

CORPORATE GOVERNANCE PRACTICES

Corporate governance relates to the activities of the Board of Directors who are elected by and are accountable to the shareholders, and takes into account the role of management who are appointed by the Board and who are charged with the ongoing management of the Company.

The Board of Brookfield Homes encourages exceeding prevalent corporate governance practices designed to promote the well being and ongoing development of the Company. The Board always has as its ultimate objective managing in the best long-term interests of the Company and the enhancement of value for all shareholders. The Board also believes that sound corporate governance benefits the Company's employees and the communities in which the Company operates.

The Board is of the view that the Company's corporate governance policies and practices, outlined below, are appropriate and substantially consistent with the corporate governance practices adopted by the Securities and Exchange Commission and the New York Stock Exchange.

BOARD OF DIRECTORS

Mandate of the Board

Brookfield Homes' Board of Directors oversees the management of the Company's affairs directly and through its committees. In doing so, the Board acts at all times with a view to the best interests of the Company and its shareholders. In fulfilling its mandate, the Board, among other matters, is responsible for reviewing the Company's overall business strategies and its annual business plans; reviewing the principal risks of the Company's business to ensure that appropriate systems are in place to manage these risks; reviewing major strategic initiatives to ensure that the Company's proposed actions accord with shareholder objectives; appointing senior management and reviewing succession planning; assessing management's performance against approved business plans; reviewing and approving the reports issued to shareholders, including annual and interim financial statements; ensuring the effective operation of the Board; and safeguarding shareholders' equity interests through the optimum utilization of the Company's capital resources, including setting an appropriate dividend policy.

Meetings of the Board

The Board of Directors of Brookfield Homes meets at least once in each quarter, with additional meetings held when appropriate. The Board also annually reviews and approves the Company's business plan and long-term strategy. Meeting frequency and agenda items may change depending on the opportunities or risks faced by the Company.

Directors are expected to attend all Board meetings and meetings of Committees on which they serve, to spend the time needed to review the materials in advance of such meetings, to participate in such meetings and to meet as frequently as necessary to properly discharge their responsibilities. In advance of each Board and Committee meeting, Board members will receive the proposed agenda and other materials important to the Board's understanding of the matters to be considered.

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 has the responsibility to preside 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 of the Board or at the request of any non-management or independent director. Directors are encouraged to discuss with the Chairman of the Board potential items for inclusion in the agendas of future meetings of the Board.

Size and Composition of the Board and Representation of Shareholder Interests

The Board of Directors of Brookfield Homes currently consists of nine directors. The Company considers this to be an appropriate number given the diversity of its operations and the need for a variety of experiences and backgrounds to ensure an effective and efficient Board.

The director nomination process is overseen by the Governance and Nominating Committee, and director nominees are selected by the Governance and Nominating Committee in accordance with criteria established by it and approved by the Board. Currently, the Board is comprised of independent directors, individuals related to the Company's principal shareholder and the Company's President and Chief Executive Officer. The Board believes that this combination leads to a constructive exchange of views in Board deliberations resulting in objective, well-balanced and informed discussion and decision making.

Directors should possess the highest personal professional ethical standards, integrity and values, and be committed to representing the long-term interests of the stockholders. Directors should be prepared to offer their resignation in the event of any significant change in their personal circumstances that could affect the discharge of their responsibilities as directors of the Company, including a change in their principal job responsibilities. The number of other public company boards on which a director may serve shall be subject to a case-by-case review by the Governance and Nominating Committee, in order to ensure that each director is able to devote sufficient time to perform his or her duties as a director.

Because of the value the Board places on having directors who are knowledgeable about the Company and its operations, the Board does not currently believe that an arbitrary retirement age or term limits on directors' service are appropriate. Consequently, the Board has not adopted a mandatory retirement age for directors. However, the Governance and Nominating Committee considers from time to time the appropriate retirement age for directors, and submits its recommendations to the Board for its consideration and decision. Board vacancies and processes related to director succession are overseen by the Governance and Nominating Committee.

The majority of the members of the Board should meet the criteria for independence established by the New York Stock Exchange. The Board recognizes, however, that directors who do not meet the New York Stock Exchange's independence standards have historically made, and can be expected to continue to make, valuable contributions to the Board and to the Company by reason of their experience, judgment and knowledge of the Company's business.

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.

Independence Standards

To be considered independent under the rules of the New York Stock Exchange, the Board must determine that a director does not have any material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company), other than as a director. To assist it in determining director independence, a director is not independent if:

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

- (a) the director or an immediate family member is a current partner of a firm that is the Company's internal or external auditor; (b) the director is a current employee of such a firm; (c) the director has an immediate family member who is a current employee of such a firm and who participates in the firms' 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.

Transition Rule: In accordance with the rules of the New York Stock Exchange which were adopted by the Securities and Exchange Commission on November 4, 2003, each of the above standards contains a three-year "look-back" provision. In order to facilitate a smooth transition to the new independence standards, the Board, in accordance with the rules of the New York Stock Exchange, will phase in the look-back provisions by applying only a one-year look-back for the first year after adoption of these new standards. For example, until November 3, 2004, the Board will only look-back one year when testing the above standards. Beginning November 4, 2004, however, the Board would need to look-back the full three years when testing the above standards.

Immediate Family Member: For purposes of analyzing independence, an "immediate family member" includes a directors' spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such director's home.

When applying the look-back provisions described above, the Board need not consider individuals who are no longer immediate family members as a result of legal separation or divorce, or those who have died or become incapacitated.

Director Compensation

The amount and type of compensation for directors of the Company is reviewed and recommended by the Management Resources and Compensation Committee, which develops its recommendation in accordance with accepted industry practices. Director compensation is approved by the Board.

Currently, directors who are not employees of the Company are entitled to receive an annual retainer of \$50,000, to be 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 will have the option to elect to receive 100% of their annual retainer in deferred share units. The Chairman of the Company is entitled to receive an annual cash payment of \$75,000, the Chairman of the Audit Committee is entitled to receive an annual cash payment of \$10,000, and the Chairmen of the other board committees are entitled to an annual cash payment of \$5,000, reflecting their additional responsibilities. Directors are reimbursed for travel and other out-of-pocket expenses they incur in attending board or committee meetings.

Annual Performance Evaluation

The members of the Board will perform an annual self-evaluation of the Board and each of the Committees. Each of the directors will be requested to provide his or her assessment of the effectiveness of the Board and the Committees.

COMMITTEES OF THE BOARD

The Board of Directors believes that Board committees assist in the effective functioning of the Company's Board and that the composition of Board committees should ensure that the views of independent directors are effectively represented.

The Board of Directors 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 that is reviewed and approved annually by the Board. The current charters of these committees are published on the Company's website, and will be mailed to stockholders on written request. 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 Management Resources and Compensation Committee and the Governance and Nominating Committee each have specific responsibilities for certain aspects of corporate governance as described below.

Audit Committee

The Audit Committee is appointed by the Board of Directors to assist the Board in monitoring: (1) the integrity of the financial statements of the Company, including audits thereof, (2) the Company's 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 the Company's internal audit function and independent auditors, (5) the compliance by the Company with legal and regulatory requirements, (6) the Company's relationship with the independent auditors, and (7) the Company's principal financial risks and the process employed to manage such risks. Each member of the Audit Committee shall have been determined by the Board to be "independent" and "financially literate" within the meaning of the rules of the New York Stock Exchange and the Securities and Exchange Commission. In addition, at least one member of the Audit Committee shall be determined to be an "audit committee financial expert" within the meaning of such rules.

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 considers nominees proposed by certain stockholders. Each member of the Governance and Nominating Committee shall meet the criteria for independence established by the New York Stock Exchange.

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 Committee has responsibility to review corporate goals and objectives relevant to CEO compensation; evaluate the CEO's performance in light of those goals and objectives; either as a committee or together with the other independent directors, determine and approve the CEO's compensation level based on this evaluation; and make recommendations to the Board with respect to non-CEO and director compensation, incentive-compensation plans and equity-based plans. Each member of the Management Resources and Compensation Committee shall meet the criteria for independence established by the New York Stock Exchange.

MANAGEMENT

The primary responsibility of management is to safeguard the Company's assets and to create wealth for its shareholders. When management's performance is found to be inadequate, the directors have the responsibility to bring about change to enable the Company to perform satisfactorily. Brookfield Homes' governance principles are intended to encourage autonomy and effective decision making on the part of management while ensuring scrutiny by the Company's Board and its committees.

Management's Relationship to the Board

Brookfield Homes' senior management reports to and is accountable to the Board of Directors. The Company's President and Chief Executive Officer is also a member of the Company's Board. At its meetings, the Brookfield Homes' Board regularly engages in a private session with the Company's President and Chief Executive Officer without other members of senior management present. The Board also meets independently of all senior management on a regular basis, under the leadership of the independent non-executive Chairman of the Board.

Management Accountability

The Board of Directors believes in the importance of developing business plans to ensure the compatibility of shareholder, Board and management views on the Company's strategic direction and performance targets, and the effective utilization of shareholder capital. Annually, the Company's Board reviews the strategic initiatives and annual business plan submitted by senior management. The Board's approval of the annual business plan provides a mandate for senior management to conduct the affairs of the Company within the terms of the plan, knowing it has the necessary Board support. Material deviations from the plan are reported to and considered by the Board.

Director Orientation, Continuing Education and Access to Management and Independent Advisors

The information provided by management to directors is considered to be critical to their effectiveness. In addition to the reports presented to the Board at its regular and special meetings, the Board is also kept informed on a timely basis by management of corporate developments and key decisions taken by management in pursuing the Company's strategic plan and the attainment of its objectives. The directors periodically assess the quality, completeness and timeliness of information provided by management to the Board.

New directors are provided with comprehensive information about the Company and its affiliates, including a binder containing information regarding the Company and its policies and various administrative and legal matters. Directors have the opportunity to meet and participate in work sessions with senior management to obtain insight into the operations of the Company and its affiliates. Individual directors are also free to consult with members of senior management, whenever they so require, and to engage independent advisors with Board authorization.

Management Succession

The Management Resources and Compensation Committee is responsible for reporting to the Board at least once per fiscal year on matters pertaining to existing management resources and plans for ensuring that qualified personnel will be available for succession to officer and other senior management positions within the Company, including the CEO.

COMMUNICATION AND DISCLOSURE POLICIES

The Company endeavors to keep its shareholders informed of its progress through a comprehensive annual report, quarterly interim reports and periodic press releases. It also maintains a web site that provides summary information on the Company and ready access to its published reports, press releases and regulatory filings. Directors and management meet with the Company's shareholders at the Annual Meeting and are available to respond to questions at that time.

The Company also maintains an investor relations program to respond to inquiries in a timely manner. Management meets with investment analysts and financial advisors to ensure that accurate information is available to investors, including quarterly conference calls and web casts to discuss the Company's financial results. The Company also endeavors to ensure that the media are kept informed of developments as they occur, and have an opportunity to meet and discuss these developments with the Company's designated spokespersons.

The Company also has a disclosure policy which summarizes the Company's policies and practices regarding disclosure of material information. The primary purpose of this policy is to ensure that the Company's communications with the investment community are timely, consistent and in compliance with all applicable securities legislation.