BROOKFIELD HOMES CORP
Form 10-K
March 01, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2010
Commission File Number: 001-31524
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.)
8500 Executive Park Avenue Suite 300, Fairfax, Virginia	**22031**
(Address of Principal Executive Offices)	(Zip Code)

(703) 270-1700
(Registrant s Telephone Number, Including Area Code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes o No þ
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes o No þ
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
Yes þ No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Registration S-T (s.232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes o No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.þ
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting

company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o	Smaller reporting company o
		(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes o No þ

As of June 30, 2010, the aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $66,586,259 based upon the closing market price on June 30, 2010 of a share of common stock on the New York Stock Exchange.

As of February 22, 2011, the registrant had outstanding 29,677,984 shares of its common stock, $0.01 par value per share.

PART I

Introductory Note

On October 4, 2010, Brookfield Properties Corporation, Brookfield Homes Corporation and Brookfield Residential Properties Inc. (Brookfield Residential), a wholly-owned subsidiary of Brookfield Asset Management Inc., entered into a definitive agreement to combine Brookfield Homes and the North American residential land and housing division of Brookfield Properties into Brookfield Residential (the transaction). Completion of the transaction is subject to regulatory approval in the United States and Canada, the approval of the holders of a majority of the outstanding Brookfield Homes common stock and other customary closing conditions. Brookfield beneficially owns, through Brookfield Residential, sufficient shares to approve the transaction and has agreed to vote in favor of the transaction at the Brookfield Homes stockholders meeting scheduled for March 25, 2011.

Item 1. Business

Introduction

Brookfield Homes Corporation is a land developer and homebuilder that operates its business through local business units responsible for projects in their geographic area (unless the context requires otherwise, references in this report to we, our, us and the Company refer to Brookfield Homes and the subsidiaries through which it conducts all of its land development and homebuilding operations). Through the activities of our operating subsidiaries, we entitle and develop land for our own communities and sell lots to third parties. We also design, construct and market single-family and multi-family homes primarily to move-up homebuyers. Our operations are currently focused primarily in the following markets: Northern California (San Francisco Bay Area and Sacramento); Southland / Los Angeles; San Diego / Riverside; and the Washington D.C. Area. We target these markets as we believe over the longer term they offer the following positive characteristics: strong housing demand, a constrained supply of developable land and close proximity to areas where we expect strong employment growth. Our Washington D.C. Area operations commenced in the mid 1980s and our California operations commenced in 1996. We also own interests in unconsolidated entities that are not consolidated subsidiaries.

General Development of Our Business

Brookfield Homes Corporation was incorporated on August 28, 2002 in Delaware and thereafter we acquired all the California and Washington D.C. Area homebuilding and land development operations of Brookfield Properties Corporation. Our common stock began trading on the New York Stock Exchange on January 7, 2003, under the symbol BHS.

The following chart summarizes our principal operating subsidiaries and the year in which they commenced operations:

Principal Subsidiary	**Market**	**Year of Entry**
Brookfield Bay Area Holdings LLC	San Francisco Bay Area	1996
Brookfield Southland Holdings LLC	Southland / Los Angeles	1996
Brookfield San Diego Holdings LLC	San Diego / Riverside	1996
Brookfield Washington LLC	Washington D.C. Area	1984
Brookfield California Land Holdings LLC	California	1998

Current Business Environment

In the first quarter, we were encouraged by the improvement in sales and closings. However, since then, selling communities have seen a drop in the number of potential homebuyers, which we believe is a result of expired government stimulus programs, together with continued uncertain economic conditions, which have negatively impacted homebuyer confidence. The supply of finished lots has been depleted substantially over the last few years and negligible development has occurred since 2006. As a result, we believe our strong financial position and owning entitled and/or developed lots in supply-constrained markets places us in a solid position as the markets improve. The United States homebuilding industry continues to face a number of challenges with home foreclosures and tight credit standards continuing to have an effect on inventory and new home sale rates and prices. Despite these challenging conditions still faced by the homebuilding market, we believe the risk is mitigated by our assets,

which are largely located in geographic areas with a constrained supply of lots and which have demonstrated strong economic characteristics over the long term. For additional information and analysis of the impact on our operations and financial condition, see Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Form 10-K.

Overview of the Land Development and Homebuilding Industry

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

Raw Land

Raw land is usually unentitled property, without the regulatory approvals which allow the construction of residential, industrial, commercial or mixed-use buildings. Acquiring and developing raw land requires significant capital expenditures and has associated carrying costs, including property taxes and interest. The selection and purchase of raw land provides the inventory required for development purposes and is an important aspect of the real estate development process. Developers of land, from time to time, sell raw or partially approved land to other land developers and homebuilders 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 various governmental 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 higher in value 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 specific plan incorporating major street patterns and designating parcels of land for various uses, such as parks, schools, rights of way and residential and commercial uses that is consistent with the local city or county general plan. This plan is then submitted for approval to the governmental authority with principal jurisdiction in the area such as a city or county. The draft specific plan is then refined with the local, state and federal agencies designating main and side streets, lot sizes for residential use and the sizes and locations of parcels of land to be used for schools, parks, open space, commercial properties and multi-family dwellings. These refinements are usually made in consultation with local planning officials, state agencies and, if required, federal agencies. 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 sewer lines, water mains, utilities, roads and sidewalks. At the same time, the allocation of the costs of these items between the governmental authority and the developer, and the amount of fees which the developer will pay in order to obtain final approval of the plan, must be settled.

Upon execution of the development agreement and grading and improvement plans, the developer generally posts a bond with the local governmental authority to secure the developer s obligations and the plan receives final approval. The developer is generally required to convey to the local municipality, for no consideration, the land upon which roads, sidewalks, rights of way and parks are constructed. Land for schools, if any, is sold to the local school district. The school district normally takes responsibility to construct the schools with developer fees and local and state bonds. 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 fees charged to the developer in connection with plan approvals and through the collection of property taxes from local residents.

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After a period of one to two years, following the completion by the developer of certain obligations under the development agreement, the municipality takes responsibility from the developer for the underground services, roads and sidewalks, and a portion of the improvement bond posted by the developer is released. The developer is generally required to maintain a minimum portion of the bond with the municipality 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 planned community typically includes a number of lots on which single-family units will be situated and a smaller number of pads 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 pads in the project. The construction phase normally involves consulting, architectural, engineering, merchandising and marketing personnel who assist the homebuilder in planning the project. Residential home construction is usually performed by subcontractors under the supervision of the homebuilder s construction management personnel. Marketing and sales of residential units are conducted by marketing sales staff employed by the homebuilder or by independent realtors. Pre-selling residential units before the commencement of their construction is a common sales practice that usually involves the creation of model homes or drawings of the proposed homes in a sales location close to or within the project.

Narrative Description of Our Business

Through the activities of our operating subsidiaries, we develop land for our own communities and sell lots to other homebuilders and third parties. In our own communities, we design, construct and market single-family and multi-family homes primarily to move-up and luxury homebuyers. In each of our markets, we operate 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, obtaining entitlements, developing the land, product design, constructing, marketing and selling homes and homebuyer customer service. In the five year period ended December 31, 2010, we closed a total of 4,048 homes and sold 6,227 lots in various stages of development to other homebuilders and third parties. A home or lot is considered closed when title has passed to the homebuyer, and for a lot when a significant cash down payment or appropriate security has been received.

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 neighborhoods 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 2010, we closed a total of 575 homes, compared with 703 in 2009. The breakdown of our home closings by market in the last three years is as follows:

(Units)	**2010**	**2009**	**2008**
Northern California	66	121	139
Southland / Los Angeles	189	204	227
San Diego / Riverside	100	136	128
Washington D.C. Area	210	232	245
Corporate and Other	8	6	6
	573	699	745
Unconsolidated Entities	2	4	5
Total	575	703	750

At December 31, 2010, we had in backlog 85 homes, a decrease of 102 homes when compared to 2009. Backlog represents the number of homes subject to pending sales contracts. We believe $44 million of our backlog to be firm as of December 31, 2010, subject to future cancellations, which for 2010 were 21%. This compares to $88 million believed to be firm at December 31, 2009.

We also sell serviced and unserviced lots to other homebuilders, generally on an opportunistic basis where we can enhance our returns, reduce our risk in a market or re-deploy our capital to an asset providing higher returns. In 2010, we sold 370 lots to other homebuilders compared to 469 lots in 2009.

Our average home price in 2010 from directly owned projects was $510,000, an increase of $24,000 or 5% when compared to our average home price in 2009 of $486,000. The breakdown of the average home prices on our closings in the last three years follows:

	2010		2009		2008	
	Sales *(Millions)*	Average Price	Sales *(Millions)*	Average Price	Sales *(Millions)*	Average Price
Northern California	$ 71	$ 1,084,000	$ 102	$ 845,000	$ 127	$ 913,000
Southland / Los Angeles	83	437,000	79	388,000	94	413,000
San Diego / Riverside	54	543,000	69	507,000	68	533,000
Washington D.C. Area	80	381,000	86	369,000	122	499,000
Corporate and Other	4	440,000	4	635,000	4	689,000
Consolidated Average	$ 292	$ 510,000	$ 340	$ 486,000	$ 415	$ 557,000

For more detailed financial information with respect to our revenues, earnings and assets, please see the accompanying consolidated financial statements and related notes included elsewhere in this report.

Business Strategy

Our goal is to maximize the total return on our common equity over the long term. The key elements of our strategy to achieve this goal are as follows:

Selective Acquisition Policies

We selectively acquire land that provides 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. We also acquire options to purchase land rather than purchasing the land outright, in order to reduce our capital at risk in controlling land. 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 consider our recent financial returns achieved in that market. In order to expand our market presence, we selectively pursue jointly owned projects with landowners and other homebuilders. During 2010, we acquired 946 lots and obtained control of a further 1,103 lots through options. All of the acquired lots were obtained through foreclosure sales.

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 land development and 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 land development and homebuilding process, including sourcing and evaluating land acquisitions, site planning and entitlements, developing the land, product design, constructing, marketing and selling homes, customer service and management reporting. Given the nature of their responsibilities, the compensation of each of the management teams in our business units is directly related to the business units results. 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, a participation in his or her business unit s profits and for 2010, participations were objective based. Furthermore, each of our business unit presidents own a minority equity interest in their business unit.

The corporate team 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 and manages risk and holds management of the business units accountable for the performance of their business unit.

Proactive Asset Management

Our business generally comprises four stages where we make strategic decisions to deploy capital: entitling the raw land that we control; acquiring land; the development of the land; and the construction of homes on the land. As our assets evolve through these stages, we continually assess our ability to maximize returns on our capital, while attempting to minimize our risks. The decision to invest in or dispose of an asset at each stage of development is based on a number of factors, including the amount of capital to be deployed, the level of incremental returns at each stage and returns on other investment opportunities.

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 service 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 actively participate in local community activities and associations.

Risk Management

We focus on managing risk in each stage of the land development and homebuilding process. In the land acquisition phase, we use options to mitigate the risk that we are unable to obtain approval for development of a proposed community and/or land values decline due to poor economic or real estate market conditions. We attempt to limit development approval risk by conducting significant due diligence before we close land acquisitions. We sell lots and parcels when we believe we can redeploy capital to an asset providing higher returns or reduce risk in a market.

When constructing homes, we strive to satisfy our customers and limit our product liability risk by:

- selecting carefully the building materials that we use;
- emphasizing to our employees and subcontractors that our homes 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 limit the risk of overbuilding by attempting to match our construction starts to our sales rates. We generally do not begin selling homes until a significant portion of the homes construction costs have been established through firm subcontractor bids.

Asset Profile

Our assets are focused on single-family and multi-family homebuilding and land development in the markets in which we operate. They consist primarily of housing and land inventory and investments in unconsolidated entities. Our total assets, net of deferred income taxes as of December 31, 2010 were $958 million, with $658 million of these assets located in California, $239 million in the Washington D.C. Area and $61 million in other operations.

As of December 31, 2010, we controlled 26,817 lots. Controlled lots include those we directly own and our share of those owned by unconsolidated entities. Our controlled lots provide a strong foundation for our future homebuilding business and visibility on our future cash flow. Approximately 72% of our owned lots are entitled and ready for development and our optioned lots are mainly unentitled and require various regulatory approvals before development can commence. The number of residential building lots we control in each of our primary markets as of December 31, 2010 and 2009 is as follows:

	Housing & Land	Unconsolidated Entities	Total December	Total December

(Units)	**Owned (1)**	**Options**	**Owned**	**Options**	**31, 2010**	**31, 2009**
Northern California	3,273	4,950			8,223	6,951
Southland / Los Angeles	880	320	775	2,759	4,734	3,262
San Diego / Riverside	8,709		52		8,761	8,853
Washington D.C. Area	2,497	1,165	1,184		4,846	4,916
Corporate and Other	196		57		253	263
Total December 31, 2010	15,555	6,435	2,068	2,759	26,817	
Total December 31, 2009	14,233	6,279	1,746	1,987		24,245

(1) Includes consolidated options.

Our housing and land inventory includes homes completed or under construction, developed land, raw land and option deposits. The book value of our housing and land inventory in each of our primary markets as of the end of the last two years follows:

(Book Value, $ millions)	**December 31, 2010**	**December 31, 2009**
Northern California	$ 207	$ 201
Southland / Los Angeles	128	123
San Diego / Riverside	314	336
Washington D.C. Area	234	227
Corporate and Other	43	41
Total	$ 926	$ 928
Total Controlled Lots (units)	26,817	24,245

The book value of our investments in unconsolidated entities as of December 31, 2010 was $124 million. The total book value of the assets and liabilities of these unconsolidated entities and our share of the equity of the unconsolidated entities as of December 31, 2010 follows:

(Book Value, $ millions)	**December 31, 2010**	**December 31, 2009**
Assets	$ 303	$ 243
Liabilities	$ 56	$ 66
Brookfield Homes net investment	$ 124	$ 92

The book value of our investments in unconsolidated entities in each of our primary markets as of the end of the last two years follows:

(Book Value, $ millions)	**December 31, 2010**	**December 31, 2009**
Northern California	$	$
Southland / Los Angeles	65	48
San Diego / Riverside	2	3
Washington D.C. Area	46	34
Corporate and Other	11	7
Total	$ 124	$ 92

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 either entering into option agreements or joint ownership arrangements. We attempt to limit our development approval risk by conducting significant due diligence before we close land acquisitions. We regularly evaluate our land inventory and strategically sell lots and parcels of land to third parties at various stages of the development process to increase our returns from a project.

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 of homes to be built in the phase 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 costs are established through firm subcontractor bids.

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 December 31, 2010, we had 38 completed and unsold homes, excluding the model homes we currently maintain. We continue to match new home starts with our sales rate.

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 employ subcontractors for site improvement and for virtually all of the work involved in the construction of homes. It is our general practice to have our subcontractors commit to complete the specified work in accordance with written price schedules. These price schedules normally change to meet fluctuations in labor and material costs. We do not own heavy construction equipment and we have a relatively small labor force used to supervise development and construction, and to perform routine maintenance services. We generally have been able to obtain sufficient materials and subcontractors, even during times of high demand for new homes. We build a home in approximately five to eight months, depending upon design, the availability of raw materials and supplies, governmental approvals, local labor situation, time of year and other factors.

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 is also an important source of information for our customers. Through the internet, potential buyers are able 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 and 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 generally have 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 buyers.

As of December 31, 2010, we owned 56 model homes and leased nine model homes from third parties, which are not generally available for sale until the final build-out 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 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 using sales contracts that include cash deposits by the purchasers. Before entering into sales contracts, we pre-qualify our customers. However, purchasers can generally cancel 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 historically not had a material impact on our operating results. During 2010, our cancellation rate of 21% was high relative to our historical average of 15%. We continue to closely monitor the progress of prospective buyers in obtaining financing. We also monitor and attempt to adjust our planned construction starts depending on 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 in order to attempt to eliminate building deficiencies. The quality and workmanship of the trade contractors we employ are monitored and we make regular inspections to ensure our standards are met.

We staff each business unit with quality control and customer service staff whose role includes providing 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. 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.

Relationship with Affiliates

We are a land developer and homebuilder, developing land and building homes primarily in four markets in California and in the Washington D.C. Area. None of our affiliates, including Brookfield Asset Management Inc. and Brookfield Properties Corporation, operate in similar businesses in our markets. Nevertheless, there are agreements among our affiliates to which we are a party or subject relating to a name license, the lease of office space and two unsecured revolving credit facilities. In addition, on October 4, 2010, Brookfield Properties, Brookfield Homes and Brookfield Residential Properties Inc. (Brookfield Residential), a wholly-owned subsidiary of Brookfield, entered into a definitive agreement to combine Brookfield Homes and the North American residential land and housing division of Brookfield Properties into Brookfield Residential. For a further description of these agreements refer to Item 13 of this report Certain Relationships and Related Transactions, and Director Independence.

Three of our directors serve as executive officers and/or directors of our affiliates. For a description of those relationships refer to Item 13 of this report Certain Relationships and Related Transactions, and Director Independence.

Competition

The residential homebuilding industry is highly competitive. We compete against numerous local, regional and national homebuilders and others in the real estate business in and near the areas where our communities are located. We also compete with re-sales of existing homes, whether by a homeowner or by a financial institution that has acquired a home through foreclosure, and with the rental housing market. 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. We also compete for land buyers with third parties in our efforts to sell lots to other homebuilders. We compete primarily on the basis of community location and planning, design, customer service, quality control and price. Competition may increase if there is future consolidation in the land development and homebuilding industry.

Material Contracts

Except for a merger and contribution agreement with Brookfield Properties Corporation and a wholly-owned subsidiary of Brookfield Asset Management Inc., and two unsecured revolving credit facilities with subsidiaries of Brookfield Asset Management Inc., we are not party or subject to any material contracts. For a description of the material contracts refer to Item 13 of this report Certain Relationships and Related Transactions, and Director Independence.

Regulation and Environment

We are subject to local and state laws and regulations concerning zoning, design, construction and similar matters, including local regulations which impose restrictive zoning and density requirements in order to limit the number of homes that eventually can 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 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, or 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 fiscal 2011, fiscal 2012 or fiscal 2013.

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 such 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 and the timing of new community openings and the closing out of projects. We typically experience the highest rate of orders for new homes in the first six months of the calendar year, although the rate of orders for new homes is highly dependent upon the number of active 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 with 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 31, 2010, we had 271 employees. We consider our relations with our employees to be good. Our construction operations are conducted primarily through independent subcontractors, thereby limiting the number of our employees. None of our employees are currently represented by a union or covered by a collective bargaining agreement. We have not recently experienced any work stoppages.

Available Information

We make available free of charge on our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports as soon as reasonably practicable after we file such material with, or furnish it to, the SEC. The reports may be accessed by visiting our website at www.brookfieldhomes.com and clicking on the Investor Relations link. We will also provide these reports in paper format to our stockholders free of charge upon request made to our Investor Relations department. Information on our website is not part of this annual report on Form 10-K.

NYSE Annual Disclosure

We confirm that we have submitted a Section 303A.12 (a) CEO Certification to the New York Stock Exchange (NYSE) in 2010 and filed with the SEC the CEO / CFO certification required under Section 302 of the Sarbanes-Oxley Act for the 2010 fiscal year.

Item 1A. 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 Form 10-K. 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.

If the transaction with Brookfield Residential and Brookfield Properties Corporation is not completed or is delayed, our share price, business and results of operations may materially suffer.

While we believe the transaction with Brookfield Residential and Brookfield Properties Corporation will close in the current calendar quarter, it is possible the transaction might not be completed or could be delayed for a number of reasons. If the consummation of the transaction is delayed or otherwise not consummated within the contemplated time periods or not at all, we could suffer a number of consequences that may affect our business, results of operations and share price in a material and adverse manner, including: significant costs related to the proposed transaction, including legal and accounting expenses; and a potential loss of business and organizational opportunities due to covenants in the merger and contribution agreement that restrict certain actions by us prior to completion of the transaction, or other factors.

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

The land development and homebuilding industry is cyclical and is significantly affected by changes in general and local economic and industry conditions, such as employment levels, availability of financing for homebuyers, interest rates, consumer confidence, levels of new and existing homes for sale, demographic trends and housing demand. In addition, an oversupply of alternatives to new homes, such as resale homes, including homes held for sale by investors and speculators, foreclosed homes and rental properties may reduce our ability to sell new homes, depress prices and reduce our margins from the sale of new homes. The United States homebuilding industry continues to face a number of challenges, with home foreclosures and tight credit standards continuing to have an effect on inventory and new home sale rates and prices.

Homebuilders are also subject to risks related to the availability and cost of materials and labor, and adverse weather conditions that can cause delays in construction schedules and cost overruns. 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 and may result in inventory impairment charges or putting our deposits for lots controlled under option at risk. If there are significant adverse changes in economic or real estate market conditions, we may 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. We may be particularly affected by changes in local market conditions in California, where we derive a large proportion of our revenue. As a result of the present challenging market conditions, we have sold homes and lots for lower profit margins than in the past. If market conditions continue to deteriorate, some of our assets may be subject to impairments and option write-off charges adversely affecting our operations and financial results.

Rising mortgage rates or decreases in the availability of mortgage financing will discourage people from buying new homes.

Virtually all of our customers finance their home acquisitions through lenders providing mortgage financing. Prior to the recent volatility in the financial markets, a variety of mortgage products were available. As a result, more homebuyers were able to qualify for mortgage financing. 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 homebuyers. Even if potential customers do not need financing, changes in mortgage 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 and reduced mortgage availability could adversely affect our ability to sell new homes and the price at which we can sell them.

Since 2007, there has been a significant decrease in the type of mortgage products available and a general increase in the qualification requirements for mortgages. Fewer loan products and tighter loan qualifications made it more difficult for some borrowers to finance the purchase of our homes. This, coupled with higher mortgage interest rates for some mortgage products has reduced demand for new homes. These reductions in demand have adversely affected our operations and financial results, and the duration and severity of the effects remain uncertain.

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 land development and homebuilding 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, zoning and building standards. These regulations often provide broad discretion to the administering governmental authorities as to the conditions we must meet prior to being approved for a particular development or project, if approved at all. 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 must also 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.

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 incurred 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, petroleum-based products 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.

Homebuilding is subject to home warranty and construction defect claims in the ordinary course of business and furthermore we sometimes face liabilities when we act as a general contractor, and we are sometimes responsible for losses when we hire general contractors.

As a homebuilder, we are subject to construction defect and home warranty claims arising in the ordinary course of our business. These claims are common in the homebuilding industry and can be costly. Further, 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. The cost of insuring against construction defect and product liability claims are high, and the amount of coverage offered by insurance companies may be limited. There can be no assurance that this coverage will not be further restricted and become more costly. If we are not able to obtain adequate insurance against these claims in the future, 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 capital 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.

The availability of financing from banks and the public debt markets has declined significantly. Due to the deterioration of the credit markets and the uncertainties that exist in the economy and for homebuilders in general, we cannot be certain that we will be able to replace existing financing or find additional sources of financing. If sufficient funding, whether obtained through public or private debt, equity financing or from strategic alliances is not available when needed or is not available on acceptable terms, our business and results of operations will be adversely affected. Even if available, additional financing could be costly or have adverse consequences. The securities markets in general, and trading in our common stock in particular, have recently experienced significant volatility. As a result, our market capitalization has recently been less than the value of our stockholders equity. To the extent that our market capitalization is below the value of our stockholders equity, the amount of dilution our stockholders would experience will be increased should we issue additional shares of common stock.

Our debt and leverage could adversely affect our financial condition.

Our total debt as of December 31, 2010 was $332 million, of which a total of $330 million matures prior to the end of 2012. 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

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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.

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

We also guarantee shortfalls under some of our community bond debt, when the revenues, fees and assessments which are designed to cover principal and interest and other operating costs of the bonds are not paid.

We finance each of our projects individually. As a result, to the extent we increase the number of our projects and our related investment, our total debt obligations may increase. In general, we repay the principal of our debt from the proceeds of home closings.

Based on our interest rate sensitive net debt levels as of December 31, 2010, a 1% change up or down in interest rates could have either a negative or positive effect of approximately $1 million on our cash flows. Refer also to the section of our Form 10-K entitled Management s Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosures About Market Risk Interest Rates.

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 may 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.

Adverse weather conditions and natural disasters such as hurricanes, tornadoes, earthquakes, droughts, floods and fires can have a significant effect on our ability to develop our communities. 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.

Increased insurance risk adversely affects our business.

We are confronting reduced insurance capacity, and generally lower limits for insurance against some of the risks associated with our business. Some of the actions that have been or could be taken by insurance companies include: increasing insurance premiums; requiring higher self-insured retention and deductibles; requiring 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 preceding actions has and will continue to adversely affect our ability to obtain appropriate insurance coverage at reasonable costs.

Tax law changes could make home ownership more expensive or less attractive.

Tax law changes could make home ownership more expensive or less attractive. Significant expenses of owning a home, including mortgage interest expense and real estate taxes, generally are deductible expenses for an individual s federal and, in some cases, state income taxes subject to various limitations under current tax law and policy. If the federal government or a state government changes income tax laws to eliminate or substantially modify these income tax deductions, then the after-tax cost of owning a new home would increase substantially. This could adversely impact demand for, and/or sales prices of new homes.

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 homebuyers, but also for desirable properties, building materials, labor and capital. 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. We also compete with the resale of existing homes including foreclosed homes, sales by housing speculators and investors and rental housing. Competitive conditions in the homebuilding industry could result in: difficulty in acquiring suitable land at acceptable prices; increased selling incentives; lower sales volumes and prices; lower profit margins; impairments in the value of our inventory and other assets; increased construction costs; and delays in construction.

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 securities.

Provisions in our certificate of incorporation, our by-laws and Delaware law could delay, defer or prevent a change of control of our Company. 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 that could delay, deter or prevent us from entering into an acquisition. The existence of any of the above factors could adversely affect the market price of our common stock.

The trading price of our securities could fluctuate significantly and could be adversely affected because Brookfield Asset Management Inc. beneficially owns approximately 82.6% of our common stock.

The trading prices of shares of our common stock in the open market cannot be predicted. The trading prices 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.

Also, Brookfield Asset Management Inc. beneficially owns approximately 82.6% of the outstanding shares of our common stock, on an as converted basis assuming the full conversion of our 8% convertible preferred stock owned by it. If Brookfield Asset Management Inc. should decide in the future to sell any of our securities owned beneficially by it, the sale (or the perception of the market that a sale may occur) could adversely affect the trading price of those securities.

If we are not able to retain our executive officers, our business and results of operations could be adversely affected.

We do not have employment agreements with any of our executive officers, which could affect our ability to retain their services. Should we lose the services of one or all of our executive officers and they cannot be adequately replaced, our ability to accomplish the objectives set forth in our business plan could be adversely affected.

Our relationships with our affiliates may be on terms more or less favorable than those that could be obtained from third parties.

Brookfield Asset Management Inc. beneficially owns approximately 61.9% of our currently outstanding common stock (82.6% assuming full conversion by it of our 8% convertible preferred stock owned by it) and our relationships with Brookfield Asset Management Inc. and its affiliates include two unsecured revolving credit facilities and the lease of our administrative office in Toronto. There can be no assurance that these arrangements are on terms at least as favorable to us as those that could be negotiated with third parties, or that procedural protections put in place to simulate arm s length negotiations, such as the prior approval of related party transactions by our independent directors, will have such effect. Conversely, the terms of our agreements with our affiliates could be more favorable to us than would be available from a third party. In such event, should we be required to replace these arrangements, there can be no assurance that we could obtain terms as least at favorable as those with our affiliates.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

In addition to real estate held for development and sale, which we either own or hold under an option to purchase, we lease and maintain an administrative office in Toronto, Canada. Our Toronto lease is a sublease from Brookfield Asset Management Inc.

In addition, we have other offices located in the markets in which we conduct business, generally in our communities or in leased space. None of these other office premises are material to our business. We believe that our office space is suitable and adequate for our needs for the foreseeable future.

Item 3. Legal Proceedings

We are party to various legal actions arising in the ordinary course of our business. We believe that none of these actions, either individually or in the aggregate, will have a material adverse effect on our financial condition or results of operations.

On or about December 13, 2010, Plymouth County Retirement Association, on behalf of itself and other similarly situated parties, filed an action in Delaware Chancery Court alleging breach of fiduciary duties in connection with the proposed transactions contemplated by the merger and contribution agreement dated October 4, 2010 among Brookfield Properties, Brookfield Homes and Brookfield Residential Properties Inc. The complaint names Brookfield Homes, Brookfield Asset Management, Brookfield Office Properties, Brookfield Residential Acquisition Corporation, each member of the Board of Directors of Brookfield Homes, and a former member of the Board of Directors of Brookfield Homes, as defendants. The complaint asserts a claim against all defendants for alleged breaches of their purported fiduciary duties in connection with the merger. The plaintiff alleges that all defendants breached fiduciary duties of loyalty and care purportedly owed to the minority stockholders of Brookfield Homes by agreeing to the proposed transactions. According to the complaint, Brookfield Homes Board of Directors allegedly breached these fiduciary duties because the proposed transaction was initiated, structured and timed for the benefit of [Brookfield Asset Management] and because the proposed transaction is not entirely fair to the minority stockholders of Brookfield Homes. The complaint also asserts a claim against Brookfield Office Properties for aiding and abetting the alleged breaches. In addition to requesting that the case proceed as a class action, the complaint seeks to enjoin consummation of the merger as well as an award of unspecified damages and attorney s fees. There have been no substantive developments in the litigation. The defendants believe the claims are without merit and intend to vigorously defend these claims.

Item 4. Submission of Matters to a Vote of Security Holders

Removed and Reserved.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on the New York Stock Exchange under the symbol BHS, and began regular trading on January 7, 2003. The following table shows high and low sales prices for our common stock, for the periods included, as reported by the NYSE.

	Year Ended December 31, 2010			Year Ended December 31, 2009		
	High	**Low**	**Cash Dividends Per Share**	**High**	**Low**	**Cash Dividends Per Share**
1st Quarter	$ 9.96	$ 6.36		$ 4.54	$ 1.49	
2nd Quarter	$ 11.98	$ 6.71		$ 5.86	$ 3.20	
3rd Quarter	$ 8.48	$ 5.95		$ 8.46	$ 3.19	
4th Quarter	$ 10.49	$ 7.69		$ 8.10	$ 5.25	

As of February 22, 2011, there were approximately 831 holders of record of our common stock.

Our Board of Directors periodically reviews our dividend policy. Future dividends on our common stock, if any, will be at the discretion of our Board of Directors and will depend upon, among other things, our results of operations, cash requirements and surplus, financial condition, contractual restrictions, investment opportunities and other factors that our Board of Directors considers relevant. We do not currently pay a dividend on our common stock.

There are no current or anticipated contractual terms in our credit or other arrangements that restrict our ability to pay dividends, other than the requirements imposed by our project specific financings that require Brookfield Homes Holdings Inc., our wholly-owned subsidiary, to maintain a tangible net worth of at least $325 million, a net debt to tangible net worth ratio of 2.50 to 1.00 and a net debt to capitalization ratio of no greater than 65%, and the requirements of our revolving credit facility with Brookfield Asset Management Inc., that currently requires Brookfield Homes Corporation to maintain minimum stockholders equity of $300 million and a consolidated net debt to book capitalization ratio of no greater than 70%. Refer to Management s Discussion and Analysis of Financial Condition and Results of Operations Contractual Obligations and Other Commitments for additional information about these restrictions. In addition, the terms of our 8% convertible preferred stock contain limitations on when we may pay dividends on our common stock. In addition, the terms of the merger and contribution agreement entered into on October 4, 2010 restrict our ability to pay dividends on our common stock.

Our Board of Directors approved a share repurchase program that allows us to repurchase in aggregate up to $144 million of our outstanding common shares, of which the remaining amount approved for repurchases at December 31, 2010 was approximately $49 million. During the three months and year ended December 31, 2010, we did not repurchase any shares of our common stock.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes our equity compensation plans approved by stockholders as of December 31, 2010. We have no equity compensation plans not approved by stockholders.

	(a)	**(b) Weighted-average**	**(c) Number of Securities Remaining Available for Future Issuance Under**

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Exercise Price of Outstanding Options, Warrants and Rights	Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by stockholders	2,637,000	$ 9.88	1,300,000
Equity compensation plans not approved by stockholders	none	n/a	none
Total	2,637,000	$ 9.88	1,300,000

Performance Graph

The following graph illustrates the cumulative total stockholder return on Brookfield Homes common stock for the last five fiscal years assuming a hypothetical investment of $100 and a reinvestment of all dividends paid on such investment, compared to Standard & Poor s 500 Stock Index and the Standard & Poor s Homebuilding 500 Index.

COMPARISON OF CUMULATIVE TOTAL RETURN
PERIOD ENDED DECEMBER 31, 2010

Base Period

Period ended December 31	Legend	2005	2006	2007	2008	2009	2010
Brookfield Homes Corporation		100	76.43	32.80	9.11	16.87	19.82
S & P 500 Homebuilding Index		100	80.00	32.89	20.09	23.77	25.22
S & P 500 Index		100	115.79	122.16	76.96	97.33	111.99

Item 6. Selected Financial Data

The following tables include selected historical consolidated financial data for each year in the five year period ended December 31, 2010.

This selected financial data should be read along with Management s Discussion and Analysis of Financial Condition and Results of Operations and our audited historical consolidated financial statements and the related notes included elsewhere in this report.

United States GAAP

Our statement of operations data, balance sheet data and supplementary financial data prepared in accordance with U.S. GAAP and our operating data are as follows:

Statement of Operations Data	**Years Ended December 31**				
($ millions, except per share amounts)	**2010**	**2009**	**2008**	**2007**	**2006**
Total revenue [1]	$ 339	$ 376	$ 449	$ 583	$ 872
Housing revenue	292	340	415	541	784
Impairment of housing and land inventory and write-offs of option deposits	-	24	115	88	10
Total gross margin [2]	55	(2)	(82)	14	245
Impairment of investments in unconsolidated entities	-	13	38	15	
Net income / (loss)	3	(33)	(133)	23	167
Net income / (loss) attributable to Brookfield Homes Corporation	4	(28)	(116)	16	148
Diluted (loss) / earnings per share	(0.54)	(1.54)	(4.33)	0.58	5.45
Cash dividends per common share			0.20	0.40	0.40

	At December 31				
Balance Sheet Data ($ millions)	**2010**	**2009**	**2008**	**2007**	**2006**
Housing and land inventory [3]	$ 926	$ 928	$ 1,055	$ 1,236	$ 1,225
Total assets	991	1,037	1,207	1,351	1,401
Total debt [4]	332	382	749	735	618
Total liabilities [5]	510	551	944	969	1,030
Total equity [5]	481	486	263	382	371

	Years Ended December 31				
Supplemental Financial Data ($ millions)	**2010**	**2009**	**2008**	**2007**	**2006**
Cash provided by / (used in):					
Operating activities	$ 89	$ 137	$ 66	$ (44)	$ 26
Investment activities	(36)	(9)	(32)	(58)	(47)
Financing activities	(53)	(128)	(43)	24	(91)
Net debt to total capitalization percent [6]	39%	42%	71%	61%	53%

	Years Ended December 31				
Operating Data	**2010**	**2009**	**2008**	**2007**	**2006**
Home closings (units)	575	703	750	839	1,181
Lots sold to homebuilders (units)	370	469	616	1,328	834
Net new orders (units) [7]	473	756	729	735	960
Backlog (units at end of period) [8]	85	187	134	155	259
Average selling price	$ 511,000	$ 488,000	$ 562,000	$ 662,000	$ 679,000
Lots controlled	26,817	24,245	24,109	25,371	27,616

(1) To conform to the current year presentation, for years prior to 2007, total revenue excludes other income.

(2) Gross margin represents the contribution from our housing and land projects, after all costs for development and construction, including related overhead and interest, impairments and other charges and before all other income / (expense), selling, general and administrative expense and noncontrolling interest.

(3) Housing and land inventory includes investment in unconsolidated entities and, for years prior to 2010, consolidated land inventory not owned.

(4) To conform to the current year presentation, for years prior to 2007, total debt excludes deferred compensation which is now shown as a component of accounts payable and other liabilities.

(5) To conform to the current year presentation, for years prior to 2009, total liabilities excludes noncontrolling interest of unconsolidated entities which is now shown as a component of total equity.

(6) Net debt to total capitalization percent is defined as total interest bearing debt less cash multiplied by 100 and divided by total interest bearing debt less cash plus equity and other interests in consolidated subsidiaries (total capitalization).

(7) Net new orders for any period represents the aggregate of all homes ordered by customers, net of cancellations, including unconsolidated entities.

(8) Backlog represents the number of new homes subject to pending sales contracts, including unconsolidated entities.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read along with Selected Financial Data and our consolidated financial statements and the related notes included elsewhere in this report. This discussion includes forward-looking statements that reflect our current views with respect to future events and financial performance and that involve risks and uncertainties. Our actual results, performance or achievements could differ materially from those anticipated in the forward-looking statements as a result of certain factors, including risks discussed in Management s Discussion and Analysis of Financial Condition and Results of Operations Forward-Looking Statements and Item 1A Risk Factors included elsewhere in this report.

Forward-Looking Statements

This annual report on Form 10-K contains forward-looking statements within the meaning of the United States federal securities laws. The words may, believe, will, anticipate, expect, planned, estimate, project, future, a expressions which are predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements. The forward-looking statements in this annual report on Form 10-K include, among others, statements with respect to:

consummation of the merger and contribution agreement;

ability to create shareholder value;

business goals and strategy;

strategies for shareholder value creation;

the stability of home prices;

effect of challenging conditions on us;

financing sources;

ability to generate sufficient cash flow from our assets in 2011, 2012 and 2013 to repay maturing project specific financings;

the visibility of our future cash flow;

expected backlog and closings;

sufficiency of our access to capital resources;

supply and demand equilibrium;

the timing of the effect of interest rate changes on our cash flows;

the effect on our business of existing lawsuits; and

whether or not our letters of credit or performance bonds will be drawn upon.

Reliance should not be placed on forward-looking statements because they involve both known and unknown risks, uncertainties and other factors, which may cause the actual results to differ materially from the anticipated future results expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forward in the forward-looking statements include, but are not limited to:

changes in general economic, real estate and other conditions;

mortgage rate and availability changes;

availability of suitable undeveloped land at acceptable prices;

adverse legislation or regulation;

ability to obtain necessary permits and approvals for the development of our land;

availability of labor or materials or increases in their costs;

ability to develop and market our master-planned communities successfully;

ability to obtain regulatory approvals;

confidence levels of consumers;

ability to raise capital on favorable terms;

our debt and leverage;

adverse weather conditions and natural disasters;

relations with the residents of our communities;

risks associated with increased insurance costs or unavailability of adequate coverage;

ability to obtain surety bonds;

competitive conditions in the homebuilding industry, including product and pricing pressures;

ability to retain our executive officers;

relationships with our affiliates;

failure to obtain any required regulatory and shareholders approvals with respect to the transaction; and

additional risks and uncertainties, many of which are beyond our control, referred to in this Form 10-K and our other SEC filings.

Except as required by law, we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in subsequent reports on Forms 10-K, 10-Q and 8-K should be consulted.

Overview

On October 4, 2010, Brookfield Properties Corporation, Brookfield Homes Corporation and Brookfield Residential Properties Inc. (Brookfield Residential), a wholly-owned subsidiary of Brookfield Asset Management Inc., entered into a definitive agreement to combine Brookfield Homes and the North American residential land and housing division of Brookfield Properties into Brookfield Residential (the transaction). Completion of the transaction is subject to regulatory approval in the United States and Canada, the approval of the holders of a majority of the outstanding Brookfield Homes common stock and other customary closing conditions. Brookfield beneficially owns, through Brookfield Residential, sufficient shares to approve the transaction and has agreed to vote in favor of the transaction at the Brookfield Homes stockholders meeting scheduled for March 25, 2011.

In the first quarter, we were encouraged by the improvement in sales and closings. However, since then, selling communities have seen a drop in the number of visits from potential homebuyers, which we believe is a result of expired government stimulus programs, together with continued uncertain economic conditions, which have negatively impacted homebuyer confidence. The United States homebuilding industry continues to face a number of challenges with home foreclosures and tight credit standards continuing to have an effect on inventory and new home sale rates and prices. Despite these challenging conditions, we believe the risk is mitigated by our assets which are largely located in geographic areas with a constrained supply of lots and which have demonstrated strong economic characteristics over the long term. The supply of finished lots has been depleted substantially over the last few years and negligible development has occurred since 2006. As a result, we believe our strong financial position and owning entitled and/or developed lots in supply-constrained markets places us in a solid position as the markets improve.

Through the activities of our operating subsidiaries, we entitle and develop land for our own communities and sell lots to third parties. We also design, construct and market single and multi-family homes primarily to move-up homebuyers.

We operate in the following geographic regions, which are presented as our reportable segments: Northern California (San Francisco Bay Area and Sacramento), Southland / Los Angeles, San Diego / Riverside and the Washington D.C. Area. Our other operations that do not meet the quantitative thresholds for separate segment disclosure are included in Corporate and Other.

For the five year period 2006 to 2010, cash provided from operations was $273 million, which was used primarily to to repay debt. Despite the continuing challenges of the United States housing market, we believe our business is positioned to create further stockholder value over the long term through the selective control of a number of strategic projects and the overall level of lots controlled.

The 26,817 lots that we control provide a strong foundation for our future operations and visibility on our future cash flow. We believe we add value to the lots we control through entitlements, development and the construction of homes. In allocating capital to our operations, we generally limit our capital at risk on unentitled land by optioning such land positions. Option contracts for the purchase of land permit us to control lots for an extended period of time. Operating in markets with higher price points, our average home selling price in 2010 of $511,000 was well in excess of the national average sales price. We also sell serviced and unserviced lots to other homebuilders, generally on an opportunistic basis where we can redeploy capital to an asset providing higher returns. In 2010, we sold 370 lots to homebuilders. The number of lots we sell may vary significantly from period to period due to the timing and nature of such sales which are also affected by local market conditions.

Our housing and land inventory and investments in unconsolidated entities together comprised 93% of our total assets of $991 million as of December 31, 2010. In addition, we had $65 million in other assets. Other assets consist of restricted cash of $7 million, deferred taxes of $33 million and receivables and other assets of $25 million.

As at December 31, 2010, the market capitalization of our common stock was $279 million, compared to our book value of $225 million. Market capitalization will vary depending on market sentiment and may not have a relationship to the underlying value of a share of our Company over the longer term.

Results of Operations

Selected Financial Information ($US millions)	Years Ended December 31 2010	2009	2008
Revenue:			
Housing	$ 292	$ 340	$ 415
Land	47	36	34
Total revenues	339	376	449
Direct cost of sales	(284)	(354)	(416)
Impairment of housing and land inventory and write-off of option deposits		(24)	(115)
Gross margin / (loss)	55	(2)	(82)
Selling, general and administrative expense	(56)	(52)	(69)
Equity in earnings from unconsolidated entities		1	3
Impairment of unconsolidated entities		(13)	(38)
Other income / (expense)	8	13	(18)
Income / (loss) before income taxes	7	(53)	(204)
Income tax (expense) / recovery	(4)	20	71
Net income / (loss)	3	(33)	(133)
Loss attributable to noncontrolling interests	1	5	17
Net income / (loss) attributable to Brookfield Homes Corporation	$ 4	$ (28)	$ (116)

Segment Information	Years Ended December 31 2010	2009	2008
Housing revenue ($US millions):			
Northern California	$ 71	$ 102	$ 127
Southland / Los Angeles	83	79	94
San Diego / Riverside	54	69	68
Washington D.C. Area	80	86	122
Corporate and Other	4	4	4
Total	$ 292	$ 340	$ 415
Land revenue ($US millions):			
Northern California	$	$	$ 2
Southland / Los Angeles	4		
San Diego / Riverside	27	20	19
Washington D.C. Area	16	8	13
Corporate and Other		8	
Total	$ 47	$ 36	$ 34

Impairment of housing and land inventory and write-off of option deposits ($US millions):			
Northern California	$	$	$ 21
Southland / Los Angeles		3	16
San Diego / Riverside		1	42
Washington D.C. Area		13	36
Corporate and Other		7	
Total	$	$ 24	$ 115
Gross margin / (loss) ($US millions):			
Northern California	$ 12	$ 1	$ (18)
Southland / Los Angeles	14	5	(3)
San Diego / Riverside	11	(4)	(42)
Washington D.C. Area	19	4	(17)
Corporate and Other	(1)	(8)	(2)
Total	$ 55	$ (2)	$ (82)

	Years Ended December 31		
	2010	2009	2008
Home closings (units):			
Northern California	66	121	139
Southland / Los Angeles	189	204	227
San Diego / Riverside	100	136	128
Washington D.C. Area	210	232	245
Corporate and Other	8	6	6
Consolidated Total	573	699	745
Unconsolidated Entities	2	4	5
Total	575	703	750
Average selling price ($US):			
Northern California	$ 1,084,000	$ 845,000	$ 913,000
Southland / Los Angeles	437,000	388,000	413,000
San Diego / Riverside	543,000	507,000	533,000
Washington D.C. Area	381,000	369,000	499,000
Corporate and Other	440,000	635,000	689,000
Consolidated Average	510,000	486,000	557,000
Unconsolidated Entities	817,000	821,000	1,288,000
Average	$ 511,000	$ 488,000	$ 562,000
Lots controlled (units at end of year):			
Northern California	3,273	2,001	1,108
Southland / Los Angeles	1,655	1,235	1,417
San Diego / Riverside	8,761	8,853	6,605
Washington D.C. Area	3,681	3,627	3,681
Corporate and Other	253	263	273
	17,623	15,979	13,084
Lots under option (1)	9,194	8,266	11,025
Total	26,817	24,245	24,109

(1) Includes proportionate share of lots under option related to unconsolidated entities.

Year Ended December 31, 2010 Compared with Year Ended December 31, 2009

Net Income

Net income for the year ended December 31, 2010 was $3 million, an increase of $36 million when compared to net loss of $33 million for the year ended December 31, 2009. The increase primarily relates to a decrease of $37 million in impairments and write-offs on our housing and land assets and investments in unconsolidated entities. This is reflected as an increase in housing and land gross margin of $33 million, partially offset by an increase in tax expense of $24 million, selling, general and administrative costs of $4 million and a decrease in other income of $5 million.

Results of Operations

Company-wide: Housing revenue was $292 million for the year ended December 31, 2010, a decrease of $48 million when compared to 2009. The decrease in housing revenue was primarily due to fewer home closings for 2010 of 575 units, a decrease of 128 units or 18% when compared to 2009, partially offset by a higher average selling price. Housing revenues were net of incentives of $23 million for the year ended December 31, 2010, compared to $57 million for the same period in 2009. Our incentives on homes closed by reportable segment for the years ended December 31, 2010 and 2009 were as follows:

	Years Ended December 31			
	2010		2009	
($ millions)	Incentives Recognized	% of Gross Revenues	Incentives Recognized	% of Gross Revenues
Northern California	$ 9	11%	$ 27	26%
Southland / Los Angeles	4	4%	5	7%
San Diego / Riverside	3	5%	4	6%
Washington D.C. Area	7	8%	21	24%
Corporate and Other				
Total	$ 23	7%	$ 57	17%

Land revenue in 2010 totaled $47 million on the sale of 370 lots to homebuilders compared with $36 million in 2009 on the sale of 469 lots. Our land revenues may vary significantly from period to period due to the timing and nature of land sales, as they generally occur on an opportunistic basis and are affected by local market conditions.

Gross margin was $55 million compared with a loss of $2 million in 2009. The increase in gross margin was primarily a result of a decrease in impairment charges and other write-offs.

In 2010, we did not recognize any impairment charges or option write-offs on our housing and land inventory compared to impairment charges of $24 million in 2009. Forty-two projects were tested for impairment charges and option write-offs for the year ended December 31, 2010 and no impairment charges or option write-offs were required.

The number of projects where impairment charges and option write-offs were recognized and the fair value of the projects impaired for the years ended December 31, 2010 and 2009 were as follows:

	Years Ended December 31					
	2010			2009		
($ millions)	Projects Tested for Impairment	Projects Impaired	Fair Value of Projects Impaired	Projects Tested for Impairment	Projects Impaired	Fair Value of Projects Impaired
Northern California	7		$	6	1	$
Southland / Los Angeles	4			4	1	14
San Diego / Riverside	14			15		
Washington D.C. Area	15			18	3	5
Corporate and Other	2			3	2	6
Total	42		$	46	7	$ 25

Northern California: Housing revenue was $71 million for the year ended December 31, 2010, a decrease of $31 million when compared to 2009. The gross margin on housing revenue was $12 million, or an increase of $2 million when compared to 2009. The increase was a result of higher average selling prices. Land revenue was nil in 2010 and 2009. The gross margin on land revenue was nil in 2010 compared to $(9) million in 2009. The negative gross margin on land revenue in 2009 comprised a loss on the disposal to another homebuilder of a to be constructed 120 unit senior living facility.

Southland / Los Angeles: Housing revenue was $83 million for the year ended December 31, 2010, an increase of $4 million when compared to 2009. The increase for the year ended December 31, 2010 compared to 2009 was primarily attributable to higher average selling prices partially offset by a decrease in home closings of 15 units. Land revenue was $4 million for the year ended December 31, 2010 compared with nil in 2009. The gross margin for the year ended December 31, 2010 was $14 million compared with $5 million in 2009. The increase in the gross margin for the year ended December 31, 2010 compared to the same period in 2009 was primarily a result of no impairment charges in 2010 and higher average selling prices. Impairment charges for the year ended December 31, 2010 were nil compared to $3 million in 2009.

San Diego / Riverside: Housing revenue was $54 million for the year ended December 31, 2010, a decrease of $15 million when compared to 2009. The decrease for the year ended December 31, 2010 compared to 2009 was primarily attributable to a decrease in home closings partially offset by higher average selling prices. Land revenue was $27 million for the year ended December 31, 2010, compared with $20 million for the same period in 2009. The gross margin for the year ended December 31, 2010 was $11 million compared with $(4) million in 2009.

Impairment charges and option write-offs for the year ended December 31, 2010 were nil compared with $1 million in 2009.

Washington D.C. Area: Housing revenue was $80 million for the year ended December 31, 2010, a decrease of $6 million when compared to 2009. The decrease for the year ended December 31, 2010 compared to 2009 was primarily due to a decrease in home closings, partially offset by higher selling prices. Land revenue was $16 million for the year ended December 31, 2010, compared with $8 million in 2009. The gross margin for the year ended December 31, 2010 was $19 million compared with $4 million in 2009. The increase in gross margin for the year ended December 31, 2010 compared to 2009 was primarily a result of no impairment charges and other write-offs. Impairment charges and other write-offs for the year ended December 31, 2010 were nil compared with $13 million in 2009.

Selling, general and administrative expense was $56 million in 2010, an increase of $4 million when compared to 2009. The components of the 2010 and 2009 expense are summarized as follows:

	Years Ended December 31	
($ millions)	**2010**	**2009**
General and administrative expenses	$ 36	$ 30
Sales and marketing expenses	18	22
Stock compensation	3	4
Change in fair value of equity swap contracts	(1)	(4)
	$ 56	$ 52

Equity in earnings from investments in unconsolidated entities in 2010 totaled $(0.2) million, a decrease of $1 million when compared to 2009. The impairment of our investments in unconsolidated entities totaled nil in 2010 compared to $13 million in 2009.

Other income / (expense) in 2010 totaled $8 million, a decrease of $5 million when compared to 2009. The components of the 2010 and 2009 other income are summarized as follows:

	Years Ended December 31	
($ millions)	**2010**	**2009**
Change in fair value of interest rate swap contracts	$ (1)	$ 11
Other	9	2
	$ 8	$ 13

Sales Activity

Our net new home orders for the year ended December 31, 2010 were 473 units, a decrease of 283 units compared to 2009. Based on our average of 22 active selling communities during the year, our average sales rate during 2010 was approximately 0.4 sales per week per community, which is below what may be considered a normal housing market of one sale per week per active selling community. The net new home orders in units for 2010 and 2009 by reportable segment were as follows:

	Years Ended December 31	
	2010	**2009**
Northern California	51	135
Southland / Los Angeles	140	218

San Diego / Riverside	94	151
Washington D.C. Area	176	263
Corporate and Other	10	(14)
Consolidated Total	471	753
Unconsolidated Entities	2	3
Total	473	756

Net new orders for any period represent the aggregate of all homes ordered by customers, net of cancellations.
Our backlog, which represents the number of new homes subject to pending sales contracts, at December 31, 2010 and 2009 by reportable segment was as follows:

	Backlog December 31			
	2010		2009	
	Units	$ millions	Units	$ millions
Northern California	9	$ 10	24	$ 24
Southland / Los Angeles	20	6	69	29
San Diego / Riverside	17	10	23	11
Washington D.C. Area	37	17	71	24
Corporate and Other	1	1		
Consolidated Total	84	44	187	88
Unconsolidated Entities	1	1		
Total	85	$ 45	187	$ 88

We expect 85 units of our backlog to close in 2010 subject to any future cancellations that may occur. The cancellation rates for 2010 and 2009 by reportable segment were as follows:

	Years Ended December 31			
	2010		2009	
	Units	%	Units	%
Northern California	14	22%	19	12%
Southland / Los Angeles	22	14%	49	18%
San Diego / Riverside	26	22%	30	16%
Washington D.C. Area	62	26%	62	19%
Corporate and Other			20	250%
Total	124	21%	180	19%

Year Ended December 31, 2009 Compared with Year Ended December 31, 2008

Net Income

Net loss for the year ended December 31, 2009 was $33 million, a decline in net loss of $101 million when compared to net loss of $133 million for the year ended December 31, 2008. The decrease in net loss primarily relates to a decrease of $116 million in impairments and write-offs on our housing and land assets and investments in unconsolidated entities, lower selling general and administrative costs of $17 million, and an increase in income from our interest rate swap contracts of $30 million, partially offset by a decrease in housing and land gross margin of $10 million and a reduction in tax recoveries of $51 million.

Results of Operations

Company-wide: Housing revenue was $340 million for the year ended December 31, 2009, a decrease of $75 million when compared to the same period in 2008. The decrease in housing revenue was primarily due to fewer home closings for 2009 of 703 units, a decrease of 47 units or 6% when compared to 2008 as well as reduced average selling prices and product mix.

Housing revenues were net of incentives of $57 million for the year ended December 31, 2009, compared to $73 million for the same period in 2008. Our incentives on homes closed by reportable segment for the years ended December 31, 2009 and 2008 are as follows:

	Years Ended December 31	
	2009	2008

($ millions)	**Incentives Recognized**	**% of Gross Revenues**	**Incentives Recognized**	**% of Gross Revenues**
Northern California	$ 27	26%	$ 37	29%
Southland / Los Angeles	5	7%	8	8%
San Diego / Riverside	4	6%	4	5%
Washington D.C. Area	21	24%	24	20%
Corporate and Other				
Total	$ 57	17%	$ 73	18%

24

Land revenue in 2009 totaled $36 million on the sale of 469 lots to homebuilders compared with $34 million in 2008 on the sale of 616 lots. Our land revenues may vary significantly from period to period due to the timing and nature of land sales, as they generally occur on an opportunistic basis and are affected by local market conditions.

Gross margin was a loss of $2 million compared with a loss of $82 million for the same period in 2008. The increase in gross margin was primarily a result of a decrease in impairment charges and other write-offs, partially offset by fewer home closings during the year ended December 31, 2009, as well as reduced average selling prices. Included in gross margin is a loss of $19 million on the abandonment of 2,610 lots which was offset in the same market area with the extension and renegotiation of a land option contract on 2,000 lots, which is included in consolidated land inventory not owned.

In 2009, we recognized impairment charges and option write-offs on our housing and land inventory of $24 million compared to $115 million in 2008. The impairment charges and option write-offs related primarily to lots located in the Southland, Washington D.C. Area and Corporate and Other reportable segments, optioned lots located primarily in California and the Washington D.C. Area, as well as a commercial site located in the Washington D.C. Area reportable segment.

The number of projects where impairment charges and option write-offs were recognized and the fair value of the projects impaired for the years ended December 31, 2009 and 2008 are as follows:

	Years Ended December 31					
	2009			2008		
($ millions)	**Projects Tested for Impairment**	**Projects Impaired**	**Fair Value of Projects Impaired**	**Projects Tested for Impairment**	**Projects Impaired**	**Fair Value of Projects Impaired**
Northern California	6	1	$	9	3	$ 91
Southland / Los Angeles	4	1	14	6	3	49
San Diego / Riverside	15			14	3	91
Washington D.C. Area	18	3	5	22	13	79
Corporate and Other	3	2	6	2		
Total	46	7	$ 25	53	22	$ 310

A summary of our gross margin / (loss) is as follows:

	Years Ended December 31	
($ millions)	**2009**	**2008**
Housing	$ 45	$ 52
Land	(23)	(19)
Impairment charges / write-downs	(24)	(115)
	$ (2)	$ (82)

Northern California: Housing revenue was $102 million for the year ended December 31, 2009, a decrease of $25 million when compared to the same period in 2008. The gross margin on housing was $10 million, consistent with the same period in 2008. While there were fewer option contract write-offs and impairment charges recorded in 2009, this was offset by lower average selling prices. Impairments and option contract write-offs for the year ended December 31, 2009 were nil compared with $21 million for the same period in 2008.

Land revenue was nil in 2009, compared with $2 million in 2008. The land revenue in 2008 comprised the sale of 78 raw lots. The gross margin on land revenue was $(9) million in 2009 compared to $(7) million in 2008. The negative gross margin on land revenue in 2009 comprised a loss on the disposal to another homebuilder of a 120 unit senior living facility site.

Southland / Los Angeles: Housing revenue was $79 million for the year ended December 31, 2009, a decrease of $15 million when compared to the same period in 2008. The decrease for the year ended December 31, 2009 compared to the same period in 2008 was primarily attributable to a decrease in home closings of 23 units. The gross margin for the year ended December 31, 2009 was $5 million compared with $(3) million for the same period in 2008. The increase in the gross margin for the year ended December 31, 2009 compared to the same period in 2008 was primarily a result of fewer impairment charges partially offset by lower average selling prices. Impairment charges for the year ended December 31, 2009 were $3 million compared to $16 million for the same period in 2008.

San Diego / Riverside: Housing revenue was $69 million for the year ended December 31, 2009, an increase of $1 million when compared to the same period in 2008. Land revenue was $20 million for the year ended December 31, 2009, compared with $19 million for the same period in 2008. During the year ended December 31, 2009, 60 lots located in the Carlsbad region, 150 lots located in the Imperial Valley region, as well as 71 lots located in the Inland Empire region were sold. The gross margin for the year ended December 31, 2009 was $(4) million compared with $(42) million for the same period in 2008. The increase in the gross margin was primarily a result of fewer impairment charges partially offset by reduced selling prices. Impairment charges and option write-offs for the year ended December 31, 2009 were $1 million compared with $42 million for the same period in 2008.

Washington D.C. Area: Housing revenue was $86 million for the year ended December 31, 2009, a decrease of $36 million when compared to the same period in 2008 primarily due to a decrease in home closings and reduced selling prices. Land revenue was $8 million for the year ended December 31, 2009, compared with $13 million for the same period in 2008. The gross margin for the year ended December 31, 2009 was $4 million compared with $(17) million for the same period in 2008. The increase in gross margin for the year ended December 31, 2009 compared to the same period in 2008 was primarily a result of a decrease in impairment charges and other write-offs, partially offset by reduced selling prices. Impairment charges and other write-offs for the year ended December 31, 2009 were $13 million compared with $36 million for the same period in 2008.

Selling, general and administrative expense was $52 million in 2009, a decrease of $17 million when compared to 2008. The components of the 2009 and 2008 expense are summarized as follows:

	Years Ended December 31	
($ millions)	**2009**	**2008**
General and administrative expenses	$ 30	$ 35
Sales and marketing expenses	22	30
Stock compensation	4	(7)
Change in fair value of equity swap contracts	(4)	11
	$ 52	$ 69

Equity in earnings from investments in unconsolidated entities in 2009 totaled $1 million, a decrease of $2 million when compared to 2008. The impairment of our investments in unconsolidated entities totaled $13 million in 2009 compared to $38 million in 2008. The impairment charges in 2009 primarily relate to 907 lots in the Inland Empire of California in one project and the write-off of costs related to a commercial site in the Washington D.C. Area.

Other income / (expense) in 2009 totaled $13 million, an increase of $31 million when compared to 2008. The components of the 2009 and 2008 other income are summarized as follows:

	Years Ended December 31	
($ millions)	**2009**	**2008**
Change in fair value of interest rate swap contracts	$ 11	$ (19)
Other	2	1
	$ 13	$ (18)

Sales Activity

Our net new home orders for the year ended December 31, 2009 were 756 units, an increase of 27 units compared to 2008. Based on our average of 24 active selling communities during the year, our average sales rate during 2009 was approximately 0.6 sales per week per community, which is 50% higher per selling community than 2008 but below what may be considered a normal housing market of one sale per week per active selling community. The net new home orders in units for 2009 and 2008 by reportable segment are as follows:

	Years Ended December 31	
	2009	2008
Northern California	135	122
Southland / Los Angeles	218	237
San Diego / Riverside	151	128
Washington D.C. Area	263	233
Corporate and Other	(14)	7
Consolidated Total	753	727
Unconsolidated Entities	3	2
Total	756	729

Net new orders for any period represent the aggregate of all homes ordered by customers, net of cancellations.

Our backlog, which represents the number of new homes subject to pending sales contracts, at December 31, 2009 and 2008 by reportable segment are as follows:

	Backlog December 31			
	2009		2008	
	Units	$ millions	Units	$ millions
Northern California	24	$ 24	10	$ 9
Southland / Los Angeles	69	29	55	23
San Diego / Riverside	23	11	8	4
Washington D.C. Area	71	24	40	35
Corporate and Other			20	14
Consolidated Total	187	88	133	85
Unconsolidated Entities			1	1
Total	187	$ 88	134	$ 86

We expect all units of our backlog to close in 2010, subject to future cancellations. The cancellation rates for 2009 and 2008 by reportable segment are as follows:

	Years Ended December 31			
	2009		2008	
	Units	%	Units	%
Northern California	19	12%	25	17%
Southland / Los Angeles	49	18%	45	16%
San Diego / Riverside	30	16%	28	18%
Washington D.C. Area	62	19%	88	27%
Corporate and Other	20	250%	7	44%
Total	180	19%	193	21%

The cancellation rate for 2009 in the Corporate and Other reportable segment results from deferral of the start of a project in Hawaii due to the market conditions in this location.

Liquidity and Capital Resources

Financial Position

Our assets as of December 31, 2010 totaled $991 million compared to $1,037 million as of December 31, 2009, a decrease of $46 million. The decrease in 2010 was due primarily to a decrease of $34 million in housing and land inventory and a decrease in receivables and other assets as a result of the cash tax refund of $43 million, partially offset by an increase of $32 million in our investments in unconsolidated entities. Our housing and land inventory and investments in unconsolidated entities are our most significant assets with a combined book value of $926 million or approximately 93% of our total assets. Our housing and land assets include homes completed and under construction and lots ready for construction, model homes and land under and held for development.

Our total debt as of December 31, 2010 was $332 million, a decrease of $50 million from December 31, 2009. Total debt as of December 31, 2010 consisted of $172 million of project specific financings and $160 million related to amounts drawn on facilities with subsidiaries of our largest stockholder, Brookfield Asset Management Inc. Our project specific financings represent construction and development loans that are used to fund the operations of our communities. Our major project specific lenders are Wells Fargo, Housing Capital Corporation, Bank of America and M&T. Interest charged under project specific financings include LIBOR and prime rate pricing options. As of

December 31, 2010, the average interest rate on our project specific and other financings was 3.8%, with stated maturities as follows:

	Maturities			
	2011	**2012**	**2013**	**Total**
Northern California	$ 9	$	$	$ 9
Southland / Los Angeles	8	18		26
San Diego / Riverside	74	10	2	86
Washington D.C. Area	36	7		43
Corporate and Other	108	60		168
December 31, 2010	$ 235	$ 95	$ 2	$ 332

Our debt maturing in 2011, 2012 and 2013 is expected to be repaid from home and/or lot deliveries over this period or extended. During the year ended December 31, 2010, proceeds from housing and land deliveries exceeded the corresponding debt repayments made during the year. During the year ended December 31, 2010, in the normal course of operations, we extended repayment terms on $103 million of debt originally maturing in 2010 and now maturing in 2011. Additionally, as of December 31, 2010, we had project specific debt of $118 million that is available to complete land development and construction activities. The Cash Flow section below discloses our future available capital resources should proceeds from our future home closings not be sufficient to repay our debt obligations.

Other financings at December 31, 2010 included $100 million on an unsecured revolving operating facility and $60 million on an unsecured revolving acquisition and operating facility, both with subsidiaries of our largest stockholder, Brookfield Asset Management Inc. The revolving operating facility matures in December 2011, bears interest at LIBOR plus 3.50% and was fully drawn upon as of December 31, 2010. The revolving acquisition and operating facility is in a principal amount not to exceed $100 million. This facility matures in December 2012, currently bears interest at 14% and could be fully drawn upon without violation of any covenants.

Stockholders of our Company fully subscribed for 10,000,000 shares of 8% convertible preferred stock pursuant to our rights offering that expired on April 27, 2009. We received gross proceeds of approximately $250 million upon issuance of the shares of convertible preferred stock. The proceeds from the rights offering were used for general corporate purposes, including repayment on our revolving operating credit facility due to a subsidiary of our largest stockholder, Brookfield Asset Management Inc. Assuming the full conversion of the 8% convertible preferred stock held beneficially by it, Brookfield Asset Management Inc. will own approximately 82.6% of our common stock. Brookfield Asset Management has agreed to convert its shares of 8% convertible preferred stock to common stock prior to the merger transaction. Holders of the 8% convertible preferred stock issued in the rights offering are entitled to receive, when, as and if declared by our Board of Directors, dividends per year at the per share rate of 8%, representing annual dividends of $20 million. These declared dividends are payable semi-annually and may be paid, at the election of our board of directors, in cash or shares of common stock. During the year ended December 31, 2010, a $10 million dividend on June 30, 2010 was paid in the form of common stock and a $10 million cash dividend was payable on December 31, 2010. Please see Note 11 to our consolidated financial statements included in this Form 10-K for additional information on the rights offering.

Cash Flow

Our principal uses of working capital include home construction, purchases of land and land development. Cash flows for each of our communities depend upon the applicable stage of the development cycle and can differ substantially from reported earnings. Early stages of development require significant cash outlays for land acquisitions, site approvals and entitlements, construction of model homes, roads, certain utilities and other amenities and general landscaping. As these costs are capitalized, earnings reported for financial statement purposes during such early stages may significantly exceed cash flows. Later, cash flows can exceed earnings reported for financial statement purposes, as cost of sales include charges for substantial amounts of previously expended costs.

We believe we currently have sufficient access to capital resources. Our future capital resources include cash flow from operations, borrowings under project and other credit facilities and proceeds from potential future debt issues or equity offerings, if required.

While we do not anticipate that an equilibrium between the supply and demand for housing will be reached in 2011, we continue to work through the challenging market conditions and remain focused on proactively managing our balance sheet, placing a strong emphasis on liquidity. We are continuing to manage our inventory levels through matching homebuilding starts with net new orders.

Cash provided by our operating activities during the year ended December 31, 2010 totaled $89 million compared with $137 million in 2009. During the year ended December 31, 2010, our operating cash flow was positively impacted by the receipt of cash tax refunds of $43 million (December 31, 2009 $63 million), the net asset reduction of our housing and land inventory and an increase in accounts payable and other liabilities.

During the year ended December 31, 2010, 575 homes closed and 370 lots were delivered to other homebuilders. As a result, cash flow from operations was positively affected by these home closings and lot sales. These deliveries were partially offset by land acquisitions made during the year ended December 31, 2010. We have limited our

development of land while the demand for finished lots has decreased.
A summary of our lots owned, directly or through our share of unconsolidated entities excluding lot options, and their stage of development at December 31, 2010 compared with last year follows:

	December 31, 2010	December 31, 2009
Housing units, including models	430	361
Finished lots	1,253	1,710
Lots commenced grading	2,290	1,991
Raw lots	13,650	8,685
	17,623	12,747

Cash used in our investing activities for the year ended December 31, 2010 was $36 million, an increase of $27 million when compared with $9 million in 2009. The increase was primarily a result of acquisition expenditures in unconsolidated entities partially offset by an increase in restricted cash in conjunction with entering into the total return swap contract in 2009.

Cash used in our financing activities for the year ended December 31, 2010 was $53 million compared with cash used of $128 million in 2009. The cash used in the current year was used primarily to repay project specific financings of $60 million offset by an increase in other financings of $10 million.

Contractual Obligations and Other Commitments

A total of $170 million of our project specific financings mature prior to the end of 2012. The debt maturing in 2011 and 2012 is expected to be repaid from home and/or lot deliveries over this period. Our net debt to total capitalization ratio as of December 31, 2010, which we define as total interest bearing debt less cash, divided by total interest bearing debt less cash plus total equity and other interests in consolidated subsidiaries, was 39%, compared to 42% at December 31, 2009. For a description of the specific risks facing us if, for any reason, we are unable to meet these obligations, refer to the section of this Form 10-K entitled Risk Factors Our debt and leverage could adversely affect our financial condition.

Our project specific financings require Brookfield Homes Holdings Inc., a wholly-owned subsidiary of our Company, to maintain a tangible net worth of at least $325 million, a net indebtedness to capitalization ratio of no greater than 65% and a net indebtedness to tangible net worth ratio of no greater than 2.50 to 1.00. Indebtedness is defined as total interest bearing debt plus non-interest bearing liabilities less cash. At December 31, 2010, we were in compliance with all our project specific financing covenants. The following are computations of the most restrictive of Brookfield Homes Holdings Inc. s tangible net worth, net indebtedness to capitalization ratio, and net indebtedness to tangible net worth debt ratio covenants:

	Covenant	Actual as of December 31, 2010
Tangible net worth ($US millions)	$ 325	$ 523
Net indebtedness to capitalization	65%	46%
Net indebtedness to tangible net worth	2.50 to 1	0.80 to 1

At December 31, 2010, our revolving operating facility with a subsidiary of Brookfield Asset Management Inc. required us to maintain minimum stockholders equity of $300 million and a consolidated net debt to book capitalization ratio of no greater than 70%. At December 31, 2010, we were in compliance with all our covenants. The following are computations of Brookfield Homes Corporation s minimum stockholders equity and net debt to capitalization ratio covenants:

	Covenant	Actual as of

		December 31, 2010
Minimum stockholders equity ($US millions)	$ 300	$ 481
Net debt to capitalization	70%	39%

A summary of our contractual obligations and purchase agreements as of December 31, 2010 follows:

		Payment Due by Period			
($ millions)	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Project specific and other financings[(a)]	$ 332	$ 235	$ 97	$	$
Operating lease obligations [(b)]	6	2	4		
Purchase agreements [(c)]	151	27	20	104	
Total [(d)]	$ 489	$ 264	$ 121	$ 104	$

(a) Amounts are included on the Consolidated Balance Sheets. See Note 6 of the Notes to the Consolidated Financial Statements included in this Form 10-K for additional information regarding project specific and other financings and related matters.

(b) Amounts relate to non-cancelable operating leases involving office space, design centers and model homes.

(c) Amounts represent our expected acquisition of land under options or purchase agreements. See Note 2 to the Consolidated Financial Statements included in this Form 10-K for additional information regarding purchase agreements.

(d) Amounts do not include interest due to the floating nature of our debt. See Note 6 to the Consolidated Financial Statements included in this Form 10-K for additional information regarding our floating rate debt.

Off-Balance Sheet Arrangements

In the ordinary course of business, we use land and lot option contracts and unconsolidated entities to acquire control of land to mitigate the risk of declining land values. Option contracts for the purchase of land permit us to control the land for an extended period of time, until options expire and/or we are ready to develop the land for home construction. This reduces our financial risk associated with land holdings. As of December 31, 2010, we had $69 million of primarily non-refundable option deposits and advanced costs. The total exercise price of these options was $177 million including applicable deposits of $20 million. Pursuant to the guidance now incorporated in Accounting Standards Codification (ASC) Topic 810 (formerly Statement of Financial Accounting Standard (SFAS) 167), as described in Note 2 to our consolidated financial statements included elsewhere in this Form 10-K, we have consolidated $25 million of these option contracts. Please see Note 2 to our consolidated financial statements included in this Form 10-K for additional information on our lot options.

We also own 2,068 lots and control under option 2,759 lots through our proportionate share of unconsolidated entities. As of December 31, 2010, our investment in unconsolidated entities totaled $124 million. We have provided varying levels of guarantees of debt in our unconsolidated entities. As of December 31, 2010, we had completion guarantees of nil and limited maintenance guarantees of $14 million with respect to debt in our unconsolidated entities. During 2010, we did not make any loan re-margin repayments on our debt in our unconsolidated entities. Please see Note 3 to our consolidated financial statements included elsewhere in this Form 10-K for additional information about our investments in unconsolidated entities.

We obtain letters of credit, performance bonds and other bonds to support our obligations with respect to the development of our projects. The amount of these obligations outstanding at any time varies in accordance with our development activities. If these letters of credit or bonds are drawn upon, we will be obligated to reimburse the issuer of the letter of credit or bonds. As of December 31, 2010, we had $7 million in letters of credit outstanding and $140 million in performance bonds for these purposes. The costs to complete related to our letters of credit and performance bonds are $3 million and $66 million, respectively. We do not believe that any of these letters of credit or bonds are likely to be drawn upon.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations is based upon the consolidated financial statements of our Company, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. We evaluate our estimates on an on-going basis. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the reported amount of revenues and expenses that are not readily apparent from other sources. Our actual results may differ from these estimates under different assumptions or conditions.

Our most critical accounting policies are those that we believe are the most important in portraying our financial condition and results of operations, and require the most subjectivity and estimates by our management. A summary of our significant accounting policies, including the critical accounting policies discussed below, is provided in the notes to the consolidated financial statements of our Company included elsewhere in this Form 10-K.

Carrying Values

In accordance with the ASC Topic 360 Property, Plant and Equipment (formerly SFAS 144), housing and land assets we own directly and through unconsolidated entities are reviewed for recoverability on a regular basis and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparing the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. To arrive at the estimated fair value of housing and land inventory impaired, we estimate the cash flow for the life of each project. Specifically, on a housing project, we evaluate the margins on homes that have been closed, margins on sales contracts which are in backlog and estimated margins with regard to future home sales over the life of the project. On a land project, we estimate the timing of future land sales, the estimated revenue per lot, as well as estimated margins with respect to future land sales. For the housing and land inventory, we continuously evaluate projects where inventory is turning over slower than expected or whose average sales price and margins are declining and are expected to continue to decline. These projections take into account the specific business plans for each project and management s best estimate of the most probable set of economic conditions anticipated to prevail in the market area. Such projections generally assume current home selling prices, cost estimates and sales rates for short-term projects are consistent with recent sales activity. For longer-term projects, planned sales rates for 2011 and 2012 assume recent sales activity and normalized sales rates beyond 2012. We identify potentially impaired housing and land projects based on these quantitative factors as well as qualitative factors obtained from the local market areas. If the future undiscounted cash flows are less than the carrying amount, the asset is considered to be impaired and is then written down to fair value less estimated selling costs using a discounted cash flow methodology which incorporates market participant assumptions.

We have also entered into a number of option contracts to acquire land or lots in the future in accordance with specific terms and conditions. A majority of the option contracts require a non-refundable cash deposit based on a percentage of the purchase price of the property. The option contracts are recorded at cost. In determining whether to pursue an option contract, we estimate the option primarily based upon the expected cash flows from the optioned property. If the intent is to no longer pursue an option contract, we record a charge to earnings of the deposit amounts and any other related pre-acquisition entitlement costs in the period the decision is made.

Capitalized Costs

Our housing and land inventory on our consolidated balance sheet includes the costs of acquiring land, development and construction costs, interest, property taxes and overhead directly related to the development of the land and housing. Direct costs are capitalized to individual homes and lots and other costs are allocated to each lot in proportion to our anticipated revenue.

Estimates of costs to complete homes and lots sold are recorded at the time of closing. These estimates are prepared on an individual home and lot basis and take into account the specific cost components of each individual home and lot. The estimation process to allocate costs to homes and lots is dependent on project budgets that are based on various assumptions, including construction schedules and future costs to be incurred. These estimates are reviewed for accuracy based on actual payments made after closing and adjustments are made if necessary. If the estimates of costs are significantly different from our actual results, our housing and land inventory may be over-or under-stated on our balance sheet, and accordingly gross margins in a particular period may be over-or under-stated.

Revenue Recognition

Revenues from the sale of homes are recognized when title passes to the purchaser upon closing, wherein all proceeds are received or collectability is evident. Land sales are recognized when title passes to the purchaser upon closing, all material conditions of the sales contract have been met and a significant cash down payment or appropriate security is received, and collectability is evident.

Income Taxes

Income taxes are accounted for in accordance with ASC Topic 740 Income Taxes (formerly SFAS 109). Under ASC Topic 740, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured by using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to reverse.

In accordance with the provisions of ASC Topic 740, we assess, on a quarterly basis, our ability to realize our deferred tax asset. In determining the need for a valuation allowance, we consider the following significant factors: an assessment of recent years profitability and losses which considers the nature, frequency and severity of current and cumulative losses adjusted to reflect the effects of changes to our capital structure that have resulted in a significant reduction in the amount of interest bearing debt; our forecasts or expectation of profits based on margins and volumes expected to be realized (which are based on current pricing and volume trends) and including the effects of reduced interest expense; the financial support of our largest stockholder as evidenced by the revolving credit facilities; the long duration of ten to twenty years or more in all significant operating jurisdictions before the expiry of net operating losses, and we take into consideration that a substantial portion of the deferred tax asset is composed of deductible temporary differences that are not subject to an expiry period until realized under tax law. However, the recognition of deferred tax assets is based upon assumptions about the future including an estimate of future results, and differences between the expected and actual financial performance could require all or a portion of the deferred tax assets to be expensed. We will continue to evaluate the need for a valuation allowance in future periods. At December 31, 2010 and 2009 our deferred tax asset was $33 million and $40 million, respectively. Based on the more likely than not standard in the guidance and the weight of available evidence, we do not believe a valuation allowance against the deferred tax asset at December 31, 2010 is necessary.

Recent Accounting

In June 2009, the FASB issued guidance now incorporated into ASC Topic 810 Consolidation (formerly SFAS 167) amending the consolidation guidance applicable to variable interest entities and the definition of a variable interest entity, and requiring enhanced disclosures to provide more information about a Company s involvement in a variable interest entity. This guidance also requires ongoing assessments of whether an enterprise is the primary beneficiary of a variable interest entity. This guidance is effective for our fiscal year beginning January 1, 2010. We have adopted this guidance in our consolidated financial statements. See Notes 2 and 3 in our consolidated financial statements included elsewhere in this Form 10-K for disclosure regarding the impact on our consolidated financial statements.

In July 2009, the FASB s ASC became the single official source of authoritative, nongovernmental generally accepted accounting principles (GAAP) in the United States. The historical GAAP hierarchy was eliminated and the ASC became the only level of authoritative GAAP, other than guidance issued by the Securities and Exchange Commission. This guidance is effective for interim and annual periods ending after September 15, 2009. We adopted the provisions of this guidance for the year ended December 31, 2009. Our accounting policies were not affected by the conversion to the ASC. However, references to specific accounting standards have been changed to refer to the appropriate section of the ASC.

Seasonality and Quarterly Information

We have historically experienced variability in results of operations from quarter to quarter due to the seasonal nature of the homebuilding business and the timing of new community openings and the closing out of projects. We typically experience the highest rate of orders for new homes in the first six months of the calendar year. New home deliveries trail new home orders by several months, therefore we normally have a greater percentage of new home deliveries in the second half of our fiscal year. As a result, our revenues from deliveries of homes are generally higher in the second half of the year.

The following table presents a summary of our operating results for each of the last eight quarters:

($ millions, except home closings	**December 31**		**September 30**		**June 30**		**March 31**	
and per share amounts)	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Total revenue	$ 123	$ 145	$ 75	$ 99	95	$ 95	46	$ 37
Gross margin / (loss)	18	(12)	13	5	17	5	7	
Net income / (loss)	5	(17)	(1)	(4)	3		(3)	(12)
Net income / (loss) attributable to Brookfield Homes Corporation	5	(17)	(1)	(1)	3		(3)	(10)
Diluted (loss) / earnings per share [1]		(0.81)	(0.19)	(0.22)	(0.08)	(0.12)	(0.27)	(0.39)
Home closings (units) [2]	186	268	98	192	210	169	81	74
Cash provided by / (used in) operating activities	55	68	(9)	28	21	16	21	25
Total assets	991	1,037	1,049	1,130	1,010	1,141	1,009	1,157
Total debt	332	382	392	471	353	490	365	725

(1) Quarterly and year-to-date computations of per share amounts are made independently. Therefore, the sum of per share amounts for the quarters may not agree with per share amounts for the year.

(2) Includes unconsolidated entities.

Non-Arms Length Transactions

We are party to a license agreement with Brookfield Properties (US) Inc., an indirect wholly-owned subsidiary of Brookfield Properties Corporation, for the right to use the names Brookfield and Brookfield Homes. A subsidiary of Brookfield Asset Management Inc. has provided us with an unsecured revolving operating facility in the form of a promissory note that was amended most recently in April 2009. The facility bears interest at LIBOR plus 3.5% per annum, matures December 2011 and, at December 31, 2010, there was $100 million outstanding under this facility. During 2009, we entered into a second unsecured credit facility that was amended most recently in July 2009. This operating and acquisition facility currently bears interest at 14% per annum, matures December 2012 and, at December 31, 2010, there was $60 million outstanding under this facility. In addition, on October 4, 2010, Brookfield Properties, Brookfield Homes and Brookfield Residential Properties Inc. (Brookfield Residential), a wholly-owned subsidiary of Brookfield, entered into an definitive agreement to combine Brookfield Homes and the North American residential land and housing division of Brookfield Properties into Brookfield Residential. For details of these arrangements and other non-arms length transactions refer to Item 13 of this Form 10-K Certain Relationships and Related Transactions, and Director Independence.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Exchange Rates

We conduct business in U.S. dollars only, so we are not exposed to currency risks.

Interest Rates

We are exposed to financial risks that arise from the fluctuations in interest rates. Our interest-bearing assets and liabilities are mainly at floating rates, so we would be negatively affected, on balance, if interest rates increase. In addition, we have interest rate swap contracts which effectively fix $150 million of our variable rate debt at an average rate of 5%. Based on our net debt levels as of December 31, 2010, a 1% change up or down in interest rates would have either a negative or positive effect of approximately $1 million on our cash flows.

Our interest rate swaps are not designated as hedges under ASC 815 (formerly SFAS 133), Derivatives and Hedging. We are exposed to market risk associated with changes in the fair values of the swaps, and such changes must be reflected in our consolidated statements of operations. As of December 31, 2010, the fair value of the interest rate swaps totaled a liability of $15 million.

Item 8. Financial Statements and Supplementary Data

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Board of Directors and Stockholders of Brookfield Homes Corporation

We have audited the accompanying consolidated balance sheets of Brookfield Homes Corporation and subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of operations, equity, and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Brookfield Homes Corporation and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 17, 2011 expressed an unqualified opinion on the Company s internal control over financial reporting.

Independent Registered Chartered Accountants
Licensed Public Accountants
Toronto, Canada
February 17, 2011

BROOKFIELD HOMES CORPORATION
CONSOLIDATED BALANCE SHEETS
(all dollar amounts are in thousands of U.S. dollars)

	Note	As at December 31 2010	2009
Assets			
Housing and land inventory	2	$ 801,409	$ 835,263
Investments in unconsolidated entities	3	124,369	92,477
Receivables and other assets	4	24,826	61,744
Restricted cash	5	7,366	7,485
Deferred income taxes	8	32,631	40,112
		$ 990,601	$ 1,037,081
Liabilities and Equity			
Project specific and other financings	6	$ 331,794	$ 381,567
Accounts payable and other liabilities	7	135,264	122,190
Total liabilities		467,058	503,757
Other interests in consolidated subsidiaries	10	42,461	47,011
Commitments, contingent liabilities and other	13		
Preferred stock 10,000,000 shares authorized, 9,995,739 shares issued (December 31, 2009 10,000,000 shares authorized, 10,000,000 shares issued)	11	249,582	249,688
Common stock 200,000,000 shares authorized, 32,088,997 shares issued (December 31, 2009 32,073,781 shares issued)	11	321	321
Additional paid-in capital	11	143,317	142,106
Treasury stock, at cost 2,420,089 shares (December 31, 2009 3,671,482 shares)	11	(110,807)	(166,113)
Retained earnings		192,213	252,994
Noncontrolling interest	10	6,456	7,317
Total equity		481,082	486,313
		$ 990,601	$ 1,037,081

See accompanying notes to financial statements

BROOKFIELD HOMES CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(all dollar amounts are in thousands of U.S. dollars, except per share amounts)

	Note	Years Ended December 31 2010	2009	2008
Revenue				
Housing		$ 292,095	$ 339,625	$ 415,311
Land		46,771	36,355	33,692
		338,866	375,980	449,003
Direct Cost of Sales				
Housing		(243,301)	(294,493)	(363,038)
Land		(40,686)	(59,308)	(53,057)
Impairment of housing and land inventory and write-off of option deposits	2		(23,963)	(115,124)
		54,879	(1,784)	(82,216)
Selling, general and administrative expense		(55,585)	(52,339)	(69,498)
(Loss) / equity in earnings from unconsolidated entities	3	(192)	1,331	3,302
Impairment of investments in unconsolidated entities	3		(12,995)	(37,863)
Other income / (expense)	10, 13(e)	8,055	13,191	(17,823)
Income / (Loss) Before Income Taxes		7,157	(52,596)	(204,098)
Income tax (expense) / recovery	8	(3,706)	20,134	70,861
Net Income / (Loss)		3,451	(32,462)	(133,237)
Net loss attributable to noncontrolling interest and other interests in consolidated subsidiaries	10	(976)	(4,753)	(17,622)
Net Income / (Loss) Attributable to Brookfield Homes Corporation		$ 4,427	$ (27,709)	$ (115,615)
Loss Per Share attributable to Brookfield Homes Corporation Common Stockholders				
Basic	12	$ (0.54)	$ (1.54)	$ (4.33)
Diluted	12	$ (0.54)	$ (1.54)	$ (4.33)
Weighted Average Common Shares Outstanding (in thousands)				
Basic	12	29,087	26,838	26,688
Diluted	12	29,087	26,838	26,688

See accompanying notes to financial statements

BROOKFIELD HOMES CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY
(all dollar amounts are in thousands of U.S. dollars)

	Note	Years Ended December 31 2010	2009	2008
Preferred Stock				
Opening balance		$ 249,688	$	$
Preferred stock issuance, net of issuance costs of $312	11		249,688	
Conversion of preferred stock		(106)		
Ending balance		249,582	249,688	
Common Stock		321	321	321
Additional Paid-in Capital				
Opening balance		142,106	141,286	145,101
Adjustment to stock-based compensation plan			145	
Stock option compensation costs	11	1,105	675	
Stock option compensation exercises	11			(3,815)
Conversion of preferred stock		106		
Ending balance		143,317	142,106	141,286
Treasury Stock				
Opening balance		(166,113)	(238,957)	(243,701)
Stock option exercises	11	93	66	4,744
Preferred stock dividends	11	55,213	72,778	
Ending balance		(110,807)	(166,113)	(238,957)
Retained Earnings				
Opening balance		252,994	356,981	477,929
Net income / (loss) attributable to Brookfield Homes Corporation		4,427	(27,709)	(115,615)
Common stock dividends	11			(5,333)
Preferred stock dividends	11	(19,995)	(13,500)	
Treasury stock issued	11	(45,213)	(62,778)	
Ending balance		192,213	252,994	356,981
Total Brookfield Homes Corporation stockholders equity		$ 474,626	$ 478,996	$ 259,631

Noncontrolling Interest				
Opening balance		$ 7,317	$ 2,888	$ 1,749
Net loss attributable to noncontrolling interest	10	(1,132)	(437)	
Contributions		271	4,866	1,139
Ending balance		$ 6,456	$ 7,317	$ 2,888
Total Equity		$ 481,082	$ 486,313	$ 262,519

See accompanying notes to financial statements

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BROOKFIELD HOMES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(all dollar amounts are in thousands of U.S. dollars)

	Years Ended December 31		
	2010	**2009**	**2008**
Cash Flows From / (Used in) Operating Activities			
Net income / (loss)	$ 3,451	$ (32,462)	$ (133,237)
Adjustments to reconcile net income / (loss) to net cash from operating activities:			
Distributed / (undistributed) income from unconsolidated entities	204	(1,091)	(1,902)
Deferred income taxes	7,481	19,326	(3,495)
Impairment of housing and land inventory and write-off of option deposits		23,963	115,124
Impairment of investments in unconsolidated entities		12,995	37,863
Stock option compensation costs	1,105	675	
Other changes in operating assets and liabilities:			
Decrease / (increase) in receivables and other assets	36,918	27,439	(48,677)
Decrease in housing and land inventory	31,915	90,648	132,269
Increase / (decrease) in accounts payable and other liabilities	7,473	(4,303)	(31,539)
Net cash provided by operating activities	88,547	137,190	66,406
Cash Flows From / (Used in) Investing Activities			
Investments in unconsolidated entities	(43,087)	(11,222)	(28,344)
Distribution from unconsolidated entities	7,666	9,359	3,046
Restricted cash	119	(7,485)	
Acquisition of additional interest in unconsolidated entities			(6,844)
Net cash used in investing activities	(35,302)	(9,348)	(32,142)
Cash Flows From / (Used in) Financing Activities			
Net repayments under revolving project specific and other financing	(49,773)	(376,233)	(46,742)
Distributions to noncontrolling interest and other interests in consolidated subsidiaries	(5,356)	(1,122)	(580)
Contributions from noncontrolling interest and other interests in consolidated subsidiaries	1,864	3,259	9,130
Exercise of stock options	93	66	129
Preferred stock issuance		250,000	
Preferred stock issuance costs		(312)	
Preferred stock dividends	(73)	(3,500)	
Common stock dividends paid in cash			(5,333)
Net cash used in financing activities	(53,245)	(127,842)	(43,396)
Decrease in cash and cash equivalents			(9,132)

Cash and cash equivalents at beginning of year			9,132
Cash and cash equivalents at end of year	$	$	$
Supplemental Cash Flow Information			
Interest paid	$ 31,042	$ 36,484	$ 57,754
Income taxes recovered	42,766	63,286	22,299
Acquisitions of Unconsolidated Entities Assets and Liabilities			
Increase in housing and land inventory		$ 14,521	$ 97,828
Reduction in investment in unconsolidated entities		9,604	33,960
Liabilities assumed		51	63,868

See accompanying notes to consolidated financial statements

BROOKFIELD HOMES CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts in thousands of U.S. dollars except share and per share amounts)

Note 1. Significant Accounting Policies

(a) *Basis of Presentation*

Brookfield Homes Corporation (the Company or Brookfield Homes) was incorporated on August 28, 2002 in Delaware and thereafter acquired all the California and Washington D.C. area land development and homebuilding operations of Brookfield Properties Corporation. The Company began trading on the New York Stock Exchange on January 7, 2003, under the symbol BHS.

These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and include the consolidated accounts of Brookfield Homes and its subsidiaries and investments in unconsolidated entities and variable interest entities in which the Company is the primary beneficiary.

(b) *Housing and Land Inventory*

(i) Revenue recognition: Revenues from the sale of homes are recognized when title passes to the purchaser upon closing, wherein all proceeds are received or collectability is evident. Land sales are recognized when title passes to the purchaser upon closing, all material conditions of the sales contract have been met and a significant cash down payment or appropriate security is received and collectability is evident.

(ii) Carrying values: In accordance with the Accounting Standards Codification (ASC) Topic 360 Property, Plant and Equipment (formerly Statement of Financial Accounting Standards (SFAS) 144), housing and land assets the Company owns directly and through unconsolidated entities are reviewed for recoverability on a regular basis and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparing the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. To arrive at the estimated fair value of housing and land inventory impaired, the Company estimates the cash flow for the life of each project. Specifically, on a housing project, the Company evaluates the margins on homes that have been closed, margins on sales contracts which are in backlog and estimated margins with regard to future home sales over the life of the project. On a land project, the Company estimates the timing of future land sales, the estimated revenue per lot, as well as estimated margins with respect to future land sales. For the housing and land inventory, the Company continuously evaluates projects where inventory is turning over more slowly than expected or whose average sales price and margins are declining and are expected to continue to decline. These projections take into account the specific business plans for each project and management s best estimate of the most probable set of economic conditions anticipated to prevail in the market area. Such projections generally assume current home selling prices, cost estimates and sales rates for short-term projects are consistent with recent sales activity. For longer-term projects, planned sales rates for 2011 and 2012 assume recent sales activity and normalized sales rates beyond 2012. Management identifies potentially impaired housing and land projects based on these quantitative factors as well as qualitative factors obtained from the local market areas. If the future undiscounted cash flows are less than the carrying amount, the asset is considered to be impaired and is then written down to fair value less estimated selling costs using a discounted cash flow methodology which incorporates market participant assumptions.

The Company has also entered into a number of option contracts to acquire land or lots in the future in accordance with specific terms and conditions. The majority of the option contracts require a non-refundable cash deposit based on a percentage of the purchase price of the property. Option contracts are recorded at cost. In determining whether to pursue an option contract, the Company estimates the option primarily based upon the expected cash flows from the optioned property. If the intent is to no longer pursue an option contract, the Company records a charge to earnings of the deposit amounts and any other related pre-acquisition entitlement costs in the period the decision is made.

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(iii) Capitalized costs: Capitalized costs include the costs of acquiring land, development and construction costs, interest, property taxes and overhead related to the development of land and housing. Direct costs are capitalized to individual homes and lots and other costs are allocated to each lot in proportion to the Company s anticipated revenue.

(c) *Unconsolidated Entities*

The Company participates in a number of unconsolidated entities in which it has less than a controlling interest to develop and sell land to the unconsolidated entity members and other third parties. These unconsolidated entities are accounted for using the equity method. The Company recognizes its proportionate share of the earnings from the sale of lots to other third parties. The Company does not recognize earnings from the purchase of lots from its unconsolidated entities and reduces its cost basis of the land purchased accordingly.

(d) *Use of Estimates*

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(e) *Cash and Cash Equivalents*

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand, demand deposits, and all highly liquid short-term investments with original maturity less than 90 days. The carrying value of these investments approximates their fair value.

(f) *Restricted Cash*

Restricted cash includes cash held on deposit with a financial institution in the form of collateral, required by terms outlined in the total return swap transaction entered into during the year ended December 31, 2010.

(g) *Income Taxes*

Income taxes are accounted for in accordance with ASC Topic 740 Income Taxes (formerly SFAS 109). Under ASC Topic 740, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured by using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to reverse.

In accordance with the provisions of ASC Topic 740, the Company assesses, on a quarterly basis, its ability to realize its deferred tax asset. In determining the need for a valuation allowance, the Company considers the following significant factors: an assessment of recent years profitability and losses which considers the nature, frequency and severity of current and cumulative losses adjusted to reflect the effects of changes to the capital structure that have resulted in a significant reduction in the amount of interest bearing debt; its forecasts or expectation of profits based on margins and volumes expected to be realized (which are based on current pricing and volume trends) and including the effects of reduced interest expense; the financial support of its largest stockholder as evidenced by the revolving credit facilities, the long duration of ten to twenty years or more in all significant operating jurisdictions before the expiry of net operating losses and that a substantial portion of the deferred tax asset is comprised of deductible temporary differences that are not subject to an expiry period until realized under tax law. However, the recognition of deferred tax assets is based upon assumptions about the future including an estimate of future results, and differences between the expected and actual financial performance could require all or a portion of the deferred tax asset to be expensed. The Company will continue to evaluate the need for a valuation allowance in future periods. Based on the more likely than not standard in the guidance and the weight of available evidence, the Company does not believe a valuation allowance against the deferred tax asset at December 31, 2010 is necessary.

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ASC Topic 740 clarifies the accounts for uncertainty in income taxes recognized and prescribes a recognition threshold and measurement affiliates for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It requires that a company determine whether it is more-likely-than-not that a position will be sustained upon examination by taxation authorities, based upon the technical merits of the position. A tax position that meets the more-than-likely-not threshold is then measured to determine the amount of the tax benefit to recognize in the financial statements. At December 31, 2010 and 2009, the Company did not have any unrecognized tax benefits / liabilities.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits / liabilities in income tax recovery / expense.

(h) *Stock-Based Compensation*

The Company accounts for stock option grants and deferred share unit grants in accordance with ASC Topic 718 Compensation-Stock Compensation (formerly SFAS 123(R)). All stock options granted have exercise prices equal to the market value of the stock on the date of the grant. Participants in the option plan can exercise their options to purchase shares at the exercise price. The option to elect to receive cash equal to the difference between the exercise price and the current market price was eliminated in 2009 in conjunction with the modification of the Company s stock option plan.

Accordingly, the Company records the fair value of these options using a Black-Scholes option pricing model. These options have been recorded in additional paid-in capital in 2010 and 2009 as a result of an amendment to existing stock option awards made under the 2002 stock option plan and the approval and adoption of the 2009 stock option plan. In prior years, these options were recorded in accounts payable and other liabilities. The Company records the deferred share units as a liability as disclosed in accounts payable and other liabilities. See Note 9 Stock-Based Compensation for further discussion.

(i) *Other Comprehensive Income*

The Company adheres to U.S. GAAP reporting requirements with respect to the presentation and disclosure of other comprehensive income; however, it has been determined by management that no material differences exist between net income and comprehensive income for each of the periods presented.

(j) *Loss Per Share*

Loss per share is computed in accordance with ASC Topic 260 Earnings Per Share (formerly SFAS 128). Basic earnings per share is calculated by dividing net loss attributable to Brookfield Homes Corporation less preferred share dividends by the weighted average number of common shares outstanding for the year. Diluted earnings per share is calculated by dividing net income less preferred share dividends by the average number of common shares outstanding including all dilutive potentially issuable shares under various stock option plans.

(k) *Advertising Costs*

The Company expenses advertising costs as incurred. For the years ended December 31, 2010, 2009 and 2008, the Company incurred advertising costs of $7.0 million, $7.0 million and $14.0 million, respectively.

(l) *Warranty Costs*

Estimated future warranty costs are accrued and charged to cost of sales at the time the revenue associated with the sale of each home is recognized. Factors that affect the Company s warranty liability include the number of homes sold, historical and anticipated rates of warranty claims, and cost per claim. Costs are accrued based upon historical experience.

(m) *Variable Interest Entities*

The Company accounts for its variable interest entities (VIEs) in accordance with ASC Topic 810 Consolidation (formerly SFAS 167). The decision whether to consolidate a VIE begins with establishing that a VIE exists. A VIE

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exists when either the total equity investment at risk is not sufficient to permit the entity to finance its activities by itself, or the equity investor lacks one of three characteristics associated with owning a controlling financial interest. Those characteristics are the power to direct the activities of an entity that most significantly impact the entity s economic performance, the obligation to absorb the expected losses of the entity, and the right to receive the expected residual returns of the entity. The entity that has both the power to direct the activities of a VIE that most significantly impact the VIE s economic performance and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE is considered to have a controlling financial interest in a VIE and is required to consolidate such entity. The Company has determined it has a controlling financial interest in certain VIEs which are included in these financial statements as a component of Housing and land inventory with the interests of others included in accounts payable and other liabilities. See Notes 2 and 3 for further discussion on the consolidation of land option contracts and unconsolidated entities.

(n) *Derivative Financial Instruments and Hedging Activities*

The Company accounts for its derivative and hedging activities in accordance with ASC Topic 815, Derivatives and Hedging (formerly SFAS 133 and SFAS 149 and related interpretations). ASC Topic 815 requires the Company to recognize all derivative instruments at their fair values as either assets or liabilities on its balance sheet. The accounting for changes in fair value (i.e. gains or losses) of a derivative instrument depends on whether the Company has designated it, and whether it qualifies, as part of a hedging relationship and on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, the Company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation. The Company had no fair value hedges or hedges of a net investment in foreign operations as of December 31, 2010 or as of December 31, 2009. For derivative instruments that are designated and qualify as a cash flow hedge (i.e. hedging the exposure to variability in expected future cash flows that are attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the forecasted transaction in the same period or periods during which the hedged transaction affects earnings (i.e. in "interest expense when the hedged transactions are interest cash flows associated with floating-rate debt). The remaining gain or loss on the derivative instrument in excess of the cumulative changes in the present value of future cash flows of the hedged item, if any, is recognized in the realized and unrealized gain (loss) on derivatives in current earnings during the period of change. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in realized and unrealized gain (loss) on derivatives in the current earnings during the period of change. Income and/or expense from interest rate swaps are recognized as an adjustment to interest expense. The Company accounts for income and expense from interest rate swaps over the period to which the payments and/or receipts relate.

(o) *Recent Accounting Pronouncements*

In June 2009, the FASB issued guidance now incorporated in ASC Topic 810 Consolidation (formerly SFAS 167) amending the consolidation guidance applicable to variable interest entities and the definition of a variable interest entity, and requiring enhanced disclosures to provide more information about a company s involvement in a variable interest entity. This guidance also requires ongoing assessments of whether an enterprise is the primary beneficiary of a variable interest entity. This guidance was effective for the Company s fiscal year beginning January 1, 2010. The Company has adopted this guidance in its consolidated financial statements for the year ended December 31, 2010. See Notes 2 and 3 for disclosure regarding its impact on the consolidated financial statements.

In July 2009, the FASB s ASC became the single, official source of authoritative, non-governmental GAAP in the United States. The historical GAAP hierarchy was eliminated and the ASC became the only level of authoritative GAAP, other than guidance issued by the Securities and Exchange Commission (the SEC). This guidance is effective for interim and annual periods ending after September 15, 2009. The Company adopted the provisions of this guidance for the year ended December 31, 2010. The Company s accounting policies were not affected by the conversion to the ASC. However, references to specific accounting standards have been changed to refer to the appropriate section of the ASC.

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(p) Reclassification

Certain prior period amounts in the consolidated balance sheet have been reclassified to conform with the December 31, 2010 presentation. Specifically, consolidated land inventory not owned, which had previously been shown as a separate line, is now shown as a component of housing and land inventory. Other revolving financings, which had previously been shown as a separate line, is now shown as a component of project specific and other financings. These reclassifications had no impact on the Company s results from operations.

Note 2. Housing and Land Inventory

Housing and land inventory includes homes completed and under construction and lots ready for construction, model homes and land under and held for development, which will be used in the Company s homebuilding operations or sold as building lots to other homebuilders. The following summarizes the components of housing and land inventory:

	December 31	
	2010	**2009**
Housing inventory	$ 261,611	$ 359,132
Model homes	18,631	32,542
Land and land under development	521,167	443,589
	$ 801,409	$ 835,263

The Company capitalizes interest which is released with cost of sales when housing units and building lots are sold. For the years ended December 31, 2010, 2009 and 2008, interest incurred and capitalized by the Company was $31.0 million, $36.5 million and $57.8 million, respectively. Capitalized interest expensed as direct cost of sales for the same periods was $20.2 million, $24.0 million and $29.1 million, respectively.

No impairment charges were recognized related to the Company s housing and land inventory during 2010 (2009 $11.2 million; 2008 $97.4 million).

In the ordinary course of business, the Company has entered into a number of option contracts to acquire land or lots in the future in accordance with specific terms and conditions and the Company will advance deposits to secure these rights. Effective for the Company s fiscal year beginning January 1, 2010, the Company is no longer required to follow quantitative guidance determining the primary beneficiary of a VIE, but is required by ASC Topic 810 Consolidation to qualitatively assess whether it is the primary beneficiary based on whether it has the power over the significant activities of the VIE and an obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. The Company has evaluated its option contracts in accordance with this revised guidance and determined that, for those entities considered to be VIEs, it is the primary beneficiary of options with an aggregate exercise price of $25.2 million (December 31, 2009 $25.4 million), which are required to be consolidated. In these cases, the only asset recorded is the Company s exercise price for the option to purchase included in housing and land inventory, with an increase in accounts payable and other liabilities of $25.2 million (2009 $25.4 million) for the assumed third-party investment in the VIE.

Housing and land inventory includes non-refundable deposits and other entitlement costs totaling $49.5 million (December 31, 2009 $42.6 million) in connection with options that are not required to be consolidated in terms of the guidance incorporated in ASC Topic 810 Consolidation (formerly FIN 46R). The total exercise price of these options is $151.6 million (December 31, 2009 $156.9 million) including the non-refundable deposits identified above. The number of lots which the Company has obtained an option to purchase, excluding those already consolidated and those held through unconsolidated entities and their respective dates of expiry and their exercise price follows:

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Year of Expiry	Number of Lots	Total Exercise Price
2011	680	$ 26,910
2012	320	20,187
Thereafter	5,435	104,491
	6,435	$ 151,588

The Company holds agreements for a further 4,878 acres of longer term land, with an aggregate exercise price of $59.6 million with non-refundable deposits and other entitlement costs of $5.8 million which is included in housing and land inventory that may provide additional lots upon obtaining entitlements. However, given that the Company is in the initial stage of land entitlement, the Company has concluded at this time that the level of uncertainty in entitling these properties does not warrant including them in the above totals.

During the year ended December 31, 2010, the Company did not have any write-offs (2009 $12.3 million; 2008 $17.7 million) related to unentitled lot option agreements.

Note 3. Investments in Unconsolidated Entities

The Company participates in ten unconsolidated entities in which it has less than a controlling interest. Summarized condensed financial information on a combined 100% basis of the unconsolidated entities follows:

	December 31	
Assets	**2010**	**2009**
Housing and land inventory	$ 294,526	$ 235,864
Other assets	7,976	6,722
	$ 302,502	$ 242,586
Liabilities and Equity		
Project specific financings	$ 33,173	$ 52,175
Accounts payable and other liabilities	22,362	14,082
Equity		
Brookfield Homes interest	124,369	92,477
Others interest	122,598	83,852
	$ 302,502	$ 242,586

		December 31	
Revenue and Expenses	**2010**	**2009**	**2008**
Revenue	$ 12,709	$ 12,663	$ 21,547
Cost of sales	(15,088)	(13,414)	(15,581)
Other income / (expense)	2,776	(4,081)	(2,548)

Net income / (loss)	$ 397	$ (4,832)	$ 3,418
Brookfield Homes share of net (loss) / income	$ (192)	$ 1,331	$ 3,302
Impairment of investments in unconsolidated entities	$	$ (12,995)	$ (37,863)

In reporting the Company s share of net income / (loss), all inter-company profits or losses from unconsolidated entities are eliminated on lots purchased by the Company from the unconsolidated entities. For the year ended December 31, 2010, the difference between the Company s share of the loss of its investments in unconsolidated entities for the year ended December 31, 2010 and equity in earnings from unconsolidated entities primarily arises from differences in accounting policies followed by unconsolidated entities.

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Investments in unconsolidated entities includes $26.4 million of the Company s share of non-refundable deposits and other entitlement costs in connection with 2,759 lots under option (2009 $27.0 million in connection with 1,987 lots under option). The Company s share of the total exercise price of these options is $93.2 million.

During the year ended December 31, 2010, in accordance with ASC Topic 323 Investments Equity Method and Joint Ventures (formerly Accounting Position Bulletin 18) and ASC Topic 360 Property, Plant and Equipment (formerly SFAS 144), the Company recognized impairment charges of nil (2009 $13.0 million; 2008 $37.9 million).

As described in Note 1(c), unconsolidated entities in which the Company has a noncontrolling interest are accounted for using the equity method. In addition, the Company has performed an evaluation of its existing unconsolidated entity relationships by applying the provisions of ASC Topic 810 Consolidation (formerly SFAS 160).

The Company and/or its unconsolidated entity partners have provided varying levels of guarantees of debt in its unconsolidated entities. At December 31, 2010, the Company had completion guarantees of nil (December 31, 2009 $7.9 million) and limited maintenance guarantees of $13.8 million (December 31, 2009 $15.3 million) with respect to debt in its unconsolidated entities.

Note 4. Receivables and Other Assets

The components of receivables and other assets included in the Company s balance sheet are summarized as follows:

	December 31	
	2010	**2009**
Proceeds and escrow receivable	$ 4,943	$ 1,414
Refundable deposits	989	4,815
Notes receivable	2,425	2,425
Prepaid expense	725	2,970
Miscellaneous receivables	9,353	5,261
Swap contract (Note 13 (f))	2,238	674
Other assets	865	4,183
Taxes receivable	3,288	40,002
	$ 24,826	$ 61,744

Note 5. Restricted Cash

At December 31, 2010, the Company had restricted cash of $7.4 million (December 31, 2009 $7.5 million). During the year ended December 31, 2009, the Company entered into a total return swap transaction (see Note 13(f)) which required the Company to maintain cash deposits as collateral equivalent to 1,022,987 shares at $7.31 per common share, the prevailing share price at the date of the transaction. During 2010, the total return swap matured and the Company entered into a new total return swap transaction (see Note 13 (f)) which requires the Company to maintain cash deposits as collateral equivalent to 1,022,987 shares at $7.18 per common share, the prevailing share price at the date of the transaction.

Note 6. Project Specific and Other Financings

Project specific financings of $171.8 million (2009 $231.6 million) are revolving in nature, bear interest at floating rates with a weighted average rate of 3.8% as at December 31, 2010 (December 31, 2009 4.2%) and are secured by housing and land inventory. The weighted average rate was calculated as of the end of each period, based upon the amount of debt outstanding and the related interest rates applicable on that date.

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Interest rates charged under project specific financings include LIBOR and prime rate pricing options. The maximum amount of borrowings during the years ended December 31, 2010, 2009 and 2008 was $240.4 million, $433.6 million and $644.6 million, respectively. The average borrowings during 2010, 2009 and 2008 were $217.8 million, $348.0 million and $546.9 million, respectively.

Project specific financings mature as follows: 2011 $134.6 million; 2012 $35.4 million; and 2013 $1.8 million.

The Company s project specific financings require Brookfield Homes Holdings Inc., a wholly-owned subsidiary of the Company, to maintain a tangible net worth of at least $325.0 million, a net debt to capitalization ratio of no greater than 65% and a net debt to tangible net worth of no greater than 2.50 to 1. As of December 31, 2010, the Company was in compliance with all its covenants.

Other financings of $160.0 million (December 31, 2009 $150.0 million) consist of amounts drawn on two unsecured revolving credit facilities due to subsidiaries of the Company s largest stockholder, Brookfield Asset Management Inc. The revolving operating facility is in a principal amount not to exceed $100.0 million, matures December 2011 and bears interest at a rate of LIBOR plus 3.5% per annum. At December 31, 2010, this facility was fully drawn. During the years ended December 31, 2010, 2009 and 2008, interest of $3.8 million, $6.1 million and $13.7 million, respectively, was incurred related to this facility.

The revolving acquisition and operating facility was entered into during February 2009, is in a principal amount not to exceed $100.0 million, matures December 2012 and initially bears interest at 12% per annum. This facility is available for the acquisition of housing and land assets and for operations. At December 31, 2010, $60.0 million had been drawn on this facility. During the years ended December 31, 2010 and 2009, interest of $6.4 million and $3.5 million, respectively was incurred related to this facility.

The covenants with respect to these facilities are to maintain a minimum stockholders equity of $300.0 million and a consolidated net debt to book capitalization ratio of no greater than 70%. As of December 31, 2010, the Company was in compliance with all of its covenants with respect to these facilities.

Note 7. Accounts Payable and Other Liabilities

The components of accounts payable and other liabilities included in the Company s balance sheet are summarized as follows:

	December 31	
	2010	**2009**
Trade payables and cost to complete accruals	$ 38,881	$ 37,518
Warranty costs (Note 13 (c))	10,529	13,126
Customer deposits	1,987	3,357
Stock-based compensation (Note 9)	8,076	5,878
Loans from other interests in consolidated subsidiaries	14,168	17,118
Accrued and deferred compensation	3,464	3,268
Swap contracts (Note 13 (e))	15,206	14,192
Consolidated land option contracts (Note 2)	25,206	25,434
Dividends payable	9,922	
Other	7,825	2,299
	$ 135,264	$ 122,190

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Note 8. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The differences that give rise to the net deferred tax asset are as follows:

	December 31	
	2010	**2009**
Differences relating to housing and land inventory	$ 5,468	$ 23,388
Compensation deductible for tax purposes when paid	3,271	2,641
Differences related to derivative instruments	4,927	5,235
Loss carry-forwards	18,965	8,848
	$ 32,631	$ 40,112

The Company has computed the tax provisions for the periods presented based upon accounting income, adjusted for expenses that are not deductible for tax purposes. The expense / (recovery) for income taxes for each of the three years ended December 31, 2010, 2009 and 2008 are as follows:

		December 31	
	2010	**2009**	**2008**
Current	$ (3,775)	$ (39,460)	$ (67,366)
Deferred	7,481	19,326	(3,495)
Income tax expense / (recovery)	$ 3,706	$ (20,134)	$ (70,861)

A reconciliation of the statutory income tax rate and the effective rate follows:

		December 31	
	2010	**2009**	**2008**
Statutory federal rate	35.0%	35.0%	35.0%
State income tax	3.0%	3.0%	3.0%
Uncertain tax liability reversals		2.9%	
Interest and other penalties	7.7%		
Other		1.2%	
Effective rate	45.7%	42.1%	38.0%

In accordance with the provisions of ASC Topic 740, the Company assesses, at each reporting period, its ability to realize its deferred tax assets. In determining the need for a valuation allowance, the Company considered the following significant factors: an assessment of recent years profitability and losses, adjusted to reflect the effects of changes to the Company s capital structure that have resulted in a significant reduction in the amount of interest-bearing debt; the Company s expectation of profits based on margins and volumes expected to be realized (which are based on current pricing and volume trends) and including the effects of reduced interest expense due to the reduction in the amount of interest-bearing debt; the financial support of the Company s largest stockholder as evidenced by the credit facilities in place; the long period of 10 to 20 years or more in all significant operating jurisdictions before the expiry of net operating losses, noting further that a substantial portion of the deferred tax asset is composed of deductible temporary differences that are not subject to an expiry period until realized under tax law. The Company s tax effected loss carry-forwards of $19.0 million expire between the years 2028 and 2030 based on the more likely than not standard in the guidance and the weight of available evidence, the Company does not believe a valuation allowance against its deferred tax assets is necessary. However, the recognition of deferred tax assets is based upon an estimate of future results and differences between the expected and actual financial performance of the Company could require all or a portion of the deferred tax assets to be expensed. The Company will continue to evaluate the need for a valuation allowance in future reporting periods.

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The Company recognizes interest and penalties accrued related to unrecognized tax benefits / obligations in income tax (recovery) / expense. During the year ended December 31, 2010, the Company incurred $0.6 million of tax-related interest and penalties (2009 nil; 2008 nil). For the year ended December 31, 2010, the Company did not reverse any uncertain tax liabilities (2009 $1.4 million; 2008 nil). The statute of limitations for the Company s major tax jurisdictions remains open for examination for fiscal years 2006 through 2009.

Note 9. Stock-Based Compensation

Option Plan

Brookfield Homes grants options to purchase shares of the Company s common stock at the market price of the shares on the day the options are granted. The Company s 2009 stock option plan authorizes a maximum of three million shares for issuance.

The fair value of the Company s stock option awards is calculated at the grant date using a Black-Scholes option-pricing model that uses the assumptions noted in the table below. The fair value of the Company s stock option awards is expensed over the vesting period of the stock options. Expected volatility is based on historical volatility of the Company s common stock. The risk-free rate for periods within the contractual life of the stock option award is based on the yield curve of a zero-coupon U.S. Treasury bond with a maturity equal to the expected term of the stock option award granted. The Company uses historical data to estimate stock option exercises and forfeitures within its valuation model. The expected term of stock option awards granted for some participants is derived from historical exercise experience under the Company s share-based payment plan and represents the period of time that stock option awards granted are expected to be outstanding. The expected term of stock options granted for the remaining participants is derived by using the simplified method.

The significant weighted average assumptions relating to the valuation of the Company s stock options granted during the years ended December 31, 2010 and 2009 subject to graded vesting are as follows:

	2010	**2009**
Dividend yield	0.0%	0.0%
Volatility rate	72%	74%
Risk-free interest rate	3.7%	2.9%
Expected option life (years)	7.5	7.5

The total compensation recognized in income related to the Company s stock options during the years ended December 31, 2010, 2009 and 2008 was expense of $1.1 million, income of $0.5 million and income of $1.5 million, respectively.

The following table sets out the number of common shares that employees of the Company may acquire under options granted under the Company s stock option plans:

	December 31, 2010		**December 31, 2009**		**December 31, 2008**	
	Shares	**Weighted Average Per Common Share Exercise Price**	**Shares**	**Weighted Average Per Common Share Exercise Price**	**Shares**	**Weighted Average Per Common Share Exercise Price**
Outstanding, beginning of year	2,155,000	$ 10.21	875,000	$ 30.57	782,319	$ 30.11
Granted	579,000	7.79	1,670,000	2.65	210,000	$ 15.90

Exercised	(38,000)		2.46	(25,000)		2.65	(117,319)	$	1.28
Cancelled	(59,000)		6.16	(365,000)		24.92			
Outstanding, end of year	2,637,000		9.88	2,155,000		10.21	875,000	$	30.57
Options exercisable, end of year	507,000	$	26.39	339,200	$	29.35	304,400	$	30.39

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The weighted average grant date fair value of options granted during 2010 was $5.38 per option compared to $1.74 per option in 2009 and $6.65 per option in 2008. The intrinsic value of options exercised during 2010, 2009 and 2008 was $0.1 million; $0.1 million; and $1.0 million, respectively. Shares were issued out of treasury stock for 38,000 options exercised during the year. At December 31, 2010, the aggregate intrinsic value of options currently exercisable is $0.8 million and the aggregate intrinsic value of options outstanding is $5.0 million. A summary of the status of the Company s unvested options included in equity as of December 31, 2010 and changes during the year ended December 31, 2010 is as follows:

	December 31, 2010	
	Shares	**Weighted Average Fair Value Per Share**
Unvested options outstanding, December 31, 2009	1,815,800	1.51
Granted	579,000	5.38
Vested	(206,800)	1.11
Cancelled	(58,000)	3.44
Unvested options outstanding, December 31, 2010	2,130,000	2.49

At December 31, 2010, there was $3.6 million of unrecognized compensation expense related to unvested options, which is expected to be recognized over a weighted average period of approximately 2.8 years.

The following table summarizes information about stock options held by employees of the Company outstanding at December 31, 2010:

Exercise Prices Per Share	**Options Outstanding at December 31,2010**	**Weighted Average Remaining Contract Life**	**Options Exercisable at December 31,2010**
$1.74	38,000	2.2	38,000
$21.94	70,000	3.2	70,000
$36.25	94,000	4.2	94,000
$52.00	90,000	5.2	72,000
$36.41	160,000	6.2	96,000
$15.90	145,000	7.2	58,000
$2.65	1,491,000	8.2	79,000
$7.34	255,000	9.2	
$8.23	294,000	9.8	
	2,637,000	7.7	507,000

Deferred Share Unit Plans

The Company has adopted a Deferred Share Unit Plan (DSUP) under which certain of its executive officers and directors may, at their option, receive all or a portion of their annual bonus awards or retainers, respectively, in the form of deferred share units. The annual awards are convertible into units based on the closing price of the Company s shares on the New York Stock Exchange on the date of the award. The portion of the annual bonus award elected by an officer to be received in units may be increased by a factor of up to two times for purposes of calculating the number of units to be allocated under the plan. The deferred share unit plan also permits the Compensation Committee to award deferred share units to the Company s executives in order to further align the recipients interests with those of our stockholders. An executive or director who holds units will receive additional units as dividends are paid on shares of the Company s common stock, on the same basis as if the dividends were reinvested. The units vest over a five year period and participants are allowed to redeem the units only upon ending their employment with the Company through retirement, resignation, termination or death. The cash value of the

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units, when redeemed, will be equivalent to the market value of an equivalent number of shares of the Company s common stock on such date.

In addition, the Company has adopted a Senior Operating Management Deferred Share Unit Plan (MDSUP), under which certain senior operating management employees receive a portion of their annual compensation in the form of deferred share units.

The DSUP and the MDSUP provide that no shares of the Company s common stock will be issued, authorized, reserved, purchased or sold at any time in connection with units allocated and under no circumstances are units considered shares of common stock, or entitle any participant to the exercise of any other rights arising from the ownership of shares of common stock. As of December 31, 2010, the Company had granted 1,213,993 units under the DSUP, of which 872,824 were outstanding at December 31, 2010, and of which 537,430 units are currently vested and 335,394 vest over the next five years. As of December 31, 2010, the Company had granted 73,374 units under the MDSUP, all of which were vested and outstanding at December 31, 2010. The liability of $8.1 million (December 31, 2009 $5.9 million) which relates to 859,148 units under the DSUP and MDSUP is included in accounts payable and other liabilities. The remaining 87,050 units vest during the years ending December 31, 2011 to 2014. The financial statement impact for the DSUP and MDSUP for year ended December 31, 2010, 2009 and 2008 was expense of $2.3 million, expense of $3.4 million and income of $5.6 million, respectively. Compensation recognized in income will fluctuate based on the year end share price. The following table sets out changes in and the number of deferred share units that executives, directors and senior operating management may redeem under the Company s DSUP and MDSUP:

	December 31, 2010
Outstanding, January 1, 2010	936,109
Granted	23,846
Redeemed	(13,757)
Cancelled	
Outstanding, December 31, 2010	946,198
Deferred Share Units Vested, December 31, 2010	610,804

Note 10. Other Interests in Consolidated Subsidiaries and Noncontrolling Interest

Other interests in consolidated subsidiaries includes ownership interests of certain business unit presidents of the Company totaling $42.5 million (December 31, 2009 $47.0 million). In the event a business unit president (Minority Member) of the Company is no longer employed by an affiliate of the Company, the Company has the right to purchase the Minority Member s interest and the Minority Member has the right to require the Company to purchase their interest. Should such rights be exercised, the purchase price will be based on the then estimated bulk sales value of the business units net assets.

The following table reflects the change in the Company s other interests in consolidated subsidiaries for the years ended December 31, 2010 and 2009:

	December 31	
	2010	2009
Other interests in consolidated subsidiaries, beginning of year	$ 47,011	$ 49,839
Net loss attributable to other interests in consolidated subsidiaries	(976)	(4,316)
(Distributions to) / contributions from other interests in consolidated subsidiaries	(3,574)	1,488

Other interests in consolidated subsidiaries, end of year	$ 42,461	$ 47,011

In accordance with ASC Topic 810 Consolidation (formerly SFAS 160), noncontrolling interest has been classified as a component of total equity and the net loss on the consolidated statements of operations has been adjusted to include the net income / (loss) attributable to noncontrolling interest which for the year ended December 31, 2010 was income of $0.3 million (2009 loss of $0.4 million) and other interests in consolidated subsidiaries

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which for the year ended December 31, 2010 was loss of $1.2 million (2009 loss of $4.3 million). The Company has recorded $1.1 million of income for the year ended December 31, 2010 relating to the forfeiture of another member s interest in a consolidated entity, which has been included in other income / (expense).

Noncontrolling interest includes third-party investments in unconsolidated entities of $6.5 million (December 31, 2009 $7.3 million).

Note 11. Stockholders Equity

(a) *Preferred Stock* The Company granted rights to its common stockholders of record on April 3, 2009 to subscribe for 10,000,000 shares of 8% convertible preferred stock, par value $0.01 per share at a subscription price of $25 per share. On April 27, 2009, the stockholders of the Company fully subscribed for the 10.0 million shares of convertible preferred stock. The shares of convertible preferred stock are convertible, at the option of the stockholder, into shares of common stock, at a conversion rate of 3.571428571 shares of common stock per share of convertible preferred stock, which is equivalent to a conversion price of $7.00 per share, subject to future adjustment. Dividends on the convertible preferred stock are fully cumulative, without interest, from the date of original issuance of the convertible preferred stock and will be payable semi-annually in arrears, at the Company s election, in cash, shares of common stock or a combination of cash and common stock. There were no preferred stock dividends in arrears for the period ended December, 31, 2010. The convertible preferred stock is perpetual and does not have a maturity date; however, beginning June 30, 2014, if the 90-day volume weighted average market price of the common stock is greater than $14 per share, the Company may, at its option, require all preferred stock to be automatically converted into common shares.

(b) *Common Stock* During the year ended December 31, 2009, the Company s stockholders approved an amendment to the Company s Amended and Restated Certificate of Incorporation to increase the total number of authorized shares of common stock from 65,000,000 shares to 200,000,000 shares.

(c) *Treasury Stock* The Company s Board of Directors approved a share repurchase program that allows the Company to repurchase in aggregate up to $144.0 million of the Company s outstanding common shares, of which the remaining amount approved for repurchases at December 31, 2010 was $48.8 million. During the years ended December 31, 2010, 2009 and 2008, the Company did not repurchase any shares. During the year ended December 31, 2010, 1,213,393 treasury shares were issued pursuant to a stock dividend paid to the preferred stockholders. This issuance of treasury stock was accounted for on an average cost basis. The difference between the amount of the $10.0 million dividend and the average cost of the treasury shares of $55.2 million issued has been charged to retained earnings.

(d) *Dividends* During the year, the Company s Board of Directors paid a stock dividend of 1,213,393 common shares utilizing treasury stock, to the preferred stockholders on June 30, 2010 and a cash dividend of $1.00 per preferred share on December 31, 2010. At December 31, 2010, $9.9 million was included in accounts payable and other liabilities relating to the cash dividend. No dividends were paid during the year ended December 31, 2010 relating to the common shares outstanding.

(e) *Exercise of Stock Options* During the year ended December 31, 2010, certain employees exercised options to purchase a total of 38,000 shares of the Company s common stock at an average price of $2.46 per share. During the year ended December 31, 2009, an employee exercised options to purchase a total of 25,000 shares of the common stock at an average price of $2.65 per share.

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Note 12. Loss Per Share

Basic and diluted loss per share attributable to Brookfield Homes Corporations common stockholders for the years ended December 31, 2010, 2009 and 2008 were calculated as follows:

	Years Ended December 31		
	2010	**2009**	**2008**
Numerator:			
Net income / (loss) attributable to Brookfield Homes Corporation	$ 4,427	$ (27,709)	$ (115,615)
Less: Preferred stock dividends	(19,995)	(13,500)	
Net loss attributable to common stockholders	$ (15,568)	$ (41,209)	$ (115,615)
Denominator:			
Basic average common shares outstanding	29,087	26,838	26,688
Dilutive effect of stock options assumed to be exercised			
Dilutive effect of preferred stock assumed to be converted			
Diluted average shares outstanding	29,087	26,838	26,688
Basic loss per share	$ (0.54)	$ (1.54)	$ (4.33)
Diluted loss per share	$ (0.54)	$ (1.54)	$ (4.33)

At December 31, 2010, options to purchase 2.6 million common shares were outstanding and anti-dilutive and were excluded from the computation of diluted earnings per share (2009 2.2 million; 2008 0.9 million). For the year ended December 31, 2010 and 2009, approximately 10.0 million preferred shares convertible into 35.7 million common shares were outstanding and anti-dilutive and were excluded from the computation of diluted earnings per share.

Note 13. Commitments, Contingent Liabilities and Other

(a) The Company, in the normal course of its business, has issued performance bonds and letters of credit pursuant to various facilities which at December 31, 2010, amounted to $140.1 million (December 31, 2009 $120.7 million, 2008 $148.3 million) and $6.5 million (December 31, 2009 $8.5 million, 2008 $11.6 million), respectively. The majority of these commitments have been issued to municipal authorities as part of the obligations of the Company in connection with the land servicing requirements.

(b) The Company is party to various legal actions arising in the ordinary course of business. In addition, the Company is party to a lawsuit that has been filed in Delaware, Chancery Court, alleging breach of fiduciary duties relating to a potential transaction (see Note 16). Management intends to vigorously defend these claims and believes the claims are without merit. An estimate of the possible loss or range of loss cannot be made. Management believes that none of these actions, either individually or in the aggregate, will have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

(c) When selling a home, the Company s subsidiaries provide customers with a limited warranty. The Company estimates the costs that may be incurred under each limited warranty and records a liability in the amount of such costs at the time the revenue associated with the sale of each home is recognized. In addition, the Company has insurance in place where its subsidiaries are subject to the respective warranty statutes in the state where the Company conducts business which range up to ten years for latent construction defects. Factors that affect the Company s warranty liability include the number of homes sold, historical and anticipated rates of warranty claims, and cost per claim. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. The following table reflects the changes in the Company s warranty liability for the years ended December 31, 2010 and 2009:

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	2010	2009
Balance, at beginning of year	$ 13,126	$ 13,123
Payments made during the year	(1,765)	(2,459)
Warranties issued during the year	1,705	2,491
Adjustments relating to pre-existing warranties	(2,537)	(29)
Balance, at end of year	$ 10,529	$ 13,126

(d) The Company leases certain facilities under non-cancelable operating leases. Rental expense incurred by the Company amounted to $2.3 million for 2010 (2009 $2.5 million; 2008 $3.6 million). At December 31, 2010, future minimum rent payments under these operating leases were as follows:

	Lease Payments
2011	$ 1,851
2012	$ 1,762
2013	$ 1,070
2014	$ 558
Thereafter	$ 222

(e) The Company is exposed to financial risk that arises from the fluctuations in interest rates. The interest bearing assets and liabilities of the Company are mainly at floating rates and, accordingly, their fair values approximate cost. The Company would be negatively impacted, on balance, if interest rates were to increase. From time to time, the Company enters into interest rate swap contracts. As at December 31, 2010, the Company had five interest rate swap contracts outstanding which effectively fixed $150.0 million at an average rate of 4.9%. The contracts expire between 2011 and 2017. At December 31, 2010, the fair market value of the contracts was a liability of $15.2 million (2009 $14.2 million) and was included in accounts payable and other liabilities. Expense of $1.0 million was recognized during the year ended December 31, 2010 (2009 income of $11.4 million; 2008 expense of $19.4 million) and was included in other income / (expense). All interest rate swaps are recorded at fair market value and are presented in the consolidated statements of operations because hedge accounting has not been applied. See Note 14 for additional disclosure.

(f) The Company is exposed to financial risk that arises from fluctuations in its common stock price. To hedge against future deferred share unit payments, in August 2009, the Company entered into a total return swap transaction at an average cost of $7.31 per share on 1,022,987 shares, which matured in August 2010. In August 2010, the Company entered into a new total return swap transaction at an average cost of $7.18 per share on 1,022,987 shares, maturing in August 2011. At December 31, 2010, the fair market value of the total return swap was an asset of $2.2 million and was included in accounts receivable and other assets (December 31, 2009 asset of $0.7 million). Income of $1.4 million was recognized during the year ended December 31, 2010 (2009 income of $3.9 million; 2008 expense of $11.3 million) and was included in selling, general and administrative expense. This income for the year ended December 31, 2010 was partially offset by an expense of $2.3 million relating to the Company s stock-based compensation plans (2009 expense of $3.9 million; 2008 income of $7.1 million). The total return swap is recorded at fair market value and is recorded through the consolidated statements of operations because hedge accounting has not been applied. See Note 14 for additional disclosure.

(g) Prior to the second quarter of 2009, the Company offered mortgage brokerage services to its home buying customers in each of its markets. The Company had agreements with various lenders to receive a fee on loans made by the lenders to customers that the Company introduces to the lenders. The Company provided mortgage origination services to its customers in the Washington D.C. Area and did not retain or service the mortgages it originated. The Company customarily sold all of the loans and loan servicing rights that it originated in the secondary market within a month of origination and on a limited recourse basis, generally limited to early payments, defaults, or fraud and misrepresentation. Effective April 1, 2009, the Company no longer originates and sells mortgages.

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Note 14. Fair Value Measurements

ASC Topic 820   Fair Value Measurements and Disclosures   (formerly SFAS 157) provides a framework for measuring fair value, expands disclosures about fair value measurements and establishes a fair value hierarchy which requires a company to prioritize the use of observable inputs and minimize the use of unobservable inputs in measuring fair value.

The Company   s financial assets are measured at fair value on a recurring basis and are as follows:

		Fair Value Measurements Using Significant Observable Inputs (Level 2)
Interest rate swap contracts at December 31, 2010	$	(15,206)

The fair value measurements for the interest rate swap contracts are determined based on notional amounts, terms to maturity, and the USD LIBOR rates. The LIBOR rates vary depending on the term to maturity and the conditions set out in the underlying swap agreements.

		Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Equity swap contract at December 31, 2010	$	2,238

The fair value measurement for the equity swap contract is determined based on the notional amount, stock price, the number of underlying shares and the three month USD LIBOR rate. The Company performed a sensitivity analysis of the estimated fair value and the impact to the consolidated financial statements using alternative reasonably likely assumptions on December 31, 2010 and the impact to the consolidated financial statements was nominal.

The fair value measurements for housing and land inventory were determined by comparing the carrying amount of an asset to its expected future cash flows. To arrive at the estimated fair value of housing and land inventory deemed to be impaired during the year ended December 31, 2010, the Company estimated the cash flow for the life of each project. Specifically, project by project, the Company evaluated the margins on home sales that have been closed, margins on sales contracts which are in backlog, estimated margins with regard to future home sales over the life of the projects, as well as estimated margins with respect to future land sales. The Company evaluated and continues to evaluate projects where inventory is turning over more slowly than expected or whose average sales price and margins are declining and are expected to continue to decline. These projections take into account the specific business plans for each project and management   s best estimate of the most probable set of economic conditions anticipated to prevail in the market area. Such projections generally assume current home selling prices, with cost estimates and sales rates for short-term projects consistent with recent sales activity. For longer-term projects, planned sales rates for 2011 and 2012 assume recent sales activity and normalized sales rates beyond 2012. If the future undiscounted cash flows are less than the carrying amount, the asset is considered to be impaired and is then written down to fair value less estimated selling costs.

There are several factors that could lead to changes in the estimate of future cash flows for a given project. The most significant of these include the sales pricing levels actually realized by the project, the sales rate, and the costs incurred to construct the homes. The sales pricing levels are often inter-related with sales rates for a project, as a price reduction usually results in an increase in the sales rate. Further, pricing is heavily influenced by the competitive pressures facing a given community from both new homes and existing homes, including foreclosures.

The Company has reviewed all of its projects for impairment in accordance with the provisions of ASC Topic 360 Property, Plant and Equipment (formerly SFAS 144) and ASC Topic 820 Fair Value Measurements and Disclosures (formerly SFAS 157). For the year ended December 31, 2010, no impairment charges have been recognized. For the year ended December 31, 2009, housing and land inventory on four projects with a carrying amount of $36.3 million were written down to their fair value of $25.1 million based on Level 3 inputs, resulting in an impairment charge of $11.2 million, which was included in impairment and write-off of option deposits. For the year ended December 31, 2008, housing and land inventory on 14 projects with a carrying amount of $407.5 million

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was written down to a fair value of $310.1 million based on Level 3 inputs, resulting in an impairment charge of $97.4 million, which was included in impairment and write-off of option deposits. The lots impaired represent all of the lots within a project that is determined to be impaired.

Note 15. Segment Information

As defined in ASC Topic 280, Segmented Reporting, the Company has five operating segments. The Company has four reportable segments: Northern California, Southland / Los Angeles, San Diego / Riverside, and the Washington D.C. Area.

The Company is a land developer and residential homebuilder. The Company is organized and manages its business based on the geographical areas in which it operates. Each of the Company s segments specialize in lot entitlement and development and the construction of single-family and multi-family homes. The Company evaluates performance and allocates capital based primarily on return on assets together with a number of other risk factors. Earnings performance is measured using segment operating income. The accounting policies of the segments are the same as those referred to in Note 1, Significant Accounting Policies.

	Years ended December 31		
	2010	2009	2008
Revenues:			
Northern California	$ 71,570	$ 102,264	$ 128,878
Southland / Los Angeles	86,554	79,125	93,828
San Diego / Riverside	81,014	89,502	86,745
Washington D.C. Area	96,208	93,558	135,416
Corporate and Other	3,520	11,531	4,136
Total Revenues	$ 338,866	$ 375,980	$ 449,003

	Years ended December 31		
	2010	2009	2008
Segment Income/ (Loss) before income taxes:			
Northern California	$ 6,299	$ (6,475)	$ (29,213)
Southland / Los Angeles	8,406	(4,926)	(18,923)
San Diego / Riverside	3,189	(22,339)	(87,571)
Washington D.C. Area	7,920	(11,722)	(33,147)
Corporate and Other	(18,657)	(7,134)	(35,244)
Income / (loss) before Income Taxes	$ 7,157	$ (52,596)	$ (204,098)

	December 31	
	2010	2009
Housing and Land Assets: (1)		
Northern California	$ 206,994	$ 201,164
Southland / Los Angeles	127,682	122,504
San Diego / Riverside	313,706	336,458
Washington D.C. Area	234,255	226,768
Corporate and Other	43,141	40,846

Total	$ 925,778	$ 927,740

(1) Consists of housing and land inventory including investments in unconsolidated entities.

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The following tables set forth additional financial information relating to the Company s reportable segments:

	Years Ended December 31		
	2010	**2009**	**2008**
Equity / (Loss) in Earnings from Unconsolidated Entities:			
Northern California	$ 1,371	$ 2,382	$
San Diego / Riverside	(1)		1,974
Washington D.C. Area	(604)	(317)	14
Corporate and Other	(958)	(734)	1,314
Total	$ (192)	$ 1,331	$ 3,302
Impairment of Housing and Land Inventory:			
Northern California	$	$	$ 21,172
Southland / Los Angeles		2,600	15,695
San Diego / Riverside		1,195	42,498
Washington D.C. Area		12,900	35,759
Corporate and Other		7,268	
Total	$	$ 23,963	$ 115,124
Impairment of Investments in Unconsolidated Entities:			
San Diego / Riverside	$	$ (9,243)	$ (37,863)
Washington D.C. Area		(3,435)	
Corporate and Other		(317)	
Total	$	$ (12,995)	$ (37,863)

	December 31	
	2010	**2009**
Investments in Unconsolidated Entities:		
Northern California	$	$
Southland / Los Angeles	64,833	48,050
San Diego / Riverside	2,050	2,694
Washington D.C. Area	46,579	34,971
Corporate and Other	10,907	6,762
Total	$ 124,369	$ 92,477

All revenues from external customers originate in the United States and all the Company s assets are in the United States. There were no customers that contributed 10% or more of the Company s total revenues during the years ended December 31, 2010, 2009 and 2008.

Note 16. Potential Transaction

On October 4, 2010, Brookfield Properties Corporation, Brookfield Homes Corporation and Brookfield Residential Properties Inc. (Brookfield Residential), a wholly-owned subsidiary of Brookfield Asset Management Inc., entered into a definitive agreement to combine Brookfield Homes and the North American residential land and housing division of Brookfield Properties into Brookfield Residential. Completion of the transaction is subject to regulatory approval in the United States and Canada, the approval of the holders of a majority of the outstanding Brookfield Homes common stock and other customary closing conditions. Brookfield beneficially owns, through Brookfield Residential, sufficient shares to approve the transaction and has agreed to vote in favor of the transaction at the Brookfield Homes stockholders meeting scheduled for March 25, 2011.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Conclusions Regarding the Effectiveness of Disclosure Controls and Procedures

As of December 31, 2010, an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the United States Securities Exchange Act of 1934 (the Exchange Act)) was carried out under the supervision and with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO). Based upon that evaluation, the CEO and CFO have concluded that as of December 31, 2010, our disclosure controls and procedures are effective: (i) to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms; and (ii) to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, to allow timely decisions regarding required disclosure.

It should be noted that while our management, including the CEO and CFO, believe our disclosure controls and procedures provide a reasonable level of assurance that such controls and procedures are effective, they do not expect that our disclosure controls and procedures or internal controls will prevent all error and all fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective at the reasonable assurance level.

There was no change in our internal control over financial reporting during the quarter ended December 31, 2010, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting using the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under the framework in *Internal Control Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2010. We have not identified any material weakness in our internal control over financial reporting.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The effectiveness of our internal control over financial reporting as of December 31, 2010 has been audited by Deloitte & Touche LLP, independent registered chartered accountants, as stated in their report which is included herein.

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Board of Directors and Stockholders of Brookfield Homes Corporation

We have audited the internal control over financial reporting of Brookfield Homes Corporation and subsidiaries (the Company) as of December 31, 2010, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2010 of the Company and our report dated February 17, 2011 expressed an unqualified opinion on those financial statements.

Independent Registered Chartered Accountants
Licensed Public Accountants
Toronto, Canada
February 17, 2011

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Executive Officers

The following table provides the name, age and position of each of our current executive officers and significant employees. Ian Cockwell and Craig Laurie are expected to serve as executive officers of Brookfield Residential upon completion of the transactions contemplated by the merger and contribution agreement.

Name	Age	Position Held
Executive Officers:		
Ian G. Cockwell	63	President and Chief Executive Officer
Craig J. Laurie	39	Executive Vice President and Chief Financial Officer
William B. Seith	61	Executive Vice President, Risk Management
Significant Employees:		
Stephen P. Doyle	53	President, Brookfield Homes San Diego Holdings LLC (San Diego)
Adrian Foley	48	President, Brookfield Homes Southland Holdings LLC (Southland)
Robert Hubbell	53	President, Brookfield Washington LLC (Washington D.C. Area)
John J. Ryan	51	President, Brookfield Homes Bay Area Holdings LLC (Bay Area)
Richard T. Whitney	47	President, Brookfield California Land Holdings LLC (California Land)

Ian Cockwell was appointed President and Chief Executive Officer in October 2002 and has served in various senior executive positions with our Company since 1994.

Craig Laurie was appointed Executive Vice President and Chief Financial Officer in October 2008. Mr. Laurie, prior to becoming an employee of the Company, was employed by Brookfield Asset Management LLC, a subsidiary of Brookfield Asset Management Inc. In this capacity, Mr. Laurie served as Chief Financial Officer and Treasurer of Crystal River Capital, Inc., which was externally managed by a subsidiary of Brookfield Asset Management Inc. Mr. Laurie served as Chief Financial Officer of Crystal River from April 2007 and from June 2003 to March 2007 served as the Chief Financial Officer of Brookfield Properties Corporation, and has held various other positions with Brookfield Asset Management Inc. and associated companies. Mr. Laurie joined Brookfield Asset Management Inc. in 1997 and holds a Chartered Accountant designation.

William Seith was appointed Executive Vice President, Risk Management in October 2002 and has served in various senior executive positions with our Company since 1994.

Stephen Doyle was appointed President of our San Diego business unit in 1996.

Adrian Foley was appointed President of our Southland business unit in 2004 and has served in various senior executive positions with our Company since 1996.

Robert Hubbell was appointed President of our Washington D.C. Area business unit in 1998 and has served in various senior executive positions with our Company since 1990.

John Ryan was appointed President of our Bay Area business unit in 1995.

Richard Whitney was appointed President of California Land in 2002 and has served in various senior executive positions with our Company since 1994.

Directors

Our board of directors currently consists of the seven persons set forth below, a majority of whom are independent. Ian Cockwell, Bruce Lehman, Alan Norris, Tim Price, David Sherman, Robert Stelzl and Michael Young are all expected to serve as directors of Brookfield Residential upon completion of the transactions contemplated by the merger and contribution agreement. There have been no material changes to the procedures by which stockholders may recommend nominees to our board of directors.

Name	Age	Director Since	Principal Occupation and Business Experience
Ian G. Cockwell	63	2002	Ian Cockwell was appointed President and Chief Executive Officer of our Company in October 2002. The Governance and Nominating Committee has concluded that Mr. Cockwell should serve as a director based upon his 30 years of real estate experience and the senior executive roles he has held for the past 17 years with our Company.
Bruce T. Lehman	58	2002	Bruce Lehman became a director in December 2002. During that period, Mr. Lehman has invested and held Principal positions with Armada, LLC and Summit Land Partners, LLC with a primary focus on residential land investments. He is presently investing for his individual account. Prior to this, Mr. Lehman was an independent consultant, providing strategic advice to clients in the homebuilding industry from 2000 to 2002. Mr. Lehman was President-Merchant Housing Division, of Catellus Residential Group, a wholly-owned subsidiary of Catellus Development Corp., a real estate development company, from 1996 until 2000. Mr. Lehman also held this position with Catellus Residential Group s predecessor company, Akins Real Estate Group, from 1989 until 2000. The Governance and Nominating Committee has concluded that Mr. Lehman should serve as a director based upon his 27 years of real estate experience in residential development and homebuilding. The Committee also considered that Mr. Lehman was qualified as a Certified Public Accountant.
Alan Norris	54	2003	Alan Norris became a director in February 2003. Mr. Norris is President and Chief Executive Officer of Carma Group, a developer of master-planned communities wholly-owned by Brookfield Properties. Mr. Norris joined Carma in 1983 and assumed increasingly senior positions over the next 11 years when he was appointed to his current position. The Governance and Nominating Committee has concluded that Mr. Norris should serve as a director based upon his 28 years of real estate experience and the senior executive roles he has held with Carma Group, a land and housing company. The Committee also considered Mr. Norris possession of overall management skills and his qualifications as a Chartered Accountant.
Timothy R. Price	68	2009	Timothy Price became a director in February 2009. Mr. Price has served as Chairman of Brookfield Funds since 1996 and was also Chairman, Brookfield Financial Corporation until December 31, 2004. Mr. Price was previously a

director of our Company from August 6, 2004 to October 4, 2006.

The Governance and Nominating Committee has concluded that Mr. Price should serve as a director based upon his 32 years of merchant banking and financial services experience in senior roles. The Committee also considered that Mr. Price was qualified as a Chartered Accountant.

Name	Age	Director Since	Principal Occupation and Business Experience
David M. Sherman	53	2003	David Sherman became a director in February 2003. Mr. Sherman is a Co-Managing Member of Metropolitan Real Estate Equity Management, LLC, a real estate fund-of-funds manager, a position he has held since the firm s inception in 2002. From 2002 to 2006, Mr. Sherman also served as an adjunct professor of real estate at Columbia University Graduate School of Business Administration. Mr. Sherman was the Managing Director, and head of REIT Equity Research at Salomon Smith Barney, Inc. from 1995 until 2000. Prior to this, Mr. Sherman held various positions in real estate investment banking and finance. The Governance and Nominating Committee has concluded that Mr. Sherman should serve as a director based upon his 29 years of real estate, investment banking and finance experience, including eight years as a Co-Managing Member of a real estate fund-of-funds manager.
Robert L. Stelzl	65	2002	Robert Stelzl became a director in December 2002 and has served as Chairman since May 2007. Mr. Stelzl is President of Rivas Capital, a private real estate investor and fund manager. Mr. Stelzl is retired from Colony Capital LLC, a global real estate private equity investor, where he was a Principal since 1995. Mr. Stelzl is currently a director of Brookfield Properties. The Governance and Nominating Committee has concluded that Mr. Stelzl should serve as a director based upon his 36 years of real estate experience, including 14 years as a principal with the global real estate investment fund, Colony Capital, LLC, together with his experience in real estate finance, reporting, investment analysis and general management.
Michael D. Young	66	2007	Michael Young became a director in February 2007. Mr. Young is President of Quadrant Capital Partners, Inc., a private equity firm with offices in Dallas and Toronto. Mr. Young served as Managing Director of CIBC World Markets Inc., a financial services firm, from 1994 until 2003. Mr. Young has been a trustee of Calloway Real Estate Investment Trust since 2003. The Governance and Nominating Committee has concluded that Mr. Young should serve as a director based upon his 31 years of capital markets and private equity experience. The Committee also considered Mr. Young s skills in valuation, organization building and compensation arrangements.

Audit Committee

We have a separately designated Audit Committee established in accordance with the Exchange Act. The Audit Committee is appointed by the board of directors to assist it in monitoring: (1) the integrity of our financial statements, including audits thereof; (2) our accounting and financial reporting processes and system of internal controls and procedures for financial reporting and accounting compliance; (3) the independent auditor s qualifications and independence; (4) the performance of our internal audit function and independent auditors; (5) our compliance with legal and regulatory requirements; (6) our relationship with the independent auditors; and (7) our principal financial risks and the processes employed to manage such risks. The Audit Committee of the board for the year ended December 31, 2010 was comprised of three directors: Robert A. Ferchat (Chairman), Bruce T. Lehman and Robert L. Stelzl. Each current member of the Audit Committee has been determined by the board to be independent and financially literate within the meaning of the NYSE Rules and SEC Rules. The board has determined that Mr. Lehman is an audit committee financial expert within the meaning of such rules. The Audit Committee met four times during the 2010 fiscal year.

Code of Business Conduct and Ethics

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

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, certain of our officers, and persons who own more than 10 percent of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than 10 percent stockholders are required by SEC regulations to furnish us with copies of all forms they file pursuant to Section 16(a). Based solely on our review of the copies of such forms received by us, we believe that all filing requirements applicable to our officers, directors and greater than 10 percent beneficial owners were complied with during the year ended December 31, 2010.

Item 11. Executive Compensation

Introductory Note

On October 4, 2010, Brookfield Properties Corporation, Brookfield Homes Corporation and Brookfield Residential Properties Inc. (Brookfield Residential), a wholly-owned subsidiary of Brookfield Asset Management Inc., entered into a definitive agreement to combine Brookfield Homes and the North American residential land and housing division of Brookfield Properties into Brookfield Residential. Completion of the transaction is subject to regulatory approval in the United States and Canada, the approval of the holders of a majority of the outstanding Brookfield Homes common stock and other customary closing conditions. Brookfield beneficially owns, through Brookfield Residential, sufficient shares to approve the transaction and has agreed to vote in favor of the transaction at the Brookfield Homes stockholders meeting scheduled for March 25, 2011. The transaction does not constitute a change of control pursuant to any of our compensation arrangements.

Compensation Discussion and Analysis

Overview

Our Compensation Discussion and Analysis explains the material elements of our Company s compensation arrangements for our Chief Executive Officer, Chief Financial Officer and other named executive officer. It should be read in connection with the Summary Compensation Table and related tables and narrative disclosures under Executive Compensation below.

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

- an overview of the compensation objectives and related policies;
- the compensation-setting process;
- each element of compensation and how the amounts payable under each element are determined; and
- the compensation decisions and analysis for fiscal 2010.

Executive Summary

The Management Resources and Compensation Committee (the Compensation Committee or Committee) of the board of directors of Brookfield Homes is responsible for discharging the board s responsibilities relating to the compensation of our named executive officers.

Our Company s objective in setting compensation is to create stockholder value over the long term, represented by the total return on our common stockholders equity. Accordingly, the compensation policies for our named executive officers are designed to align their interests with those of our stockholders by providing an overall competitive compensation package with a higher proportion of total compensation derived from the opportunity to participate in the long-term ownership participation plans. The principal elements of executive compensation for 2010 were:

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

We consider that the total compensation for our named executive officers in respect of the 2010 fiscal year is focused on aligning their interests with those of our stockholders, and is consistent with our Company s overall compensation objectives and the specific policies that are outlined in our Compensation Discussion and Analysis that follow.

Management Resources and Compensation Committee

The 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 Compensation Committee is responsible for discharging the Board s responsibilities relating to compensation of the Company s named executive officers, including responsibility to:

- review the adequacy and form of, and approve the compensation of the Company s Chief Executive Officer, Chief Financial Officer and any other named executive officer;
- review and make recommendations to the board with respect to the Company s stock option and deferred share unit plans, and approve any proposed awards under such plans;
- ensure that all equity-compensation plans and material revisions to such plans are approved by the Company s stockholders;
- review and make recommendations to the board with respect to any change to the Company s compensation plans involving a material annual change in cost to the Company;
- review corporate goals and objectives relevant to the compensation of the Chief Executive Officer of the Company; and
- evaluate the performance of the Chief Executive Officer in light of such goals and objectives.

The Compensation Committee upon majority approval of its members, may delegate its duties and responsibilities to sub-committees of the Committee. No such authority has been delegated. The Compensation Committee is comprised of the following three directors: Bruce T. Lehman (Chairman), David M. Sherman and Michael D. Young. Each member of the Compensation Committee has been determined by the board to be independent within the meaning of the NYSE Rules. The Compensation Committee met three times during the 2010 fiscal year.

Compensation Objectives and Policies

Overview

Our Company s objective in setting compensation is to create stockholder value over the long term, represented by the total return on our common stockholders equity. We also consider the performance of the named executive officers collectively in meeting corporate performance objectives, the relative roles and responsibilities of each named executive officer as compared to the other named executive officers and the performance of our Company relative to the industry. A specific objective of our Company is to attract and retain highly qualified and motivated individuals and to encourage a strong team approach.

Compensation Policies

In order to achieve our compensation objectives, we believe that:

- short-term cash compensation (base salaries and annual bonus awards) for the named executive officers should be set below the median level of total cash compensation for comparable companies within the homebuilding industry, in return for the opportunity to participate in the total return on our common stockholders equity over the long term. For the named executive officers, this results in direct and indirect long-term ownership participation (stock options and deferred share units) being targeted at the upper quartile level for comparable companies within the homebuilding industry;

- in order to foster a team-based approach, which we believe is fundamental to meeting our objective of maximizing the total return on our common stockholders equity over the long term, the difference between the base salaries and annual bonus awards of the Chief Executive Officer and the other named executive officers is significantly less than in comparable companies; and

- compensation arrangements for the named executive officers are related to the achievement of our Company s corporate performance objectives reviewed by the Compensation Committee at the beginning of each fiscal year. Our pay-for-performance philosophy is reflected in our compensation practices, which link a portion of executive compensation to the achievement of short-term and long-term objectives. In furthering our Company s pay-for-performance objectives:
  - a significant portion of compensation for the named executive officers is contingent on, and variable with, the total return on our common stockholders equity;

  - compensation of the named executive officers is at the discretion of the Compensation Committee; and

  - there are no employment, severance or change-in-control agreements with any of the named executive officers except for a stock option plan that provides for accelerated vesting on a change-in-control for all participants in the plan. An estimate of the compensation that would have been payable had such change-in-control provision been triggered as of the fiscal year-end are detailed under Executive Compensation Potential Payments upon Termination or a Change-in-Control.

Benchmarking

In furtherance of the compensation objectives outlined above, we compare our compensation levels with those of other public companies within the homebuilding industry. This benchmarking is done with respect to each of the key elements of compensation (base salary, annual bonus and direct and indirect long-term ownership participation), as well as the compensation of individual named executive officers where job descriptions are sufficiently similar. As outlined in our compensation objectives, base salary and annual bonus awards are targeted below the median level of total cash compensation for comparable companies within the homebuilding industry in return for an opportunity to participate in our Company s long-term ownership participation plans at the upper quartile level for these companies. The group of comparable companies used for fiscal 2010 was comprised of the following seven publicly traded homebuilding companies:

Beazer Homes USA	MI Homes
Hovnanian Enterprises	Standard Pacific
Lennar Corporation	Toll Brothers
Meritage Homes	

Individual Compensation Summaries Total Compensation

To assist it in its review of executive compensation decisions, the Compensation Committee reviews for each named executive officer a compensation summary (or tally sheet), that sets forth the total dollar value of the named executive officer s annual compensation, including base salary, annual bonus award, long-term ownership participation (stock option and deferred share unit grants) and any other compensation. The Committee uses tally sheets to estimate total annual compensation to the named executive officers and to utilize in its benchmarking exercise. While the Committee considers from time-to-time compensation previously paid to the named executive officers, the primary focus of the Committee s compensation actions is on motivating the future performance of the named executive officers.

The Compensation Process

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

Management s Role in the Compensation Process

The Chief Executive Officer and the Chief Financial Officer play a role in the compensation review process. The most significant aspects of their roles are:

- recommending base salary levels, annual bonus awards and long-term ownership participation levels for executive officers (other than for themselves) and senior operating management; and

- outlining performance and progress in meeting corporate objectives.

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

Compensation Committee Advisors

The Compensation Committee Charter grants the Committee the sole authority to retain and terminate any consultant to be used to assist in the evaluation of named executive officer compensation, including sole authority to approve any consultant s fees and other retention terms. The Compensation Committee did not retain an advisor with respect to the compensation arrangements of our named executive officers in 2010, 2009 or 2008.

Elements of Compensation

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

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

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

For Craig Laurie, who was appointed Chief Financial Officer on November 28, 2008, no base salary or annual bonus was paid by our Company in 2009 or 2008. Details of the Management Services Agreement effective February 2, 2009, relating to the employment of Mr. Laurie as our Chief Financial Officer during this period are provided under the heading Other 2010 and 2011 Compensation Matters below. This agreement was terminated effective December 31, 2009.

(i) Short-Term Compensation

Short-term compensation arrangements for the named executive officers consist of a base salary and an annual bonus award. Base salaries are intended to provide the executive with a base level of annual income that is not contingent on Brookfield Homes performance. Annual bonus awards are intended to compensate the named executive officers for annual performance as described below. Base salary and annual bonus award recommendations are submitted to the Compensation Committee for its consideration by the Chief Executive Officer (other than for himself) in the first quarter of the fiscal year, at the time of the approval of the previous year s financial statements. Base salary and annual bonus awards are approved by the Compensation Committee in an executive session without management present.

We believe that: base salaries and annual bonus awards for the named executive officers should be set below the median level for comparable companies within the homebuilding industry, in return for the opportunity for these individuals to participate at the upper quartile level in the long-term ownership participation plans; and in order to foster a team-based approach, which we believe is fundamental to meeting our long-term objectives, the difference between the base salaries and annual bonus awards of the Chief Executive Officer and the other named executive officers is less than in these comparable companies.

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

Bonus awards are reviewed annually and generally range between 50% and 100% of base salary, determined primarily on the named executive officer s performance in meeting our corporate performance objectives (outlined below under 2010 and 2011 Short-Term Compensation Decisions and Analysis), our performance relative to the industry and the principles set forth above. The performance of our Company is measured by the achievement of financial and other objectives reviewed at the beginning of the fiscal year. No quantitative relative weights are assigned to these factors when setting annual bonus awards.

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

2010 and 2011 Short-Term Compensation Decisions and Analysis

The following table details base salaries and annual bonus awards for our named executive officers for the 2010, 2009 and 2008 fiscal years, together with the median base salaries and annual bonus awards earned by executives holding similar positions at companies in the benchmarked group. Base salaries for fiscal 2011 and annual bonus awards for fiscal 2010 were set in the first quarter of 2011.

Name	2010 Base Salary and Bonus	2009 Base Salary and Bonus	2008 Base Salary and Bonus	Median Base Salary and Bonus Benchmarked Companies
Ian G. Cockwell	$ 715,000	$ 490,000	$ 350,000(2)	$ 1,170,000
Craig J. Laurie (1)	$ 560,000			$ 700,000
William B. Seith	$ 265,000	$ 250,000	$ 210,000(2)	$ 700,000

(1) Craig Laurie was appointed Chief Financial Officer effective November 28, 2008. Mr. Laurie received no base salary or annual bonus from our Company or any of our subsidiaries in 2009 or 2008. Details of the Management Services Agreement relating to the employment of Mr. Laurie as our Chief Financial Officer during this period are provided under the heading Other 2010 and 2011 Compensation Matters below. This agreement was terminated effective December 31, 2009.

(2) Messrs. Cockwell and Seith received no annual bonus for fiscal 2008.

In setting base salaries and annual bonus awards for fiscal 2010, the Compensation Committee considered in particular, the following:

- in 2010, we generated net cash from operating activities of $89 million, acquired 946 lots in strategic market areas, completed entitlements for 671 lots, and ended the year with a net debt to capitalization ratio of 39%;

- the base salaries and annual bonus awards of between $265,000 and $715,000 for the named executive officers were below the median base salaries and annual bonus awards earned by executives holding similar positions at comparable companies within the homebuilding industry;

- the difference between the base salary and annual bonus awards of the Chief Executive Officer and the other named executive officers was lower than the difference for comparable companies, fostering a team-based approach which we believe is fundamental to meeting our long-term objectives; and

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

In addition, the bonus award for each named executive officer took into account the relative contribution of each individual in meeting our corporate performance objectives outlined above. The determination of relative contribution was a subjective evaluation based on the individual s experience and level of responsibility. For 2010, this resulted in bonus awards for the named executives ranging between 23% and 79% of base salary.

(ii) Long-Term Ownership Participation

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

Stock options and deferred share units are used as long-term incentives because:

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

Stock Options

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

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

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

Deferred Share Units

Our deferred share unit plan provides that the Chief Executive Officer and Chief Financial Officer may, at their option, receive up to 100% of their annual bonus award, if any, in the form of deferred share units (DSUs or units). The annual bonus award is converted to units based on the closing price of a share of our common stock on the NYSE on the date of the award. The portion of the annual bonus award elected to be received in units by the executive may be increased by the Compensation Committee by a factor of up to two times for purposes of calculating the number of units to be allocated under the plan. The deferred share unit plan also permits the Compensation Committee to award deferred share units to any of our Company s executives in order to further align the recipients interests with those of our stockholders. An executive who holds units will receive additional units as dividends are paid on shares of our Company s common stock, on the same basis as if the dividends were reinvested. In 2010, the named executive officers did not receive any additional units under this feature. The units vest 20% per year over a five-year period beginning with the date of grant and are only redeemable upon retirement, resignation, termination or death.

Our stock option and deferred share unit plans are described in more detail under Executive Compensation Narrative Disclosure to Summary Compensation and Plan-Based Awards Tables below.

2010 and 2011 Long-Term Ownership Participation Decisions and Analysis

Stock option awards for fiscal 2010 were granted in the first quarter of 2011 based on the Compensation Committee s consideration of our Company s overall compensation objectives. For fiscal 2010, 265,000 options were granted to three named executive officers (representing approximately 58% of all stock options granted to our Company s employees). The stock options were awarded on a discretionary basis reflecting the effective capital made available to the individual, a subjective evaluation of the named executive officer s performance with regard to our Company s corporate performance objectives, the performance of our Company in 2010 relative to the industry and to motivate them to maximize the total return on our stockholders equity over the long term. No quantitative relative weights were assigned to these factors when setting option awards. The subjective evaluation of each named executive s performance took into account the relative contribution of each individual in meeting our corporate performance objectives outlined above. The determination of relative contribution was a subjective evaluation based on the individual s experience and level of responsibility.

The following table details the grant date fair value of the stock option and deferred share unit awards granted to our named executive officers in 2011 for fiscal 2010, granted in 2010 for fiscal 2009, granted in 2009 for fiscal 2008, and granted in 2008 for fiscal 2007 together with the median value of long-term participation awards granted to executives holding similar positions at companies in the benchmarked group:

Name	Long-Term Ownership Participation Grants (Year Granted) 2011 [(1)]	2010 [(2)]	2009 [(3)]	2008 [(4)]	Medium Long-Term Incentive Awards Benchmarked Companies
Ian G. Cockwell	$ 1,944,180	$	$ 1,620,000	$ 701,959	$ 2,651,200
Craig J. Laurie	$ 1,241,280	$ 1,708,140			$ 739,760
William B. Seith	$ 448,490	$ 300,000	$ 238,750	$ 555,379	$ 580,429

(1) Represents grant date fair value of stock option and deferred share unit awards granted February 16, 2011 relating to fiscal 2010, as follows: Ian Cockwell 126,000 stock options and 42,857 deferred share units; Craig Laurie 96,000 stock options and 16,327 deferred share units; and William Seith 43,000 stock options.

(2) Represents grant date fair value of stock option awards granted February 9, 2010 relating to fiscal 2009, as follows: William Seith 60,000 stock options; and grant date fair value of stock option awards granted October 4, 2010 as follows: Craig Laurie 294,000 stock options.

(3) Represents grant date fair value of stock option awards granted February 2, 2009 relating to fiscal 2008, as follows: Ian Cockwell 1,000,000 stock options; and William Seith 125,000 stock options.

(4) Represents grant date fair value of stock option and deferred share unit awards granted February 1, 2008 relating to fiscal 2007, as follows: Ian Cockwell 65,000 stock options and 22,012 deferred share units; and William Seith 20,000 stock options and 25,000 deferred share units.

The exercise price for each of the option grants was not lower than the closing price of a share of our common stock on the NYSE on the date the Compensation Committee approved the grant, and each of the options granted vests over five years, with the exception of the February 2, 2009 grant to Mr. Cockwell, which in order to encourage his retention, will vest in its entirety on February 2, 2014.

Other 2010 and 2011 Compensation Matters

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

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

This agreement was terminated effected December 31, 2009 and Mr. Laurie is currently eligible to participate in the compensation arrangements available to our named executive officers, consisting of a base salary of $320,000 for the 2010 fiscal year, discretionary annual cash bonus award, the opportunity to participate in our Company s long-term ownership participation plans and participation in our benefits and 401(k) plan.

Other Compensation Policies

Share Ownership Policy

In order to promote equity ownership and further align the interests of our Chief Executive Officer and Chief Financial Officer with the interests of our stockholders, we have adopted share ownership guidelines for these individuals. Under these guidelines, the Chief Executive Officer and Chief Financial Officer are expected to hold an investment equal to five times their base salary, based on the market value of the shares or deferred share units held, to be attained over a three-year period from being appointed to such position. The Chief Executive Officer s shareholdings are currently in excess of these investment guidelines and our Chief Financial Officer has until November 28, 2011 to attain the required level of ownership.

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

Timing of Stock Option and Deferred Share Unit Grants
We have established a policy and procedure on stock option and deferred share unit grants that includes the following provisions governing the timing of such grants:

- The Compensation Committee generally determines and approves its annual award of stock options and deferred share units (whether to the named executive officers or other employees) at a Committee meeting held during the first quarter of the fiscal year at the time of the approval of the year end financial statements;
- The grant date of stock options or deferred share units is always the date of the approval of the grants;
- Management has no control over selecting the grant date;
- Pursuant to the stock option plan, the exercise price of the stock options is not lower than the closing price on the NYSE of the underlying common stock on the grant date;
- Pursuant to the deferred share unit plan, deferred share unit grants are calculated using the closing price on the NYSE of a share of our common stock on the grant date;
- Stock option and deferred share unit awards are promptly reported on Form 4 with the Securities and Exchange Commission for all named executive officers and directors.

The timing of the annual stock option grants and deferred share unit awards is concurrent with our earnings release for the fiscal year. As a result, the Committee may be in possession of material non-public information on the grant date. However, as the approval and grant date of annual stock option grants is always the date of our earnings release for the fiscal year, neither we, nor the Compensation Committee is in a position to time these grants or the annual earnings release in order to impact the value of executive compensation either positively or negatively.

Tax Deductibility of Compensation
We consider the deductibility for tax purposes of all material elements of our compensation arrangements. Compensation plans are reviewed in light of applicable tax provisions, including Section 162(m) of the Internal Revenue Code of 1986, as amended, which generally disallows a tax deduction to public companies for non-qualifying compensation in excess of $1.0 million paid to any such persons in any fiscal year.

Compensation Committee Interlocks and Insider Participation
Bruce T. Lehman, David M. Sherman and Michael D. Young served as members of the Management Resources and Compensation Committee in respect of the 2010 fiscal year, none of whom has served Brookfield Homes in any capacity other than as a member of the board or a member of a committee thereof. There are no other relationships requiring disclosure under this item.

COMPENSATION COMMITTEE REPORT

The Management Resources and Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management, and based on this review and discussion has recommended to the board of directors that the Compensation Discussion and Analysis be included in Brookfield Homes Corporation s annual report on Form 10-K.

MANAGEMENT RESOURCES & COMPENSATION COMMITTEE
BRUCE T. LEHMAN
DAVID M. SHERMAN
MICHAEL D. YOUNG

Executive Compensation

SUMMARY COMPENSATION TABLE

The following table details the compensation of our Chief Executive Officer, Chief Financial Officer and our other named executive officer for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008:

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards (DSUs) ($)(4)	Option Awards ($)(4)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)(5)	Total ($)
Ian G. Cockwell	2010	$ 400,000	$ 630,000(1)					$ 21,463	$ 1,051,463
President & Chief	2009	$ 350,000	$ 140,000		$ 1,620,000			$ 19,545	$ 2,129,545
Executive Officer	2008	$ 350,000			$ 351,959			$ 102,402	$ 804,361
Craig J. Laurie (3)	2010	$ 320,000	$ 360,000(2)		$ 1,708,140			$ 11,515	$ 2,399,655
Executive Vice	2009								
President & Chief	2008								
Financial Officer									
William B. Seith	2010	$ 215,000	$ 50,000		$ 300,000			$ 10,525	$ 575,525
Executive Vice	2009	$ 210,000	$ 40,000		$ 238,750			$ 10,545	$ 499,295
President, Risk Management	2008	$ 210,000		$ 397,500	$ 157,879			$ 14,053	$ 779,432

(1) Mr. Cockwell elected on February 16, 2011 to receive 100% of his annual bonus award for the 2010 fiscal year of $315,000 in deferred share units, increasing his deferred share units by 42,857. Pursuant to the deferred share unit plan, amounts elected to be received in units were increased by a factor of two times for purposes of calculating the number of units allocated. The grant date fair value of this award was $630,000.

(2) Mr. Laurie elected on February 16, 2011 to receive 50% of his annual bonus awarded for the 2010 fiscal year of $240,000 in deferred share units, increasing his deferred share units by 16,327. Pursuant to the deferred share unit plan, amounts elected to be received in units were increased by a factor of two times for purposes of calculating the number of units allocated. The grant date fair value of this award was $240,000.

(3) Mr. Laurie was appointed Chief Financial Officer effective November 28, 2008. We entered into a Management Services Agreement effective February 2, 2009 relating to the employment of Mr. Laurie as our Chief Financial Officer. This agreement was terminated effective December 31, 2009. Further information regarding these arrangements is provided in the Compensation Discussion and Analysis under the heading Other 2010 and 2011 Compensation Matters.

(4) Dollar amounts in the Stock Awards and Option Awards columns for 2010, 2009 and 2008 reflect the aggregate grant date fair value of awards made during the respective fiscal year computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718. For a discussion of

the assumptions made in the valuations, refer to Note 9 to our consolidated financial statements for the year ended December 31, 2010, Note 10 to our consolidated financial statements for the fiscal year ended December 31, 2009, and Note 8 to our consolidated financial statements for the fiscal year ended December 31, 2008.

(5) Refer to the All Other Compensation Table below for details of amounts paid in 2010.

ALL OTHER COMPENSATION TABLE

The following table details each item of compensation of our named executive officers for the fiscal year ended December 31, 2010, required to be included in the All Other Compensation column in the Summary Compensation Table above:

Name	Company Contributions to Retirement Savings Plan and Life Insurance Premiums[(1)]	
Ian G. Cockwell	$	21,463
Craig J. Laurie	$	11,515
William B. Seith	$	10,525

(1) Our named executive officers do not participate in any defined benefit, actuarial pension plan or any other post-retirement supplementary compensation plans. Named executive officers receive an annual contribution to their retirement savings plans equal to a percentage of annual base salary, and we pay a life insurance premium annually on behalf of the named executive officers which for 2010 was as follows: Ian Cockwell $1,074; Craig Laurie $615; and William Seith $420.

2010 GRANTS OF PLAN-BASED AWARDS TABLE

The following table details each grant of an award to a named executive officer in the fiscal year ended December 31, 2010 under our stock option and deferred share unit plans:

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (DSUs) (#)	All Other Option Awards: Number of Securities Underlying Options (#) (1)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Shares of Stock or Units (DSUs) and Option Awards (2)
Ian G. Cockwell					
Craig J. Laurie	10/04/2010		294,000	$ 8.23	$ 1,708,140
William B. Seith	02/09/2010		60,000	$ 7.34	$ 300,000

(1) Denotes awards granted under the stock option plan. The options vest 20% per year over a five-year period beginning on the date of grant, and are exercisable over a 10-year period from the date of grant. Not included here are options granted February 16, 2011 at an exercise price of $14.70 per share as follows: Ian Cockwell 126,000; Craig Laurie 96,000; and William Seith 43,000.

(2) The grant date fair value of the stock option awards are determined in accordance with FASB ASC Topic 718. For a discussion of the assumptions made in the valuation, refer to Note 9 to our consolidated financial statements for the fiscal year ended December 31, 2010.

Narrative Disclosure to Summary Compensation and Plan-Based Awards

During fiscal 2010, in accordance with the compensation objectives and policies described in our Compensation Discussion and Analysis, the named executive officers received compensation comprised of base salary, an annual bonus award and an allocation of stock options. Our Chief Executive Officer and Chief Financial Officer elected to receive all and 50% of their annual bonus award for the 2010 fiscal year, respectively, in deferred share units, further aligning their interests with those of our stockholders. Pursuant to the terms of the deferred share unit plan, amounts elected to be received in units were increased by a factor of two times for purposes of calculating the number of units allocated. Material terms of our stock option and deferred share unit plans follow.

2009 Stock Option Plan

Our 2009 stock option plan permits our Company to grant options to purchase shares of our common stock at the market price on the day the options are granted. Stock options generally vest 20% per year over a five-year period beginning with the date of grant, and are exercisable over a 10-year period from that date. A maximum of three million shares (10.1% of our issued and outstanding shares of our Company at February 22, 2011) are authorized for issuance under the plan of which approximately 840,000 remain available for future issuance as of February 22, 2011. Upon exercise of a vested option and upon payment to us of the exercise price, participants will receive one share of our common stock. The Compensation Committee may permit participants to, rather than exercising an in-the-money option (in-the-money means the market value of shares under the option exceeds the exercise price of the options prior to related income taxes), receive an amount in cash equal to the difference between the exercise price of the option and the price by which a securities dealer designated by us is able to sell the shares underlying the options in the market.

Deferred Share Unit Plan

Our deferred share unit plan provides that our Chief Executive Officer and Chief Financial Officer may, at their option, receive up to 100% of their annual bonus award in the form of deferred share units (DSUs or units). The annual bonus award is converted to units based on the closing price of our common stock on the NYSE on the date of the award. The portion of the annual bonus award elected to be received in units by the executive may, at the discretion of the Compensation Committee, be increased by a factor of up to two times for purposes of calculating the number of units to be allocated under the plan. The deferred share unit plan also permits the Compensation Committee to award deferred share units to any of our Company s executives in order to further align the recipients interests with those of our stockholders. An executive who holds units will receive additional units as dividends are paid on shares of our Company s common stock, on the same basis as if the dividends were reinvested. In 2010, no additional units were received by the named executive officers under this feature.

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

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2010

The following table details information about unexercised stock options on an award-by-award basis and the total number of deferred share units that have not vested for each named executive officer as of December 31, 2010:

	Option Awards (1) (4)				Stock Awards (DSUs) (1)	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) (2)	Market Value of Shares or Units of Stock That Have Not Vested ($) (3)
Ian G. Cockwell		1,000,000	$ 2.65	2/02/2019	26,073	$ 245,086
	26,000	39,000	$ 15.90	2/01/2018		
	54,000	36,000	$ 36.41	2/01/2017		
	48,000	12,000	$ 52.00	2/01/2016		
	75,000		$ 36.25	2/15/2015		
	40,000		$ 21.94	2/18/2014		
	243,000	1,087,000				
Craig J. Laurie		294,000	$ 8.23	10/04/2020		
William B. Seith		60,000	$ 7.34	2/09/2020		
	25,000	100,000	$ 2.65	2/02/2019	15,244	$ 143,294
	8,000	12,000	$ 15.90	2/01/2018		
	12,000	8,000	$ 36.41	2/01/2017		
	4,000	1,000	$ 52.00	2/01/2016		
	5,000		$ 36.25	2/15/2015		
	10,000		$ 21.94	2/18/2014		
	14,000		$ 1.74	2/13/2013		
	78,000	181,000				

(1) Stock options and deferred share units vest 20% per year over a five-year period beginning on the date of grant, with the exception of Mr. Cockwell s February 2, 2009 stock option grant that will vest in its entirety on February 2, 2014.

(2) The units indicated under the Stock Awards column are deferred share units granted under our deferred share unit plan that are unvested as of December 31, 2010.

(3) Market value calculated by multiplying the closing market price of our common stock at December 31, 2010 of $9.40 by the total number of deferred share units that remain unvested as of that date.

(4) Pursuant to the merger and contribution agreement dated October 4, 2010 among Brookfield Properties, Brookfield Homes and Brookfield Residential Properties Inc. (Brookfield Residential), a wholly-owned subsidiary of Brookfield, upon the effective date of the merger, each option to purchase our common stock and each Brookfield Homes deferred share unit that is outstanding will be replaced with an option to purchase common shares of Brookfield Residential or deferred share units of Brookfield Residential, as applicable. Based on the number of our options and deferred share units outstanding at February 22, 2011, Brookfield Residential will issue 2,144,321 options and up to 712,893 deferred share units pursuant to the foregoing. The number of options and deferred share units held by each of our executive officers at February 22, 2011 is provided in the table below:

	Prior to the Transaction		Upon Completion of the Transaction	
Name	Options	DSUs	Options	DSUs
Ian G. Cockwell	1,456,000	474,235	961,278	362,743
Craig J. Laurie	390,000	16,327	298,311	12,489
William B. Seith	302,000	25,407	212,107	19,434

2010 OPTION EXERCISES AND STOCK (DSUs) VESTED

The following table provides information regarding each exercise of stock options and the aggregate number of deferred share units that vested during the fiscal year ended December 31, 2010 for each of the named executive officers on an aggregated basis:

	Option Awards		Stock Awards (DSUs)	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Units Acquired on Vesting (#) (1)	Value at Time of Vesting ($) (1)
Ian G. Cockwell			13,462	$ 126,543
Craig J. Laurie				
William B. Seith			5,082	$ 47,771

(1) Vested deferred share units are only redeemable upon retirement, resignation, termination or death. Accordingly, the named executive officers receive no value until the occurrence of such event. Value at time of vesting calculated by multiplying the closing market price of our common stock at December 31, 2010 of $9.40 by the total number of deferred share units that vested during the year.

POTENTIAL PAYMENTS UPON TERMINATION OR A CHANGE-IN-CONTROL

Our stock option plan provides that upon a change of control, all unvested stock options shall immediately vest. This accelerated vesting occurs with respect to all stock option awards granted by Brookfield Homes, and not only those granted to the named executive officers. At December 31, 2010, the named executive officers held the following unvested stock options that would become vested upon a change of control:

	Stock Options	
Name	Shares Underlying Unvested Options (#)	Unrealized Value of Unvested Options ($)(1)
Ian G. Cockwell	1,087,000	$ 6,750,000
Craig J. Laurie		
William B. Seith	181,000	$ 798,600

(1) The unrealized value of unvested options was calculated by multiplying the number of shares underlying unvested options by the closing price of a share of our common stock at December 31, 2010 of $9.40, and then deducting the aggregate exercise price of these options.

There are no employment contracts, termination of employment or specific change of control arrangements with any of our named executive officers. None of our executive officers have stock options that will automatically vest upon completion of transactions contemplated by the merger and contribution agreement as there is no change of control triggered as a result of such transactions.

2010 DIRECTOR COMPENSATION

During fiscal 2010, our independent directors received an annual retainer of $50,000, paid 50% in cash and 50% in deferred share units of our Company. The requirement to accept 50% of the annual retainer in deferred share units is designed to more closely align the interests of directors with the interests of stockholders. Directors had the option to elect to receive up to 100% of their annual retainer in deferred share units. The Chairman of our Company earned an additional $75,000 representing the annual Chairman s fee. Further, the Chairman of the Audit Committee earned an annual cash payment of $10,000 and the chairmen of the other board committees earned an annual cash payment of $5,000, reflecting their additional responsibilities. Directors were reimbursed for travel and other out-of-pocket expenses they incurred in attending board and committee meetings. Non-independent directors who were not employed by our Company were entitled to receive 50% of the directors annual retainer of $50,000, payable in cash.

The following table provides the compensation of our current and former directors for the fiscal year ended December 31, 2010:

Name	Fees Earned or Paid in Cash ($) (1)	Stock Awards (DSUs)($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
Robert A. Ferchat	$ 60,000						$ 60,000
Bruce T. Lehman	$ 55,000						$ 55,000
Alan Norris(2)	$ 25,000						$ 25,000
Timothy Price(2)	$ 25,000						$ 25,000
David M. Sherman	$ 55,000						$ 55,000
Robert L. Stelzl	$ 125,000						$ 125,000
Michael D. Young	$ 50,000						$ 50,000

(1) Independent directors received an annual retainer of $50,000 relating to fiscal 2010, paid 50% in cash and 50% in deferred share units, subject to their election to receive up to 100% of their annual retainer in deferred share units. Refer to the Director Deferred Share Unit Grants Table below for details. A fee of $75,000 was earned by Robert Stelzl for his services as Chairman. A fee of $10,000 was earned by Robert Ferchat for his services as Audit Committee Chairman, and $5,000 each was earned by Bruce Lehman and David Sherman in consideration of their services as Management Resources and Compensation Committee and Governance and Nominating Committee chairmen, respectively.

(2) Brookfield received director cash compensation for non-independent directors not employed by our Company, equal to 50% of the directors annual retainer of $50,000.

The following table details grants of deferred share units to each independent director during fiscal 2010 and total unvested deferred share units held by each independent director at December 31, 2010:

2010 DIRECTOR DEFERRED SHARE UNIT GRANTS

Grant Date

Name	Grant Date	Deferred Share Units (#) (1)	Fair Value (2)	Unvested Deferred Share Units at Fiscal Year End (#) (3)
Robert A. Ferchat	02/09/2010	6,812	$ 50,000	
Bruce T. Lehman	02/09/2010	3,406	$ 25,000	
David M. Sherman	02/09/2010	6,812	$ 50,000	
Robert L. Stelzl	02/09/2010	3,406	$ 25,000	
Michael D. Young	02/09/2010	3,406	$ 25,000	

(1) Deferred share units granted to independent directors consisted of 50% of the 2010 annual retainer of $50,000 required to be received in deferred share units by each director plus an additional amount up to 100% of the annual retainer elected to be received in deferred share units by each director.

(2) The aggregate grant date fair value was computed in accordance with FASB ASC Topic 718. For a discussion of the assumptions made in the grant date valuation, refer to Note 9 to our consolidated financial statements for the fiscal year ended December 31, 2010.

(3) Deferred share units granted to directors vest 20% per year over a five-year period, except in the event of retirement, termination or death, in which case all deferred share units held by the director participant become fully vested. Pursuant to the merger and contribution agreement dated October 4, 2010 among Brookfield Properties, Brookfield Homes and Brookfield Residential, and in accordance with the terms of the Brookfield Homes Deferred Share Unit Plan, Brookfield Homes director deferred share unit holders may elect, as a result of their separation from service, to receive either cash or to replace their Brookfield Homes deferred share units with Brookfield Residential deferred share units upon the effective date of the merger.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

(a) Equity Compensation Plans

The information required by this item with respect to equity compensation plans is set forth under Item 5 of this annual report on Form 10-K and is incorporated herein by reference.

(b) Security Ownership of Principal Stockholders and Management

The following table shows the beneficial ownership of shares of our outstanding common stock as of February 22, 2011 by:

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

each of our directors and director nominees;

each of our executive officers named in the Summary Compensation Table on page 71 under Executive Compensation (the named executive officers); and

all of our directors and executive officers as a group.

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

	Amount and Nature of Common Stock Beneficially Owned	
Name of Beneficial Owner	Number of Shares Beneficially Owned (1) (2)	Percentage of Class (3)
Brookfield Asset Management Inc. (4) Suite 300, Brookfield Place 181 Bay Street, Toronto, Ontario M5J 2T3	53,808,460(5)	82.64
Dimensional Fund Advisors LP Palisades West, Building One 6300 Bee Cave Road Austin, Texas 78746	1,559,013(6)	5.25
Ian G. Cockwell (7)	55,400,946	84.71
Craig J. Laurie	3,090	*
Bruce T. Lehman		*
Alan Norris	3,000	*
Timothy R. Price	19,763	*

William B. Seith	124,000	*
David M. Sherman	8,500	*
Robert L. Stelzl	3,600	*
Michael D. Young	8,500	*
All directors and officers as a group (11 persons)	55,571,399	84.81

* Less than 1%.

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

(2) Beneficial ownership includes 35,437,482 shares that Brookfield Asset Management Inc. (Brookfield) could acquire upon conversion of its shares of our 8% convertible preferred stock. Beneficial ownership also includes shares held indirectly through Partners Limited (Partners), which is described in Note 4 below. Beneficial ownership also includes shares that the executive officers and directors could acquire by exercising stock options on, or within 60 days after, February 22, 2011 as follows: Mr. Cockwell 286,000; and Mr. Seith 124,000. Refer to the section of this Form 10-K entitled Executive Compensation for details of issued stock options. No shares are pledged as security by any of the named executive officers or directors.

(3) The percentages are calculated based on the 29,677,984 shares of our common stock that are outstanding as of February 22, 2011. For each person, separately, his, her or its percentage was calculated by including his, her or its options and shares to be acquired upon conversion of our 8% convertible preferred stock, as set forth in Note 2 in both the numerator and the denominator, and for the group, the percentage was calculated by including the aggregate number of options and shares to be acquired upon conversion of our 8% convertible preferred stock, set forth in Note 2 in both the numerator and the denominator.

(4) Brookfield is an asset management company listed on the New York and Toronto stock exchanges and the NYSE Euronext. We are advised by Brookfield that its major shareholder is Partners. Partners and its shareholders, collectively own, directly or indirectly, exercise control or direction over, or have contractual arrangements, such as options to acquire or otherwise hold beneficial interests in approximately 100 million Class A Limited Voting Shares, representing approximately 17% of the outstanding Class A Limited Voting Shares of Brookfield on a fully diluted basis, and 85,120 Class B Limited Voting Shares, representing 100% of the Class B Limited Voting Shares of Brookfield. Messrs. Cockwell, Norris and Price, who are directors and/or officers of our Company, are also shareholders of Partners and may be deemed to share beneficial ownership of our common stock with Brookfield. There are approximately 40 shareholders of Partners, none of whom hold more than a 20% effective equity interest. To the extent any of such shareholders is deemed to be a beneficial owner of shares of our common stock held by Brookfield, such person disclaims beneficial ownership of those shares of our common stock.

(5) Based solely upon information contained in the Schedule 13D/A of Brookfield filed with the Securities and Exchange Commission on July 9, 2010 with respect to common stock owned as of June 30, 2010.

(6) Based solely upon information contained in the Schedule 13G of Dimensional Fund Advisors LP filed with the Securities and Exchange Commission on February 11, 2011 with respect to common stock owned as of December 31, 2010.

(7) Includes 53,808,460 shares beneficially owned by Brookfield. Mr. Cockwell disclaims beneficial ownership of the shares of common stock held beneficially by Brookfield.

Item 13. Certain Relationships and Related Transactions and Director Independence

Related Party Transactions

We were incorporated on August 28, 2002 in Delaware and thereafter we acquired all the California and Washington D.C. Area homebuilding and land development operations of Brookfield Properties Corporation (Brookfield

Properties). We and Brookfield Properties are affiliates, as Brookfield Asset Management Inc. (Brookfield) directly and indirectly owns approximately 62% (83% assuming full conversion by it of our 8% Convertible Preferred Stock, Series A owned by it) and 51% of each corporation, respectively.

On October 4, 2010, Brookfield Properties, Brookfield Homes and Brookfield Residential Properties Inc. (Brookfield Residential), a wholly-owned subsidiary of Brookfield, entered into a definitive agreement (the merger and contribution agreement) to combine Brookfield Homes and the North American residential land and housing division of Brookfield Properties into Brookfield Residential (the transaction). Pursuant to the merger and contribution agreement, Brookfield Residential will issue up to 101,500,000 common shares and 76,945 8%

convertible preferred shares in exchange for the outstanding shares of Brookfield Homes common stock and 8% Convertible Preferred Stock, Series A, and as partial consideration for the contribution by Brookfield Properties of its residential land and housing division to Brookfield Residential immediately prior to the merger. Brookfield Residential will also issue a CDN $265 million senior unsecured promissory note and a CDN $215 million junior unsecured promissory note to Brookfield Properties as consideration for the contribution of its residential land and housing division. Completion of the transaction is subject to regulatory approval in the United States and Canada,the approval of the holders of a majority of the outstanding Brookfield Homes common stock and other customary closing conditions. Brookfield beneficially owns, through Brookfield Residential, sufficient shares to approve the transaction and has agreed to vote in favor of the transaction at the Brookfield Homes stockholders meeting scheduled for March 25, 2011.

Brookfield and the directors and executive officers of Brookfield Homes will be entitled to receive certain benefits upon the completion of the transaction. These benefits include:

- the potential for Brookfield, as the majority shareholder of Brookfield Properties, to obtain benefits of the transactions that will accrue to Brookfield Properties and that will not be shared with the stockholders of Brookfield Homes, such as potential benefits realized by Brookfield Properties upon successfully disposing of its residential interests, furthering its strategic repositioning as a pure-play global office property company;

- Brookfield has agreed to exercise the rights it receives in the rights offering by Brookfield Properties and to acquire any shares of Brookfield Residential that are not otherwise subscribed for in the rights offering at the same price per share as in the rights offering. Therefore, depending on how many shares are not subscribed for by other Brookfield Properties shareholders, Brookfield and its affiliates will own between approximately 66% and 91% of the outstanding shares of Brookfield Residential common stock following consummation of the transaction;

- the potential for Brookfield to acquire from Brookfield Properties the unsecured junior subordinated note of Brookfield Residential for the full amount of the principal and accrued and unpaid interest outstanding under the note at the time, for which Brookfield will receive payment from Brookfield Properties of 200 bps per annum on the outstanding principal amount of the note, or CDN$4.3 million assuming an outstanding principal balance of CDN$215 million;

- Brookfield Homes and Brookfield Properties are affiliates as Brookfield beneficially owns approximately 83% and 51% of each corporation, respectively.

- three of Brookfield Homes directors serve as executive officers and/or directors of its affiliates, outlined as follows: (i) Alan Norris is an executive officer of Brookfield Properties, which is an affiliate of Brookfield Homes; (ii) Timothy R. Price is an executive of Brookfield; and (iii) Robert L. Stelzl is an independent director of Brookfield Properties;

- Alan Norris and Timothy Price, who are directors of Brookfield Homes, may be deemed to share beneficial ownership of Brookfield Homes common stock with Brookfield (see Security Ownership of Principal Stockholders and Management);

- Ian Cockwell, who is President, Chief Executive Officer and a director of Brookfield Homes, may be deemed to share beneficial ownership of 53,808,460 shares of Brookfield Homes common stock with Brookfield and may be deemed to share indirect beneficial ownership of 51,500,000 shares of Brookfield Residential common stock held by Brookfield Properties with Brookfield. Although this beneficial ownership would not entitle Mr. Cockwell to receive any indirect benefits from the proposed transaction that would not be applicable to every shareholder of Brookfield and Brookfield Properties, due to his percentage beneficial ownership of these entities, the magnitude of the benefits realized by Mr. Cockwell could be greater;

certain Brookfield Homes executive officers being employed as officers of Brookfield Residential. Ian Cockwell, who is President and Chief Executive Officer of Brookfield Homes and Craig Laurie, who is Executive Vice President and Chief Financial Officer of Brookfield Homes are currently expected to serve as Executive Vice Chairman and Executive Vice President and Chief Financial Officer, respectively, of Brookfield Residential upon completion of the transaction. Currently, Messrs. Cockwell and Laurie are the only executive officers of Brookfield Homes that will be employed as officers of Brookfield Residential;

certain Brookfield Homes directors being designated to become members of the Brookfield Residential board of directors. It is expected that the Brookfield Residential board of directors will be composed primarily of individuals who are currently members of the Brookfield Homes board of directors, including Robert Stelzl, Ian

Cockwell, Bruce Lehman, Alan Norris, Timothy Price, David Sherman and Michael Young. As directors of Brookfield Residential, Messrs. Stelzl, Cockwell, Lehman, Norris, Price, Sherman and Young will receive directors fees pursuant a standard director compensation policy to be established by Brookfield Residential, but such policy and the amounts of such fees have not yet been determined;

Alan Norris, who is a director of Brookfield Homes and is expected to be President, Chief Executive Officer and a director of Brookfield Residential upon the completion of the transactions, entered into an amended incentive plan agreement in July 2007 with Brookfield Properties, and that agreement will be assumed or replaced by Brookfield Residential upon completion of the transactions;

the continuation for an indefinite period of indemnification arrangements for current directors and officers of Brookfield Homes following completion of the transaction;

an agreement to provide directors and officers liability and fiduciary insurance for current directors and officers of Brookfield Homes in a coverage amount not less than that in existence on the date of the merger and contribution agreement for a period of six years following completion of the transaction;

pursuant to the merger and contribution agreement, each option to purchase Brookfield Homes common stock and each Brookfield Homes deferred share unit that is outstanding will be replaced with an option to purchase common shares of Brookfield Residential or deferred share units of Brookfield Residential, as applicable. In total, Brookfield Residential will issue 2,144,321 options and up to 712,893 deferred share units pursuant to the foregoing. The number of options and deferred share units held by each of Brookfield Homes officers and directors as of February 22, 2011 is provided in the table below:

	Prior to the Transaction		**Upon Completion of the Transaction**	
Director / Officer	**Options**	**Deferred Share Units**	**Options**	**Deferred Share Units**
Ian G. Cockwell	1,456,000	474,235	961,278	362,743
Craig J. Laurie	390,000	16,327	298,311	12,489
William B. Seith	302,000	25,407	212,107	19,434
Robert L. Stelzl		67,497		51,628
Bruce T. Lehman		58,165		44,490
Alan Norris				
Timothy R. Price				
David M. Sherman		75,790		57,972
Michael D. Young		64,108		49,036

in accordance with the terms of the Brookfield Homes Deferred Share Unit Plan, Brookfield Homes director deferred share unit holders may elect, as a result of their separation from service, to receive either cash or to replace their Brookfield Homes deferred share units with Brookfield Residential deferred share units pursuant to the above. The total potential cash payment is approximately $2.6 million, of which no individual director could receive more than $580,000; and

no Brookfield Homes executive officers have stock options that will automatically vest upon completion of the transactions contemplated by the merger and contribution agreement as there is no change of control triggered as a result of such transactions.

Because of Brookfield s majority ownership of Brookfield Homes and its majority beneficial ownership interest in Brookfield Properties, the board of directors of Brookfield Homes formed a special committee of independent directors to consider the proposed transaction. The committee was comprised of the following four independent directors, Robert Ferchat, Bruce Lehman, David Sherman and Michael Young (the special committee). The special committee was chosen by the board of directors of Brookfield Homes so that it included each independent director, other than Robert Stelzl, who is also an independent director of Brookfield Properties. The mandate of the special committee was to consider a potential transaction with Brookfield Properties. The mandate specifically delegated to the special committee the power and authority to (i) evaluate and recommend to the board of directors the appropriateness and advisability of a potential transaction, (ii) evaluate and recommend to the board of directors the terms and conditions of any potential transaction, and (iii) recommend to the board of directors any other action, if any, that should be taken by Brookfield Homes with respect to any potential transaction. The mandate further authorized the special committee to appoint a chairman, retain legal and financial advisors on such terms as the special committee deemed necessary or advisable and obtain such information or services from Brookfield Homes employees, advisors or agents as it determined necessary. After careful consideration, and upon the recommendation of the special committee, the board of directors of Brookfield Homes (with Ian Cockwell, Alan Norris, Timothy Price and Robert Stelzl abstaining) approved the merger and contribution agreement and the transaction and determined that the merger and contribution agreement and the transaction are advisable and in the best interests of Brookfield Homes and its stockholders.

A subsidiary of Brookfield has provided us with an unsecured revolving credit facility that was amended most recently in April 2009. The facility is in an aggregate principal amount not to exceed $100 million and is repayable on or before December 31, 2011. The facility is in the form of a promissory note that bears interest on the unpaid principal amount outstanding at USD LIBOR plus 3.5%. The facility contains covenants requiring us to maintain minimum stockholders equity of $300 million and a consolidated net debt to book capitalization ratio of no greater than 70%. The largest aggregate principal amount outstanding under the facility during 2010 was $100 million, of which $100 million was outstanding as of February 22, 2011. The amount of principal and interest paid under the facility for 2010 was nil and $3.8 million, respectively.

A subsidiary of Brookfield has provided our subsidiary Brookfield Homes Holdings Inc. with an unsecured revolving acquisition and operating credit facility that was amended most recently in July 2009. The facility is in an aggregate principal amount of $100 million, currently bears interest on the unpaid principal amount outstanding at 14% per annum and matures December 31, 2012. The facility contains covenants requiring Brookfield Homes Holdings Inc. to maintain a minimum stockholders equity of $300 million and a consolidated net debt to capitalization ratio of no greater than 70%. The largest aggregate principal amount outstanding under the facility during 2010 was $81 million, and $85 million was outstanding as of February 22, 2011. The amount of principal drawn and interest paid under the facility for 2010 was $10 million and $6.4 million, respectively.

We and our wholly-owned subsidiary, Brookfield Homes Holdings Inc., entered into a license agreement with Brookfield Properties (US) Inc., a subsidiary of Brookfield Properties, under which we, Brookfield Homes Holdings Inc. and our subsidiaries pay to Brookfield Properties (US) Inc. an annual fee in the total amount of $50,000 for the right to use the names Brookfield and Brookfield Homes. We expect that the license agreement will permit us to use the Brookfield name in connection with our homebuilding business for an indefinite period of time, subject to customary termination provisions including upon a change of control of our Company. The transactions contemplated by the merger and contribution agreement do not constitute a change of control of our Company.

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

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

- Alan Norris is an executive officer of Brookfield Properties, which is an affiliate of Brookfield; a publicly traded company which owns approximately 62% of our outstanding shares (83% assuming full conversion by it of our 8% convertible preferred stock owned by it);

- Timothy R. Price is an executive of Brookfield; and

- Robert L. Stelzl is an independent director of Brookfield Properties.

Stephen Doyle, Robert Hubbell and John Ryan, Presidents of Brookfield San Diego Holdings LLC, Brookfield Washington LLC and Brookfield Bay Area Holdings LLC, respectively, each own a 10% interest in the LLC of which they are President. Adrian Foley, President of Brookfield Southland Holdings LLC and Richard Whitney, President of Brookfield California Land Holdings LLC each own a 5% interest in the LLC of which they are President. Jeffrey J. Prostor, President of BH/JP Hawaii Holdings LLC, owns a 50% interest in this entity.

Review of Related Party Transactions

Pursuant to a written policy adopted by the board of directors, the independent directors of the board are responsible for the approval of any material transactions to be entered into between our Company and any of our directors, executive officers, director nominees or our stockholders who are known by us to be the beneficial owner of more than five percent of our common shares, and their respective immediate family members. To help identify related party transactions, we require our directors and executive officers to complete a director and officer questionnaire identifying any transaction with us in which the director or officer or their immediate family member has an interest. There were no related party transactions required to be reported by us since the beginning of our fiscal year that did not require review or approval pursuant to our policy or where our policies were not followed.

Director Independence

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

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

the director has received, or has an immediate family member who has received, during any 12-month period within the last three years, more than $120,000 in direct compensation from our Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

the director is a current partner of a firm that is our Company s internal or external auditor; (b) the director is a current employee of such a firm; (c) the director has an immediate family member who is a current employee of such a firm and who participates in the firm s audit, assurance or tax compliance (but not tax planning) practice; or (d) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on our 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 our 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, our Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1 million, or 2% of such other company s consolidated gross revenues.

Based on the Independence Standards, the board has determined that Bruce T. Lehman, David M. Sherman, Robert L. Stelzl and Michael D. Young are independent, for purposes of serving as independent members of the board of directors, the Management Resources and Compensation Committee and the Governance and Nominating Committee. None of our independent directors have any relationship with our Company or its affiliates except for serving as a director of our Company, other than Robert L. Stelzl, who is an independent director of Brookfield Properties Corporation, an affiliate of our Company.

Item 14. Principal Accounting Fees and Services

Fees Paid to Deloitte & Touche LLP

The following table shows the fees that we paid or accrued for the audit and other services provided by Deloitte & Touche LLP during fiscal 2010 and 2009:

	2010	2009
Audit Fees	$ 526,000	$ 522,000
Audit-Related Fees	157,000	40,000
Tax Fees		
All Other Fees		25,000
Total	$ 683,000	$ 587,000

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

401K plan and certain subsidiaries.

Audit-Related Fees include the fees for professional services for the proxy / prospectus documents in connection with the merger transaction, our rights offering prospectus documents and the registration of the 2009 stock option plan.

Tax Fees no tax fees were paid.

All Other Fees include the fees for professional services rendered for the SEC comment letters.

Pre-Approval Policies

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

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

1. *Audit Services* include audit work performed in the preparation of financial statements (including quarterly reviews), as well as work that generally only the independent auditor can reasonably be expected to provide, including comfort letters, statutory audits, and attest services.

2. *Audit Related Services* are for assurance and related services that are traditionally performed by the independent auditor, including due diligence related to mergers and acquisitions, special procedures required to meet certain regulatory requirements and consultation regarding financial accounting and reporting standards.

3. *Tax Services* include all services performed by the independent auditor s tax personnel except those services specifically related to the audit of the financial statements, and include fees in the areas of tax compliance, tax planning, and tax advice.

4. *All Other Services* are those associated with permitted services not included in the other categories.

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

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this report:

(i) *Financial Statements:*

See Item 8 of this report, beginning on page 34.

(ii) *Financial Statement Schedules:*

Schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission have either been incorporated in the consolidated financial statements and accompanying notes or are not applicable to us.

(iii) *Exhibits:*

Refer to the Exhibit Index to this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 1st day of March, 2011.

Brookfield Homes Corporation

By: /s/ IAN G. COCKWELL
Ian G. Cockwell
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ ROBERT L. STELZL		
Robert L. Stelzl	Chairman of the Board	March 1, 2011
/s/ IAN G. COCKWELL		
Ian G. Cockwell	President and Chief Executive Officer and Director (Principal Executive Officer)	March 1, 2011
/s/ CRAIG J. LAURIE		
Craig J. Laurie	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 1, 2011
/s/ BRUCE T. LEHMAN		
Bruce T. Lehman	Director	March 1, 2011
/s/ ALAN NORRIS		
Alan Norris	Director	March 1, 2011
/s/ TIMOTHY R. PRICE	Director	March 1, 2011
Timothy R. Price		
/s/ DAVID M. SHERMAN		
David M. Sherman	Director	March 1, 2011
/s/ MICHAEL D. YOUNG		
Michael D. Young	Director	March 1, 2011

EXHIBIT INDEX

Exhibit	Description
2.1	Merger and Contribution Agreement. Incorporated by reference to Exhibit 2.1 of the Registrant s Current Report on Form 8-K filed with the Commission on October 8, 2010.
3.1	Amended and Restated Certificate of Incorporation Incorporated by reference to Exhibit 3.1 of the Registrant s Registration Statement on Form 10 (Commission File No. 001-31524) filed with the Commission.
3.2	By-laws Incorporated by reference to Exhibit 3.2 of the Registrant s Registration Statement on Form 10 (Commission File No. 001-31524) filed with the Commission.
3.3	Certificate of Amendment of the Amended and Restated Certificate of Incorporation of the Registrant Incorporated by reference to Exhibit 3.1 of the Registrant s Current Report on Form 8-K filed with the Commission on March 25, 2009.
3.4	Amended and Restated Certificate of Designations for 8% Convertible Preferred Stock, Series A Incorporated by reference to the Registrant s Current Report on Form 8-K filed with the Commission on February 24, 2009.
4.1	Description of Common Stock (see Article FOURTH of Exhibit A to Exhibit 3.1) Incorporated by reference to Exhibit 4.1 of the Registrant s Registration Statement on Form 10 (Commission File No. 001-31524) filed with the Commission.
4.2	Revolving Credit Facility dated June 12, 2006 Incorporated by reference to Exhibit 4.1 of the Registrant s Quarterly Report on Form 10-Q filed with the Commission on August 9, 2006.
4.3	Amendment to Revolving Credit Facility dated March 5, 2007 Incorporated by reference to Exhibit 99.1 of the Registrant s Current Report on Form 8-K filed with the Commission on March 5, 2007.
4.4	Amendment to Revolving Credit Facility dated October 11, 2007 Incorporated by reference to Exhibit 99.1 of the Registrant s Current Report on Form 8-K filed with the Commission on October 17, 2007.
4.5	Amendment to Revolving Credit Facility dated February 7, 2008 Incorporated by reference to Exhibit 99.1 of the Registrant s Current Report on Form 8-K filed with the Commission on February 7, 2008.
4.6	Amendment to Revolving Credit Facility dated July 23, 2008 Incorporated by reference to Exhibit 99.1 of the Registrant s Current Report on Form 8-K filed with the Commission on July 25, 2008.
4.7	Amendment to Revolving Credit Facility dated October 8, 2008 Incorporated by reference to Exhibit 99.1 of the Registrant s Current Report on Form 8-K filed with the Commission on October 10, 2008.
4.8	Amendment to Revolving Credit Facility dated December 17, 2008 Incorporated by reference to Exhibit 99.1 of the Registrant s Current Report on Form 8-K filed with the Commission on December 19, 2008.
4.9	Amendment to Revolving Credit Facility dated January 27, 2009 Incorporated by reference to Exhibit 99.1 of the Registrant s Current Report on Form 8-K filed with the Commission on February 2, 2009.

4.10	Amendment to Revolving Credit Facility dated April 30, 2009 Incorporated by reference to Exhibit 99.1 of the Registrant s Current Report on Form 8-K filed with the Commission on May 4, 2009.
4.11	Loan Agreement dated February 26, 2009 between Brookfield Homes Holdings Inc. and Brookfield (US) Corporation Incorporated by reference to Exhibit 10.1 of the Registrant s Quarterly Report on Form 10-Q filed with the Commission on May 8, 2009.
4.12	Loan Agreement Amendment dated May 21, 2009 between Brookfield Homes Holdings Inc. and Brookfield (US) Corporation Incorporated by reference to Exhibit 99.1 of the Registrant s Current Report on Form 8-K filed with the Commission on May 26, 2009.
4.13	Loan Agreement Amendment dated July 31, 2009 between Brookfield Homes Holdings Inc. and Brookfield (US) Corporation Incorporated by reference to Exhibit 99.1 of the Registrant s Current Report on Form 8-K filed with the Commission on August 5, 2009.
4.14*	Letter furnished to Securities and Exchange Commission agreeing to furnish certain debt instruments.
10.1	License Agreement Incorporated by reference to Exhibit 10.1 of the Registrant s Registration Statement on Form 10 (Commission File No. 001-31524) filed with the Commission.
10.2	Form of Stock Option Plan Incorporated by reference to Exhibit 10.5 of the Registrant s Registration Statement on Form 10 (Commission File No. 001-31524) filed with the Commission.
10.3	Management Services Agreement Incorporated by reference to Exhibit 10.1 of the Registrant s Current Report on Form 8-K filed with the Commission on February 6, 2009.
10.4	2009 Stock Option Plan Award Letter Incorporated by reference to the Registrant s Current Report on Form 8-K filed with the Commission on February 6, 2009.
10.5	Departure Agreement Incorporated by reference to Exhibit 10.5 of the Registrant s Annual Report on Form 10-K filed with the Commission on February 13, 2009.
10.6	2009 Stock Option Plan Incorporated by reference to Appendix B of the Registrant s Schedule 14A

Exhibit	Description
	filed with the Commission on February 19, 2009.
10.7	Deferred Share Unit Plan Incorporated by reference to Exhibit 10.7 of the Registrant s Annual Report on Form 10-K filed with the Commission on February 19, 2010.
21.1	List of Subsidiaries Incorporated by reference to Exhibit 21.1 of the Registrant s Registration Statement on Form 10 (Commission File No. 001-31524) filed with the Commission.
23.1*	Consent of Deloitte & Touche LLP
31.1*	Rule 13a-14(a) certification by Ian G. Cockwell, President and Chief Executive Officer.
31.2*	Rule 13a-14(a) certification by Craig Laurie, Executive Vice President and Chief Financial Officer.
32.1*	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.

* Filed herewith

Executive Officers management contract or compensatory plan or arrangement

Copies of certain of the exhibits filed with or incorporated by reference into this annual report on Form 10-K do not accompany copies of this annual report on Form 10-K made available to our stockholders. We will furnish a copy of any of such exhibits to any stockholder requesting the same.