BROOKFIELD HOMES CORP
Form 10-12B/A
December 31, 2002

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As filed with the Securities and Exchange Commission on December 31, 2002

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10/A-3

**GENERAL FORM FOR REGISTRATION OF SECURITIES
PURSUANT TO SECTION 12(b) OR 12(g) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Brookfield Homes Corporation

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**37-1446709**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
12865 Pointe Del Mar Suite 200 Del Mar, California	**92014**
(Address of Principal Executive Offices)	(Zip Code)

(858) 481-8500
(Registrant's Telephone Number, Including Area Code)

Securities to be registered pursuant to Section 12(b) of the Act:

Title of Each Class To Be So Registered	Name of Each Exchange On Which Each Class Is To Be Registered
Common Stock	**New York Stock Exchange**

Securities to be registered pursuant to Section 12(g) of the Act:

None

INFORMATION REQUIRED IN REGISTRATION STATEMENT

Item 1. Business

Introduction

Brookfield Homes Corporation is a residential homebuilder and land developer which builds homes and develops land in master-planned communities and infill locations (in this registration statement, unless the context requires otherwise, references to "we," "our," and "us" refer to Brookfield Homes Corporation and its subsidiaries after the completion of the Spin-off, which is described in the next paragraph). We design, construct and market single-family and multi-family homes primarily to move-up and luxury buyers, and we develop land on which we build homes or which we sell to other homebuilders. Our operations are currently focused primarily in four markets: the San Francisco Bay Area; Southland / Los Angeles; San Diego / Riverside; and Northern Virginia. We have targeted these markets because we believe they offer strong housing demand, a constrained supply of developable land and close proximity to areas we expect to continue to see strong employment growth. Our operations in Northern Virginia commenced in the mid 1980s and our California operations commenced in 1996.

We are currently a wholly-owned subsidiary of Brookfield Homes (Delaware) Inc., a Delaware corporation that is an indirect wholly-owned subsidiary of Brookfield Properties Corporation. Brookfield Properties is a Canadian corporation listed on the New York Stock Exchange and the Toronto Stock Exchange. On October 29, 2002, Brookfield Properties announced its intention to distribute to its common shareholders its residential homebuilding operations in California and Northern Virginia. In preparation for the distribution, which we refer to as the "Spin-off," Brookfield Properties began a reorganization of its residential homebuilding operations effective as of September 30, 2002. In connection with the reorganization, Brookfield Homes (US) Inc., Brookfield Washington Inc., and Brookfield Homes of California Inc., each an indirect wholly-owned subsidiary of Brookfield Properties, transferred their California and Northern Virginia homebuilding and land development operations to our wholly-owned subsidiary, Brookfield Homes Holdings Inc., a California corporation. On December 31, 2002, Brookfield Properties intends to purchase from its subsidiaries all of our issued and outstanding common stock. After acquiring our common stock, Brookfield Properties intends to complete the Spin-off on January 6, 2003, by distributing all of the common stock it owns in our company to its common shareholders.

General Development of Our Business

We are a Delaware corporation that was incorporated on August 28, 2002. We are a holding company that conducts our business principally through five of our subsidiaries, which are directly owned by our wholly-owned subsidiary, Brookfield Homes Holdings Inc. The following chart illustrates our relationship with these principal operating subsidiaries and Brookfield Homes Holdings Inc. and indicates the governing jurisdiction of organization of each.

Principal Subsidiary	Jurisdiction of Organization	Ownership after the Spin-off	
Brookfield Homes Holdings Inc.	California	Brookfield Homes Corporation	100%
Brookfield San Diego Holdings LLC	Delaware	Brookfield Homes Holdings Inc.	90%
Brookfield Southland Holdings LLC	Delaware	Brookfield Homes Holdings Inc.	90%
Brookfield Bay Area Holdings LLC	Delaware	Brookfield Homes Holdings Inc.	90%
Brookfield California Land Holdings LLC	Delaware	Brookfield Homes Holdings Inc.	100%
Brookfield Washington LLC	Delaware	Brookfield Homes Holdings Inc.	90%

Brookfield Homes (Delaware) Inc. incorporated Brookfield 1996 California Inc. in 1996 to operate three newly formed business units in the San Francisco Bay Area, Southland/Los Angeles and San Diego/Riverside. In 2000, Brookfield 1996 California Inc. changed its name to Brookfield Homes of California Inc.

Brookfield Homes (Delaware) Inc. incorporated Brookfield California Land Holdings Inc. in 1998 to purchase and acquire options to purchase land in California, and in 2000 Brookfield California Land Holdings LLC was formed to continue the business of Brookfield California Land Holdings Inc.

Coscan Washington Inc. was incorporated in 1984 to conduct homebuilding and land development operations in Northern Virginia. In 2000, Coscan Washington Inc. changed its name to Brookfield Washington Inc.

Overview of the Residential Homebuilding and Land Development Industry

The residential homebuilding and land development industry involves converting raw or undeveloped land into residential housing. This process begins with the purchase of raw land and is followed by the development of the land, the construction of homes on, or the sale of, the land and the marketing and sale of homes constructed on the land.

Raw Land

Raw land is land that is unzoned and without the other regulatory approvals which allow residential, industrial, commercial or mixed use buildings to be erected. Acquiring and holding raw land requires significant capital expenditures and has associated carrying costs, including property taxes. The selection and purchase of raw land provides the inventory of land required for development purposes and is an important aspect of the real estate development process. Land developers will, from time to time, sell raw or partially approved land to other developers as part of the normal course of their business.

Land Development

Land development involves the conversion of raw land to the stage where homes may be constructed on the land. Regulatory bodies at the municipal, regional and state levels must approve the proposed end use of the land and many of the details of the development process. The time required to obtain the necessary approvals varies. In most jurisdictions, development occurs on a contiguous basis to existing land services such as water and sanitation.

To shorten the development period, many developers purchase land that has been partially developed. This land is generally more expensive than raw land because a portion of the costs and risk associated with the development have been incurred.

Generally, the first significant step in developing a residential community is to complete a draft plan incorporating major street patterns and designating parcels of land for various uses, such as parks, schools, rights of way and residential uses and commercial uses. This plan is then submitted for approval to the governmental authority having principal jurisdiction in the area. The draft plan is then refined to more specifically designate main and side streets, lot sizes for residential use and the sizes and locations of parcels of land to be used for schools, parks, commercial properties and multi-family dwellings. These refinements are usually made in consultation with local planning officials. The plan is then submitted to various local governmental agencies, such as conservation authorities, school boards, parks and recreation boards, governing councils and others, for their review and comment based upon their respective land use policies. In most cases this process takes several years to complete.

Once the plan has been approved, the developer generally commences negotiations with the local governmental authority on a formal development agreement, which governs the principal aspects of the construction of the community. These negotiations generally involve the review and approval of engineering designs pertaining to various aspects of the development, such as the construction and installation of sidewalks, sewers, water mains and utilities. At the same time, the allocation of the costs of these items between the governmental authority and the developer, and the amount of tax or levy which the developer will pay in order to obtain final approval of the plan, must be settled.

Upon execution of the development agreement, the developer generally posts a bond or letter of credit with the local governmental authority to secure the developer's obligations and the plan receives final approval. The developer is then generally required to convey to the local municipality for no consideration

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the land upon which roads, sidewalks, rights of way and parks will be constructed. Land for schools, if any, is sold to the local school board usually at slightly less than its market value. It is then the school board's responsibility to construct the schools. The developer is usually responsible for the grading of the land and the installation of sewers, water mains, utilities, roads and sidewalks, while the municipality is usually responsible for the construction of recreational and community amenities such as libraries and community centers. The municipality funds its portion of these costs through taxes or levies charged to the developer in connection with plan approvals and through the collection of property taxes from local residents.

After a period of one to two years following the completion by the developer of certain of its obligations under the development agreement, the municipality takes responsibility from the developer for the underground services, roads and sidewalks, and a portion of the bond or letter of credit posted by the developer is released. The developer is generally required to maintain the remaining portion of the bond or letter of credit with the municipality for several years after completion of the community to ensure performance by the developer of its remaining obligations under the development agreement.

Home Construction and Marketing

Residential home construction involves the actual construction of single family houses and multi-family buildings such as townhouses and condominiums. Each dwelling is generally referred to as a "unit". A plan typically includes a large number of "lots" on which single family units will be situated and a smaller number of "blocks" of land which have been designated for the construction of multi-family units, schools, parks and commercial buildings. The approved development plan specifically provides the total number of lots and blocks in the project. The construction phase normally involves consulting, architectural, engineering, interior design, merchandising and marketing personnel who assist the developer in planning the project. Residential home construction is usually performed by subcontractors under the supervision of the developer's construction management personnel.

Marketing and sales of residential units are effected by marketing sales staff employed by the developer or by independent realtors, depending upon the usual practices in the jurisdiction where the project is located. Pre-selling residential units before the commencement of their construction is a common sales practice that usually involves creating model units or drawings of the proposed units in a sales location close to or in the project.

Narrative Description of Our Business

We design, construct and market single-family and multi-family homes primarily to move-up and luxury homebuyers, and we develop land on which we build homes or which we sell to other homebuilders. Our operations are currently focused primarily in four markets: the San Francisco Bay Area;
Southland / Los Angeles; San Diego / Riverside; and Northern Virginia.

We operate in each of our markets through local business units which are involved in all phases of the planning and building of our master-planned communities and infill developments. These phases include sourcing and evaluating land acquisitions, site planning, developing the land, product design, constructing, marketing and selling homes built on the land and customer service. In the five year period ended December 31, 2001, we closed a total of 7,030 homes. A home is considered closed when title has passed to the homebuyer.

We believe we have developed a reputation for innovative planning of master-planned communities and infill developments. Master-planned communities are new home communities that typically feature community centers, parks, recreational areas, schools and other amenities. Within a master-planned community there may be smaller communities offering a variety of home styles and price levels from which homebuyers may choose. In an infill development we construct homes in previously urbanized areas on under-utilized land. In connection with planning and building each of our master-planned communities and infill developments, we consider, among other things, amenities, views, traffic flows, open space, schools and security.

In 2001, we closed a total of 1,645 homes, compared with 1,467 in 2000. For the nine months ended September 30, 2002, we closed 994 homes. The breakdown of our home closings by market in the last two years and the nine months ended September 30, 2002 is as follows:

(Units)	**9 months 2002**	**2001**	**2000**
San Francisco Bay Area	155	213	339
Southland / Los Angeles	380	500	261
San Diego / Riverside	195	450	301
Northern Virginia	264	482	566
Total	994	1,645	1,467

Our average home price realized in 2001 was $443,000 per unit, an increase of 10% over 2000. This increase was due to our product mix and continued price appreciation in our projects. The breakdown of the average prices we realized on home closings in the past two full years and the nine months ended September 30, 2002 is as follows:

	9 Months 2002		**2001**		**2000**	
	Sales	**Average Price**	**Sales**	**Average Price**	**Sales**	**Average Price**
	(Millions)		**(Millions)**		**(Millions)**	
San Francisco Bay Area	$ 92	$ 594,000	$ 107	$ 502,000	$ 145	$ 428,000

	9 Months 2002		2001		2000	
Southland / Los Angeles	224	590,000	305	610,000	154	590,000
San Diego / Riverside	68	349,000	141	313,000	119	397,000
Northern Virginia	110	417,000	176	365,000	172	304,000
Total	$ 494	$ 497,000	$ 729	$ 443,000	$ 590	$ 402,000

Our backlog of orders for delivery in 2002, together with the homes we have closed to date in 2002, stands at 100% of our expected 2002 closings. Backlog represents the number of homes subject to pending sales contracts.

Business Strategy

Our goal is to maximize the total return on our common stockholders' equity over the long term. The following are the key elements of our strategy that we believe will allow us to meet this goal.

Selective Acquisition Policies

We intend to continue to grow by selectively making land acquisitions that provide us with attractive residential projects that are consistent with our overall strategy and management expertise. We acquire land only if we believe that it will provide us with a minimum return on our invested capital. In determining the minimum return we will accept, we take into account the risk inherent in increasing our land inventory and the specific development project. In making additional land acquisitions in one of our current markets, we also consider the recent financial returns that we have achieved in that market.

In order to expand our market opportunities, we also selectively pursue joint venture projects with landowners, other homebuilders and intermediaries. We are generally active participants in our joint ventures. In order to reduce our initial cost of controlling land, in certain circumstances we acquire options to purchase land rather than purchasing the land outright.

Creating Communities

We seek to acquire land that allows us to create communities that include recreational amenities such as parks, biking and walking trails, efficient traffic flows, schools and public services facilities. We integrate land planning and development with housing product design in order to deliver lifestyle, comfort and value. We

cooperate with local and regulatory authorities in order to be responsive to community conditions and we attempt to balance our goal of maximizing the value of our land with the impact of development on the community and the environment. We encourage our employees to become involved in local community activities and associations.

High Growth Markets and Geographic Diversification

Based on United States Census Bureau data, during the 1996 to 2001 period, each of the markets in which we operate was among the fastest growing markets in the United States in terms of employment and housing permits, key economic indicators for demand for new homes. Although three of our markets are located in California, we believe that each of our California markets is distinct in terms of its economic and demographic characteristics. By operating in different markets, we believe that we reduce the risk that an adverse change in any local economy will materially and adversely affect our business and financial results. While we believe that there are significant growth opportunities in our existing markets, we also intend to evaluate opportunities to enter new markets that have similar growth opportunities and will provide us with additional diversification.

Decentralized Operating Structure

We operate our homebuilding business through local business units responsible for projects in their geographic area. Each of our business units has significant experience in the homebuilding industry in the market in which it operates. We believe that in-depth knowledge of a local market enables our business units to better meet the needs of our customers and to more effectively address the issues that arise on each project.

Our business units are responsible for all elements of the homebuilding process, including sourcing and evaluating land acquisitions, site planning, developing the land, product design, constructing, marketing and selling homes built on the land, customer service and management reporting. Each business unit operates as a fully integrated profit center and the senior management of each business unit is compensated through a combination of base salary and participation in his or her business unit's profits.

We maintain a small corporate team that sets our strategic goals and overall strategy. The corporate team approves all acquisitions, allocates capital to the business units based on expected returns and levels of risk, establishes succession plans, ensures operations maintain a consistent level of quality, evaluates risk and holds management of the business units accountable for the performance of their business unit.

Risk Management

We focus on managing risk in each stage of the homebuilding and land development process. In the land acquisition phase, we use options and joint ventures to mitigate the risk that land values will decline due to poor economic or real estate market conditions, or we are unable to obtain approval for development of a proposed community. We attempt to limit development approval risk by conducting significant due diligence before we close land acquisitions. Furthermore, we generally look to participate in land developments which we believe will allow us to sell our interest or take other protective actions should a downturn in the real estate market occur. We sell lots and parcels where we can enhance our returns, reduce risk in a market or redeploy capital to an asset providing higher returns.

When constructing homes, we attempt to ensure our customers are satisfied and limit our product liability risk by:

- carefully selecting the building materials that we use to ensure that they are high quality;
- emphasizing to our employees and subcontractors that our homes must be built to meet a high standard of quality and workmanship;
- using only insured subcontractors to perform construction activities;
- providing on-site quality control; and
- providing after-sales service.

Finally, we attempt to limit the risk of overbuilding by matching our construction starts to our sales rates and we do not generally begin selling homes until a significant portion of the home's construction cost has been established through firm subcontractor bids.

Asset Profile

Our assets are focused primarily on single-family and multi-family homebuilding in the markets in which we operate. Our assets consist primarily of housing and land inventory and investments in housing and land joint ventures. Our total assets as of September 30, 2002 were $879 million, of which $709 million was located in California and $170 million was located in Northern Virginia.

As of September 30, 2002, we controlled 21,622 lots. Controlled lots include those we directly own, our proportionate share of those owned by our joint ventures and those that we have the option to purchase. We believe that our controlled lots provide a strong foundation for our future homebuilding business. Since January 1, 2000, we have received final development approvals on approximately 5,800 lots. The number of residential building lots we control in each of our primary markets as of September 30, 2002 is as follows:

Owned

(Lots)	Directly	Joint Ventures	Options	Total Lots
San Francisco Bay Area	875	1,307	1,512	3,694
Southland / Los Angeles	633	269	417	1,319
San Diego / Riverside	5,152	1,946	4,489	11,587
Northern Virginia	2,251	149	2,622	5,022
Total	8,911	3,671	9,040	21,622

Our housing and land inventory includes homes completed or under construction, developed land and raw land. The book value of our housing and land inventory in each of our primary markets as of September 30, 2002 is as follows:

(Book Value, $ millions)	Sept. 30, 2002
San Francisco Bay Area	154
Southland / Los Angeles	190
San Diego / Riverside	198
Northern Virginia	133
Total	675

The book value of our investments in housing and land joint ventures as of September 30, 2002 is $112 million. The total assets and liabilities of these joint ventures and our share of the equity of the joint ventures as of September 30, 2002 are as follows:

(Book Value, $ millions)	Sept. 30, 2002
Assets	418
Liabilities	185
Brookfield Homes' Net Investment	112

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The housing markets in which we operate continue to exhibit strong economic fundamentals which have allowed us to participate in a number of projects without undue risk. The following describes our major projects:

Windemere, San Francisco Bay Area. Windemere is a 5,200 unit master-planned community located on one of the last premier infill tracts of residential housing land in the East Bay area of San Francisco. Windemere was acquired under option in 1998, final approvals were obtained in 2000 and lot sales commenced in 2001. We hold a one-third interest in Windemere, with the other two-thirds owned equally by Centex Corporation and Lennar Communities. We have no affiliation with Centex Corporation or Lennar Communities.

Newport Coast, Southland / Los Angeles. Newport Coast is a major ocean-oriented master-planned community owned by the Irvine Company. We believe that we have developed a strong reputation among upper-end buyers in Orange County, California and have closed more than 300 homes in Newport Coast since 1999. We acquire lots in Newport Coast on a rolling option basis. As of September 30, 2002 we had 361 lots under contract to purchase in Newport Coast.

Calavera Hills, San Diego / Riverside. Calavera Hills is an 800 acre property located in the coastal community of Carlsbad. A total of 483 homes have been built in Phase I of the project. Phase II has recently been approved for 692 units and grading of the site has begun. The plans for Calavera Hills also include a third phase, which is planned for 400 units and is currently being processed by the regulatory authorities. We hold a 50% interest in Calavera Hills, with McMillin Companies holding the other 50%. We have no affiliation with McMillin Companies.

Sycamore Canyon, San Diego / Riverside. Sycamore Canyon is a 2,132-acre project, located in San Diego County, which is planned for 828 lots. We acquired Sycamore Canyon under an option in 1998. We have received required approvals and intend to begin grading of the site later this year. We hold a 50% interest in Sycamore Canyon, with McMillin Companies holding the other 50%. We have no affiliation with

McMillin Companies.

Otay Ranch, San Diego / Riverside. Otay Ranch (Village II) in south San Diego is a 1,200 acre project that we acquired in 2000. Otay Ranch has been approved for 2,268 units, and we began grading of the site in 2002. We hold a 50% interest in Otay Ranch, with Shea Homes holding the other 50%. We have no affiliation with Shea Homes.

University Commons, San Diego / Riverside. University Commons is a 416 acre site located in the inland coastal area of San Diego. We recently began grading of the site, and we expect to have serviced lots beginning in the spring of 2003. We expect that University Commons will provide a total of 581 single-family and multi-family units. We hold a 100% interest in University Commons.

Braemar, Northern Virginia. Braemar is a 3,100 unit master-planned community, located in Prince William County, that began development in 1994. Since 1999, we have closed 482 homes and sold 533 lots in Braemar. As of September 30, 2002 we had 1,531 lots remaining in Braemar in which we have a 100% interest.

Property Acquisition and Sale

Before entering into an agreement to purchase land, we complete comparative studies and analyses that assist us in evaluating the acquisition. We manage our risk and attempt to maximize our return on invested capital on land acquisitions by entering into option agreements or joint venture arrangements, or by purchasing the land outright. We attempt to limit our development approval risk by conducting significant due diligence before we close land acquisitions. Furthermore, we generally look to participate in land developments which we believe will allow us to sell our interest or take other protective actions should a downturn in the real estate market occur.

We believe that we have an adequate supply of land in our existing markets to maintain our operations at their current levels for at least the next six years. We also sell land to third parties at various stages of the development process. We continually evaluate our land inventory and strategically sell lots and parcels to increase our returns. For the nine months ended September 30, 2002, we generated revenue of $21 million from the sale of lots and land parcels.

Construction and Development

We attempt to match our construction starts to our sales rate. We control our construction starts by constructing and selling homes in phases. Generally, we will not start construction of a phase of homes until sales have met predetermined targets. The size of these phases depends upon factors such as current sales and cancellation rates, the type of buyer targeted for a particular project, the time of year and our assessment of prevailing and anticipated economic conditions. We generally do not begin selling homes until a significant portion of the homes' construction cost has been established through firm subcontractor bids.

We function as a general contractor, subcontracting the construction activities for our projects. We manage these activities with on-site supervisory employees and informational and management control systems. We engage independent architectural, design, engineering and other consulting firms to assist in project planning. We do not have long-term contractual commitments with our subcontractors, consultants or suppliers of materials, who are generally selected on a competitive bid basis. We have generally been able to obtain sufficient materials and subcontractors, even during times of market shortages. We generally complete building a home in four to six months, depending upon the availability of materials and supplies, governmental approvals, local labor situation, time of year, design and other factors.

We attempt to limit the number of unsold units under construction by limiting the size of each construction phase and closely monitoring sales activity. Building homes of a similar product type in phases also allows us to utilize production techniques that reduce our construction costs. The number of our unsold homes fluctuates depending upon the timing of completion of construction and absorption of home phases. As of September 30, 2002, we had four completed and unsold homes, excluding the 64 model homes we currently maintain.

Sales and Marketing

We advertise in local newspapers and magazines and on billboards to assist us in selling our homes. We also utilize direct mailings, special promotional events, illustrated brochures and model homes in our marketing program. The internet has also become an important source of information for our customers. Through it we are able to allow potential buyers to search for their home, take a virtual video tour of selected homes, obtain general information about our projects and communicate directly with our personnel.

We sell our homes through our own sales representatives or through independent real estate brokers. Our in-house sales force typically works from sales offices located in model homes close to or in each community. Sales representatives assist potential buyers by providing them with basic floor plans, price information, development and construction timetables, tours of model homes and the selection of options. Sales personnel are licensed by the applicable real estate bodies in their respective markets, are trained by us and have generally had prior experience selling new homes in the local market. Our personnel, along with subcontracted marketing and design consultants, carefully design exteriors and interiors of each home to coincide with the lifestyles of targeted buyers. We use various floor plan types and elevations to provide a more varied street scene and a sense of customization for the buyers.

As of September 30, 2002, we owned 64 model homes, which are not generally available for sale until the end of a project. Generally, two to four different model homes are built and decorated at each project to display design features. Model homes play a key role in helping buyers understand the efficiencies and value provided by each floor plan type.

In addition to model homes, customers can gain an understanding of the various design features and options available to them using our design centers. At each design center, customers can meet with a

designer and are shown the standard and upgraded selections available to them, including professional interior design furnishings and accessories.

We typically sell homes during construction using sales contracts that provide for cash deposits by the purchasers. Before entering into sales contracts, we generally pre-qualify our customers. However, purchasers can generally cancel certain sales contracts if they are unable to sell their existing homes, if they fail to qualify for financing, or under certain other circumstances. Although cancellations can delay the sale of our homes, they have not in the past had a material impact on our operating results because we closely monitor the progress of prospective buyers in obtaining financing. We attempt to monitor and adjust our construction start plans to closely match the level of demand for our homes.

Customer Service and Quality Control

We pay particular attention to the product design process and carefully consider quality and choice of materials to eliminate building deficiencies. The quality and workmanship of the trade contractors we employ is monitored and we make regular inspections to ensure our high standards are met.

We staff each business unit with quality control and customer service staff whose role it is to provide a positive experience for each customer throughout the pre-sale, sale, building, closing and post-closing periods. These employees are also responsible for providing after-sales customer service to help ensure customers are satisfied with their purchase. Our quality and service initiatives include taking customers on a comprehensive tour of their home prior to closing and using customer survey results to improve our standards of quality and customer satisfaction.

Mortgage Brokerage Operations

We offer mortgage brokerage services exclusively to our customers in our San Francisco Bay Area, Southland/Los Angeles and Northern Virginia markets. We have agreements with various lenders to receive a fee on loans made by the lenders to customers introduced to the lenders by us. We do not originate, fund or service the loans, nor do we assume any credit or interest rate risk in connection with the loans. For the nine months ended September 30, 2002, less than 1% of our revenue and less than 4% of our net income was derived from our mortgage operations.

Relationship with Affiliates

We are currently a wholly-owned subsidiary of Brookfield Homes (Delaware) Inc., an indirect wholly-owned subsidiary of Brookfield Properties. Immediately prior to the Spin-off, we will be a wholly-owned subsidiary of Brookfield Properties. Immediately upon completion of the Spin-off, neither Brookfield Homes (Delaware) Inc. nor Brookfield Properties will hold any shares of our common stock. However, we, Brookfield Homes (Delaware) Inc. and Brookfield Properties will be affiliates, as Brascan Corporation will directly or indirectly own approximately 48% of each corporation.

We are a residential homebuilder and land developer which builds homes and develops land primarily in four markets in California and Northern Virginia. None of our affiliates, including Brascan and Brookfield Properties, operate in similar businesses in our markets. Nevertheless, there are several agreements among our affiliates to which we are a party or subject. Refer to the section of this registration statement entitled "Certain Relationships and Related Transactions" for a description of these agreements.

As part of our acquisition of the California and Northern Virginia homebuilding operations, Brookfield Homes Holdings Inc. agreed to assume the obligations of Brookfield Homes (Delaware) Inc. under the 2000 Restatement of the Brookfield Homes Inc. Supplemental Retirement Income Plan, in consideration for an initial payment of $20.0 million.

In addition, several of our executive officers and directors serve as executive officers and directors of our affiliates. Refer to the section of this registration statement entitled "Certain Relationships and Related Transactions" for a description of those relationships.

Competition

The residential homebuilding industry is highly competitive. We compete against numerous homebuilders and others in the real estate business in and near the areas where our communities are located. Our principal competitors are primarily national public company homebuilders, including Centex Corporation, Lennar Corporation, Pulte Corporation and Toll Brothers, Inc. We may compete for investment opportunities, financing, available land, raw materials and skilled labor with entities that possess greater financial, marketing and other resources than us. Competition may increase the bargaining power of property owners seeking to sell, and industry competition may increase if there is future consolidation in the real estate development industry.

Material Contracts

Other than contracts arising in connection with the reorganization and the Spin-off of the residential homebuilding operations of Brookfield Properties, we are not party or subject to any material contracts. Refer to the section of this registration statement entitled "Certain Relationships and Related Transactions" for a description of the material contracts arising in connection with the reorganization.

Regulation and Environment

We are subject to local and state laws and regulations concerning zoning, building design, construction and similar matters, including local regulations which impose restrictive zoning and density requirements in order to limit the number of homes that can eventually be built within the boundaries of a particular area. We are also subject to periodic delays in our homebuilding projects due to building moratoria. In addition, new development projects may be subject to various assessments for schools, parks, streets and highways and other public improvements, the costs of which can be substantial. When made, these assessments can have a negative impact on our sales by raising the price that homebuyers must pay for our homes.

We are also subject to local, state and federal laws and regulations concerning the protection of health and the environment. The environmental laws that apply to a given homebuilding site depend upon the site's location, its environmental conditions and the present and former uses of the site and its adjoining properties. Environmental laws and conditions may result in delays, may cause us to incur substantial compliance and other costs, and can prohibit or severely restrict homebuilding activity in environmentally sensitive regions or areas.

We do not currently have any material estimated capital expenditures related to governmental assessments or environmental compliance costs for the remainder of our current fiscal year, our next fiscal year or the year after our next fiscal year.

In connection with our operations, some of our employees have general contractor and real estate sales licenses, which are subject to governmental regulations. Our employees holding those licenses are currently in material compliance with all applicable regulations.

Seasonality

We have historically experienced variability in our results of operations from quarter to quarter due to the seasonal nature of the homebuilding business. We typically experience the highest rate of orders for new homes in the first quarter of the calendar year, but our actual rate of new home orders depends significantly upon the number of active projects in an area and the timing of new openings of residential communities. Because new home deliveries trail orders for new homes by several months, we typically deliver a greater percentage of new homes in the second half of the year compared to the first half of the year. As a result, our revenues from sales of homes are generally higher in the second half of the year.

Employees

As of December 15, 2002, we had 549 employees. We consider our relations with our employees to be good. Our construction operations are conducted primarily through independent subcontractors, which limits

the number of our employees. None of our employees are represented by a union or covered by a collective bargaining agreement. We have not recently experienced any work stoppages.

Risk Factors

This section describes the material risks associated with an investment in our common stock. Stockholders should carefully consider each of the risks described below and all of the other information in this registration statement. If any of the following risks occurs, our business, prospects, financial condition, results of operations or cash flow could be materially and adversely affected. In such an event, the trading price of shares of our common stock could decline substantially, and stockholders may lose all or part of the value of their shares of our common stock.

Risks Relating To Our Business

Our business and results of operations will be materially and adversely affected by weakness in general economic, real estate and other conditions.

The residential homebuilding and land development industry is cyclical and is significantly affected by changes in general and local economic conditions, such as employment levels, availability of financing for home buyers, interest rates, consumer confidence and housing demand. In addition, significant supply of alternatives to new homes, such as rental properties and used homes, will depress prices and reduce margins for the sale of new homes, which would adversely affect our business and results of operations.

Furthermore, the market value of undeveloped land, buildable lots and housing inventories held by us can fluctuate significantly as a result of changing economic and real estate market conditions. If there are significant adverse changes in economic or real estate market conditions, we will have to sell homes at a loss or hold land in inventory longer than planned. Inventory carrying costs can be significant and can result in losses in a poorly performing project or market.

In many cases, we sell our homes at fixed prices up to 12 months prior to delivery of the homes. As a result, we are susceptible to events that result in increases in our development costs. We are also susceptible to adverse economic and real estate market changes between the date of sale and the date of home delivery because those changes can cause some home buyers to cancel or not honor their home sales contracts, which would adversely affect our results of operations.

Rising mortgage rates will discourage people from buying new homes.

Virtually all of our customers finance their home acquisitions through lenders providing mortgage financing. Mortgage rates are currently at or near their lowest levels in many years. Increases in mortgage rates or decreases in the availability of mortgage financing could depress the market for new homes because of the increased monthly mortgage costs to potential home buyers. Even if potential customers do not need financing, changes in interest rates and mortgage availability could make it harder for them to sell their homes to potential buyers who need financing, which would result in reduced demand for new homes. As a result, rising mortgage rates could adversely affect our ability to sell new homes and the price at which we can sell new homes.

Our business and results of operations will be adversely affected if we are unable to acquire suitable undeveloped land at acceptable prices.

Our success in developing, building and selling homes depends in part upon the continued availability of suitable undeveloped land at acceptable prices. Our growth, in both existing and new markets, depends upon our ability to acquire and develop land. We must continuously seek and make acquisitions of land for replacement and expansion of our land inventory within our current markets and at prevailing market prices. Competition for undeveloped land may increase the price we must pay to acquire land or limit the opportunities for new development projects, each of which would adversely affect our financial condition and results of operations. If we are not successful in identifying, acquiring and successfully integrating new projects, our ability to grow profitably, and our business and results of operations, will be adversely affected.

Laws and regulations related to property development and related to the environment subject us to additional costs and delays which adversely affect our business and results of operations.

We must comply with extensive and complex regulations affecting the homebuilding and land development process. These regulations impose on us additional costs and delays, which adversely affect our business and results of operations. In particular, we are required to obtain the approval of numerous governmental authorities regulating matters such as permitted land uses, levels of density, the installation of utility services like gas, electric, water and waste disposal, zoning, and building standards. In addition, fees, some of which are substantial, are sometimes imposed on us to defray the cost of providing certain governmental services and improvements. We are sometimes subject to additional costs or delays, or are precluded from building a project entirely, because of "no growth" or "slow growth" initiatives, building permit allocation ordinances, building moratoria, restrictions on the availability of utility services or similar governmental regulations. These ordinances, moratoria and restrictions cause our costs to increase and delay our planned or existing projects, and therefore adversely affect our business and results of operations.

In addition, some of our land and some of the land that we may acquire in the future has not yet received approvals necessary for planned or future development. Our failure to obtain approvals on this land on a timely basis will adversely affect our business and results of operations.

We also must comply with a variety of local, state and federal laws and regulations concerning the protection of health and the environment, including with respect to hazardous or toxic substances. These environmental laws sometimes result in delays, cause us to incur additional costs, or severely restrict land development and homebuilding activity in environmentally sensitive regions or areas, any of which will adversely affect our business and results of operations.

We expect that increasingly stringent requirements will be imposed on land developers and homebuilders in the future. Although we cannot predict the effect of these requirements, they will likely result in time-consuming and expensive compliance programs, which will likely adversely affect our business and results of operations. In addition, the continued effectiveness of permits already granted or approvals already obtained is dependent upon many factors, some of which are beyond our control, such as changes in policies, rules and regulations and their interpretation and application. Stockholders should also read "Business Regulation and Environment" in this registration statement.

If we are not able to develop and market our master-planned communities successfully, our business and results of operations will be adversely affected.

Before a master-planned community generates any revenues, material expenditures are required to acquire land, obtain development approvals and construct significant portions of project infrastructure, amenities, model homes and sales facilities. It generally takes several years for a master-planned community development to achieve cumulative positive cash flow. If we are unable to develop and market our master-planned communities successfully and to generate positive cash flows from these operations in a timely manner, it will have a material adverse effect on our business and results of operations.

Difficulty in retaining qualified trades workers, or obtaining required materials and supplies, will adversely affect our business and results of operations.

The homebuilding industry has from time to time experienced significant difficulties in the supply of materials and services, including with respect to:

- shortages of qualified trades people;
- labor disputes;
- shortages of building materials;

- unforeseen environmental and engineering problems; and

- increases in the cost of certain materials (particularly increases in the price of lumber, wall board and cement, which are significant components of home construction costs).

When any of these difficulties occur, it causes delays and increases the cost of constructing our homes, which in turn adversely affects our business and results of operations.

We sometimes face liabilities when we act as a general contractor, and we are sometimes responsible for losses when we hire general contractors.

Where we act as the general contractor, we are responsible for the performance of the entire contract, including work assigned to subcontractors. Claims may be asserted against us for construction defects, personal injury or property damage caused by the subcontractors, and if successful these claims give rise to liability. Where we hire general contractors, if there are unforeseen events like the bankruptcy of, or an uninsured or under-insured loss claimed against, our general contractors, we sometimes become responsible for the losses or other obligations of the general contractors. If any of these situations occur, our business and results of operations will be adversely affected.

If we are not able to raise capital on favorable terms, our business and results of operations will be adversely affected.

We operate in a capital intensive industry and require significant capital expenditures to maintain our competitive position. The failure to secure additional debt or equity financing or the failure to do so on favorable terms will limit our ability to grow our business, which in turn will adversely affect our business and results of operations. We expect to make significant capital expenditures in the future to enhance and maintain the operations of our properties and to expand and develop our real estate inventory. If our plans or assumptions change or prove to be inaccurate, or if our cash flow from operations proves to be insufficient due to unanticipated expenses or otherwise, we will likely seek to minimize cash expenditures and/or obtain additional financing in order to support our plan of operations. In addition, we will be required to repay out of the proceeds we receive from any equity offering any balance remaining on the $141.3 million subordinated note issued by our wholly-owned subsidiary, Brookfield Homes Holdings Inc. If sufficient funding, whether obtained through public or private debt or equity financing or from strategic alliances is not available when needed or is not be available on acceptable terms, our business and results of operations will be adversely affected.

Our debt and leverage could adversely affect our financial condition.

We are, and will continue to be, significantly leveraged. As of September 30, 2002, our total debt was $441 million. In addition, we also guarantee district shortfalls under some of our bond debt service agreements when the revenues, fees and assessments which are designed to cover principal and interest and other operating costs of the bonds are not paid.

Our leverage could have important consequences, including the following:

- our ability to obtain additional financing for working capital, capital expenditures or acquisitions may be impaired in the future;

- a substantial portion of our cash flow from operations must be dedicated to the payment of principal and interest on our debt, thereby reducing the funds available to us for other purposes;

- some of our borrowings are and will continue to be at variable rates of interest, which will expose us to the risk of increased interest rates; and

- our substantial leverage may limit our flexibility to adjust to changing economic or market conditions, reduce our ability to withstand competitive pressures and make us more vulnerable to a general economic downturn.

We finance each of our projects individually. Therefore, to the extent that we increase the number of our projects and our related investment in them, our total debt obligations may increase. However, we do not currently expect our debt to equity ratio to increase from that as of September 30, 2002.

We repay the principal of our debt from the proceeds of home closings, and therefore our annual debt service is equal to the interest that accrues on our debt. In 2001, we paid $34.2 million in interest. For the nine months ended September 30, 2002, we paid $17.3 million in interest, compared to $27.8 million for the same period in 2001. Based on our debt levels as of September 30, 2002, a 1% change up or down in interest rates could have either a positive or negative effect of approximately $4.5 million on our cash flows. Refer also to the section of this registration statement entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations Market Risks Interest Rates."

If any of these conditions occur, our financial condition will be adversely affected. In addition, our various debt instruments contain financial and other restrictive covenants that limit our ability to, among other things, borrow additional funds that we might need in the future.

Our business and results of operations will be adversely affected if poor relations with the residents of our communities negatively impact our sales.

As a master-planned community developer, we are sometimes expected by community residents to resolve any issues or disputes that arise in connection with the development of our communities. Our sales will likely be negatively affected if any efforts made by us to resolve these issues or disputes are unsatisfactory to the affected residents, which in turn would adversely affect our results of operations. In addition, our business and results of operations would be adversely affected if we are required to make material expenditures related to the settlement of these issues or disputes, or to modify our community development plans.

Our business is susceptible to adverse weather conditions and natural disasters.

The homebuilding industries in California and Northern Virginia are susceptible to, and are significantly affected by, adverse weather conditions and natural disasters such as hurricanes, tornadoes, earthquakes, floods and fires. These adverse weather conditions and natural disasters can cause delays and increased costs in the construction of new homes and the development of new communities. If insurance is unavailable to us or is unavailable on acceptable terms, or if our insurance is not adequate to cover business interruption or losses resulting from adverse weather or natural disasters, our business and results of operations will be adversely affected. In addition, damage to new homes caused by adverse weather or a natural disaster can cause our insurance costs to increase, which would adversely affect our business and results of operations.

Our business is concentrated in California, so our business and results of operations will be adversely affected by an economic downturn in California.

For the nine months ended September 30, 2002, we generated approximately 75% of our revenues in California. Consequently, any economic downturn in California will likely adversely affect our business and results of operations. Home prices in California, including in some of the specific markets in which we operate, have declined from time to time, particularly as a result of slow economic growth. If home prices decline in one or more of the markets in California in which we operate, our business and results of operations will likely be adversely affected.

In addition, the appeal of becoming an owner of one of our residential units may decrease if potential purchasers do not continue to view California as an attractive place to live, and any such decrease would adversely affect our business and results of operations.

Increased insurance risk adversely affects our business.

Due in part to the terrorist activities of September 11, 2001 and other recent events, we are confronting reduced availability of, and generally lower limits for, insurance against some of the risks associated with our business. Some of the other actions that have been or could be taken by insurance companies include:

- increasing insurance premiums;
- requiring higher self-insured retentions and deductibles;

- requiring additional collateral on surety bonds;
- imposing additional exclusions, such as with respect to sabotage and terrorism; and
- refusing to underwrite certain risks and classes of business.

The imposition of any of the above actions have and will continue to adversely affect our ability to obtain appropriate insurance coverages at reasonable costs, which has and will continue to adversely affect our business and results of operations.

Residential homebuilding is a competitive industry, and competitive conditions adversely affect our results of operations.

The residential homebuilding industry is highly competitive. Residential homebuilders compete not only for home buyers, but also for desirable properties, financing, building materials and labor. We compete with other local, regional and national homebuilders, often within larger communities designed, planned and developed by such homebuilders. Any improvement in the cost structure or service of our competitors will increase the competition we face.

The competitive conditions in the homebuilding industry result in:

- difficulty in acquiring suitable land at acceptable prices;
- increased selling incentives;
- lower sales volumes;
- lower sale prices;
- increased construction costs; and
- delays in construction.

Our business and results of operations are negatively affected by the existence of these conditions.

Our expansion into new markets will be adversely affected if we are unable to hire personnel with knowledge of the new markets.

We intend to expand outside of California and Northern Virginia. Our successful entry into new markets will depend, in part, upon our ability to hire personnel with knowledge of the new markets. If we are unable to hire the necessary personnel, our ability to expand successfully into new markets will be adversely affected, which in turn will adversely affect our business and results of operations.

Risks Relating to Our Common Stock

The trading price of shares of our common stock could be adversely affected because Brascan Corporation will own approximately 48% of our common stock.

Upon completion of the Spin-off, Brascan Corporation will own approximately 48% of the outstanding shares of our common stock. Brascan has declared publicly that it intends to maintain its interest at this level, and may consider acquiring additional shares of our common stock. For as long as Brascan has a large interest in us, it will effectively be able to approve or refuse to approve any matter submitted to a vote of stockholders without the consent of our other stockholders, including, among other things:

- the election of our board of directors;
- the amendment of our certificate of incorporation and by-laws; and
- significant corporate transactions, including the acquisition of control of us by a third party.

These transactions may include transactions in connection with which the other stockholders might otherwise receive a premium for their shares over the then-current market price of our shares.

In addition, Brascan will be able to influence our business and affairs, the selection of our senior management, the acquisition or disposition of assets by us, our access to capital markets, and the payment of dividends by us. The effect of this could be to limit the price that investors are willing to pay for shares of our common stock.

Also, if Brascan should decide in the future to sell any of our shares owned by it, the sale (or the perception of the market that a sale may occur) could adversely affect the trading price of our common stock. Stockholders should also refer to the section of this registration statement entitled "Security Ownership of Certain Beneficial Owners and Management."

Provisions in our charter documents and Delaware law may make it difficult for a third party to acquire us, which could depress the price of our common stock.

Provisions in our certificate of incorporation, our by-laws and Delaware law could delay, defer or prevent a change of control of our company or our management. These provisions, which include authorizing the board of directors to issue preferred stock and limiting the persons who may call special meetings of stockholders, could also discourage proxy contests and make it more difficult for stockholders to elect directors and take other corporate actions.

We are also subject to provisions of Delaware law which could delay, deter or prevent us from entering into an acquisition, including Section 203 of the Delaware General Corporation Law, which prohibits a Delaware corporation from engaging in a business combination with an interested stockholder unless specific conditions are met. Stockholders should also refer to the section of this registration statement entitled "Description of Registrant's Securities."

The existence of any of the above factors could adversely affect the market price of our common stock.

There has been no prior public market for shares of our common stock. If an active trading market does not develop, stockholders will likely be unable to sell their shares at acceptable prices.

Although shares of our common stock have been approved, subject to official notice of issuance, for listing on the New York Stock Exchange, there is currently no public trading market for shares of our common stock. If an active trading market for our common stock does not develop, or if one develops but is not sustained, stockholders will likely be unable to sell their shares of our common stock at acceptable prices, if at all.

The trading price of shares of our common stock could fluctuate significantly.

The trading price of shares of our common stock in the open market cannot be predicted, and could be higher or lower than the initial value ascribed to shares of our common stock by the board of directors of Brookfield Properties. The trading price could fluctuate significantly in response to factors such as:

- variations in our quarterly or annual operating results and financial condition;
- changes in government regulations affecting our business;

the announcement of significant events by us or our competitors;

market conditions specific to the homebuilding industry;

changes in general economic conditions;

differences between our actual financial and operating results and those expected by investors and analysts;

changes in analysts' recommendations or projections;

the depth and liquidity of the market for shares of our common stock;

investor perception of the homebuilding industry;

events in the homebuilding industry;

investment restrictions; and

our dividend policy.

In addition, securities markets have experienced significant price and volume fluctuations in recent years that have often been unrelated or disproportionate to the operating performance of particular companies. These broad fluctuations may adversely affect the trading price of our common stock.

THE SPIN-OFF

The following discussion and analysis provides additional information about the Spin-off and the impact of the Spin-off on holders of Brookfield Properties common shares. The following discussion should be read in conjunction with the description of the Spin-off contained elsewhere in this registration statement and the Information Statement provided to Brookfield Properties shareholders in connection with the Spin-off which has been filed as an exhibit to this registration statement.

Exchange Ratio and Fractional Shares

In connection with the Spin-off, registered holders of Brookfield Properties common shares will receive one share of our common stock for every five Brookfield Properties common shares held on the record date, rounded down to the nearest whole share. No certificates representing fractional shares will be issued as part of the Spin-off. Instead of receiving fractional shares, shareholders of Brookfield Properties who would otherwise be entitled to receive fractional shares will receive cash for their fractional interests. As soon as practicable after the Spin-off, Mellon Investor Services, LLC, our transfer agent, will aggregate and sell on the New York Stock Exchange, through a broker, at the then-current market prices, all the fractional interests in our common stock. The total proceeds (net of brokerage fees) will be distributed proportionately to the Brookfield Properties shareholders who would otherwise be entitled to receive fractional shares in our common stock.

Reasons for the Spin-off

The board of directors of Brookfield Properties has determined that it is in the best interests of Brookfield Properties' shareholders to separate its homebuilding operations in California and Northern Virginia from its office property business by distributing all of the shares of our common stock to its common shareholders. In reaching its decision, Brookfield Properties' board of directors considered a number of factors, including:

its belief that the market price of Brookfield Properties' common shares fails to recognize the value of Brookfield Properties' investments in its homebuilding operations in California and Northern Virginia and that the value of its shareholders' investment in Brookfield Properties would be enhanced if these operations were segregated and held as a separate public company;

the separation will permit Brookfield Properties to focus on its core office property business, and will enable us to grow without the capital constraints that have limited our operations while a non-core component of Brookfield Properties;

establishing our company as a separate public company will enable us to raise capital and respond better to the opportunities and challenges of the homebuilding industry; and

the tax consequences of the Spin-off to Brookfield Properties and its shareholders.

Brookfield Properties Normal Course Issuer Bid

Brookfield Properties has announced that over the twelve months ending September 12, 2003, it intends to purchase from time to time in the open market up to five percent of its outstanding common shares. From September 30, 2002, the effective date of the reorganization of the homebuilding business of Brookfield Properties, until December 20, 2002, 604,700 common shares have been repurchased. Repurchased shares have been or will be cancelled. Therefore, repurchased shares will reduce the number of shares outstanding and eligible to participate in the Spin-off, but will have no other effect on the terms of the Spin-off.

There are no further repurchases planned prior to the planned effective date of the Spin-off, but repurchases may be made from time to time depending upon market conditions, so we cannot provide assurance that there will not be any repurchases prior to the completion of the Spin-off. To the extent there are further repurchases, we expect that the repurchases will not be of significant amounts of common shares. The repurchases will have no effect on the terms of the Spin-off other than to reduce the number of Brookfield Properties shares outstanding and eligible to participate in the Spin-off and thus the number of shares of our common stock outstanding immediately upon completion of the Spin-off.

AVAILABLE INFORMATION

This registration statement has been filed with the Securities and Exchange Commission and will (without exhibits), together with an information statement regarding the Spin-off, be delivered to all of the shareholders of Brookfield Properties resident in the United States. This registration statement and the information statement, which has been filed as an exhibit to this registration statement, should be read together. Where applicable, summaries of documents that have been filed as exhibits to this registration statement are qualified by reference to the actual filed documents. Copies of this registration statement and its exhibits can be inspected and copied, at prescribed rates, at the public reference facilities maintained by the SEC in Washington, D.C. Information can also be obtained by calling the SEC at 1-800-SEC-0330 or by visiting its website at www.sec.gov. This registration statement is also available on the SEC's website.

Following the Spin-off, we will be required to comply with the reporting requirements of the Securities Exchange Act of 1934 and, accordingly, will file reports and other information with the SEC. In these reports, we will be required to update certain information about our business. We will also be subject to the proxy solicitation requirements of the Exchange Act and, accordingly, will furnish audited financial statements to our stockholders in connection with our annual meetings of stockholders. In addition, we intend to furnish to our stockholders quarterly reports for the first three quarters of each fiscal year containing unaudited interim financial information.

INCOME TAX CONSEQUENCES OF THE SPIN-OFF

The following opinion of Torys LLP is not intended to be, and should not be construed to be, legal or tax advice to any particular shareholder and no representation with respect to the tax consequences to any particular shareholder is made. Accordingly, we urge shareholders to consult with their own tax advisors for advice with respect to the income tax consequences to them, having regard to their own particular circumstances.

United States Federal Income Tax Considerations

The following is a summary of the principal U.S. federal income tax considerations of the Spin-off and the ownership and disposition of our common stock to (a) a person that is (i) a citizen or individual resident in the United States, (ii) a corporation or other entity taxable as a corporation created or organized under the laws of the United States or any political subdivision thereof, (iii) an estate, the income of which is subject to United States federal income tax regardless of the source, or (iv) a trust, if a court within the United States is able to exercise primary supervision over the trust's administration and one or more United States persons have the authority to control all its substantial decisions (a "U.S. Holder") and (b) a person that is not a U.S. Holder (a "Non-U.S. Holder"). This summary does not address all aspects of U.S. federal income taxation that may be relevant to stockholders in light of their personal circumstances nor to stockholders subject to special treatment under U.S. federal income tax laws, such as financial institutions, broker-dealers, life insurance companies, tax-exempt organizations and a person that holds shares of Brookfield Properties as part of a straddle or a hedging or conversion transaction. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), administrative pronouncements, judicial decisions and existing and proposed Treasury Regulations, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. This summary assumes that a holder of our common stock will hold his or its common stock as a capital asset within the meaning of Section 1221 of the Code.

U.S. Holders

The Distribution. The distribution will be a taxable distribution to U.S. Holders for U.S. federal income tax purposes. The amount of the distribution will be the fair market value of the shares of our common stock distributed by Brookfield Properties on the distribution date (including the fair market value of fractional stock). The amount of the distribution will be treated as a dividend, and subject to tax as foreign source ordinary income, to the extent of Brookfield Properties' current and accumulated earnings and profits, as determined for U.S. federal income tax purposes. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. If the amount of the distribution exceeds Brookfield Properties' earnings and profits, the excess amount will be treated first as a non-taxable return of capital to the extent of a shareholder's basis in his or its Brookfield Properties' shares with respect to which the distribution is made (resulting in a reduction of an equal amount in such tax basis) and thereafter as a capital gain.

A U.S. Holder's tax basis in the shares of our common stock received in the distribution will be equal to the fair market value of such stock on the distribution date. The holding period for shares of our common stock received in the distribution will begin on the distribution date.

Dividends. The gross amount of any distribution by us with respect to our shares of common stock generally will be included in the gross income of a U.S. Holder as dividend income to the extent such distribution is paid out of our current or accumulated earnings and profits. In the case of U.S. Holders that are corporations, such dividends generally will be eligible for the dividends received deduction. To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits, the distribution first will be treated as a tax-free return of capital to the extent of the U.S. Holder's adjusted tax basis in such stock and to the extent that such distribution exceeds the U.S. Holder's adjusted tax basis in the stock, will be taxed as a capital gain.

Sale or Disposition. A U.S. Holder generally will recognize gain or loss on the sale or other disposition of shares of our common stock in an amount equal to the difference between the U.S. Holder's adjusted tax basis in the stock and the amount realized on the disposition. The gain or loss will be long-term capital gain or loss if the U.S. Holder has held the stock for more than one year. For non-corporate U.S. Holders (including an individual) long-term capital gain is generally subject to a maximum U.S. federal income tax rate of 20%. Short-term capital gain recognized by a U.S. Holder will be subject to tax at ordinary income tax rates. Deductions for capital losses are subject to certain limitations.

Non-U.S. Holders

The Distribution. A Non-U.S. Holder will not be subject to U.S. federal income tax with respect to the Spin-off unless the distribution is effectively connected with the conduct of a trade or business within the United States by such Non-U.S. Holder, and the distribution is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States if that is required by an applicable tax treaty as a condition for subjecting such Non-U.S. Holder to U.S. taxation on a net income basis. In that case, a Non-U.S. Holder will generally be taxed in the same manner as a U.S. Holder.

Dividends. In general, distributions made by us with respect to our shares of common stock will be treated as a dividend to the extent of our current or accumulated earnings and profits. Any distribution in excess of earnings and profits will be treated as a non-taxable return of capital and will reduce the Non-U.S. Holder's basis in such holder's shares of our common stock. To the extent the distribution exceeds such basis, the excess will be treated as gain from the disposition of the Non-U.S. Holder's shares of common stock.

Dividends paid to a Non-U.S. Holder of shares of our common stock generally will be subject to U.S. withholding tax at a rate of 30% or such lower rate as may be provided by an applicable income tax treaty between the United States and the country of which the Non-U.S. Holder is a tax resident, unless the dividends are effectively connected with the conduct of a trade or business within the United States by such Non-U.S. Holder, and the dividends are attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States if that is required by an applicable tax treaty as a condition for subjecting such Non-U.S. Holders to U.S. taxation on a net income basis. In general, the U.S. withholding tax rate on non-effectively connected dividends paid to a resident of Canada is 15%.

Dividends received by a Non-U.S. Holder that are effectively connected with the conduct of a trade or business within the United States are subject to U.S. federal income tax on a net income basis (that is, after allowance for applicable deductions) at graduated individual or corporate rates. Any such dividends received by a Non-U.S. Holder that is a corporation may, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

A Non-U.S. Holder eligible for a reduced rate of withholding of U.S. federal income tax may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the U.S. Internal Revenue Service.

Sale or Disposition. We are a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code. A Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to gain recognized on a sale, exchange, or other disposition of shares of our common stock unless (i) the gain is effectively connected with the conduct of a United States trade or business of such Non-U.S. Holder, (ii) the Non-U.S. Holder is an individual who is present in the United States for 183 or more days in the taxable year of disposition, and certain other conditions are satisfied, or (iii) such Non-U.S. Holder owned more than 5% of the outstanding shares of our common stock at any time within the shorter of the five-year period ending on the date of disposition or the Non-U.S. Holder's holding period.

Backup Withholding Tax and Information Reporting.

U.S. Holders.

U.S. Holders are generally subject to information reporting requirements and backup withholding with respect to the Spin-off of the shares of our common stock and with respect to proceeds paid on the disposition of, and dividends paid on, such shares. Backup withholding will not apply if the U.S. Holder provides an IRS Form W-9 to the payor or otherwise establishes an exemption. Certain stockholders (including, among others, corporations and Non-U.S. Holders) are not subject to the backup withholding rules. Under the backup withholding rules, Brookfield Properties is required to withhold and remit to the IRS an amount equal to 30% of the fair market value of the shares of our common stock distributed to a stockholder of record if such stockholder is subject to backup withholding. If Brookfield Properties does not have the appropriate information from a stockholder or has received a notice from the IRS that a

stockholder is subject to backup withholding, it will withhold some of the shares of our common stock otherwise distributable to such stockholder, sell for the account of such shareholder an amount of shares of our common stock necessary to satisfy the 30% backup withholding tax, and remit to the IRS the amount of sales proceeds necessary to satisfy Brookfield Properties' backup withholding obligation. Only the remaining shares of our common stock (and any remaining sales proceeds) would be distributed to the stockholder.

Non-U.S. Holders.

Non-U.S. Holders are generally subject to information reporting requirements with respect to dividends paid by us to such Non-U.S. Holders and any tax withheld with respect to such dividends. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which a Non-U.S. Holder resides under the provisions of an applicable income tax treaty. Non-U.S. Holders are not subject to backup withholding provided the Non-U.S. Holder certifies under penalties of perjury as to his or its status as a Non-U.S. Holder (and the payor does not have actual knowledge that such Non-U.S. Holder is a U.S. person) or otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against a stockholder's U.S. federal income tax liability, provided the required information is provided to the IRS.

Canadian Federal Income Tax Considerations

The following is a summary of the principal Canadian federal income tax