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**BROOKFIELD HOMES CORPORATION**



**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To Be Held On  
March 24, 2009**

**Fellow Stockholders of Brookfield Homes Corporation:**

You are invited to attend the 2009 Annual Meeting of Stockholders of Brookfield Homes Corporation. The Annual Meeting will be held at the Hilton Costa Mesa Hotel, 3050 Bristol Street, Costa Mesa, California on March 24, 2009 at 11:00 a.m., Pacific Time, for the following purposes:

- to elect nine directors;
- to approve an amendment to our Amended and Restated Certificate of Incorporation to increase the total number of shares of common stock that we are authorized to issue from 65,000,000 shares to 200,000,000 shares;
- to approve the 2009 Stock Option Plan;
- to ratify the appointment of Deloitte & Touche LLP as our independent auditors for 2009; and
- to conduct other business properly brought before the meeting.

Only stockholders of record at the close of business on February 17, 2009, 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. Proxies may be given either by telephone, electronically through the Internet, or by mail. 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 AND RETURN THE 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  
February 26, 2009

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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 March 24, 2009**

**GENERAL**

**Time, Place and Purposes of Meeting**

The 2009 Annual Meeting of Stockholders of Brookfield Homes Corporation will be held on March 24, 2009 at 11:00 a.m., Pacific Time, at the Hilton Costa Mesa Hotel, 3050 Bristol Street, Costa Mesa, California (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.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
STOCKHOLDER MEETING TO BE HELD ON MARCH 24, 2009**

**The Proxy Statement and 2008 Annual Report to Stockholders are available at  
<http://bnymellon.mobular.net/bnymellon/bhs>**

**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 accompanying form of proxy will first be mailed and made available on the Internet on or about February 26, 2009 to stockholders of record on February 17, 2009 (the "Record Date"). We will bear the entire cost of this solicitation. The solicitation of proxies will be made primarily by use of the mail and pursuant to Rule 14a-16 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). 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.

**Voting of Proxies**

Stockholders of record may vote either by casting votes in person at the meeting, by marking, signing and dating the accompanying form of proxy received and returning it in the prepaid envelope, or by following the instructions to vote by telephone, or electronically through the Internet contained on the form of proxy. The telephone and Internet voting procedures to vote by proxy are designed to authenticate votes cast by use of a control number. The procedures, which are designed to comply with Delaware law, allow stockholders to appoint a proxy to vote their shares and to confirm that their instructions have been properly recorded. Stockholders who hold shares in “street name” through a broker or other nominee may be able to vote by telephone or electronically through the Internet in accordance with the voting instructions provided by that institution.

**Revocation of Proxies**

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 at 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, or, absent a specification, as recommended by the board of directors.

## **Outstanding Shares and Voting Rights**

February 17, 2009 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 26,768,732 shares of our common stock, \$0.01 par value per share, issued and outstanding on February 17, 2009. 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. In accordance with our By-laws, a list of such stockholders will be available for examination by any stockholder at our Costa Mesa office, 3090 Bristol Street, Suite 200, Costa Mesa, California, 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.

## **Vote Required**

If a broker holds your shares, this Proxy Statement and accompanying form of proxy have been sent to the broker. You may have received the Proxy Statement directly from your broker, together with instructions as to how to direct the broker 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 indicates to us 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 proposals being considered at the meeting. If you submit a proxy without specifying a vote, your proxy will be voted as recommended by our board of directors.

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

The proposed increase in the number of authorized shares of common stock, the proposed approval of the 2009 Stock Option Plan and the ratification of the appointment of Deloitte & Touche LLP as our independent auditors for 2009 each require approval by a majority of shares of common stock entitled to vote 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 form of proxy 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 the Proxy Statement, accompanying form of proxy and our 2008 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 the Proxy Statement, accompanying form of proxy and our 2008 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, forms of proxy and annual reports in the future, or alternatively, that you wish to receive a single copy instead of multiple copies. Contact information for these purposes is: Brookfield Homes Corporation, Attention: Investor Relations, 8500 Executive Park Avenue, Suite 300, Fairfax, VA, 22031, telephone number: 858-481-2567, or email: [lnorthwood@brookfieldhomes.com](mailto: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 form of 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.

<u>Name</u>	<u>Age</u>	<u>Director Since</u>	<u>Principal Occupation and Business Experience</u>
Ian G. Cockwell	61	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 commercial real estate company and an affiliate of our company. From 1998 until 2002, Mr. Cockwell was Chairman and Chief Executive Officer responsible for Brookfield Properties' master-planned communities business.
Robert A. Ferchat	74	2002	Robert Ferchat became a director in December 2002. Mr. Ferchat was Chairman and Chief Executive Officer of BCE Mobile Communications, Inc., a telecommunications company, from 1994 until 1999. Mr. Ferchat served as a director of Brookfield Properties from 1997 until 2002.
J. Bruce Flatt	43	2002	Bruce Flatt became a director in October 2002 and served as Chairman of Brookfield Homes from October 2002 to May 2007. Since February 2002, Mr. Flatt has served as Managing Partner and Chief Executive Officer of Brookfield Asset Management Inc., our largest stockholder, 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	56	2002	Bruce Lehman became a director in December 2002. Mr. Lehman is a principal in Summit 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	52	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.
Timothy R. Price	66	2009	Timothy Price became a director in February 2009. Mr. Price has served as Chairman of Brookfield Funds, Brookfield Asset Management Inc., since 1996 and was also Chairman, Brookfield Financial Corporation until December 31, 2004. Mr. Price was previously a director of our company from August 6, 2004 to October 4, 2006. Mr. Price was recommended to serve on our board of directors by Brookfield Asset Management Inc.

<u>Name</u>	<u>Age</u>	<u>Director Since</u>	<u>Principal Occupation and Business Experience</u>
David M. Sherman	51	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. From 2002 to 2006, Mr. Sherman 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.
Robert L. Stelzl	63	2002	Robert Stelzl became a director in December 2002 and has served as Chairman since May 2007. Mr. Stelzl is President of Rivas Capital, a private real estate investor and fund manager. Mr. Stelzl is 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	64	2007	Michael Young became a director 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 Calloway Real Estate Investment Trust since 2003.

**THE BOARD OF DIRECTORS RECOMMENDS VOTING “FOR” EACH OF THE DIRECTOR NOMINEES.**

**PROPOSAL TWO – APPROVAL OF AMENDMENT TO BROOKFIELD HOMES CORPORATION’S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK**

Stockholders are being asked to approve an amendment to our Amended and Restated Certificate of Incorporation (“Certificate”) to increase the total number of shares of common stock that we are authorized to issue from 65,000,000 shares to 200,000,000 shares (the “Amendment”). The additional common stock to be authorized by adoption of the amendment would have rights identical to our currently outstanding common stock. The number of authorized shares of our preferred stock will not be affected by this amendment and will be maintained at 10,000,000. On February 2, 2009, our board of directors approved the Amendment in substantially the form attached hereto as Appendix A, subject to stockholder approval, and directed that the Amendment be submitted to a vote of our stockholders.

Our Certificate currently authorizes the issuance of up to 65,000,000 shares of common stock. As of the Record Date, there were 32,073,781 shares of common stock issued and outstanding, including 5,305,049 treasury shares. After deducting 1,364,200 shares reserved for issuance pursuant to our current stock option plan and 35,714,286 shares reserved for issuance in connection with our publicly announced rights offering transaction described more fully below, we have 1,152,782 shares of common stock remaining authorized for future issuance.

On December 23, 2008, we filed a registration statement with the Securities and Exchange Commission in connection with a rights offering to our stockholders to purchase up to an aggregate 10,000,000 shares of 8% convertible preferred stock, Series A, par value \$0.01 per share (the “convertible preferred stock”). The shares of convertible preferred stock will be convertible into shares of common stock at a conversion rate of 3.571428571 shares of common stock per share of convertible preferred stock. Assuming that all 10,000,000 shares of convertible preferred stock in the rights offering are subscribed for, and are converted into shares of common stock, we will issue 35,714,286 shares of common stock pursuant to the conversion of preferred stock. This would leave only 1,152,782 shares of common stock authorized for future issuance under our Certificate.

Our board or directors believes that the number of shares of common stock presently available for future issuance under our Certificate is insufficient to provide us with flexibility in issuing shares for future corporate purposes and has therefore proposed to increase the number of authorized shares to ensure that we have such flexibility, without further stockholder approval, except as may be required by law, regulation or stock exchange rules. We may issue shares in the future in connection with, among other things, public or private stock offerings, acquisitions, equity incentives for employees, strategic investments, partnerships and similar transactions and payments of stock dividends, stock splits or other recapitalizations. In addition, pursuant to the terms of our convertible preferred stock, we may, at our option, make payment of dividends on shares of convertible preferred stock in the form of common stock. We do not have any current plans, intentions, commitments, arrangements, understanding or agreements, either oral or written, with respect to issuances of the additional authorized shares other than in connection with the issuance of common shares upon conversion of convertible preferred stock issued in the rights offering; or at our option, for the payment of dividends on shares of convertible preferred stock in the form of common stock; or under our employee stock option plans.

In addition to these corporate purposes, an increase in the number of authorized shares of our common stock could be used to make it more difficult to, or discourage an attempt to, obtain control of our company by means of a takeover bid that our board of directors determines is not in the best interests of us and our stockholders. However, our board of directors does not intend or view the proposed increase in authorized common stock as an anti-takeover measure and is not proposing the increase in response to any attempt or plan to obtain control of the Company.

The additional shares of common stock being authorized by this amendment might be issued at times and under circumstances as to have a dilutive effect on earnings per share or the percentage ownership interest of the present holders of our common stock, none of whom have preemptive rights under our Certificate to subscribe for additional securities that we may issue.

Approval of the proposed Amendment to the Certificate requires the affirmative vote of the holders of a majority of the issued and outstanding shares of common stock. The Amendment to the Certificate will become effective on the date the Amendment is filed with the Secretary of State of the State of Delaware. It is anticipated that the appropriate filing to effect the share increase will be made as soon as practicable following approval of this proposal.

**THE BOARD OF DIRECTORS RECOMMENDS VOTING “FOR” ADOPTION OF PROPOSAL TWO.**

## BENEFICIAL OWNERSHIP OF COMMON STOCK

### Security Ownership of Principal Stockholders and Management

The following table shows the beneficial ownership of shares of our outstanding common stock as of February 17, 2009 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 21 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 <sup>(1)(2)</sup>	Percentage of Class <sup>(3)</sup>
Brookfield Asset Management Inc. <sup>(4)</sup> Suite 300, Brookfield Place 181 Bay Street, Toronto, Ontario M5J 2T3 .....	15,570,866 <sup>(5)</sup>	58.17
Ian G. Cockwell <sup>(6)</sup> .....	17,062,352	63.30
Robert A. Ferchat.....	4,475	*
J. Bruce Flatt <sup>(6)</sup> .....	15,606,898	58.30
Craig J. Laurie .....	90	*
Bruce T. Lehman .....	—	*
Alan Norris .....	3,000	*
Timothy R. Price.....	19,763	*
William B. Seith .....	43,000	*
David M. Sherman.....	8,500	*
Robert L. Stelzl.....	3,600	*
Michael D. Young.....	8,500	*
All directors and officers as a group (11 persons) .....	17,189,312	63.67

\* 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.
- (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 17, 2009 as follows: Mr. Cockwell – 185,000; and Mr. Seith – 43,000. 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.
- (3) The percentages are calculated based on the 26,768,732 shares of our common stock that are outstanding as of February 17, 2009. 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, a director of our company, 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 contractual arrangements, such as options to acquire or otherwise hold beneficial interests in approximately 100 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, Flatt, Norris and Price, who are directors and/or 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 approximately 40 shareholders of Partners, none of whom hold more than a 20% 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 13D/A of Brookfield filed with the Securities and Exchange Commission (the “SEC”) with respect to common stock owned as of December 18, 2007.
- (6) Includes 15,570,866 shares beneficially owned by Brookfield. Messrs. Cockwell and Flatt disclaim beneficial ownership of the shares of common stock held by Brookfield.

## 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](http://www.brookfieldhomes.com).

### *Controlled Company*

Brookfield Asset Management Inc. exercises voting power over approximately 58% 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 contained in our Statement of Corporate Governance Practices, which is available on our website under the Investor Relations and Corporate Governance links. 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);
- 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 Robert A. Ferchat, Bruce T. Lehman, David M. Sherman, Robert L. Stelzl and Michael D. Young 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. None of our independent directors have any relationship with the Company or its affiliates except for serving as a director of the Company, other than Robert L. Stelzl, who is an independent director of Brookfield Properties Corporation, an affiliate of the Company.

### *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 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. The independent non-executive chairman of the board of directors presides over both non-management and independent director sessions. The non-management and the independent directors may also meet at such other times as determined by the Chairman 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, 8500 Executive Park Avenue, Suite 300, Fairfax, VA, 22031. 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 independent non-executive Chairman of the board of directors directly may do so by writing to: Chairman of the Board of Directors, Brookfield Homes Corporation, 8500 Executive Park Avenue, Suite 300, Fairfax, VA, 22031. The status of all outstanding concerns addressed to the Chairman 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](http://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, 8500 Executive Park Avenue, Suite 300, Fairfax, VA, 22031. 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 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 recommends for nomination 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 2008 fiscal year, the board met eight times, including four regularly scheduled quarterly meetings and four special meetings, 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 2008 fiscal year, with the exception of two directors who were each unable to attend one special meeting out of eight board meetings. Each director attended the annual meeting of stockholders held in May 2008. Four regular meetings are scheduled for 2009. 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 independent non-executive Chairman 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 Audit Committee, the Governance and Nominating Committee and the Management Resources and Compensation Committee. Each committee operates pursuant to a written charter. Each charter is posted on our website, [www.brookfieldhomes.com](http://www.brookfieldhomes.com), 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 Audit Committee, the Governance and Nominating Committee and the Management Resources and Compensation Committee each have specific responsibilities for certain aspects of corporate governance as described below.

#### *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), Bruce T. Lehman 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 2008 fiscal year.

#### *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 matters and making recommendations 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 annual meeting of stockholders, developing and recommending to the board corporate governance principles, and overseeing the evaluation and effectiveness of the board. The Governance and Nominating Committee is comprised of three directors: David M. Sherman (Chairman), Robert A. Ferchat and Michael D. Young. 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 2008 fiscal year.

#### *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 matters and making recommendations to the board as appropriate. In particular, the Management Resources and Compensation Committee is responsible for discharging the Board's responsibilities relating to compensation of the Company's named executive officers, including responsibility to:

- review the adequacy and form of, and 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.

The role of the Management 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 Michael D. Young. 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 twice during the 2008 fiscal year.

#### *Compensation Committee Interlocks and Insider Participation*

Bruce T. Lehman, David M. Sherman, Robert L. Stelzl and Michael D. Young served as members of the Management Resources and Compensation Committee in respect of the 2008 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.

## COMPENSATION DISCUSSION AND ANALYSIS

### Overview

Our Compensation Discussion and Analysis explains the material elements of the Company's compensation arrangements for the Company's Chief Executive Officer, present and former Chief Financial Officers and the other executive officer named in the Summary Compensation Table (the "named executive officers"). It should be read in connection with the Summary Compensation Table and related tables and narrative disclosures under "Executive Compensation" beginning on page 21 of this proxy statement. Additional disclosure is provided on page 19 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:

- an overview of our compensation objectives and related policies;
- our compensation-setting process;
- each element of our compensation program and how we determine the amounts payable under each element; and
- our compensation decisions and analysis for fiscal year 2008.

### Executive Summary

The Management Resources and Compensation Committee (the "Compensation Committee" or "Committee") of the Board of Directors of Brookfield Homes is responsible for discharging the Board's responsibilities relating to compensation of the Company's named executive officers. For more information on the Committee, its members and its processes, see "Information Regarding the Board of Directors – Committees of the Board – Management Resources and Compensation Committee" on page 11 of this proxy statement.

The Company's objective in setting compensation is to create stockholder value over the long term, represented by the total return on our common stockholders' equity. Accordingly, the Company's compensation policies for its named executive officers are designed to align their interests with those of our stockholders by providing an overall competitive compensation package with a higher proportion of total compensation derived from the opportunity to participate in the long term ownership participation plans. The principal elements of our executive compensation program for 2008 were:

- short-term compensation (base salary and annual bonus award); and
- direct and indirect long-term ownership participation (stock options and deferred share units).

The Company considers that the total compensation for our named executive officers in respect of the 2008 fiscal year is focused on aligning their interests with those of our stockholders, and is consistent with the Company's overall compensation objectives and the specific policies that are outlined in the Company's Compensation Discussion and Analysis that follow.

### Compensation Objectives and Policies

#### *Overview*

The Company's objective in setting compensation is to create stockholder value over the long term, represented by the total return on our common stockholders' equity. The Company also considers the performance of the named executive officers collectively in meeting corporate performance objectives, the relative roles and responsibilities of each named executive officer as compared to the other named executive officers 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.

## *Compensation Policies*

In order to achieve its compensation objectives, the Company believes that:

- short-term cash compensation (base salaries and annual bonus awards) for its named executive officers should be set below the median level of total cash compensation for comparable companies within the homebuilding industry, in return for the opportunity to participate in the total return on our common stockholders' equity over the long term. For the named executive officers, this results in direct and indirect long term ownership participation (stock options and deferred share units) being targeted at the upper quartile level for comparable companies within the homebuilding industry;
- in order to foster a team-based approach, which the Company believes is fundamental to meeting its objective of maximizing the total return on our common stockholders' equity over the long term, 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; and
- compensation arrangements for its named executive officers are 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 total return on our common stockholders' equity;
  - compensation of the named executive officers is at the discretion of the Compensation Committee; and
  - other than a Management Services Agreement effective as of February 2, 2009, relating to the employment of Craig Laurie as our Chief Financial Officer, we do not have any employment, severance or change-in-control agreements with any of our current named executive officers except for 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. An estimate of the compensation that would have been payable had such change-in-control provisions been triggered as of the fiscal year-end are detailed under "Executive Compensation – Potential Payments upon Termination or a Change-in-Control" on page 26 of this proxy statement.

## *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 direct and indirect 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 within the homebuilding industry in return for an opportunity to participate in the Company's long term ownership participation plans at the upper quartile level for these companies.

The group of comparable companies used for fiscal year 2008 was comprised of the 43 homebuilding companies surveyed in the 2006 – 2007 Residential Builders Compensation Survey, a national compensation survey for the single-family and multi-family housing industry prepared by Lee Stephens & Associates, a California-based executive compensation and advisory services firm. There were no increases in 2009 base salary and for 2008 no annual bonus awards were paid to any of our named executive officers.

## *Individual Compensation Summaries – Total Compensation*

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, long-term ownership participation (stock option and deferred share unit grants) and any other compensation. The Committee uses tally 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.

## **The Compensation Process**

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 during 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.

### *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 ownership participation levels for executive officers (other than for himself) 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 questions arising out of the materials presented.

### *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 2008, 2007 or 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.

## **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
- direct and indirect long-term ownership participation (stock options and deferred share units).

For Craig Laurie, who was appointed Chief Financial Officer on November 28, 2008, no base salary or bonus was paid by the Company in 2008. Details of the Management Services Agreement effective February 2, 2009, relating to the Company's employment of Mr. Laurie as its Chief Financial Officer are provided under the heading "Other 2008 and 2009 Compensation Matters" below.

### **(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 as described below. Base salary and annual bonus award recommendations are submitted to the Compensation Committee for its consideration by the Chief Executive Officer (other than for himself) in the first quarter of the fiscal year, at the time of the approval of the previous year's financial statements. Base salary and annual bonus awards are approved by the Compensation Committee in an executive session without management present.

The Company believes that: base salaries and annual 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 the upper quartile level in the long-term ownership participation plans; and 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 other named executive officers is significantly less than in these comparable companies.

Base salaries are also reviewed annually to ensure that they reflect the relative contribution of each individual and the principles set forth above. The determination of relative contribution is a subjective evaluation based on an individual's contribution to creating stockholder value, experience and level of responsibility. No quantitative relative weights are assigned to these factors when setting base salaries.

Bonus awards are reviewed annually and on average will range between 50% and 100% of base salary, determined primarily on the named executive officer's performance in meeting the Company's corporate performance objectives (outlined below under "2008 and 2009 Short-Term Compensation Decisions and Analysis"), the Company's performance relative to the industry and the principles set forth above. The performance of the Company is measured by the achievement of financial and other objectives reviewed at the beginning of the fiscal year. No quantitative relative weights are assigned to these factors when setting annual bonus awards.

In order to further the Company's overall compensation objective of aligning our named executives' interests with those of our stockholders, our Chief Executive Officer may elect to receive all or a portion of his annual bonus award, if any, in deferred share units of the Company, as described below under "Long-Term Ownership Participation."

#### *2008 and 2009 Short-Term Compensation Decisions and Analysis*

The following table details base salaries and annual bonus awards for our named executive officers for the 2008, 2007 and 2006 fiscal years, together with the median base salaries and annual bonus awards earned by executives holding similar positions at comparable companies according to the 2006 – 2007 Residential Builders Compensation Survey. The 2009 base salaries and 2008 annual bonus awards were set in the first quarter of 2009.

Name <sup>(1)</sup>	2008 Base Salary and Bonus	2007 Base Salary and Bonus	2006 Base Salary and Bonus	Median Base Salary and Bonus –Benchmarked Companies
Ian G. Cockwell	\$350,000 <sup>(2)</sup>	\$475,000	\$460,000	\$2,760,000
William B. Seith	\$210,000 <sup>(2)</sup>	\$260,000	\$260,000	\$ 319,000
Paul G. Kerrigan	\$320,000 <sup>(3)</sup>	\$440,000	\$343,000	\$ 787,000

- (1) Craig Laurie was appointed Chief Financial Officer of our company effective November 28, 2008, upon the departure of Paul Kerrigan. Mr. Laurie received no base salary or annual bonus from the Company in 2008. Details of the Management Services Agreement relating to the Company's employment of Mr. Laurie as its Chief Financial Officer are provided under the heading "Other 2008 and 2009 Compensation Matters" below.
- (2) Messrs. Cockwell and Seith received no annual bonus for the 2008 fiscal year.
- (3) Mr. Kerrigan did not receive an annual bonus in respect of the 2008 fiscal year. Details of Mr. Kerrigan's departure arrangements are provided under the heading "Other 2008 and 2009 Compensation Matters" below.

In setting 2008 base salaries and annual bonus awards, the Compensation Committee considered in particular, the following:

- the base salaries and annual bonus awards of between \$210,000 and \$350,000 for the named executive officers were below the median base salaries and annual bonus awards earned by executives holding similar positions at comparable companies within the homebuilding industry;
- the difference between the base salary and annual bonus awards of the Chief Executive Officer and the other named executive officers was significantly lower than the difference for comparable companies, fostering a team-based approach which the Company believes is fundamental to meeting its long-term objectives;
- the named executive officers' did not meet the Company's 2008 target corporate performance measures, which were as follows:

Performance Measures	2008 Target	Long Term Targets
Return on Average Net Assets	10%	20%
Inventory Turnover	0.5x	1.5x
Net Debt to Total Book Capitalization	60%	50%
Return on Opening Stockholders' Equity	12%	20%
Earning Per Share Growth	–	10% - 15%

- the contribution, experience and level of responsibility of each individual.

For 2007, 2006 and prior years, the Chief Executive Officer elected to receive his annual bonus awards in deferred share units. Pursuant to the deferred share unit plan, bonus amounts elected to be received in units were increased by a factor of two times for purposes of calculating the number of units allocated. No annual bonus was awarded to the Chief Executive Officer for the 2008 fiscal year.

(ii) Long-Term Ownership Participation

Long-term ownership participation plans for the named executive officers consist of (1) a stock option plan and (2) a deferred share unit plan. The purpose of these plans is to achieve a commonality of interest between stockholders and the named executive officers and to motivate them to maximize the total return on our stockholders' equity over the long term. Long-term ownership participation is targeted at the upper quartile level for comparable companies within the homebuilding industry for named executive officers with greater responsibility and ability to influence the Company's achievement of its corporate performance objectives.

We use stock options and deferred share units as long-term incentive vehicles because:

- they align the interests of the named executive officers with those of the stockholders, foster stock ownership, are performance-based and focus the executives on maximizing the total return on our stockholders' equity; and
- the five-year period for vesting encourages retention of the named executive officers.

*Stock Options*

Options are granted to the named executive officers by the Compensation Committee generally once a year, upon the approval of the year-end financial statements (see "Timing of Stock Option and Deferred Share Unit Grants" for details). The number of options granted to the named executive officers is discretionary, based upon the effective capital made available to an individual, a subjective evaluation of the executive officer's performance with regard to the Company's corporate performance objectives and the Company's performance relative to the industry and to motivate them to maximize the total return on our stockholders' equity over the long term. No quantitative relative weights are assigned to these factors when setting option awards.

All stock options granted under our stock option plan incorporate the following material terms:

- the exercise price of the option is not less than the closing market price on the New York Stock Exchange (the "NYSE") of a share of our common stock on the date of grant;
- options vest a maximum of 20% per year over a five-year period beginning with the date of grant; and
- options are not exercisable later than 10 years after the date of grant.

*Deferred Share Units*

The Company's deferred share unit plan provides that the Chief Executive Officer may, at his option, receive up to 100% of his annual bonus award, if any, in the form of deferred share units ("DSUs", or "units"). The annual bonus award is converted to units based on the closing price of the Company's shares on the NYSE on the date of the award. The portion of the annual bonus award elected to be received in units by the Chief Executive Officer may be increased by the Compensation Committee by a factor of up to two times for purposes of calculating the number of units to be allocated under the plan. No annual bonus was awarded to the Chief Executive Officer for the 2008 fiscal year. The deferred share unit plan was amended in February 2008 to permit the Compensation Committee to award deferred share units to any of our executives in order to further align the recipients interests with those of our stockholders. An executive who holds units will receive additional units as dividends are paid on shares of the Company's common stock, on the same basis as if the dividends were reinvested. In 2008, our named executive officers received 12,372 additional units under this feature, representing dividends of \$151,929. The units vest 20% per year over a five-year period beginning with the date of grant and are only redeemable upon retirement, termination or death.

The Company's stock option plan and deferred share unit plans are described in more detail under "Executive Compensation – Narrative Disclosure to Summary Compensation and Plan-Based Awards Tables" on page 24 of this proxy statement.

*2008 and 2009 Long-Term Ownership Participation Decisions and Analysis*

Stock option awards in respect of the 2008 fiscal year were granted in the first quarter of 2009 based on the Compensation Committee's consideration of the Company's overall compensation objectives. The number of options granted to the named executive officers totaled 1,125,000 (representing approximately 64% of all stock options granted to the Company's employees). The stock options were awarded on a discretionary basis reflecting the effective capital made available to the individual, a subjective evaluation of the named executive officer's

performance with regard to the Company's corporate performance objectives, the performance of the Company in 2008 relative to the industry and to motivate them to maximize the total return on our stockholders' equity over the long term. No quantitative relative weights were assigned to these factors when setting option awards.

Included in the 1,125,000 options granted to the named executive officers were options to purchase 1,000,000 shares of common stock of the Company at an exercise price of \$2.65 per share granted to our Chief Executive Officer under our 2009 Stock Option Plan which was approved by our board of directors on February 2, 2009. The 2009 Stock Option Plan is subject to stockholder approval and the options will not vest and are subject to forfeiture if the stockholders do not approve the 2009 Stock Option Plan. In order to encourage retention of the Chief Executive Officer and motivate him to maximize the total return on our stockholders' equity over the long term, these options will vest in their entirety on February 2, 2014.

The following table details the grant date fair value of the stock option and deferred share unit awards granted to our named executive officers in 2009 in respect of the 2008 fiscal year, granted in 2008 in respect of the 2007 fiscal year, and granted in 2007 in respect of the 2006 fiscal year together with the fair value of the awards granted in 2008 and 2007 at December 31, 2008 and the median value of long-term participation awards granted to executives holding similar positions at comparable companies according to the 2006 – 2007 Residential Builders Compensation Survey:

Name	Long-Term Ownership Participation Grants			Value at	Value at	Median Long-Term Incentive Awards–Benchmarked Companies
	2008 <sup>(1)</sup>	2007 <sup>(2)</sup>	2006 <sup>(3)</sup>	December 31, 2008 of 2007 Grants <sup>(4)</sup>	December 31, 2008 of 2006 Grants <sup>(5)</sup>	
Ian G. Cockwell	\$ 1,620,000	\$ 701,959	\$ 1,211,900	\$ 95,092	\$ 37,969	\$ 1,759,000
William B. Seith	\$ 238,750	\$ 555,379	\$ 328,800	\$ 108,000	\$ –	\$ 29,000
Paul G. Kerrigan	\$ –	\$ 2,283,590	\$ 1,032,800	\$ –	\$ 90,113	\$ 756,000

- (1) Represents grant date fair value of stock option awards granted February 2, 2009 relating to the 2008 fiscal year, as follows: Ian Cockwell – 1,000,000 stock options; and William Seith – 125,000 stock options.
- (2) Represents grant date fair value of stock option and deferred share unit awards granted February 1, 2008 relating to the 2007 fiscal year, as follows: Ian Cockwell – 65,000 stock options and 22,012 deferred share units; William Seith – 20,000 stock options and 25,000 deferred share units; and Paul Kerrigan – 40,000 stock options and 130,000 deferred share units.
- (3) Represents grant date fair value of stock option and deferred share unit awards granted February 1, 2007 relating to the 2006 fiscal year, as follows: Ian Cockwell – 90,000 stock options and 8,789 deferred share units; William Seith – 20,000 stock options; and Paul Kerrigan – 80,000 stock options and 6,592 deferred share units.
- (4) Represents the value of stock option and deferred share unit awards granted February 1, 2008 measured as of December 31, 2008. No value was attributed to the stock option grants as they were "out-of-the-money" as of such time. Pursuant to the terms of Mr. Kerrigan's Departure Agreement, Mr. Kerrigan is not entitled to redeem the 130,000 deferred share units awarded on February 1, 2008.
- (5) Represents the value of stock option and deferred share unit awards granted February 1, 2007 measured as of December 31, 2008. No value was attributed to the stock option grants as they were "out-of-the-money" as of such time. Pursuant to the terms of Mr. Kerrigan's Departure Agreement, deferred share units awarded on February 1, 2007 were valued at \$13.67 per unit for inclusion in this table. See "Other 2008 and 2009 Compensation Matters" for further information regarding their actual valuation.

The exercise price for each of the option grants was based on the closing price of the Company's common stock on the NYSE on the date the Compensation Committee approved the grant, and each of the options granted vests over five years, with the exception of the February 2, 2009 grant to our Chief Executive Officer, which in order to encourage his retention, will vest in its entirety on February 2, 2014.

For 2007, 2006 and prior years, the Chief Executive Officer elected to receive all of his annual bonus in the form of deferred share units. Pursuant to the terms of the deferred share unit plan, amounts elected to be received in units were increased by a factor of two times for purposes of calculating the number of units allocated. No annual bonus was awarded to the Chief Executive Officer for the 2008 fiscal year.

## **Other 2008 and 2009 Compensation Matters**

On November 17, 2008, the Company entered into a Departure Agreement with its former Chief Financial Officer, Paul Kerrigan, the material terms of which are summarized below:

Effective as of November 28, 2008 (the "Departure Date"), Mr. Kerrigan received a payment of \$464,759, a \$12,124 payment into his registered retirement savings plan and outstanding vacation entitlement of \$14,922. Commencing on the Departure Date until the earlier of: (i) the date that alternate employment commences or (ii) August 29, 2009, Mr. Kerrigan will continue to receive his salary (\$340,000 per annum) and benefits. Should Mr. Kerrigan commence alternate employment prior to August 29, 2009, the payment of salary and benefits will cease, and he will receive a lump sum payment equivalent to the sum of 50% of the salary that would have been paid to him between the commencement of alternate employment and December 29, 2009 and an additional \$12,124 payment into his registered retirement savings plan. If alternate employment has not commenced prior to August 29, 2009, the payment of salary and benefits will cease on August 29, 2009 and Mr. Kerrigan will receive a lump sum payment with his final salary payment equivalent to \$113,159 plus an additional \$12,124 payment into his registered retirement savings plan. Stock options will continue to vest until the earlier of: (i) the date on which Mr. Kerrigan commences alternate employment or (ii) September 30, 2009, and he will be required to exercise all vested options at such time. With the exception of deferred share units awarded on February 1, 2008, all deferred share units will be vested on the Departure Date. Mr. Kerrigan will be entitled to redeem such vested deferred share units upon the earlier of (i) the date that alternate employment commences or (ii) August 29, 2009 (the "Deemed Departure") at the higher of the closing price on September 9, 2008 of \$13.67 and the closing price on the date of his Deemed Departure.

Craig Laurie was appointed Chief Financial Officer of the Company effective November 28, 2008. Effective February 2, 2009, the Company entered into a Management Services Agreement with an affiliate of its largest stockholder, Brookfield Asset Management Inc. ("Brookfield"), relating to the employment of Mr. Laurie, the material terms of which are summarized below:

Effective February 2, 2009, the Company will pay directly to the Brookfield affiliate a quarterly service fee of \$80,000 with respect to Mr. Laurie's employment by the Company as its Chief Financial Officer. Commencing with the fiscal year ending December 31, 2009, Mr. Laurie will have the opportunity to participate in the Company's long term ownership participation plans. Mr. Laurie is also entitled to receive from the Company reimbursement for travel related and out-of-pocket expenses incurred in connection with his services to the Company. Mr. Laurie is not eligible to participate in the Company's benefits and 401(k) Plan.

## **Other Compensation Policies**

The following information may also be useful in understanding the Company's executive compensation policies:

### *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 shareholdings are currently in excess of these investment guidelines and our recently appointed Chief Financial Officer has until November 28, 2011 to attain the required level of ownership.

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' stock, 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 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.

The timing of annual stock option grants and deferred share unit awards is concurrent with 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, neither the Company, nor the Compensation Committee is in a position to 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 of 1986, as amended, 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.

#### **Additional Senior Operating Management Compensation Disclosure**

The compensation arrangements of the Company for its Senior Operating Management are focused on rewarding performance in their business unit and comprise:

- short-term compensation (base salary); and
- participation in the net income of their business unit.

The Company maintains short-term cash compensation (base salaries) for its Senior Operating Management below the median level of total cash compensation for comparable companies within the homebuilding industry, in return for the opportunity to participate in the long-term value creation through a participation in the net earnings of their business unit. Senior Operating Management do not receive an annual bonus award.

Senior Operating Management Team's participation in the net earnings of their business unit align them with stockholders in participating in the return from the assets they manage at a level higher than the upper quartile level for similar companies. The Senior Operating Management Long-Term Participation Plan is described below.

#### *Senior Operating Management Long-Term Participation Plan*

Certain Senior Operating Management employees, none of whom are executive officers of the Company, participate in the Senior Operating Management Long-Term Participation Plan. This Plan was established to attract and retain entrepreneurial management teams to profitably manage and grow our business operations through a decentralized local management structure. The Plan was amended in 2006 to further align Senior Operating Management compensation with the creation of value for stockholders. The Plan provides total compensation that is exceptional when business unit returns are exceptional, drives performance and helps retain entrepreneurial operating management teams. For 2008, there were 25 participants in the Plan and no participation amounts were paid.

The Plan provides for participation in a business unit's annual net earnings by the business unit management team on the following basis – 10% of net earnings after a capital charge on assets is exceeded and corporate overhead is covered, increasing to 15% of net earnings once the capital charge plus 5% is exceeded. No incentive is paid until the capital charge is exceeded. For 2008, the capital charge on assets was approximately 9%. Returns are measured on a net earnings basis upon approval of the year end financial statements. The capital charge was established at a level that is intended to encourage a conservative investment approach, rather than providing an incentive for management to pursue high-risk investments in order to exceed a high capital charge before they participate.

In order to encourage senior management retention and a longer term focus on value creation, amounts that individuals receive under the Plan vest over a four-year period at a rate of 40% in cash payable following the approval of the year end financial statements, with the remaining 60% vesting over three years, annually thereafter, at the rate of 30%, 20%, and 10%, respectively. Payment of these unvested amounts will be paid 50% in cash and 50% in deferred share units of the Company effective for the fiscal year ending December 31, 2008. Deferred share

units granted to the Senior Operating Management employees are subject to a three- year hold period from the date of vesting. Our senior operating management retention rate provides stability and we believe has brought a longer term value creation focus to our operations.

### **COMPENSATION COMMITTEE REPORT**

The Management Resources and Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management, and based on this review and discussion has recommended to the board of directors that the Compensation Discussion and Analysis be included in the Company's Proxy Statement.

#### **MANAGEMENT RESOURCES & COMPENSATION COMMITTEE**

Bruce T. Lehman, Chairman

David M. Sherman

Michael D. Young

## EXECUTIVE COMPENSATION

### SUMMARY COMPENSATION TABLE

The following table details the compensation of our Chief Executive Officer, our present and former Chief Financial Officers and our other most highly compensated executive officer (the “named executive officers”) for the fiscal years ended December 31, 2008, December 31, 2007 and December 31, 2006:

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (DSUs)( <sup>(4)</sup> )	Option Awards ( <sup>(4)</sup> )	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation ( <sup>(5)</sup> )	Total (\$)
Ian G. Cockwell President & Chief Executive Officer	2008	\$ 350,000	–	\$ (99,077)	\$ (29,676)	–	–	\$ 102,402	\$ 323,649
	2007	\$ 300,000	\$350,000 <sup>(2)</sup>	\$ 111,220	\$ (160,190)	–	–	\$ 176,108	\$ 777,138
	2006	\$ 300,000	\$320,000 <sup>(3)</sup>	\$ 163,908	\$ 196,396	–	–	\$ 169,997	\$ 1,150,301
Craig J. Laurie <sup>(1)</sup> Chief Financial Officer	2008	–	–	–	–	–	–	–	–
William B. Seith Executive Vice President, Risk Management	2008	\$ 210,000	–	\$ 45,946	\$ (20,169)	–	–	\$ 14,053	\$ 249,830
	2007	\$ 200,000	\$ 60,000	–	\$ 21,552	–	–	\$ 9,730	\$ 291,282
	2006	\$ 190,000	\$ 70,000	–	\$ 28,725	–	–	\$ 9,555	\$ 298,280
Paul G. Kerrigan <sup>(1)</sup> Former Executive Vice President & Chief Financial Officer	2008	\$ 320,000	–	\$ 4,366	\$ (20,770)	–	–	\$ 568,804	\$ 872,400
	2007	\$ 240,000	\$200,000	\$ 73,555	\$ (80,563)	–	–	\$ 84,657	\$ 517,649
	2006	\$ 223,000	\$240,000 <sup>(3)</sup>	\$ 102,436	\$ 112,654	–	–	\$ 78,233	\$ 756,323

- (1) Mr. Laurie was appointed Chief Financial Officer of our Company effective November 28, 2008, upon the departure of Mr. Kerrigan. The Company has entered into a Management Services Agreement effective February 2, 2009 relating to the employment of Mr. Laurie as its Chief Financial Officer. Further information regarding this arrangement is provided in the Compensation Discussion and Analysis under the heading “Other 2008 and 2009 Compensation Matters.”
- (2) Mr. Cockwell elected on February 1, 2008 to receive 100% of his annual bonus award for the 2007 fiscal year of \$175,000 in deferred share units, increasing his deferred share units by 22,012. Pursuant to the deferred share unit plan, amounts elected to be received in units were increased by a factor of two times for purposes of calculating the number of units allocated. The grant date fair value of this award was \$350,000.
- (3) Messrs. Cockwell and Kerrigan elected on February 1, 2007 to receive 100% of their annual bonus awards for the 2006 fiscal year of \$160,000 and \$120,000, respectively, in deferred share units, increasing their deferred share units by 8,789 and 6,592, respectively. Pursuant to the deferred share unit plan, amounts elected to be received in units were increased by a factor of two times for purposes of calculating the number of units allocated. The grant date fair value of these awards was \$320,000 and \$240,000, respectively.
- (4) Dollar amounts in the Stock Awards and Option Awards columns for 2008, 2007 and 2006 reflect the compensation expense/(income) for deferred share units and stock options, respectively, recognized by Brookfield Homes for financial statement reporting purposes for the respective fiscal year in accordance with Statement of Financial Accounting Standards (“SFAS”) 123 (revised 2004), “Share-Based Payment” (“SFAS 123R”). The amounts reported are adjusted to eliminate income recognized by the Company for a particular award where it cannot be offset against an expensed amount for that award that was previously reported in the Summary Compensation Table. For a discussion of the assumptions made in the valuation, refer to Note 8 to our consolidated financial statements for the fiscal year ended December 31, 2008, and Note 7 to our consolidated financial statements for the fiscal years ended December 31, 2007 and December 31, 2006, respectively.
- (5) Refer to the All Other Compensation Table below for details of amounts paid in 2008.

## ALL OTHER COMPENSATION TABLE

The following table details each item of compensation of our named executive officers for the fiscal year ended December 31, 2008, required to be included in the "All Other Compensation" column in the Summary Compensation Table above:

Name	Company Contributions to Retirement Savings Plan and Life Insurance Premiums <sup>(1)</sup>	Dividends Received on Deferred Share Unit Awards <sup>(2)</sup>	Other
Ian G. Cockwell	\$ 17,510	\$ 84,892	–
Craig J. Laurie	–	–	–
William B. Seith	\$ 9,055	\$ 4,998	–
Paul G. Kerrigan	\$ 27,084	\$ 62,039	\$ 479,681 <sup>(3)</sup>

- (1) The Company's named executive officers do not participate in any defined benefit, actuarial pension plan or any other post-retirement supplementary compensation plans. Executive officers receive an annual contribution to their retirement savings plans equal to a percentage of annual base salary and the Company pays a life insurance premium annually on behalf of the named executive officers which in 2008 was as follows: Ian Cockwell - \$1,094; William Seith - \$403; and Paul Kerrigan - \$1,405. Mr. Kerrigan also received a fitness allowance of \$1,126.
- (2) Pursuant to the Company's deferred share unit plan, additional units representing dividends paid on the Company's common stock on the same basis as if the dividends were reinvested in units accrued in 2008 as follows: Mr. Cockwell – 6,913; Mr. Seith – 407; and Mr. Kerrigan – 5,052. Amounts in this column reflect the dollar value of the additional units determined on the date of grant in accordance with SFAS 123R, calculated on the total number of units held by the named executive officer. The additional units are only redeemable upon retirement, termination or death and are otherwise subject to the terms of the plan. Refer to the Grants of Plan-Based Awards Table.
- (3) In connection with Mr. Kerrigan's November 28, 2008 departure, the Company and Mr. Kerrigan entered into an agreement dated as of November 17, 2008 (the "Departure Agreement"). Pursuant to the terms of the Departure Agreement, effective as of November 28, 2008, Mr. Kerrigan received a lump sum payment of \$479,681.

## 2008 GRANTS OF PLAN-BASED AWARDS TABLE

The following table details each grant of an award to a named executive officer in the fiscal year ended December 31, 2008 under the Company's stock option and deferred share unit plans:

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (DSUs) (#) <sup>(1)</sup>	All Other Option Awards: Number of Securities Underlying Options (#) <sup>(2)(5)</sup>	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Shares of Stock or Units (DSUs) and Option Awards <sup>(6)(7)</sup>
Ian G. Cockwell	02/01/2008	–	65,000	\$15.90	\$ 351,959
	02/01/2008	22,012 <sup>(3)</sup>			\$ 350,000
	06/30/2008	6,913 <sup>(4)</sup>			\$ 84,892
Craig J. Laurie	–	–	–	–	–
William B. Seith	02/01/2008	–	20,000	\$15.90	\$ 157,879
	02/01/2008	25,000			\$ 397,500
	06/30/2008	407 <sup>(4)</sup>			\$ 4,998
Paul G. Kerrigan	02/01/2008	–	40,000	\$15.90	\$ 216,590
	02/01/2008	130,000			\$ 2,067,000
	06/30/2008	5,052 <sup>(4)</sup>			\$ 62,039

- (1) Denotes awards granted under the deferred share unit plan.
- (2) Denotes awards granted under the stock option plan.

- (3) Mr. Cockwell elected on February 1, 2008 to receive 100% of his annual bonus award of \$175,000 for the 2007 fiscal year in deferred share units. Pursuant to the deferred share unit plan, amounts elected to be received in units were increased by a factor of two times for purposes of calculating the number of units allocated.
- (4) Additional deferred share units representing dividends paid on the Company's common stock on June 30, 2008 on the same basis as if the dividends were reinvested in units accrued as indicated.
- (5) The stock options were granted on February 1, 2008. Not included here are options granted February 2, 2009 at an exercise price of \$2.65 per share as follows: Ian Cockwell – 1,000,000; and William Seith – 125,000. With the exception of the options granted to Mr. Cockwell on February 2, 2009, the options vest 20% per year over a five-year period beginning February 1, 2008 and February 2, 2009, respectively, and are exercisable over a 10-year period from the date of grant. Mr. Cockwell's February 2, 2009 options will vest in their entirety on February 2, 2014.
- (6) The grant date fair value of the stock option awards are determined in accordance with SFAS 123R using a Black-Scholes option pricing model. For a discussion of the assumptions made in the valuation, refer to Note 8 to our consolidated financial statements for the fiscal year ended December 31, 2008.
- (7) The grant date fair value of the deferred share unit awards are determined in accordance with SFAS 123R. For a discussion of the assumptions made in the valuation, refer to Note 8 to our consolidated financial statements for the fiscal year ended December 31, 2008.

## **Narrative Disclosure to Summary Compensation and Plan-Based Awards Tables**

During the 2008 fiscal year, in accordance with our compensation objectives and policies described in our Compensation Discussion and Analysis, our named executive officers received compensation comprised of base salary, an annual bonus award and an allocation of stock options. In addition, in February 2008, our named executive officers other than our Chief Executive Officer, received an allocation of deferred share units totaling 155,000 units which align the recipients longer term interests with those of our stockholders in creating common stockholders value over the long term. Our Chief Executive Officer elected on February 1, 2008 to receive all of his annual bonus award for the 2007 fiscal year of \$175,000 in deferred share units, further aligning his interests with those of our stockholders. Pursuant to the terms of the deferred share unit plan, amounts elected by the Chief Executive Officer to be received in units were increased by a factor of two times for purposes of calculating the number of units allocated. The grant date fair value of this grant was \$350,000. Pursuant to the terms of the deferred share unit plan, the named executive officers also received during 2008 an aggregate of 12,372 deferred share units with a grant date fair value of \$151,929, representing dividends paid on shares of our common stock on the same basis as if the dividends were reinvested in units. Material terms of our stock option and deferred share unit plans follow:

### *Stock Option Plan*

Our stock option plan permits the Company to grant options to purchase shares of the Company's common stock at the market price on the day the options are granted. Stock options generally vest 20% per year over a five year period beginning with the date of grant, and are exercisable over a 10-year period from that date. A maximum of two million shares (7.5% of the issued and outstanding shares of the Company at February 17, 2009) are authorized for issuance under the plan of which approximately 14,200 remain available for future issuance as of February 17, 2009. Upon exercise of a vested option and upon payment to the Company of the exercise price, participants will receive one share of the Company's common stock. The Compensation Committee may permit participants to, rather than exercising an in-the-money option ("in-the-money" means the market value of shares under the option exceeds the exercise price of the options prior to related income taxes), receive an amount in cash equal to the difference between the exercise price of the option and the price by which a securities dealer designated by the Company is able to sell the shares underlying the options in the market.

### *Deferred Share Unit Plan*

The Company's deferred share unit plan provides that the Chief Executive Officer may, at his option, receive up to 100% of his annual bonus award in the form of deferred share units ("DSUs", or "units"). The annual bonus award is converted to units based on the closing price of the Company's shares on the New York Stock Exchange on the date of the award. The portion of the annual bonus award elected to be received in units by the Chief Executive Officer may, at the discretion of the Compensation Committee, be increased by a factor of up to two times for purposes of calculating the number of units to be allocated under the plan. No annual bonus was awarded to the Chief Executive Officer for the 2008 fiscal year. The deferred share unit plan was amended in February 2008 to permit the Compensation Committee to award deferred share units to any of our executives in order to further align the recipients interests with those of our stockholders. An executive who holds units will receive additional units as dividends are paid on shares of the Company's common stock, on the same basis as if the dividends were reinvested. In 2008, 12,372 additional units were received by the named executive officers under this feature, representing dividends of \$151,929.

The units vest 20% per year over a five year period. The units are only redeemable upon retirement, termination or death. The cash value of the units when redeemed will be equivalent to the closing price on the NYSE of an equivalent number of shares of our common stock. There will be no shares of common stock issued, authorized, reserved, purchased or sold at any time in connection with units allocated. Under no circumstances will units be considered shares of common stock, or entitle any participant to the exercise of voting rights.

Our stock option and deferred share unit awards are classified as liabilities for financial reporting purposes, requiring us to re-measure the cost of such awards at each financial statement reporting date. As a result, the stock option and deferred share unit compensation costs recognized by the Company and attributed to each named executive officer for purposes of the Summary Compensation Table will fluctuate from year to year based on the value of the shares of our common stock and other factors. Commencing with the 2009 fiscal year the Company expects that our stock option awards will no longer be classified as liabilities for financial statement reporting purposes.

## OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2008

The following table details information about unexercised stock options on an award-by-award basis and the total number of deferred share units that have not vested for each named executive officer as of December 31, 2008:

Name	Option Awards <sup>(1)</sup>				Stock Awards (DSUs) <sup>(1)</sup>	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested <sup>(2)</sup>	Market Value of Shares or Units of Stock That Have Not Vested <sup>(3)</sup>
Ian G. Cockwell	–	65,000	\$15.90	2/01/2018	73,336	\$316,812
	18,000	72,000	\$36.41	2/01/2017		
	24,000	36,000	\$52.00	2/01/2016		
	45,000	30,000	\$36.25	2/15/2015		
	32,000	8,000	\$21.94	2/18/2014		
	<u>119,000</u>	<u>211,000</u>				
Craig J. Laurie	–	–	–	–	–	–
William B. Seith	–	20,000	\$15.90	2/01/2018	25,407	\$109,758
	4,000	16,000	\$36.41	2/01/2017		
	2,000	3,000	\$52.00	2/01/2016		
	3,000	2,000	\$36.25	2/15/2015		
	8,000	2,000	\$21.94	2/18/2014		
	<u>14,000</u>	<u>–</u>	\$ 1.74	2/13/2013		
31,000	43,000					
Paul G. Kerrigan	–	40,000	\$15.90	2/01/2018	– <sup>(5)</sup>	–
	16,000	64,000	\$36.41	2/01/2017		
	16,000	24,000	\$52.00	2/01/2016		
	18,000	12,000	\$36.25	2/15/2015		
	20,000	5,000	\$21.94	2/18/2014		
	<u>70,000</u>	<u>145,000<sup>(4)</sup></u>				

- (1) Stock options and deferred share units vest 20% per year over a five-year period beginning on the date of grant.
- (2) The units indicated under the Stock Awards column are deferred share units granted under our deferred share unit plan that are unvested as of December 31, 2008.
- (3) Market value calculated by multiplying the closing market price of our common stock at December 31, 2008 of \$4.32 by the total number of deferred share units that remain unvested as of such date.
- (4) Pursuant to the terms of Mr. Kerrigan's Departure Agreement, stock options will continue to vest until the earlier of (i) the date on which Mr. Kerrigan commences alternate employment or (ii) September 30, 2009, and he will be required to exercise all vested options at such time.
- (5) Pursuant to the terms of Mr. Kerrigan's Departure Agreement, all unvested deferred share units vested on November 28, 2008, with the exception of 132,117 units (inclusive of dividends) awarded on February 1, 2008. Mr. Kerrigan is not entitled to redeem these 132,117 units.

## 2008 OPTION EXERCISES AND STOCK (DSUs) VESTED

The following table provides information regarding each exercise of stock options and the aggregate number of deferred share units that vested during the fiscal year ended December 31, 2008 for each of the named executive officers on an aggregated basis:

Name	Option Awards		Stock Awards (DSUs)	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise <sup>(1)</sup> (\$)	Number of Units Acquired on Vesting <sup>(2)</sup> (#)	Value at time of Vesting <sup>(2)</sup> (\$)
Ian G. Cockwell	105,319	\$930,510	31,430	\$ 468,830
Craig J. Laurie	–	–	–	–
William B. Seith	–	–	–	–
Paul G. Kerrigan	12,000	\$176,760	43,168 <sup>(3)</sup>	\$ 614,573 <sup>(3)</sup>

- (1) Amounts reflect the difference between the exercise price of the option and the closing market price of our common stock at the time of exercise.

- (2) Vested deferred share units are only redeemable upon retirement, termination or death. Accordingly, the named executive officers receive no value until the occurrence of such event.
- (3) Pursuant to the terms of Mr. Kerrigan's Departure Agreement, all unvested deferred share units vested on November 28, 2008, with the exception of 132,117 units (inclusive of dividends) awarded on February 1, 2008.

#### POTENTIAL PAYMENTS UPON TERMINATION OR A CHANGE-IN-CONTROL

Our stock option and deferred share unit plans provide that upon a change of control, all unvested stock options and deferred share units shall immediately vest. This accelerated vesting occurs with respect to all stock option and deferred share unit awards granted by Brookfield Homes, and not only those granted to the named executive officers. At December 31, 2008, the named executive officers held the following unvested stock options, none of which were in-the-money, and deferred share units that would become vested upon a change of control:

Name	Stock Options		Stock Awards (DSUs)		Total Unrealized Value
	Shares Underlying Unvested Options (#)	Unrealized Value of Unvested Options (\$) <sup>(1)</sup>	Unvested Deferred Share Units (#)	Unrealized Value of Unvested Deferred Share Units (\$) <sup>(2)</sup>	
Ian G. Cockwell	211,000	–	73,336	\$ 316,812	\$ 316,812
Craig J. Laurie	–	–	–	–	–
William B. Seith	43,000	–	25,407	\$ 109,758	\$ 109,758
Paul G. Kerrigan	145,000	–	–	–	–

- (1) The unrealized value of unvested options was calculated by multiplying the number of shares underlying unvested options by the closing price of a share of our common stock as of December 31, 2008 of \$4.32, and then deducting the aggregate exercise price of these options.
- (2) The unrealized value of unvested deferred share units was calculated by multiplying the number of unvested deferred share units by the closing price of a share of our common stock as of December 31, 2008 of \$4.32.

Other than the Management Services Agreement effective as of February 2, 2009 relating to the employment of Craig Laurie as our Chief Financial Officer, we do not have any employment contracts, termination of employment or specific change of control arrangements with any of our current named executive officers. The Management Services Agreement is described in the Compensation Discussion and Analysis under the heading "Other 2008 and 2009 Compensation Matters."

On November 17, 2008 the Company entered into a Departure Agreement with its former Chief Financial Officer, Paul Kerrigan, the material terms of which are summarized below:

Effective as of November 28, 2008 (the "Departure Date"), Mr. Kerrigan received a payment of \$464,759, a \$12,124 payment into his registered retirement savings plan and outstanding vacation entitlement of \$14,922. Commencing on the Departure Date until the earlier of: (i) the date that alternate employment commences or (ii) August 29, 2009, Mr. Kerrigan will continue to receive his salary (\$340,000 per annum) and benefits. Should Mr. Kerrigan commence alternate employment prior to August 29, 2009, the payment of salary and benefits will cease, and he will receive a lump sum payment equivalent to the sum of 50% of the salary that would have been paid to him between the commencement of alternate employment and December 29, 2009 and an additional \$12,124 payment into his registered retirement savings plan. If alternate employment has not commenced prior to August 29, 2009, the payment of salary and benefits will cease on August 29, 2009 and Mr. Kerrigan will receive a lump sum payment with his final salary payment equivalent to \$113,159 plus an additional \$12,124 payment into his registered retirement savings plan. Stock options will continue to vest until the earlier of: (i) the date on which Mr. Kerrigan commences alternate employment or (ii) September 30, 2009, and he will be required to exercise all vested options at such time. With the exception of deferred share units awarded on February 1, 2008, all deferred share units will be vested on the Departure Date. Mr. Kerrigan will be entitled to redeem such vested deferred share units upon the earlier of (i) the date that alternate employment commences or (ii) August 29, 2009 ("Deemed Departure") at the higher of the closing price on September 9, 2008 of \$13.67 and the closing price on the date of his Deemed Departure.

## 2008 DIRECTOR COMPENSATION

During the 2008 fiscal year, our independent directors received an annual retainer of \$50,000, paid 50% in cash and 50% in deferred share units of the Company. The requirement to accept 50% of the annual retainer in deferred share units is designed to more closely align the interests of directors with the interests of stockholders. Directors had the option to elect to receive up to 100% of their annual retainer in deferred share units. The Chairman of the Company earned an additional \$75,000 representing the annual Chairman's fee. Further, the Chairman of the Audit Committee earned an annual cash payment of \$10,000 and the chairmen of the other board committees earned an annual cash payment of \$5,000, reflecting their additional responsibilities. Directors were reimbursed for travel and other out-of-pocket expenses they incurred in attending board and committee meetings. Non-independent directors who were not employed by the Company were entitled to receive 50% of the directors' annual retainer of \$50,000, payable in cash. Subsequent to the 2008 fiscal year on February 2, 2009, an allocation of 37,736 deferred share units at a price of \$2.65 was made to the independent directors as compensation for their additional responsibilities and considerable time commitment during the 2008 fiscal year.

The following table provides the compensation of our directors for the fiscal year ended December 31, 2008:

Name	Fees Earned or Paid in Cash (\$) <sup>(1)</sup>	Stock Awards (DSUs) (\$) <sup>(2)</sup>	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation (\$) <sup>(3)</sup>	Total (\$)
Joan H. Fallon	\$ 50,000	\$ (6,635)	–	–	–	\$ 1,105	\$ 44,470
Robert A. Ferchat	\$ 60,000	\$ (6,320)	–	–	–	\$ 2,137	\$ 55,817
J. Bruce Flatt <sup>(4)</sup>	\$ 18,750	–	–	–	–	–	\$ 18,750
Bruce T. Lehman	\$ 55,000	\$ (3,533)	–	–	–	\$ 1,498	\$ 52,965
Alan Norris <sup>(4)</sup>	\$ 18,750	–	–	–	–	–	\$ 18,750
David M. Sherman	\$ 55,000	\$ (6,070)	–	–	–	\$ 2,431	\$ 51,361
Robert L. Stelzl	\$125,000	\$ (3,682)	–	–	–	\$ 1,474	\$ 122,792
Michael D. Young	\$ 50,000	\$ (5,973)	–	–	–	\$ 2,665	\$ 46,692

- (1) Independent directors received an annual retainer of \$50,000 relating to the 2008 fiscal year, paid 50% in cash and 50% in deferred share units, subject to their election to receive up to 100% of their annual retainer in deferred share units. Refer to the Director Deferred Share Unit Grants Table below for details. A fee of \$75,000 was earned by Robert Stelzl for his services as Chairman. A fee of \$10,000 was earned by Robert Ferchat for his services as Audit Committee Chairman, and \$5,000 each was earned by Bruce Lehman and David Sherman in consideration of their services as Management Resources and Compensation Committee and Governance and Nominating Committee chairmen, respectively.
- (2) Dollar amounts in the Stock Awards column reflect the compensation expense/(income) for deferred share units recognized by Brookfield Homes for financial statement reporting purposes during the 2008 fiscal year in accordance with SFAS 123R. The amounts reported are adjusted to eliminate income recognized by the Company for a particular award where it cannot be offset against an expensed amount for that award that was previously reported in the Director Compensation Table. For a discussion of the assumptions made in the valuation, refer to Note 8 to our consolidated financial statements for the fiscal year ended December 31, 2008. Refer to the Director Deferred Share Unit Grants Table below for the aggregate number of unvested deferred share units held by each director at December 31, 2008.
- (3) Pursuant to the Company's deferred share unit plan, additional units representing dividends paid on the Company's common stock on the same basis as if the dividends were reinvested accrued to each director as follows: Joan Fallon – 90; Robert Ferchat – 174; Bruce Lehman – 122; David Sherman – 198; Robert Stelzl – 120; and Michael D. Young – 217. Amounts in this column reflect the grant date dollar value of the additional units determined in accordance with SFAS 123R. Refer to the Director Deferred Share Unit Grants Table below.
- (4) Brookfield Asset Management Inc. received director cash compensation for Bruce Flatt and Alan Norris, as non-independent directors not employed by the Company, equal to 50% of the directors' annual retainer of \$50,000, prorated to begin April 1, 2008.

The following table details grants of deferred share units to each independent director during the 2008 fiscal year and total unvested deferred share units held by each independent director at December 31, 2008:

2008 DIRECTOR DEFERRED SHARE UNIT GRANTS

Name	Grant Date	Deferred Share Units (#) <sup>(1)</sup>	Grant Date Fair Value <sup>(2)</sup>	Unvested Deferred Share Units at Fiscal Year End (#)
Joan H. Fallon	02/01/2008	3,145	\$ 50,000	4,954
	06/30/2008	90	\$ 1,105	
Robert A. Ferchat	02/01/2008	3,145	\$ 50,000	6,227
	06/30/2008	174	\$ 2,137	
Bruce T. Lehman	02/01/2008	1,572	\$ 25,000	3,311
	06/30/2008	122	\$ 1,498	
David M. Sherman	02/01/2008	3,145	\$ 50,000	6,203
	06/30/2008	198	\$ 2,431	
Robert L. Stelzl	02/01/2008	1,572	\$ 25,000	3,301
	06/30/2008	120	\$ 1,474	
Michael D. Young	02/01/2008	3,145	\$ 50,000	6,470
	06/30/2008	217	\$ 2,665	

- (1) Deferred share units granted to independent directors consisted of 50% of the 2008 annual retainer of \$50,000 required to be received in deferred share units by each director plus an additional amount up to 100% of the annual retainer elected to be received in deferred share units by each director. Additional units representing dividends paid on the Company's common stock as if the dividends were reinvested accrued to each director as indicated.
- (2) The grant date fair value was determined in accordance with SFAS 123R. For a discussion of the assumptions made in the grant date valuation, refer to Note 8 to our consolidated financial statements for the fiscal year ended December 31, 2008.

**Senior Operating Management Long-Term Participation Plan and Summary Compensation – Significant Employees**

Certain senior operating employees, none of whom are executive officers of the Company, participate in the Senior Operating Management Long-Term Participation Plan. The plan provides for participation in the net earnings of the business unit by each regional management team. For 2008, no amounts were allocated to participants in the plan. Total unvested amounts in respect of prior year’s participations as at December 31, 2008 vest in accordance with the plan as follows: 2009 - \$11.8 million; 2010 - \$2.0 million; and 2011 - \$0.5 million. For further background and other information see “Compensation Discussion and Analysis – Senior Operating Management Long-Term Participation Plan.”

**SUMMARY COMPENSATION TABLE – SIGNIFICANT EMPLOYEES**

The following table details the material elements of the compensation of our significant employees for the fiscal years ended December 31, 2008, December 31, 2007 and December 31, 2006, none of whom are named executive officers of the Company:

Name and Principal Position	Year	Salary (\$)	Bonus/Stock Awards/ Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$) <sup>(1)</sup>	Total (\$)
Stephen P. Doyle President, Brookfield San Diego Holdings LLC	2008	\$220,000	–	–	\$ 220,000
	2007	\$200,000	–	–	\$ 200,000
	2006	\$200,000	–	\$ 2,279,000	\$ 2,479,000
Robert Hubbell President, Brookfield Washington LLC	2008	\$220,000	–	–	\$ 220,000
	2007	\$200,000	–	–	\$ 200,000
	2006	\$200,000	–	\$ 1,093,000	\$ 1,293,000
Adrian Foley President, Brookfield Southland Holdings LLC	2008	\$220,000	–	–	\$ 220,000
	2007	\$200,000	–	\$ 586,000	\$ 786,000
	2006	\$200,000	–	\$ 2,249,000	\$ 2,449,000
John J. Ryan President, Brookfield Bay Area Holdings LLC	2008	\$220,000	–	–	\$ 220,000
	2007	\$200,000	–	\$ 180,000	\$ 380,000
	2006	\$200,000	–	\$ 2,198,000	\$ 2,398,000

(1) Amounts earned pursuant to the terms of the Senior Operating Management Long-Term Participation Plan described above with respect to the fiscal year indicated in the table. Amounts that individuals receive under the Plan with respect to a particular year vest 40% following approval of the year end financial statements, with the remaining 60% vesting over three years, annually thereafter, at the rate of 30%, 20%, and 10%, respectively.

## **PROPOSAL THREE – APPROVAL OF BROOKFIELD HOMES CORPORATION’S 2009 STOCK OPTION PLAN**

In February 2009, the board of directors adopted, subject to stockholder approval, the Brookfield Homes Corporation 2009 Stock Option Plan (the “Plan”). The purpose of the Plan is to achieve a commonality of interest between stockholders and Plan participants, and to motivate them to maximize the total return on our stockholders’ equity over the long term. Further, the Plan is designed to advance the interests of the Company by (i) providing participants with additional incentive; (ii) encouraging stock ownership by such participants; (iii) increasing their proprietary interest in the success of the Company; (iv) encouraging them to remain with the Company; and (v) attracting new employees, officers and directors.

We currently award stock options to employees and officers under our stock option plan that was adopted in November 2002 (the “2002 Stock Option Plan”). As of February 17, 2009, we had approximately 14,200 shares remaining available for future awards under the 2002 Stock Option Plan. No further awards will be made pursuant to our 2002 Stock Option Plan following stockholder approval of the Plan.

The following is a summary of the material terms of the Plan and is qualified in its entirety by reference to the Plan. A copy of the Plan is attached as Appendix B to this Proxy Statement.

### **Summary of the 2009 Stock Option Plan**

#### **Administration**

The Compensation Committee (the “Committee”) of the board of directors of the Company will administer the 2009 Stock Option Plan (the “Plan”). Subject to the limitations of the Plan, the Committee shall have the authority (i) to grant options to acquire shares of common stock of the Company to eligible persons; (ii) to determine the terms, limitations, restrictions and conditions upon such grants, including vesting, exercise and hold periods; (iii) to interpret the Plan and to adopt, amend and rescind such administrative guidelines and other rules and regulations relating to the Plan as it shall from time to time deem advisable; and (iv) to make all other determinations and to take all other actions in connection with the implementation and administration of the Plan as it may deem necessary or advisable. No option shall be granted under the Plan unless recommended by the Committee. The Committee may delegate its powers under the Plan to a sub-committee.

#### **Eligible Participants**

Any director, officer or employee of, or a consultant or any other person providing services to, the Company or of any subsidiary is eligible to receive an award of stock options under the Plan. As of February 17, 2009, approximately 320 directors, officers, employees and consultants were eligible as a class to be selected by the Committee to receive awards under the Plan.

#### **Shares Available for Awards**

The maximum number of shares of our common stock that may be reserved for issuance under the Plan will be 3,000,000. The aggregate number of shares of common stock that may be reserved for issuance to any one person under this Plan, together with all other incentive plans of the Company, in total shall not exceed 5% of the total number of shares of common stock outstanding. Included for the purposes of determining the number of shares of common stock outstanding are shares of common stock issuable by the Company upon conversion of any outstanding securities convertible into shares of common stock.

The Committee will adjust, subject to the approval of any relevant stock exchange, the number of shares and share limits described above in the event of any change in the outstanding shares of common stock by reason of any stock dividend or split, recapitalization, merger, consolidation, combination or exchange of shares, or other corporate change, in the event of any issue of rights pursuant to a shareholder rights plan or other similar plan, or in other similar corporate transactions or events that affect shares of our common stock, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be provided under the Plan.

#### **Accounting for Awards**

The number of shares available for option awards will be reduced by one share for each share covered by an option award. Any share of common stock subject to an option award that for any reason expires without having been exercised, shall again be available for grants under the Plan.

## **Stock Option Awards and Terms and Conditions**

The Plan permits the granting of both incentive and non-qualified stock options. Stock option awards may be granted alone, in addition to, in combination with or in substitution for, any other award granted under any other compensation plan of the Company. Unless otherwise specified, option awards may provide that upon exercise thereof, the holder will receive cash or shares of common stock at their election. The exercise price per share under any stock option award may not be less than the fair market value of our common stock on the date of grant of such option. Option awards may not be exercisable longer than 10 years from the date of grant. Subject to the approval of any relevant stock exchange, stock option awards will be adjusted by the Committee in the case of a stock dividend or split, recapitalization, merger, consolidation, combination or exchange of shares, or other corporate change, or in the event of any issue of rights pursuant to a shareholder rights plan or other similar plan, or in other similar corporate transactions or events that affect shares of our common stock, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be provided under the Plan. The Committee may also, in its discretion, provide for the accelerated exercise of options in connection with certain corporate events, such as a change of control of the Company.

The holder of an option will be entitled to purchase a number of shares of our common stock at a specified exercise price during a specified time period, all as determined by the Committee.

The option exercise price may be payable either in cash or, at the discretion of the Committee, in other securities or other property having a fair market value on the exercise date equal to the exercise price.

## **Duration, Termination and Amendment**

No stock option may be granted under the Plan after July 31, 2019; provided however, that the board of directors may at any time prior to that date amend, suspend or terminate the Plan or any portion thereof, subject to those provisions of applicable law, if any, that require the approval of stockholders or any governmental or regulatory body. No such amendments, suspension or termination shall alter or impair any stock options or any rights pursuant thereto granted previously to a participant without the consent of such participant.

## **Transferability of Awards**

Unless otherwise provided by the Committee, stock option awards under the Plan may only be transferred by will or by the laws of descent and distribution. Incentive stock options may only be transferred by will or by the laws of descent and distribution.

## **Federal Income Tax Consequences**

**Grant of Options.** The grant of a stock option is not expected to result in any taxable income for the recipient.

**Exercise of Options.** Upon exercising a non-qualified stock option, the optionee must recognize ordinary income equal to the excess of the fair market value of the shares of our common stock acquired on the date of exercise over the exercise price, and we will generally be entitled at that time to an income tax deduction for the same amount. The holder of an incentive stock option generally will have no taxable income upon exercising the option (except that an alternative minimum tax liability may arise), and we will not be entitled to an income tax deduction.

**Disposition of Shares Acquired Upon Exercise of Options.** The tax consequence upon a disposition of shares acquired through the exercise of an option will depend on how long the shares have been held and whether the shares were acquired by exercising an incentive stock option or by exercising a non-qualified stock option. Generally, there will be no tax consequence to us in connection with the disposition of shares acquired under an option, except that we may be entitled to an income tax deduction in the case of the disposition of shares acquired under an incentive stock option before the applicable incentive stock option holding periods set forth in the Internal Revenue Code of 1986, as amended (the “Code”) have been satisfied.

**Income Tax Deduction.** Subject to the usual rules concerning reasonable compensation, including our obligation to withhold or otherwise collect certain income and payroll taxes, and assuming that stock options are “qualified performance-based compensation” within the meaning of Section 162(m) of the Code, we will generally be entitled to a corresponding income tax deduction at the time a participant recognizes ordinary income from awards made under the Plan.

**Special Rules for Executive Officers and Directors Subject to Section 16 of the Exchange Act.** Special rules may apply to individuals subject to Section 16 of the Exchange Act. In particular, unless a special election is made pursuant to the Code, shares received through the exercise of a stock option may be treated as restricted as to transferability and subject to a substantial risk of forfeiture for a period of up to six months after the date of exercise. Accordingly, the amount of any ordinary income recognized and the amount of our income tax deduction will be determined as of the end of that period.

**Delivery of Shares for Tax Obligation.** The Committee may permit participants receiving or exercising stock option awards, subject to the discretion of the Committee and upon such terms and conditions as it may impose, to deliver shares of our common stock (either shares received upon the receipt or exercise of the award or shares previously owned by the participant) to us to satisfy federal, state or local tax obligations.

**Section 409A of the Code.** The Committee will administer and interpret the Plan and all stock option award agreements in a manner consistent with the intent to satisfy the requirements of Section 409A of the Code to avoid any adverse tax results thereunder to a holder of an award. If any provision of the Plan or any award agreement would result in such adverse consequences, the Committee may amend that provision or take other necessary action to avoid any adverse tax results and no such action will be deemed to impair or otherwise adversely affect the rights of any holder of an award under the Plan.

**New Plan Benefits**

No benefits or amounts have been granted, awarded or received under the Plan that were subject to stockholder approval, other than a grant of options to purchase 1,000,000 shares of common stock of the Company at an exercise price of \$2.65 per share granted to our Chief Executive Officer under the Plan, which was approved by our board of directors on February 2, 2009. The Plan is subject to stockholder approval and the options will not vest and are subject to forfeiture if the stockholders do not approve the Plan. In addition, the Committee in its sole discretion will determine the number and types of stock option awards that will be granted under the Plan. Thus, it is not possible to determine the benefits that will be received by eligible participants if the Plan were to be approved by our stockholders. The closing price for a share of our common stock, as reported on the New York Stock Exchange on February 2, 2009, was \$2.65.

**Equity Compensation Plan Information**

The following table sets forth information as of February 17, 2009 about Brookfield Homes' common stock that may be issued under all of its equity compensation plans:

	(a)	(b)	(c)
	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by stockholders.....	1,350,000	\$ 20.74	14,200
Equity compensation plans not approved by stockholders.....	none	n/a	none
Total.....	1,350,000	\$ 20.74	14,200

**THE BOARD OF DIRECTORS RECOMMENDS VOTING “FOR” ADOPTION OF PROPOSAL THREE.**

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We were a wholly-owned subsidiary of Brookfield Properties Corporation (“Brookfield Properties”) until January 6, 2003, when we were spun-off as a separate publicly traded company pursuant to a reorganization of Brookfield Properties’ homebuilding business (which we refer to as the “Spin-off”). Brookfield Properties no longer holds any of our shares, nor is Brookfield Properties able to exercise control over us. However, we and Brookfield Properties are “affiliates,” as Brookfield Asset Management Inc. (“Brookfield”) directly and indirectly owns approximately 58% and 50% of each corporation, respectively.

In connection with the Spin-off, we and our wholly-owned subsidiary, Brookfield Homes Holdings Inc., entered into a license agreement with Brookfield Properties (US) Inc., a subsidiary of Brookfield Properties, under which we, Brookfield Homes Holdings Inc. and our subsidiaries pay to Brookfield Properties (US) Inc. an annual fee in the total amount of \$50,000 for the right to use the names “Brookfield” and “Brookfield Homes.” We expect that the license agreement will permit us to use the “Brookfield” name in connection with our homebuilding business for an indefinite period of time, subject to customary termination provisions including upon a change of control of our company.

We have entered into an agreement with a subsidiary of Brookfield, whereby we can deposit cash on a demand basis to earn USD LIBOR plus 0.5%. At December 31, 2008, we had no funds on deposit with this Brookfield subsidiary.

A subsidiary of Brookfield has provided us with an unsecured revolving credit facility that was amended most recently in January 2009. The facility is in an aggregate principal amount not to exceed \$350 million and is repayable on or before June 30, 2010. The facility is in the form of a promissory note that bears interest on the unpaid principal amount outstanding at USD LIBOR plus 3.0% and provides for a standby fee on the unused portion of the facility. The facility contains covenants requiring the company to maintain, on a temporary basis until June 30, 2009, minimum stockholders’ equity of \$225 million and a consolidated net debt to book capitalization ratio of no greater than 80%.

We sublease our administrative offices in Toronto, Ontario from Brookfield, which leases the space from Brookfield Properties. We are required to pay approximately \$100,000 per year in rent under our Toronto sublease, which expires in 2011.

Effective February 2, 2009, we entered into a Management Services Agreement with an affiliate of Brookfield. Pursuant to the Agreement, we will pay directly to the Brookfield affiliate a quarterly service fee of \$80,000 with respect to Craig Laurie’s employment by us as our Chief Financial Officer.

Four of our directors serve as executive officers and/or directors of our affiliates, outlined as follows:

- J. Bruce Flatt is Managing Partner and Chief Executive Officer and a director of Brookfield, a publicly traded company which owns approximately 58% of our outstanding shares, and is a director of several of Brookfield’s affiliates;
- Alan Norris is an executive officer of Brookfield Properties, which is an affiliate of Brookfield;
- Timothy R. Price is an executive of Brookfield; and
- Robert L. Stelzl is an independent director of Brookfield Properties.

Stephen Doyle, Robert Hubbell and John Ryan, Presidents of Brookfield San Diego Holdings LLC, Brookfield Washington LLC and Brookfield Bay Area Holdings LLC, respectively, each own a 10% interest in the LLC of which they are President. Adrian Foley, President of Brookfield Southland Holdings LLC and Richard Whitney, President of Brookfield California Land Holdings LLC each own a 5% interest in the LLC of which they are President.

The following individual is the beneficiary of a rabbi trust owning an interest in the LLC indicated below:

- Jeffrey J. Prostor, President of BH/JP Hawaii Holdings LLC, is the sole beneficiary of a rabbi trust that currently owns 50% of BH/JP Hawaii Holdings LLC. Brookfield Homes Holdings Inc. is the trustee of the rabbi trust. We own the remaining 50% of BH/JP Hawaii Holdings LLC.

Pursuant to a written policy adopted by the Board of Directors, the independent directors of the Board are responsible for the approval of any material transactions to be entered into between the Company and any of its directors, executive officers, director nominees or our stockholders who are known by us to be the beneficial owner of more than five percent of our common shares, and their respective immediate family members. To help identify related party transactions, we require our directors and executive officers to complete a director and officer

questionnaire identifying any transaction with us in which the director or officer or their immediate family member has an interest. There were no related party transactions required to be reported by us since the beginning of our fiscal year that did not require review or approval pursuant to our policy or where our policies were not followed.

### **AUDIT COMMITTEE REPORT**

The Audit Committee operates pursuant to a written Audit Committee Charter. A copy of the Audit Committee Charter has been posted on our website under the Corporate Governance link. Please refer to the section of this proxy statement entitled “Information Regarding the Board of Directors – Committees of the Board – Audit Committee” for a description of the Audit Committee’s primary duties and responsibilities.

The Audit Committee has reviewed and discussed with management the Company’s audited consolidated financial statements for the fiscal year ended December 31, 2008. Further, the Audit Committee has discussed with the Company’s independent auditor, the matters required to be discussed by Auditing Standards Board Statement on Auditing Standards No. 61, as amended. Finally, the Audit Committee has received and reviewed the written disclosures and the letter from the independent auditor required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountants’ communications with the Audit Committee concerning independence, and has discussed the auditor’s independence with the auditor. After consideration, the Audit Committee has determined that the services related to the fees earned by the independent auditor under the heading “All Other Fees” below are compatible with the auditor’s independence.

Based on its review and discussion as described above, the Audit Committee has recommended to the board of directors that the audited financial statements for fiscal year 2008 be included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2008. Further, the Audit Committee approved the engagement of Deloitte & Touche LLP as the Company’s independent auditor for the fiscal year ending December 31, 2009.

AUDIT COMMITTEE  
Robert A. Ferchat, Chairman  
Bruce T. Lehman  
Robert L. Stelzl

### **PROPOSAL FOUR – RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

Deloitte & Touche LLP audited our financial statements for the fiscal years ended December 31, 2008 and 2007 and the Audit Committee has appointed Deloitte & Touche as our independent auditors for the fiscal year ending December 31, 2009. In the event that ratification of this appointment of auditors is not approved by a majority of the shares of common stock voting on this Proposal, the Audit Committee will review its future appointment of independent auditors.

Representatives of Deloitte & Touche attend all meetings of the Audit Committee. The Audit Committee reviews all services performed by Deloitte & Touche, as well as the fees charged by Deloitte & Touche for such services. Additional information concerning the Audit Committee and its activities with Deloitte & Touche can be found in this proxy statement under the headings “Information Regarding the Board of Directors – Committees of the Board – Audit Committee” on page 10 and “Audit Committee Report” on page 34.

A representative of Deloitte & Touche plans to be present at the Annual Meeting and will have an opportunity to make a statement and to respond to appropriate questions from stockholders.

#### **Fees Paid to Deloitte & Touche LLP**

The following table shows the fees that we paid or accrued for the audit and other services provided by Deloitte & Touche during fiscal years 2008 and 2007:

	2008	2007
Audit Fees	\$ 565,000	\$ 539,000
Audit-Related Fees	90,000	—
Tax Fees	—	—
All Other Fees	—	—
<b>Total</b>	<b>\$ 655,000</b>	<b>\$ 539,000</b>

*Audit Fees* include the fees for the audit of our consolidated financial statements (including quarterly reviews), the audit of our internal controls in connection with Section 404 of the Sarbanes-Oxley Act of 2002 and the audits of our 401K plan and certain subsidiaries.

*Audit-Related Fees* include the fees for professional services for our proposed rights offering prospectus documents.

### **Pre-Approval Policies**

Consistent with SEC policies regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation and overseeing the work of the independent auditor. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve audit and permissible non-audit services provided by the independent auditor.

In connection with the engagement of the independent auditor, the Audit Committee pre-approves specifically described services that are within the four categories of services listed below, including the pre-approval of fee limits for the specifically described services within each category. The Audit Committee's pre-approval process of specific services and fees includes a review of specific services to be performed, a review of fees incurred for such services in the past, a review of expected fees to be incurred in fiscal year 2009 and a comparison of fees incurred by other homebuilders for similar services. The term of any pre-approval is 12 months from the date of the pre-approval, unless the Audit Committee specifically provides for a different period. Fees for any of the above services that will exceed the pre-approval fee limits must be separately approved by the Audit Committee. During the year, circumstances may arise when it may become necessary to engage the independent auditor for additional services not contemplated in the original pre-approval. In those instances, the Audit Committee requires separate pre-approval before engaging the independent auditor.

1. *Audit Services* include audit work performed in the preparation of financial statements (including quarterly reviews), as well as work that generally only the independent auditor can reasonably be expected to provide, including comfort letters, statutory audits, and attest services.
2. *Audit Related Services* are for assurance and related services that are traditionally performed by the independent auditor, including due diligence related to mergers and acquisitions, special procedures required to meet certain regulatory requirements and consultation regarding financial accounting and reporting standards.
3. *Tax Services* include all services performed by the independent auditor's tax personnel except those services specifically related to the audit of the financial statements, and include fees in the areas of tax compliance, tax planning, and tax advice.
4. *All Other Services* are those associated with permitted services not included in the other categories.

The Audit Committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee may not otherwise delegate its responsibilities to pre-approve services performed by the independent auditor to management. No services were approved by the Audit Committee pursuant to the *de minimis* exception to the pre-approval requirements.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE RATIFICATION OF APPOINTMENT OF DELOITTE & TOUCHE LLP AS BROOKFIELD HOMES' INDEPENDENT AUDITORS FOR 2009.**

### **OTHER MATTERS**

Management and the board of directors do not know of any matters other than those described in this proxy statement which will be presented for action at the meeting. If any other matters properly come before the meeting, or any adjournments, the person or persons voting the proxies will vote them in accordance with their best judgment.

### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our directors, certain of our officers, and persons who own more than 10 percent of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than 10 percent stockholders are required by SEC regulations to furnish us with copies of all forms they file pursuant to Section 16(a). Based solely on our review of the copies of such forms received by us, we believe that all filing requirements applicable to our officers, directors and greater than 10 percent beneficial owners were complied with during the year ended December 31, 2008.

## **STOCKHOLDERS' PROPOSALS FOR 2010 ANNUAL MEETING**

No stockholder proposals were made for the 2009 Annual Meeting. Any stockholder who intends to present a proposal for action at our 2010 Annual Meeting of Stockholders, and to have us include such proposal in the proxy soliciting materials must deliver a copy of the proposal to us not later than October 28, 2009. Such proposal must comply with all applicable rules of the Securities and Exchange Commission. Submitting a stockholder proposal does not guarantee that we will include it in our proxy statement. The Governance and Nominating Committee reviews all stockholder proposals and makes recommendations to the board of directors for action on such proposals.

For any proposal that is not submitted for inclusion in the proxy statement for our 2010 Annual Meeting, but is instead sought to be presented directly at our 2010 Annual Meeting, SEC rules permit proxy holders to vote proxies in their discretion if the Company: (1) receives notice of the proposal before the close of business on January 12, 2010, and advises stockholders in the proxy statement for the 2010 Annual Meeting about the nature of the matter and how the proxy holders intend to vote on such matter; or (2) does not receive notice of the proposal prior to the close of business on January 12, 2010. Notices of intention to present proposals at the 2010 Annual Meeting should be addressed to Shane D. Pearson, Vice President and Secretary, Brookfield Homes Corporation, 8500 Executive Park Avenue, Suite 300, Fairfax, VA, 22031.

<p><b>IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MARCH 24, 2009</b></p>
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<p><b>The Proxy Statement and 2008 Annual Report to Stockholders are available at <a href="http://bnymellon.mobular.net/bnymellon/bhs">http://bnymellon.mobular.net/bnymellon/bhs</a></b></p>
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## **ANNUAL REPORT TO STOCKHOLDERS AND FORM 10-K**

Our Annual Report to Stockholders, including financial statements for the year ended December 31, 2008, accompanies this Proxy Statement. The Annual Report to Stockholders is also available on our website at [www.brookfieldhomes.com](http://www.brookfieldhomes.com). Copies of our Annual Report on Form 10-K, which is on file with the SEC, are available to any stockholder who submits a request in writing to Brookfield Homes Corporation, 8500 Executive Park Avenue, Suite 300, Fairfax, Virginia 22031.

By Order of the Board of Directors,  
Shane D. Pearson  
Vice President and Secretary

Fairfax, Virginia  
February 26, 2009

**APPENDIX A**  
**FORM OF CERTIFICATE OF AMENDMENT OF THE AMENDED AND RESTATED**  
**CERTIFICATE OF**  
**INCORPORATION OF BROOKFIELD HOMES CORPORATION**

The first two sentences of Article Fourth of the Corporation's Amended and Restated Certificate of Incorporation be amended and restated in their entirety as follows:

FOURTH: The total number of shares of capital stock which the Corporation shall have authority to issue is 10,000,000 shares of Preferred Stock, \$0.01 par value per share (the "Preferred Stock"), and 200,000,000 shares of Common Stock, \$0.01 par value per share (the "Common Stock"). The powers, designations, preferences and relative, participating, optional or other special rights, qualifications, limitations or restrictions of the Preferred Stock and the Common Stock shall be as follows:

**APPENDIX B**  
**FORM OF BROOKFIELD HOMES CORPORATION**  
**2009 STOCK OPTION PLAN**

**SECTION 1. GENERAL PROVISION**

**1.1 Purpose**

The purpose of the 2009 Stock Option Plan (the “Plan”) of Brookfield Homes Corporation (herein called the “Corporation”) is to advance the interests of the Corporation by (i) providing Eligible Persons with additional incentive; (ii) encouraging stock ownership by such Eligible Persons; (iii) increasing their proprietary interest in the success of the Corporation; (iv) encouraging them to remain with the Corporation or its Subsidiaries; and (v) attracting new employees, officers and directors.

**1.2 Administration**

- (a) The Plan shall be administered by the Compensation Committee of the Board of Directors of the Corporation, or a sub-committee thereof (the “Committee”).
- (b) Subject to the limitations of the Plan, the Committee shall have the authority: (i) to grant Options to acquire shares of common stock of the Corporation (the “Common Shares”) to Eligible Persons; (ii) to determine the terms, limitations, restrictions and conditions upon such grants, including vesting, exercise and hold periods; (iii) to interpret the Plan and to adopt, amend and rescind such administrative guidelines and other rules and regulations relating to the Plan as it shall from time to time deem advisable; and (iv) to make all other determinations and to take all other actions in connection with the implementation and administration of the Plan as it may deem necessary or advisable. The Committee’s guidelines, rules, regulations, interpretations and determinations shall be conclusive and binding upon the Corporation and all other persons.
- (c) No Option shall be granted under the Plan unless recommended by the Committee.

**1.3 Interpretation**

For the purposes of the Plan, the following terms shall have the following meanings:

- (a) “Code” means the Internal Revenue Code of 1986, as amended;
- (b) “Common Shares” means shares of common stock of the Corporation and included for the purposes of determining the number of shares of common stock outstanding are shares of common stock issuable by the Corporation upon conversion of any outstanding securities convertible into shares of common stock;
- (c) “Eligible Person” means a director, officer or employee of, or a consultant or any other person providing services to, the Corporation or of any Subsidiary;
- (d) “Fair Market Value” means the last sale price regular way for Common Shares on the date of reference on the New York Stock Exchange, or, in case no sale takes place on such date or if the Common Shares are not listed or admitted to trading on the New York Stock Exchange, as determined by any other appropriate method selected by the Committee.
- (e) “Option” means an option to acquire Common Shares granted under the Plan;
- (f) “Participant” means an Eligible Person to whom Options have been granted;
- (g) “Subsidiary” means any company that is a subsidiary of the Corporation as defined in section 424(f) of the Code;

- (h) “Underlying Share” means a Common Share issuable upon the exercise of an Option; and
- (i) “Year” with respect to any Option granted under the Plan means the period of 12 months commencing on the date of the granting of such Option or on any anniversary thereof.

Words importing the singular number only shall include the plural and vice versa and words importing the masculine shall include the feminine.

The Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the State of Delaware.

#### **1.4 Shares Reserved**

- (a) All shares of the Corporation issued under the Plan shall be Common Shares in the capital stock of the Corporation. Options may be granted in respect of authorized and unissued Common Shares.

The maximum number of Common Shares which may be reserved for issuance under the Plan shall be 3,000,000 Common Shares, which number is subject to adjustment in accordance with the provisions of the Plan.

The aggregate number of Common Shares that may be reserved for issuance to any one person (together with their associates) under this Plan, together with all other incentive plans of the Corporation, in total shall not exceed 5% of the total number of common shares outstanding.

Any Common Shares subject to an Option that for any reason expires without having been exercised shall again be available for grants under the Plan. No fractional shares shall be issued, and the Committee may determine the manner in which fractional share value shall be treated.

- (b) In the event of any change in the outstanding Common Shares by reason of any stock dividend or split, recapitalization, merger, consolidation, combination or exchange of shares, or other corporate change, or in the event of any issue of rights pursuant to a shareholder rights plan or other similar plan, the Committee shall make, subject to the prior approval of any relevant stock exchange, appropriate substitution or adjustment in (i) the number or kind of shares or other securities reserved for issuance pursuant to the Plan; and (ii) the number and kind of shares subject to unexercised Options theretofore granted and in the Exercise Price of such Options; provided, however, that no substitution or adjustment shall obligate the Corporation to issue or sell fractional shares. In the event of the reorganization of the Corporation or the amalgamation, merger or consolidation of the Corporation with another corporation, or the payment of a special or extraordinary dividend, the Committee may make such provision for the protection of the rights of Participants as the Committee in its discretion deems appropriate.

#### **1.5 Non-Exclusivity**

Nothing contained herein shall prevent the Corporation from adopting other or additional compensation arrangements, subject to any required approval.

#### **1.6 Amendment and Termination**

No Option shall be granted hereunder after July 31, 2019; provided, however, that the Board of Directors may at any time prior to that date amend, suspend or terminate the Plan or any portion thereof, subject to those provisions of applicable law, if any, that require the approval of shareholders or any governmental or regulatory body. No such amendments, suspension or termination shall alter or impair any Options or any rights pursuant thereto granted previously to any Participant without the consent of such Participant. In the event of termination of the Plan, the provisions of the Plan and any administrative guidelines, and other rules and regulations adopted by the Committee and in force at the time of the Plan termination shall continue in effect during such time as an Option or any rights pursuant thereto remain outstanding.

## **1.7 Compliance with Legislation**

The Committee may postpone the exercise of any Option or the issue of any Underlying Shares pursuant to the Plan for such time as the Committee in its discretion may deem necessary in order to permit the Corporation to effect or maintain registration of the Plan or the Common Shares issuable pursuant thereto under the securities laws of any applicable jurisdiction, or to determine that such shares and the Plan are exempt from such registration. The Corporation shall not be obligated by any provision of the Plan or grant thereunder to sell or issue Common Shares in violation of the law of any government having jurisdiction therein. In addition, the Corporation shall have no obligation to issue any Common Shares pursuant to the Plan unless such Common Shares shall have been duly listed, upon official notice of issuance, with a stock exchange on which such Common Shares are listed for trading.

Compensation payable under the Plan is intended not to be subject to U.S. federal income tax under Section 409A of the Code and the Plan shall be construed, interpreted and administered in compliance with such intent. The Committee is hereby authorized to amend the Plan or any award under the Plan to achieve such intent.

## **1.8 Right of Service**

Neither participation in the Plan nor any action under the Plan shall be construed to give any Participant a right to be retained in the services of a Corporation, or Subsidiary, as the case may be.

## **1.9 Acceleration of Exercisability of Options Upon Occurrence of Certain Events.**

The Committee may, in its discretion, provide in the case of any Option granted under the Plan that, in connection with any merger or consolidation which results in the holders of the outstanding voting securities of the Corporation (determined immediately prior to such merger or consolidation) owning, directly or indirectly, less than a majority of the outstanding voting securities of the surviving corporation (determined immediately following such merger or consolidation), or any sale or transfer by the Corporation of all or substantially all its assets or any tender offer or exchange offer for or the acquisition, directly or indirectly, by any person or group of all or a majority of the then outstanding voting securities of the Corporation, such Option shall become exercisable in full or part, notwithstanding any other provision of the Plan or of any outstanding Options granted thereunder, on and after (i) the fifteenth day prior to the effective date of such merger, consolidation, sale, transfer or acquisition or (ii) the date of commencement of such tender offer or exchange offer, as the case may be. The foregoing sentence shall apply to any outstanding Options which are incentive stock options to the extent permitted by Section 422(d) of the Code and any outstanding Options in excess thereof shall, immediately upon the occurrence of the event described in clause (i) or (ii) of the foregoing sentence, be treated for all purposes of the plan as nonstatutory stock options and shall be immediately exercisable as such as provided in the foregoing sentence.

## **SECTION 2. OPTIONS**

### **2.1 Grants**

Subject to the provisions of the Plan, the Committee shall have the authority to determine the limitations, restrictions and conditions, if any, in addition to those set forth in Section 2.3 hereof, applicable to the exercise of an Option, including, without limitation, the nature and duration of the restrictions, if any, to be imposed upon the sale or other disposition of the Underlying Shares, and the nature of the events, if any, and the duration of the period in which any Participant's rights in respect of the Underlying Shares may be forfeited. An Eligible Person may receive Options on more than one occasion under the Plan and may receive separate Options on any one occasion.

## 2.2 Option Exercise Price

The Committee shall establish the exercise price (“Exercise Price”) of each Option at the time such Option is granted, which shall not be less than the Fair Market Value of a Common Share on the date of grant of such Option.

The Exercise Price shall be subject to adjustment in accordance with the provisions of Section 1.4(b) hereof.

## 2.3 Exercise of Options

- (a) The Committee shall determine the time or times at which an Option may be exercised in whole or in part, and the method or methods by which, and the form or forms (including, without limitation, cash, Common Shares, or other property, or any combination thereof, having a value on the exercise date equal to the relevant Exercise Price) in which payment of the Exercise Price may be made or deemed to have been made. Unless otherwise specified, a vested Option may be exercised at the election of a Participant by one of the following two methods:
  - (i) The purchase of the Underlying Shares by delivery of a check to the Corporation in the amount of the Exercise Price, under the terms of the Option; or
  - (ii) The receipt, without payment by the Participant, of an amount per Option equal to the difference between the Exercise Price of the Option and the price at which such securities dealer as designated by the Corporation, is able to sell the Underlying Shares in the capital markets, or otherwise, on the trading day that notice is given of the Exercise of the Option. The transfer cost incurred to issue the Underlying Shares will be deducted from the net proceeds payable to the Participant.
- (b) Options shall not be exercisable later than 10 years after the date of grant.
- (c) The Committee may determine when any Option shall become exercisable and may determine that the Option shall be exercisable in installments.
- (d) Except as otherwise determined by the Committee: (i) in the event that a Participant ceases to be an Eligible Person for any reason other than death, retirement or disability, each of the Options held by the Participants shall cease to be exercisable after the date of termination of employment; (ii) in the event of termination of employment or ceasing to be a director as a result of retirement, all of the Participant’s Options shall continue in force notwithstanding the termination of his employment or ceasing to be a director; and (iii) in the event of death, the legal representatives of a Participant may exercise the Participant’s Options within six months after the date of the Participant’s death to the extent such Options were by their terms exercisable prior to his death or within the period of six months following his death; but for greater certainty no Option shall be exercisable after its stated termination date. In the event that the legal representatives of a Participant who has died exercises the Participant’s Option in accordance with the terms of the Plan, the Corporation shall have no obligation to issue the Common Shares until evidence satisfactory to the Corporation has been provided by such legal representatives that such legal representatives are entitled to acquire the Common Shares under the Plan.
- (e) Except as provided in this Section 2.3(e), during the lifetime of a Participant, Options held by such Participant shall be exercisable only by him and no Option shall be transferable other than by will or the laws of descent and distribution. The Committee may, in its discretion, provide that Options held by a Participant, other than incentive stock options, may be transferred to or for the benefit of a member of his immediate family. For purposes hereof, the term “immediate family” shall mean a Participant’s spouse and children (both natural and adoptive), and the direct lineal descendants of his children.
- (f) Each Option shall be confirmed by an agreement (an “Option Agreement”) executed by the Corporation and by the Participant.

- (g) If, as and when any Common Shares have been duly issued upon the exercise of an Option and in accordance with the terms of such Option and the Plan, such Underlying Shares shall be conclusively deemed allotted as fully paid and non-assessable shares of the Corporation.
- (h) Options may not be exercised for fewer than 100 Common Shares at any one time, unless the Participant holds Options for less than 100 Underlying Shares.

### **SECTION 3. APPROVAL**

#### **3.1 Approval**

The Plan was approved by the Board of Directors on February 2, 2009, and by the stockholders of the Corporation on \_\_\_\_\_, 2009.

### **SECTION 4. MISCELLANEOUS**

#### **4.1 Additional Provisions Applicable to Incentive Stock Options**

The Committee may, in its discretion, grant Options under the Plan to Eligible Persons which constitute “incentive stock options” within the meaning of Section 422 of the Code; provided, however, that (a) the aggregate Fair Market Value of the Common Shares with respect to which incentive stock options are exercisable for the first time by the Participant during any calendar year shall not exceed the limitation set forth in Section 422(d) of the Code; and (b) if the Participant owns on the date of grant securities possessing more than 10% of the total combined voting power of all classes of securities of the Corporation or of any parent or subsidiary of the Corporation, the price per share shall not be less than 110% of the Fair Market Value per share on the date of grant and the period of exercise shall not be longer than five years from the date of grant.

#### **4.2 Withholding**

It shall be a condition to the obligation of the Corporation to issue Common Shares upon exercise of an Option that the Participant (or any beneficiary, transferee or person entitled to act under Sections 2.3(d) or 2.3(e) hereof) pay to the Corporation, upon its demand, such amount as may be requested by the Corporation for the purpose of satisfying any liability to withhold federal, state or local income or other taxes. If the amount requested is not paid, the Corporation may refuse to issue such Common Shares.

#### **4.3 Issuance of Certificates; Legends**

Common Shares duly acquired under the terms of an Option shall be registered in the name of the Participant and a share certificate representing the number of such Common Shares shall be issued in the name of the Participant, his or her legal representatives or as he, she or they may direct. The Corporation may endorse such legend or legends upon the certificates for Common Shares issued upon the exercise of an Option granted hereunder and may issue such “stop transfer” instructions to its transfer agent in respect of such shares as, in its absolute discretion, it determines to be necessary or appropriate.

#### **4.4 Correction of Defects, Omissions, and Inconsistencies**

The Committee may correct any defect, supply any omission, or reconcile any inconsistency in this Plan in the manner and to the extent it shall deem desirable to carry this Plan into effect.

#### **4.5 Other Actions**

Nothing contained in this Plan shall be construed to limit the authority of the Corporation to exercise its corporate rights and powers, including but not by way of limitation, the right of the Corporation to grant or assume Options for proper corporate purposes other than under the Plan with respect to any employee or other person, firm, corporation or association.