



Brookfield Residential Properties Inc.

Annual & Special Meeting of Shareholders

Webcast Transcript

Date: Thursday, May 2, 2013

Time: 2:00 PM ET / 11:00 AM PT

Speakers: Robert L. Stelzl

Chair

Alan Norris

President & Chief Executive Officer

ROBERT L. STELZL:

Good morning ladies and gentlemen. It is now 11:00 a.m. and time to begin the Annual & Special Meeting of Shareholders of Brookfield Residential Properties Incorporated. My name is Robert Stelzl and as Chair of the corporation it is my pleasure to chair today's meeting. On behalf of the board and my colleagues I would like to extend a warm welcome to everyone here today including those joining us through our webcast. I will now call the meeting to order and would ask Canadian Stock Transfer Company acting as administrative agent for CIBC Mellon Trust Company by its representative, Toni Taccogna to act as scrutineer. I will also ask Shane Pearson, our Senior Vice President and Corporate Counsel, to act as Secretary of today's meeting. It is now my pleasure to introduce my colleagues who will be participating in today's meeting. On my right, Alan Norris, our President, Chief Executive Officer, and in the front row, Craig Laurie, our Executive Vice President and Chief Financial Officer.

As outlined in the management information circular there are four items of business to be considered today. First, to receive the company's annual report to shareholders including the consolidated financial statements of the company for the fiscal year ended December 31, 2012 and the external auditor's report thereon. Second, to elect the company's directors who will serve until the end of our next annual meeting of shareholders. Third, to appoint the company's external auditor and authorize the directors to set its remuneration. And lastly, to consider an advisory resolution of the corporation's approach to executive compensation. To expedite the formal part of today's meeting I've asked certain shareholders to move, and in some cases, second various resolutions. Although this procedure will assist in the handling of the formal matters, it is not intended to discourage any shareholder from speaking in reference to any resolution after it has been proposed and seconded. I am advised that the notice calling this meeting and the management information circular were sent to voting shareholders in accordance with all applicable requirements. I've asked Shane Pearson to keep a copy of the notice and proof of mailing with the minutes of this meeting. The minutes of last year's annual special meeting of the company's shareholders held on May 8, 2012 are also available should any shareholder wish to review them. Based upon the scrutineer's preliminary report on attendance, Secretary has confirmed that there is a quorum present. I therefore declare the meeting properly constituted for the transaction of the business for which it has been called.

Turning to the first item of business, I will now table the company's 2012 annual report to shareholders which includes the 2012 consolidated financial statements together with external auditor's report.

Copies of the annual report have been mailed to our shareholders who so requested and are also available here today.

Second item of business at our meeting today is the election of the company's directors. The eight proposed nominees for election by holders of the company's common shares are Bruce Lehman, Patricia Newson, Alan Norris, Allan Olson, Timothy Price, David Sherman, Michael Young and myself, Robert Stelzl. All eight of the proposed nominees were elected at our last annual meeting in May of 2012 and are standing for re-election today. Additional information on the director nominees is set out in our management information circular which was mailed to shareholders along with the notice of this meeting. The meeting is now open to receive nominations for the election of the proposed directors.

NICOLE FRENCH:

Mr. Chairman, my name is Nicole French. I nominate for election as directors the eight nominees named in the Company's Management Information Circular dated March 25, 2013.

ROBERT L. STELZL:

Thank you, Nicole. Are there any further nominations? If not, I declare the nominations closed. Will someone now please move a resolution for the election of the nominated directors?

THOMAS LUI:

Mr. Chairman, my name is Thomas Lui. I move that the eight nominees named in the Company's Management Information Circular dated March 25, 2013 be elected as directors of the Company until the end of the next annual meeting of shareholders.

ROBERT L. STELZL:

Thank you, Thomas. May I have a seconder please?

NICOLE FRENCH:

Mr. Chairman, I second the motion.

ROBERT L. STELZL:

Thank you, Nicole. As management holds proxies to withhold votes for a minimal number of shares relating to this motion, I propose to conduct a vote on this motion by a show of hands unless someone

who is entitled to vote requires a vote by ballot. Would anyone like a ballot? If not, I will now call for the vote on the motion by a show of hands. All those in favour? Opposed? Thank you. I declare the motion carried and declare that those eight nominated directors have been duly elected to serve as directors of the company until the end of the next annual meeting of shareholders. Ladies and gentlemen, our directors are with us here today and I hope you will have an opportunity to meet and talk with them after the meeting.

Third item on our agenda of formal business today is the appointment of the corporation's external auditor and authorizing the directors to set its remuneration. As stated in the management information circular, the audit committee of your board of directors has recommended to the shareholders that Deloitte LLP be re-appointed as the company's external auditor. Will someone now please move a resolution for the appointment of the external auditor?

THOMAS LUI:

Mr. Chairman, I move that Deloitte LLP be appointed the external auditor of the company until the end of the next annual meeting of shareholders and that the directors be authorized to set its remuneration.

ROBERT L. STELZL:

Thank you, Thomas. May I have a seconder please?

NICOLE FRENCH:

Mr. Chairman, I second the motion.

ROBERT L. STELZL:

Thank you, Nicole. Adoption of this motion requires the favourable vote of a majority of the votes cast at the meeting by the holders of the company's common shares. Management has received proxies representing approximately 90.5% of the company's common shares. These proxies direct me to vote over 90% of the common shares in favour of the resolution. As the management holds proxies to withhold votes for a minimal number of shares relating to this motion I propose to conduct the vote on this motion by a show of hands unless someone who is entitled to vote requires a vote by ballot. If not, I will now call for the vote on the motion by a show of hands. All those in favour? Opposed? Thank you. I declare the motion carried.

Last item of business today is the approval of the advisory resolution on the company's approach to executive compensation described in the management information circular. The company has adopted an advisory resolution at this meeting as part of its ongoing efforts to both meet its objectives and ensure a high level of shareholder engagement. For the advisory resolution to be effective the favourable vote of a majority of the votes cast at the meeting by the holders of the common shares is required. Because this is an advisory vote, the results will not be binding upon the board, however, the board and the management resources compensation committee will take into account the results of the vote as appropriate when considering future compensation policies, procedures and decisions. It is now in order for someone to move this resolution.

THOMAS LUI:

Chairman, I move that the advisory resolution accepting the approach to executive compensation described in the company's management information circular dated March 25, 2013 be approved.

ROBERT L. STELZL:

Thank you, Thomas. May I have a seconder please?

NICOLE FRENCH:

Mr. Chairman, I second the motion.

ROBERT L. STELZL:

Thank you, Nicole. Adoption of this motion requires the favourable vote of a majority of the votes cast at the meeting by the holders of the company's common shares. Management has received proxies representing approximately 88% of the company's common shares. These proxies direct me to vote over 85% of the common shares in favour of the resolution. As management holds proxies to vote a minimal number of shares against this motion, I propose to conduct the vote on this motion by a show of hands unless someone who's entitled to vote requires a vote by ballot. Would anyone like a ballot? If not, I will now call for the vote on the motion by a show of hands. All those in favour? Against? Thank you, I declare the motion carried.

Ladies and gentlemen, that concludes the formal part of today's meeting. I will now turn the meeting over to Alan Norris and Craig Laurie for the company's management presentation. At the end of the

management presentation we will welcome any questions or comments you may have. Please note that in responding to questions and in talking about our new initiatives and our financial and operating performance we may make forward looking statements. And these statements are subject to known and unknown risks and actual future results may differ materially from such forward looking statements. For further information on known risk factors and assumptions I would encourage you to review our management's discussion and analysis in the annual report and our annual information form, both of which are available on our website. Alan?

ALAN NORRIS:

Thanks, Bob. Good morning, everyone. I will give a brief presentation today, just a quick overview on the company and last year's major achievements, as well as we will announce our first quarter results which were issued by press release this morning. So, just a quick overview from a company perspective. Again, just to remind people we are the fifth largest land and housing company in North America with over \$2.8 billion in assets. And we have operations in both Canada and the U.S. with the assets almost equally split by lot count and the asset value. We're a land developer and home builder and we are in 11 markets. And as you'll see from our press release we've added one more market subsequent to our first quarter which is Phoenix, Arizona and I will just touch on that a little bit later on in the discussion. But it's basically eight markets in the United States and three markets in Canada.

Just visually you can see, and again, the lot count is somewhere equal to roughly 50/50 between the three Canadian operations and now the eight markets in the United States. We did not put the Phoenix lot count in because technically we didn't close that deal until April 1. And that's the accountant speaking on that one.

2012 achievements, we exceeded our guidance targets. By the end of the year we recorded net income, net operating income before taxes, of \$129 million and the net income increased up from to \$93 million from \$7 million in 2011. If you recall in 2011 we did take a tax valuation allowance for a U.S. tax asset, that's the reason for that lower number in 2011. Last year some, over and above some good operating results. I would say that a big, big highlight was the capital plan execution in the fourth quarter, issued \$600 million of eight year unsecured debt at six and a half percent and a common share offering of \$233 million which is positioned as extremely well from a liquidity point of view and gives us ample liquidity to take advantage of opportunities in the recovering marketplaces. For market

cap there's over 2.6 billion and as I touched on the liquidity is in excess of \$600 million at this point. Pre-merger, resulting from the merger our debt to cap ratio was 57%. As a result of doing some of these equity offerings, etc. we're now, and earnings, we're now down at the end of the year to 43% debt to cap which is a very good position for us based on the asset mix that we have as a company.

We acquired over \$500 million of assets in 2012, about \$136 million in Canada and \$352 million for instance in California. The largest component of the California acquisition was buying the Playa Capital Company for \$258 million which was done later in 2012 and we believe will be an outstanding acquisition and asset for us going forward. We entered into a joint venture with CalSTRS. They came into the Canadian market for the first time and we've had a relationship with them for many years here in southern California and a relationship blossomed to the extent that they wanted to come into the Canadian market and learn about that. So we're working with them on a strategic relationship elsewhere in the marketplace.

Denver home building, we started that operation in the fourth quarter. So we were purely in the land development business in Denver up to that point and we are actively selling in one of our communities in Denver at this point in time.

2013 first quarter results. Now, this is a very, very brief overview, there will be a full conference call with analysts tomorrow morning, 8 o'clock Pacific time. So this is really just a snapshot of what has gone out in the press release first, just about an hour ago. Net income attributable to shareholders, four million, four cents per share. Strong revenue growth, up 29% over the same quarter last year. Completed about \$117 million of land acquisitions. And the backlog, I mean, one thing that is important to know is our sales backlog for housing is 36% up in units and 43% up in value over the same period last year. And subsequent to the quarter end we expanded into Phoenix, Arizona. We bought a 50% interest in a community called Eastmark with DMB Associates in Phoenix. And it's approximately a 2,200 to 2,300 acre mixed use community in one of the strong growth quadrants in the Phoenix area, very close to the Mesa gateway airport and we think that a combination of DMB's local knowledge, our expertise on large, mixed use projects throughout North America, we think that the venture is one that we're very excited about going forward especially with the growth potential in the Phoenix market.

Outlook for the year, the U.S. market is improving quite rapidly. It's going by region, it's not happening across the board everywhere but region by region we're seeing some significant improvement in the markets. We're offering sort of somewhat limited operational guidance right now. We think the Canadian operations will close approximately 1,400 single family lots, 100 acres of multi commercial and industrial parcels as well as occupied, closed 1,300 homes. In the U.S. we're expected to close roughly 800 lots, 30 acres of multi commercial and industrial and close approximately 900 homes.

Now we're going to open 60 new communities in 2013. However, the one thing that we should bear in mind is the vast majority of the financial impact of those openings will probably be going into 2014 and beyond. We will be opening them this year, selling units but will probably be closing those units in 2014. So it augers very well for 2014 and beyond. And we anticipate the Canadian operations are still going to be a very strong contributor, we've had a great franchise there for over 50 years and we see good, strong, robust activity in the Canadian operations.

Just to remind everybody just on what we think our real advantage is vs. many peers out there. We have the Canadian and U.S. exposure. We have, as I say, a strong franchise in Canada that's been around for a long time and a very profitable franchise and we have a great land position in the United States as well which is as the market recovers we already have the land on our books in many cases. So as house prices increase we will see a corresponding lift in the underlying land value, for instance a 10% increase in house prices will translate to 20-30% increase in the underlying finished lot value. We are seeing that happening in northern California as we speak and we're seeing it happening in southern California as we speak as well and it's working its way through the rest of the markets I would suggest. Denver we're seeing the appreciation as well, Austin to a certain extent as well. So we're feeling very positive about our positioning and we believe that the model that we have which would be to own the land, build on 15-20% roughly of the lots or slightly more and then sell the remaining lots to the third party builders whether they be regionals, nationals or locals is a very solid business model. It gives us exposure to the consumer and allows us to price the lots effectively when we are selling them to third parties and we think the business model is solid.

So based on our current land holdings some of the deals that we have in the works and recent price increases we're very optimistic about measurable improvement in our bottom line this year. We, as I said, the continuity going into 2014 should lead to increased profitability in 2014 and we'd like to think that we should be able to see approaching, you know, the U.S. operation approaching profitability

levels that we're currently seeing in Canada. Getting approach to that level by 2015, assuming the market continues to improve. So we're feeling very good about our company, our positioning and the team that is going to be executing on this going forward. So I thank you very much for your attendance today and those who dialed in or on the webcast. So I'll take any questions if anybody has any.

ROBERT L. STELZL:

Alan, thank you for the comments and thank you and the entire Brookfield management team for a very successful 2012 and a great start to 2013. Ladies and gentlemen, if there are no further questions or comments I would like to thank you for your participation today. That brings us to the end of today's meeting unless there is any other business to do. Not. Since there is no other business, I declare the meeting adjourned. Thank you.