director, including our principal executive officer and principal financial and accounting officer must be approved by the board of directors or a committee thereof and be promptly disclosed to shareholders. We plan to disclose such waivers and amendments on our website, as well as to comply with other applicable requirements.

Complaint Procedures Regarding Accounting, Internal Control, Auditing and Financial Matters

In accordance with SEC Rules, the Audit Committee has established the following procedures for (i) the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters and (ii) the confidential, anonymous submission by employees concerning questionable accounting or auditing matters. Interested parties may report complaints regarding accounting, internal accounting controls, or auditing matters involving Brookfield Homes by writing to the Chairman of the Audit Committee, Brookfield Homes Corporation, 12865 Pointe Del Mar, Suite 200, Del Mar, CA, 92014. Complaints will be reviewed and investigated as appropriate. Employees who wish to submit concerns regarding questionable accounting or auditing matters and who wish to do so confidentially and anonymously, may follow the procedures described above, omitting any return address or other identifying feature.

Procedures Regarding Director Candidates Recommended by Stockholders

The Governance and Nominating Committee will consider a candidate recommended for the board of directors by stockholders owning at least 10% of the outstanding shares of the Company if such recommending stockholder or stockholders follow the procedures set forth below. In order to recommend a nominee for a director position, a stockholder must be a stockholder of record at the time it gives its notice of recommendation and must be entitled to vote for the election of directors at the meeting at which such nominee will be considered. Stockholder recommendations must be made pursuant to written notice delivered to or mailed and received at the principal executive offices of the Company (i) in the case of a nomination for election at an annual meeting, not less than 120 days nor more than 150 days prior to the first anniversary of the date of the Company's notice of annual meeting for the preceding year's annual meeting; and (ii) in the case of a special meeting at which directors are to be elected,

not later than the close of business on the tenth day following the earlier of the day on which notice of the date of the meeting was mailed or public disclosure of the date was made. In the event that the date of the annual meeting is

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changed by more than 30 days from the anniversary date of the preceding year's annual meeting, the stockholder notice described above will be deemed timely if it is received not later than the close of business on the tenth day following the earlier of the date on which notice of the date of the meeting was mailed or public disclosure was made of the date.

The stockholder notice must set forth the following:

As to the person the stockholder proposes to nominate for election as a director, all information relating to such person that is required to be disclosed or is otherwise required pursuant to Regulation 14(a) under the Securities Exchange Act of 1934, as amended (the Exchange Act), which must include the written consent of the nominee to serve as a director if elected;

As to the nominating stockholder, such stockholder's name and address as they appear on the Company's books, the class and number of shares of the Company's common stock which are beneficially owned by such stockholder and which are owned of record by such stockholder; and

As to any other beneficial owner of the stock on whose behalf the nomination is made, the name and address of such person and the class and number of shares of the Company's common stock they beneficially own.

In addition to complying with the foregoing procedures, any stockholder nominating a director must also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder.

The Governance and Nominating Committee is directed to determine the appropriate characteristics, skills and experience for each director position and for the board as a whole. Directors should possess the highest personal, professional and ethical standards, integrity and values, and be committed to representing the long-term interests of the stockholders. If a director candidate is recommended by a stockholder, the Governance and Nominating Committee expects that it would evaluate such candidate in the same manner it evaluates director candidates identified by the Committee.

Meetings of the Board

The board of directors meets at least once in each quarter, with additional meetings held when appropriate. The board also annually reviews and approves our business plan and long-term strategy. In addition, directors are expected to attend the annual meeting of stockholders. During the 2006 fiscal year, the board met five times, including four regularly scheduled quarterly meetings and one special meeting, and acted four times by written consent. Each director attended 100 percent of the board and committee meetings for which they were a member during the 2006 fiscal year with the exception of one director who was unable to attend one board meeting and one committee meeting out of five board and seven committee meetings for which he was a member. Eight directors attended the annual meeting of stockholders held in May 2006, with one director unable to attend. Four regular meetings are scheduled for 2007. Meeting frequency and agenda items may change depending on the opportunities or risks that we are facing. At the time of each regularly scheduled board meeting, the non-management directors as well as the independent directors ordinarily will each meet separately for a period of time. The Presiding Director will preside over both non-management and independent director sessions.

Committees of the Board

The board of directors believes that committees assist in the effective functioning of the board and that the composition of board committees should ensure that the views of independent directors are effectively represented. The board has three committees: the Governance and Nominating Committee, the Audit Committee and the Management Resources and Compensation Committee. Each committee operates pursuant to a written charter. Each charter is posted on our website under the Corporate Governance link and is available in print to any stockholder who so requests. Special committees may be formed from time to time as required to review particular matters or transactions. While the board retains overall responsibility for corporate governance matters, the Governance and Nominating Committee, the Audit Committee and the Management Resources and Compensation Committee each have specific responsibilities for certain aspects of corporate governance as described below.

Governance and Nominating Committee

The Governance and Nominating Committee is appointed by the board of directors to assist the board in carrying out its responsibilities by reviewing corporate governance and board nominee issues and making recommendations

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to the board as appropriate. In particular, the Committee is responsible for identifying individuals qualified to become board members consistent with criteria approved by the board, recommending to the board proposed nominees for election to the board at the next annual meeting of stockholders, developing and recommending to the board corporate governance principles, and overseeing the evaluation of the board and management. The Committee's Charter is available on our website at www.brookfieldhomes.com. The Governance and Nominating Committee is comprised of three directors: David M. Sherman (Chairman), Robert A. Ferchat and Bruce T. Lehman. Each member of the Governance and Nominating Committee has been determined by the board to be independent within the meaning of the NYSE Rules. The Governance and Nominating Committee met twice during the 2006 fiscal year.

Audit Committee

We have a separately designated Audit Committee established in accordance with the Exchange Act. The Audit Committee is appointed by the board of directors to assist it in monitoring: (1) the integrity of our financial statements, including audits thereof; (2) our accounting and financial reporting processes and system of internal controls and procedures for financial reporting and accounting compliance; (3) the independent auditor's qualifications and independence; (4) the performance of our internal audit function and independent auditors; (5) our compliance with legal and regulatory requirements; (6) our relationship with the independent auditors; and (7) our principal financial risks and the processes employed to manage such risks. The Audit Committee of the board is currently comprised of three directors: Robert A. Ferchat (Chairman), Joan H. Fallon and Robert L. Stelzl. Each member of the Audit Committee has been determined by the board to be independent and financially literate within the meaning of the NYSE Rules and SEC Rules. The board has determined that the Audit Committee Chairman, Mr. Ferchat, is an audit committee financial expert within the meaning of such rules. The Audit Committee met four times during the 2006 fiscal year, and acted once by written consent.

Management Resources and Compensation Committee

The Management Resources and Compensation Committee is appointed by the board of directors to assist the board in carrying out its responsibilities by reviewing management resources and compensation issues and making recommendations to the board as appropriate. The role of the Management and Resources and Compensation Committee is described in greater detail under the section entitled "Compensation Discussion and Analysis", together with a description of the Company's procedures for the consideration and determination of executive compensation. The Management Resources and Compensation Committee upon majority approval of its members, may delegate its duties and responsibilities to sub-committees of the Committee. No such authority has been delegated. The Management Resources and Compensation Committee is comprised of the following three directors: Bruce T. Lehman (Chairman), David M. Sherman and Robert L. Stelzl. Each member of the Management Resources and Compensation Committee has been determined by the board to be independent within the meaning of the NYSE Rules. The Management Resources and Compensation Committee met three times during the 2006 fiscal year.

Compensation Committee Interlocks and Insider Participation

Bruce T. Lehman, David M. Sherman and Robert L. Stelzl served as members of the Management Resources and Compensation Committee during the 2006 fiscal year, none of whom has served Brookfield Homes in any capacity other than as a member of the board or a member of a committee thereof. There are no other relationships requiring disclosure under this item.

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COMPENSATION DISCUSSION AND ANALYSIS

Our Compensation Discussion and Analysis explains the material elements of the Company's compensation arrangements for the Company's Chief Executive Officer, Chief Financial Officer and other executive officer (the named executive officers). Additional disclosure is provided on page 18 regarding the material compensation arrangements for the senior operating employees of our business units, none of whom are executive officers of the Company (the Senior Operating Management).

Our Compensation Discussion and Analysis addresses the following topics relating to the compensation of our named executive officers:

our compensation-setting process;

our compensation objectives and related policies;

each element of our compensation program and how we determine the amounts payable under each element; and

our compensation decisions for fiscal year 2006.

The Compensation Process

The Role of the Management Resources and Compensation Committee

The Management Resources and Compensation Committee (the Compensation Committee or Committee) is appointed by the Board of Directors of Brookfield Homes to assist the Board in carrying out its responsibilities by reviewing or approving management resources and compensation issues and making recommendations to the Board as appropriate. In particular, the Compensation Committee is responsible for discharging the Board's responsibilities relating to compensation of the Company's named executive officers, including the responsibility to:

review the adequacy and form of, and recommend to the Board or approve the compensation of the

Company's Chief Executive Officer, Chief Financial Officer and any other named executive officers;

review and make recommendations to the Board with respect to the Company's stock option and deferred share unit plans, and approve any proposed awards under such plans;

ensure that all equity-compensation plans and material revisions to such plans are approved by the Company's stockholders;

review and make recommendations to the Board with respect to any change to the Company's compensation plans involving a material annual change in cost to the Company;

review corporate goals and objectives relevant to the compensation of the Chief Executive Officer of the Company; and

evaluate the performance of the Chief Executive Officer in light of such goals and objectives.

Committee Meetings

The Compensation Committee meets as often as it determines, but not less frequently than semi-annually. The Committee held three meetings during fiscal 2006 and has held one meeting thus far in 2007. The Committee Chairman works with the Chief Executive Officer to establish the meeting agenda. The Committee typically meets with the Chief Executive Officer present. The Committee also regularly meets in executive sessions without management present.

The Committee receives and reviews materials in advance of each meeting. These materials include any materials that the Committee has specifically requested as well as information that will be helpful to the Committee in the compensation-setting process. Depending on the agenda for the particular meeting, these materials as they relate to compensation of the named executive officers may include:

a compensation summary, or tally sheet, detailing the total actual and proposed compensation of the Chief Executive Officer, Chief Financial Officer and any other named executive officers, including base salary, annual bonus award and long-term ownership participation (stock option and deferred share unit awards), and any other compensation;

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total long-term shareholder returns of the Company compared to the S&P 500 Index and S&P 500 Homebuilding Index;

review of corporate performance objectives for the upcoming fiscal year;

named executive officer performance and progress in meeting corporate performance objectives;

industry comparison and any other relevant information; and

details of the Chief Executive Officer's and Chief Financial Officer's unvested stock option and deferred share unit holdings and changes in stock ownership.

Compensation Committee Advisors

The Compensation Committee Charter grants the Committee the sole authority to retain and terminate any consultant to be used to assist in the evaluation of named executive officer compensation, including sole authority to approve any consultant's fees and other retention terms. The Compensation Committee did not retain an advisor with respect to the compensation arrangements of the Company's named executive officers in 2006. However, the Committee did engage an advisor during 2006 to assist the Company in amending the terms of the Senior Operating Management Long-Term Participation Plan (see Senior Operating Management Long-Term Participation Plan) for details. This engagement has been completed.

Management's Role in the Compensation Process

The Chief Executive Officer plays a role in the compensation-review process. The most significant aspects of his role are:

recommending base salary levels, annual bonus awards and long-term participation levels for executive officers and senior operating management; and

outlining performance and progress in meeting corporate objectives.

The Chief Executive Officer prepares meeting information for each Compensation Committee meeting and is expected to be available to attend meetings or portions thereof upon request of the Committee to answer Committee questions arising out of the materials presented to the Committee.

Compensation Decisions

Compensation decisions are made in the first quarter of the fiscal year, at the time of the approval of the previous year's financial statements. At this first quarter Compensation Committee meeting, the performance of the named executive officers for the previous fiscal year is evaluated, and annual bonus, stock option and deferred share unit awards are granted with respect to performance in that year. Also at this meeting, base salaries are set for the upcoming fiscal year. Compensation decisions are approved by the Compensation Committee in an executive session, without management present.

Compensation Objectives and Policies

Overview

Compensation of the named executive officers is determined based primarily on the Company's objective of improving long-term shareholder value. The Company also considers the performance of the named executive officers collectively in meeting corporate performance objectives, the relative roles and responsibilities of the executive officer as compared to other executive officers in the Company and the performance of the Company relative to the industry. A specific objective of the Company is to attract and retain highly qualified and motivated individuals and to encourage a strong team approach. Accordingly, compensation levels are monitored to ensure they meet the Company's objectives and are competitive within the homebuilding industry.

Compensation Objective

The Company's objective in setting compensation is to improve long-term shareholder value, represented by the growth in the value of the Company's common stock, as the principal measure of success of the Company. Accordingly, the Company's compensation policies for its named executive officers are designed to provide an overall competitive compensation package with a higher proportion of total compensation derived from long-term ownership participation.

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Allocation Between Short-Term Compensation and Long-Term Ownership Participation

In order to achieve its compensation objective, the Company maintains its short-term cash compensation (base salaries and annual bonus awards) for its named executive officers below the median level of total cash compensation for comparable companies within the homebuilding industry (see Benchmarking below), in return for opportunities to participate in the growth in value of the Company's common stock (stock option and deferred share unit awards). For the named executive officers, this results in stock options and deferred share units being targeted at the upper quartile level for these similar companies. These plans are more fully described below under Long-Term Share Ownership Participation.

Relative Position and Responsibility

In order to foster a team-based approach, which the Company believes is fundamental to meeting its objective of improving long-term shareholder value, the difference between the base salaries and annual bonus awards of the Chief Executive Officer and the other named executive officers is significantly less than in comparable companies. Total compensation is targeted at a higher level for named executive officers with greater responsibility and ability to influence the Company's achievement of its corporate performance objectives, particularly with respect to long-term ownership participation.

Pay-for-Performance

The Company also believes that compensation arrangements for its named executive officers should be related to the achievement of the Company's corporate performance objectives reviewed by the Compensation Committee at the beginning of each fiscal year. The Company's pay-for-performance philosophy is reflected in our compensation practices, which link a portion of executive compensation to the achievement of short-term and long-term objectives. Furthering the Company's pay-for-performance objectives:

- a significant portion of compensation for the named executive officers is contingent on, and variable with, the long-term share price performance of the Company;
- compensation of the named executive officers is at the discretion of the Compensation Committee; and
- we do not currently have any employment, severance or change-in-control agreements with any of our named executive officers other than a stock option plan and a deferred share unit plan that provide for accelerated vesting on a change-in-control for all participants in such plans.

Other Compensation Policies

Benchmarking

In furtherance of our compensation objectives outlined above, we compare our compensation levels with those of other companies within the homebuilding industry. This benchmarking is done with respect to each of the key elements of our compensation program (base salary, annual bonus and long-term ownership participation), as well as the compensation of individual named executive officers where job descriptions are sufficiently similar. As outlined in our compensation objectives, we target base salary and annual bonus awards below the median level of total cash compensation for comparable companies in return for an opportunity to participate in the growth in value of our common stock.

The group of comparable companies used for fiscal year 2006 was comprised of the 42 homebuilding companies surveyed in a 2006 national compensation survey for the single-family and multi-family housing industry prepared by a California-based executive compensation and advisory services firm. With respect to total cash compensation (base salary and bonus) we further separated this group and analyzed our compensation levels against the 24 public homebuilding companies surveyed. These companies are not identified by name.

Individual Compensation Summaries

To assist it in its review of executive compensation decisions, the Compensation Committee reviews for each named executive officer a compensation summary (or tally sheet), that sets forth the total dollar value of the named executive officer's annual compensation, including base salary, annual bonus award, and long-term ownership participation (stock option and deferred share unit grants) and any other compensation. The Committee uses tally

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sheets to estimate total annual compensation to the named executive officers and to utilize in its benchmarking exercise. While the Committee considers from time-to-time compensation previously paid to the named executive officers, the primary focus of the Committee's compensation actions is on motivating the future performance of the named executive officers.

Share Ownership Policy

In order to promote equity ownership and further align the interests of our Chief Executive Officer and Chief Financial Officer with Brookfield Homes' stockholders, we have adopted share ownership guidelines for these individuals. Under these guidelines, the Chief Executive Officer and Chief Financial Officer are expected to hold an investment equal to five times their base salary, based on the market value of the shares or deferred share units held, to be attained over a three year period from being appointed to such position. The Chief Executive Officer's and Chief Financial Officer's shareholdings are currently in excess of these investment guidelines.

Brookfield Homes prohibits our named executive officers from engaging in options, puts, calls or other transactions that are intended to hedge against the economic risk of owning Brookfield Homes' shares, unless disclosed to the Compensation Committee prior to a transaction.

Timing of Stock Option and Deferred Share Unit Grants

We have established a policy and procedure on stock option and deferred share unit grants that includes the following provisions governing the timing of such grants:

The Compensation Committee determines and approves its annual award of stock options and deferred share units (whether to the named executive officers or other employees) at a Committee meeting held during the first quarter of the fiscal year at the time of the approval of the year-end financial statements;

The grant date of stock options or deferred share units is always the date of the approval of the grants;

Management has no control over selecting the grant date;

Pursuant to the stock option plan, the exercise price of the stock options is the closing price on the New York Stock Exchange (the "NYSE") of the underlying common stock on the grant date;

Pursuant to the deferred share unit plan, deferred share unit grants are calculated using the closing price on the NYSE of a share of our common stock on the grant date;

Stock option and deferred share unit awards are promptly reported on Form 4 with the Securities and Exchange Commission for all named executive officers and directors.

An annual grant of stock options and deferred share unit awards is made at the time of our earnings release for the fiscal year. As a result, the Committee may be in possession of material non-public information on the grant date. However, as the approval and grant date is always the date of our earnings release for the fiscal year, the Company does not time these grants or the annual earnings release in order to impact the value of executive compensation either positively or negatively.

Tax Deductibility of Compensation

The Company considers the deductibility for tax purposes of all material elements of its compensation arrangements. We review our compensation plans in light of applicable tax provisions, including Section 162(m) of the Internal Revenue Code, which generally disallows a tax deduction to public companies for non-qualifying compensation in excess of \$1.0 million paid to any such persons in any fiscal year.

Elements of Compensation

The compensation arrangements of the Company for its named executive officers are focused on aligning their interests with those of our stockholders and are comprised of two components:

short-term compensation (base salary and annual bonus award); and

long-term ownership participation (stock options and deferred share units).

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(i) Short-Term Compensation

Short-term compensation arrangements for the named executive officers consist of a base salary and an annual bonus award. Base salaries are intended to provide the executive with a base level of annual income that is not contingent on Brookfield Homes performance. Annual bonus awards are intended to compensate the named executive officers for annual performance. Base salary and annual bonus award recommendations are submitted to the Compensation Committee for its consideration by the Chief Executive Officer in the first quarter of the fiscal year.

The Company believes that (a) base salaries and bonus awards for the named executive officers should be set below the median level for comparable companies within the homebuilding industry, in return for the opportunity for these individuals to participate at a higher level in the long-term share ownership plans; and (b) in order to foster a team-based approach, which the Company believes is fundamental to meeting its long-term objectives, the difference between the base salaries and annual bonus awards of the Chief Executive Officer and the Chief Financial Officer are relatively small.

Base salaries are reviewed annually to ensure that they reflect the relative contribution of each individual and the principles set forth in (a) and (b) above. The determination of relative contribution is a subjective evaluation based on an individual's contribution, experie