

Brookfield Residential Properties Inc.

ANNUAL INFORMATION FORM

March 25, 2013

ANNUAL INFORMATION FORM

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BROOKFIELD RESIDENTIAL PROPERTIES INC.

ANNUAL INFORMATION FORM

THE CORPORATION

Brookfield Residential Properties Inc. (“Brookfield Residential” or the “Corporation”) is a North American land developer and homebuilder, active in ten principal markets with over 100,000 lots controlled. The Corporation entitles and develops land and builds homes for its own communities, as well as sells lots to third-party builders. The Corporation’s common shares (“Common Shares”) are listed on the New York Stock Exchange (“NYSE”) and the Toronto Stock Exchange (“TSX”) and commenced trading on April 1, 2011.

Brookfield Residential was incorporated under the *Business Corporations Act* (Ontario) (the “OBCA”). The Corporation became a public company on March 31, 2011, by combining the former business of Brookfield Homes Corporation (“Brookfield Homes”) and the residential land and housing division (“BPO Residential”) of Brookfield Office Properties Inc. (formerly Brookfield Properties Corporation) (“Brookfield Office Properties”) into a single residential land and housing company, which was achieved through a merger and series of related transactions completed on March 31, 2011 (the “Transactions”). Prior to the completion of the Transactions on March 31, 2011, the Corporation was 100% owned by Brookfield Asset Management Inc. (“Brookfield Asset Management”) and the Corporation did not conduct any activities other than those incident to its formation, the holding of common stock and 8% convertible preferred stock of Brookfield Homes and the execution of the merger and contribution agreement related to the Transactions. The Corporation’s registered office is P.O. Box 762, Suite 300, Brookfield Place, 181 Bay Street, Toronto, Ontario, Canada M5J 2T3 and the Corporation operates a head office at 4906 Richard Road S.W., Calgary, Alberta, Canada T3E 6L1.

References in this Annual Information Form to the “Corporation” refer to Brookfield Residential Properties Inc. References to “Brookfield Residential,” “we,” “us” and “our” refer to the Corporation and its subsidiaries, individually or collectively, as applicable.

At December 31, 2012, we employed 770 people in North America.

All financial information in this Annual Information Form is expressed in United States dollars, unless otherwise noted. All references to C\$ are to Canadian dollars. All information is presented as at December 31, 2012, unless otherwise noted.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain information in this Annual Information Form may constitute forward-looking statements and information within the meaning of applicable Canadian securities laws. These forward-looking statements reflect the current beliefs of Brookfield Residential's management and are based on assumptions and information currently available to the management team of Brookfield Residential. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "expect," "plan," "anticipate," "believe," "intend," "estimate," "predict," "forecast," "outlook," "potential," "continue," "should," "likely," "project," "future" or the negative of these terms or other comparable terminology. Such statements reflect management's current beliefs and are based on information currently available to management. The forward-looking statements in this Annual Information Form include, among others, statements with respect to:

- the current business environment and outlook;
- possible or assumed future results;
- ability to create shareholder value;
- business goals, strategy and growth plans, including the acquisition of land for future projects;
- strategies for shareholder value creation;
- plans for the Seton development in Calgary, Alberta;
- the stability of home prices;
- effect of challenging conditions on us;
- factors affecting our competitive position within the homebuilding industry;
- the visibility of our future cash flow;
- social and environmental policies and risks;
- expected backlog and closings;
- sufficiency of our access to capital resources;
- the impact of foreign exchange on our financial performance;
- the timing of the effect of interest rate changes on our cash flows; and
- the effect on our business of existing lawsuits.

Although management of Brookfield Residential believes that the anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information in this Annual Information Form are based upon reasonable assumptions and expectations, readers of this Annual Information should not place undue reliance on such forward-looking statements and information because they involve assumptions, known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Brookfield Residential to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements and information.

Various factors, in addition to those discussed elsewhere in this Annual Information Form, that could affect the future results of Brookfield Residential and could cause actual results to differ materially from those expressed in the forward-looking statements and information include, but are not limited to: the business and results of operations

of Brookfield Residential will be materially and adversely affected by weakness in general economic, real estate and other conditions; rising mortgage rates or decreases in the availability of mortgage financing will discourage people from buying new homes; laws and regulations related to property development and to the environment subject Brookfield Residential to additional costs and delays which could adversely affect our business and results of operations; if Brookfield Residential is not able to develop and market our master-planned communities successfully, our business and results of operations will be adversely affected; difficulty in retaining qualified trades workers, or obtaining required materials and supplies, will adversely affect the business and results of operations of Brookfield Residential; Brookfield Residential's business and results of operations could be materially adversely affected by labor relations; homebuilding is subject to home warranty and construction defect claims in the ordinary course of business and, furthermore, Brookfield Residential will sometimes face liabilities when it acts as a general contractor, and may be responsible for losses when we hire general contractors; if Brookfield Residential is not able to raise capital on favorable terms, our business and results of operations will be adversely affected; Brookfield Residential's debt and leverage could adversely affect our financial condition; Brookfield Residential's business and results of operations will be adversely affected if poor relations with the residents of our communities negatively impact our sales; Brookfield Residential's business will be susceptible to adverse weather conditions and natural disasters; increased insurance risk will adversely affect Brookfield Residential's business; tax law changes in the United States could make home ownership more expensive or less attractive; residential homebuilding is a competitive industry, and competitive conditions may adversely affect Brookfield Residential's results of operations; if Brookfield Residential is not able to retain its executive officers, the business and results of operations of Brookfield Residential could be adversely affected; Brookfield Residential's success depends on the availability of suitable undeveloped land and lots at acceptable prices and having sufficient liquidity to acquire such properties; Brookfield Residential's business is seasonal in nature and quarterly operating results can fluctuate; Brookfield Residential may incur a variety of costs to engage in future growth or expansion of our operations or acquisitions or disposals of businesses, and may not be able to realize anticipated synergies and benefits from any such endeavours; Brookfield Residential may face substantial damages or be enjoined from pursuing important activities as a result of existing or future litigation, arbitration or other claims; changes to foreign currency exchange rates could adversely affect our earnings and net asset value; Brookfield Residential's relationship with its majority shareholder Brookfield Asset Management and other affiliates may be on terms more or less favorable than those that could be obtained from third parties; higher cancellation rates of existing agreements of sale may have an adverse effect on Brookfield Residential's business; inability to obtain additional performance, payment, completion and surety bonds and letters of credit could limit Brookfield Residential's future growth; failure in Brookfield Residential's financial and commercial controls could result in significant cost overruns or errors in valuing sites; any increase in unemployment or underemployment leading to increases in loan delinquencies and property repossessions may have an adverse impact on Brookfield Residential; a decline in the market value of Brookfield Residential's land and housing inventories could affect results of operations and Brookfield Residential could be adversely affected by impairments and write-downs; security holders could have difficulty enforcing civil liabilities in the United States against Brookfield Residential and our directors and officers; a major health and safety incident relating to Brookfield Residential business could be costly in terms of potential liabilities and reputational damage; and other risks and factors described from time to time in the documents filed by Brookfield Residential with the securities regulators in Canada and the United States.

The forward-looking statements and information contained in this Annual Information Form are expressly qualified by this cautionary statement. Brookfield Residential undertakes no obligation to publicly update or revise any forward-looking statements or information contained in this of Annual Information Form, whether as a result of new information, future events or otherwise, except as required by law. However, any further disclosures made on related subjects in subsequent public disclosure should be consulted.

CORPORATE STRUCTURE

Name, Address and Information

Brookfield Residential was incorporated under the OBCA. The Corporation became a public company on March 31, 2011, pursuant to the Transactions. Prior to the completion of the Transactions, the Corporation was 100% owned by Brookfield Asset Management and the Corporation did not conduct any activities other than those incident to its formation, the holding of common stock and 8% convertible preferred stock of Brookfield Homes and the execution of the merger and contribution agreement related to the Transactions. The business of Brookfield Residential combines the former business of Brookfield Homes and the residential land and housing division of Brookfield Office Properties. Through these predecessor entities, Brookfield Residential has been developing land and building homes for over 50 years. The Corporation's registered office is P.O. Box 762, Suite 300, Brookfield Place, 181 Bay Street, Toronto, Ontario, Canada M5J 2T3 and the Corporation operates a head office at 4906 Richard Road S.W., Calgary, Alberta, Canada T3E 6L1.

Intercorporate Relationships

The following is a list of the Corporation's main active subsidiaries, indicating the jurisdiction of incorporation and the percentage of voting securities owned, or over which control or direction is exercised directly or indirectly, by the Corporation:

Name	Jurisdiction of Incorporation	Percentage of Voting Securities Owned, Controlled or Directed
Brookfield Residential (Alberta) LP	Alberta	100%
Brookfield Residential US Corporation	Delaware	100%
Brookfield Homes (US) LLC	Delaware	100%
Brookfield Residential (US) LLC	Delaware	100%
Brookfield Homes Holdings LLC	California	100%
Brookfield Homes (Ontario) Limited	Ontario	100%

DEVELOPMENT OF THE BUSINESS

History of the Corporation

On March 31, 2011, the Corporation, Brookfield Homes and Brookfield Office Properties completed the previously-described Transactions contemplated by the agreement and plan of merger and contribution dated as of October 4, 2010, which resulted in the combination of Brookfield Homes and the residential land and housing division of Brookfield Office Properties into the Corporation. As a result, the Corporation became a public company on March 31, 2011. The Corporation filed a Form 51-102F4 – Business Acquisition Report in respect of the Transactions on May 10, 2011.

Pursuant to the merger and contribution agreement entered into by the Corporation, Brookfield Homes, Brookfield Office Properties and Brookfield Residential Acquisition Corp. on October 4, 2010 in respect of the Transactions: (a) Brookfield Residential Acquisition Corp., a direct wholly-owned subsidiary of the Corporation, merged with and into Brookfield Homes, with the result that Brookfield Homes became a wholly-owned subsidiary of the Corporation; and (b) Brookfield Office Properties and certain of its subsidiaries contributed to the Corporation equity interests in certain entities that, prior to the completion of the Transactions, owned all or substantially all of the assets of BPO Residential. Each outstanding share of Brookfield Homes common stock was converted into 0.764900530 of a share of the Common Shares, and each outstanding share of Brookfield Homes 8% convertible preferred stock was converted into one share of the Corporation's 8% Convertible Preferred Shares, Series A ("Preferred Shares"). In connection with the closing of the Transactions, the Corporation issued: (i) 51,500,000 Common Shares to Brookfield Office Properties, (ii) 8,685,066 Common Shares to holders of shares of Brookfield Homes' common stock, and (iii) 70,002 Preferred Shares, to holders of Brookfield Homes' 8% convertible preferred

stock, which Preferred Shares are convertible into Common Shares in accordance with their terms, at an issue price of \$25 per Preferred Share. In addition, upon closing of the Transactions, the Corporation issued approximately 2.098 million options to purchase Common Shares to certain of its employees and senior officers.

Prior to the completion of the Transactions, the Corporation was 100% owned by Brookfield Asset Management and the Corporation did not conduct any activities other than those incident to its formation, the holding of common stock and 8% convertible preferred stock of Brookfield Homes and the execution of the merger and contribution agreement related to the Transactions.

On June 15, 2011, the Corporation announced the completion of a rights offering by Brookfield Office Properties (the “Rights Offering”), which enabled shareholders of Brookfield Office Properties to purchase Common Shares of the Corporation that Brookfield Office Properties received in connection with the Transactions at a price of US\$10 per share. 18,174,728 Common Shares of the Corporation were purchased by shareholders other than Brookfield Asset Management in the Rights Offering for total consideration of approximately US\$182 million to Brookfield Office Properties. This represented 72% of the Common Shares available for purchase by shareholders other than Brookfield Asset Management in the Rights Offering.

Brookfield Asset Management purchased a total of 33,325,272 Common Shares of the Corporation in connection with the Rights Offering, representing its pro rata share of rights as a shareholder under the rights distribution, together with all Common Shares of the Corporation not otherwise subscribed for in the Rights Offering pursuant to a standby commitment. Upon completion of the Rights Offering, Brookfield Asset Management owned 74.5 million Common Shares of the Corporation, representing approximately 73.5% of the Common Shares.

Business of the Corporation

The Corporation focuses on the businesses and operations that were maintained by Brookfield Homes and BPO Residential. Brookfield Homes operated as a land developer and home builder that operated through local business units responsible for projects in their geographic areas. Through the activities of its operating subsidiaries, Brookfield Homes entitled and developed land for its own communities and sold lots to third parties. Brookfield Homes also designed, constructed and marketed single-family and multi-family homes primarily to move-up homebuyers. Brookfield Homes’ operations were focused primarily in the following markets: Northern California (San Francisco Bay Area and Sacramento); Southland/Los Angeles; San Diego/Riverside; and Washington, D.C. BPO Residential operated as a residential land developer and home builder in Alberta and Ontario in Canada, and Colorado and Texas in the United States. These business units primarily entitled and developed land in master-planned communities and then sold developed lots to other homebuilders. These business units also were involved in all phases of the planning and building of infill developments. In addition, the Alberta and Ontario operations also designed, constructed and marketed single-family and multi-family homes primarily to first-time and move-up homebuyers.

Recent Developments

Equity Offerings

On November 20, 2012, the Corporation completed a public offering of 8,000,000 Common Shares concurrently with a private placement of 8,000,000 Common Shares to Brookfield Asset Management, and on November 27, 2012 the Corporation issued an additional 424,696 Common Shares pursuant to the partial exercise of an over-allotment option (together, the “Equity Offerings”). The Corporation used the net proceeds from the Equity Offerings of \$227.2 million to repay approximately \$58.4 million of the senior note due 2015 to Brookfield Office Properties (the “2015 Note”), and to pay down \$165.5 million of the amount drawn under our unsecured revolving credit facility with a subsidiary of Brookfield Asset Management.

Debt Offering

On December 14, 2012, the Corporation completed a private placement offering (the “Debt Offering”) of US\$600 million aggregate principal amount of 6.5% senior unsecured notes due 2020 (the “Notes”). The Corporation used the net proceeds of the Debt Offering to repay in full notes payable and debt due to affiliates of the Corporation, to

repay \$28 million of the Corporation's project-specific financings and to repay \$9 million of bank indebtedness. The remainder is being used by the Corporation for general corporate purposes.

Strategic Initiatives

During the fourth quarter of 2012, the Corporation undertook several key strategic initiatives. In December of 2012, building on the relationship with California State Teachers' Retirement System ("CalSTRS") in Southern California, Brookfield Residential entered into a joint venture with CalSTRS to develop a 370-acre parcel of premier land in northwest Calgary where there is a supply constrained market. Once developed, this will represent over 2,500 lots.

During the same quarter Brookfield Residential also acquired the Playa Capital Company LLC ("PCC"), which included approximately 2,250 units on more than 65 acres of land at Playa Vista ("Playa Vista") in Los Angeles, California. Brookfield Residential purchased PCC, which comprises the remaining residential units in Playa Vista along with other ancillary assets, for approximately \$260 million and the assumption of infrastructure liabilities pursuant to the Master Plan as well as certain additional ongoing obligations. Playa Vista is in a highly desirable Los Angeles community located close to the ocean, job markets, and schools and also hosts an array of amenities.

Immediately after the acquisition, three apartment sites were sold totalling approximately 22 acres and 195 for-sale residential lots were also sold to three different and well respected builders. While nominal profit was recorded on these concurrent sales, the transaction was completed on a relatively capital neutral basis. Brookfield Residential will be developing the second and final phase of this live-work-play community that will include approximately 500 mixed-use residential lots located between the Westchester Bluffs and Marina del Rey.

BUSINESS OF THE CORPORATION

Overview

Brookfield Residential is a publicly-traded North American land development and homebuilding company listed on the NYSE and the TSX under the symbol "BRP."

We currently focus primarily on the following regions: Canada, California and Central and Eastern United States. Our Canadian operations include our operations in Alberta (Calgary and Edmonton) and Ontario (Greater Toronto Area). Our California operations include our operations in Northern California (San Francisco Bay Area and Sacramento) and Southern California (Southland / Los Angeles and San Diego / Riverside). Our Central and Eastern United States operations include our operations in Washington D.C., Colorado (Denver) and Texas (Austin). We target these markets as we believe they offer attractive long-term qualities, including strong housing demand, barriers to entry and close proximity to areas where we expect strong employment growth.

We report each of these geographic regions as a distinct reportable segment in our financial statements. However, each reportable segment carries on the same business of operating as a land developer and homebuilder. As such, the following discussion is common to all of our reportable segments.

Principal Business Activities

Through the activities of our operating subsidiaries, we develop land for our own communities and sell lots to other homebuilders and third parties. We also design, construct and market single-family and multi-family homes in our own and others' communities. In each of our markets, we operate through local business units which are involved in all phases of planning and building our master-planned communities and infill developments. These operations include sourcing and evaluating land acquisitions, site planning, obtaining entitlements, developing the land, product design, constructing, marketing and selling homes and homebuyer customer service. These business units may also construct, or sell land for the construction of, commercial shopping centers in our communities.

Brookfield Residential has a reputation for delivering first-class master-planned communities and infill developments. Master-planned communities are new home communities that typically feature community centers, parks, recreational areas, schools, commercial areas and other amenities. In an infill development, Brookfield Residential develops land and constructs homes in previously urbanized areas on underutilized land.

Land Acquisition and Development

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.

Our unique approach to land development begins with our disciplined approach to acquiring land in the path of growth in dynamic and resilient markets in North America that have barriers to entry caused by infrastructure or entitlement processes. We create value through the planning and entitlement process, developing and marketing residential lots and commercial sites and working with industry partners who share the same vision and values. We plan to continue to grow this business over time by selectively acquiring land that either enhances our existing inventory or provides attractive projects that are consistent with our overall strategy and management expertise.

Where market conditions permit, we prefer to purchase larger tracts of land with equity and then finance the development costs. These larger tracts afford us a true “master-planned” development opportunity that, following entitlement and assuming market conditions allow, creates a multi-year stream of cash flow. Master-planning is a long-term view of how each piece of land should be developed with a vision of how our customers live in each of our communities. One of our master-planned communities, McKenzie Towne in Calgary, Alberta, is the pioneer of new urbanism in Canada. It garnered international recognition after being named one of the top 26 master-planned communities in the world by Urban Land Institute.

Mixed-use development is also a focus of the Corporation. We have been developing commercial properties within our master-planned communities for decades. Developing a mixed-use community provides a place where people can not only live, but work and play as well. Seton, located in Calgary, Alberta, is a prime example of adding value to a master plan through appropriate commercial planning and building on our own land. This 365-acre mixed-use development is one of the largest opportunities of its kind in North America. It sits in the center of the fastest growing sector in the city accommodating a future trade area of over 100,000 people. Our vision began years ago but came to fruition when construction began on the \$1.4 billion, 70-acre South Health Campus, a facility that is expected to be fully operational by the end of 2013. Seton’s development plan includes 2.5 million square feet of office and retail space, light rail transit, a regional park, a public library, high school, regional recreation facility, hotel and 1,300 multi-family residences. Brookfield Residential is currently developing four residential master-planned communities in proximity to Seton. With the anticipated completion of the South Health Campus, investment activity in Seton and buying interest in our master-planned communities have rapidly gained momentum.

We may also purchase smaller infill or re-use parcels, or in some cases finished lots for housing. As a city grows and intensifies, so do its development opportunities. Inner city revitalization opportunities contribute to the strategic expansion of our business. We develop and construct homes in previously urbanized areas on underutilized land. Urban developments provide quick turnarounds from acquisition to completion, create new revenue streams, and infuse new ideas and energy into the Corporation.

Home Construction

We may construct homes on lots that have been developed by us or that are purchased from others. Having a home building operation allows us the opportunity to extract the value from the land and provides us with market knowledge through our direct contact with the homebuyer. In markets where the Corporation has significant land holdings, home building is carried out on a portion of the land in specific market segments and the balance of lots are sold to and built on by third party builders. In these markets, we generally build homes on 15% to 20% of our own land, with the remaining lots sold to third party builders.

Business Strategy

The key elements of our strategy are as follows:

Selective Acquisitions

- Focus on markets where we have a competitive advantage and where there are barriers to entry.

- Purchase land at lower prices in advance of growth.
- Hold and add value through the entitlement process.

Proactive Asset Management

- Sell land when capital can be redeployed to an asset providing higher returns or where risk can be reduced in a market area.
- Look for additional opportunities within our current markets that exist through changes in land use (such as, infill land development).
- Finance undeveloped land with equity and vendor take-back mortgages where possible; utilize debt for servicing costs to create finished lots and for homebuilding.
- Establish and maintain relationships with strong homebuilders in each market.
- Continue improving the quality and minimizing the risk of assets owned, through trading assets or structuring acquisition opportunities.

High Growth Markets

- Choose markets with strong employment and housing demand. Brookfield Residential is currently invested in geographic markets that include:
 - Washington D.C.—government and technology markets
 - California—technology, entertainment, tourism and agriculture markets
 - Calgary, Edmonton and Denver—energy sector, technology and government markets
 - Greater Toronto Area—financial services and manufacturing markets
 - Austin—government, technology, education and healthcare markets
- Purchase land in growth corridors taking a long-term view of where master-planned community development opportunities exist.

Decentralized Operating Structure

- Possess in-depth knowledge of our markets through our local management teams, who source acquisitions, design product and manage marketing, sales and construction.
- Continue operating business units as fully integrated profit centers with management incentives by profit center.

Creating Communities

- Integrate land planning and development with housing product and design.
- Lead in introducing new concepts, living styles, community planning and amenities.
- Local management teams involved and cooperating with local and regulatory authorities to meet community objectives and needs.

- Develop communities that provide a mix of housing choices and price points. This increases absorptions and provides opportunities for residents to remain in the community and purchase new homes as their needs change.
- Construct commercial shopping centers in communities we develop providing residents with local access to retail services.

Minimizing Risk

- Focus on managing risk in each stage of the land development and homebuilding process. When appropriate, we will utilize options and joint ventures for the entitlement of land.
- Strive to manage supply by matching construction starts to our sales rates.
- Manage potential product liability through quality and customer satisfaction.

Focus on First Time Product in Canada and Move-Up in the United States

- We offer a diverse selection of housing products and price points targeting various buyers in an attempt to meet the unique regional needs across North America.
- Our communities include a wide range of housing options that may include entry-level condominiums, townhomes, move-up single family homes, luxury homes, and custom homes. We attempt to address the specific needs of various buyer profiles and niche markets by focusing on architectural designs and interior finishes.
- For the twelve-months ended December 31, 2012, our Canadian homes had an average selling price of \$353,000, in-line with the Canadian national average of approximately \$353,000 per home sold during the same period, according to the Canadian Real Estate Association.
- For the twelve-months ended December 31, 2012, in the United States, our price point is significantly higher than the national average of approximately \$304,000, according to the U.S. Census Bureau, with average selling prices of \$565,000 and \$432,000 for California and Central and Eastern United States, respectively, during the same period.

Assets

Our business is focused on land development and single-family and multi-family homebuilding in the markets in which we operate. Our assets consist primarily of land and housing inventory and investments in unconsolidated entities. Our total assets as at December 31, 2012 were valued at approximately \$2.8 billion.

We classify our assets into three categories: land held for development; land under development; and housing inventory. Costs attributable to land held for development include costs of acquiring land as well as planning and entitlement costs and major infrastructure costs to service the land within a community. These costs are not directly related to saleable lots. Once development of a phase begins, the associated costs with that phase are transferred from land held for development to land under development, which includes all underlying costs that are attributable to the phase of saleable lots, including costs of the underlying land, roads, parks, and sewers. Included in housing inventory is associated land as well as construction costs.

As of December 31, 2012, we controlled 104,359 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 lot sales and homebuilding business as well as visibility on our future cash flow. The number of building lots and acre parcels we controlled in each of our primary markets as of December 31, 2012 is as follows:

	Single Family Housing & Land Under and Held for Development ⁽¹⁾								Multi-Family, Industrial & Commercial Parcels Under Development	
	Land & Housing		Unconsolidated Entities		Total Lots		Status of Lots 31-Dec-12		Total Acres	
	Owned	Options	Owned	Options	31-Dec-12	31-Dec-11	Entitled	Unentitled	31-Dec-12	31-Dec-11
Calgary	25,433	—	2,359	—	27,792	27,957	6,337	21,455	73	153
Edmonton	17,083	—	—	—	17,083	16,728	10,071	7,012	63	86
Toronto	9,592	—	—	—	9,592	9,369	819	8,773	3	8
Canada	52,108	—	2,359	—	54,467	54,054	17,227	37,240	139	247
Northern California	3,461	4,950	—	—	8,411	8,288	2,261	6,150	—	—
Los Angeles / Southland	1,430	—	1,336	1,916	4,682	4,216	2,068	2,614	—	—
San Diego / Riverside	7,940	—	1	—	7,941	8,999	5,141	2,800	—	—
Other	194	—	51	—	245	249	245	—	—	—
California	13,025	4,950	1,388	1,916	21,279	21,752	9,715	11,564	—	—
Denver	10,349	—	—	—	10,349	10,580	10,349	—	10	10
Austin	13,551	—	—	—	13,551	14,921	5,293	8,258	—	—
Washington, D.C. Area	2,640	1,066	1,007	—	4,713	5,085	4,679	34	18	—
Central and Eastern U.S.	26,540	1,066	1,007	—	28,613	30,586	20,321	8,292	28	10
Total	91,673	6,016	4,754	1,916	104,359	106,392	47,263	57,096	167	257
Entitled lots	44,500	1,066	1,234	463	47,263					
Unentitled lots	47,173	4,950	3,520	1,453	57,096					
Total December 31, 2012	91,673	6,016	4,754	1,916	104,359					
Total December 31, 2011	94,831	6,016	3,703	1,842		106,392				

⁽¹⁾ Land held for development will include some multi-family, industrial and commercial parcels once entitled.

Operating Capabilities

We operate our land development and 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. The Corporation's management and board of directors set our strategic goals and overall strategy. The Corporation's management and board of directors also 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.

Competitive Conditions

The residential land and homebuilding industry is highly competitive. We compete against land development companies, land speculators, 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 labour 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.

Components and Availability of Raw Materials

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 labour and materials costs. We do not own heavy construction equipment and we have a relatively small labour 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.

Cycles

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.

Material Contracts

Other than as described below, we are not party or subject to any material contracts or any contracts on which the Corporation's business is substantially dependent. It is not expected that any aspect of the Corporation's business will be affected in 2013 by renegotiation or termination of contracts or subcontracts.

On December 14, 2012, Brookfield Residential completed a private placement offering of \$600 million aggregate principal amount of senior unsecured notes due 2020. The proceeds of the Debt Offering were used, among other things, to repay debt due to affiliates, including the repayment in full of the 2015 Note and a junior unsecured promissory note, both payable to Brookfield Office Properties and issued in connection with the Transactions. The Notes are governed by the terms of an indenture (the "Indenture") among the Corporation, certain subsidiary guarantors, and Wells Fargo Bank, National Association, as trustee.

Brookfield Residential has a \$300 million unsecured revolving credit facility with a subsidiary of Brookfield Asset Management at an interest rate of LIBOR plus 4.5%.

Employees

At December 31, 2012, we employed 770 people in North America.

CODE OF BUSINESS CONDUCT AND ETHICS

The Corporation has a Code of Business Conduct and Ethics (“Code”) that sets out the expected conduct of its directors, officers and employees, and those of its subsidiaries, in relation to honesty, integrity and compliance with all legal and regulatory requirements. The board of directors of the Corporation (the “Board”) has approved the Code, copies of which are available on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com and also may be obtained on our website, www.brookfieldrp.com, under *Corporate Governance/Practices*. We intend to satisfy any disclosure requirement regarding an amendment to, or waiver from, a provision of the Code to the extent applicable to the principal executive officer, principal financial officer, or other senior accounting officers, by posting such information on our website, which can be found by clicking through to *About Us/Corporate Governance Practices* as specified above.

For information about the Code, reference is made to the section entitled “Code of Business Conduct and Ethics” on page 19 of the Corporation’s Management Information Circular dated March 25, 2013 (the “Circular”) which is available on SEDAR at www.sedar.com. A copy of the Circular can also be obtained from the Corporation and is available on our website, www.brookfieldrp.com, under Investors/Other Disclosure Documents.

SOCIAL AND ENVIRONMENTAL POLICIES AND RISKS

Brookfield Residential takes pride in striving to build the best communities and homes on the market, but is equally proud of the community we have created within our family of employees and the outside community at large – the places where we work and live. The following outlines some of our current initiatives:

Environmental Stewardship

Brookfield Residential seeks new ways to reduce the impact we have on the environment, from next generation master-planned communities to energy and water efficient homes; from technical innovations of solar and geothermal power to more sustainable infrastructure. Our Director of Sustainability takes stock of current best practices to form our corporate sustainability strategy and to define measurable targets.

Community Engagement

Brookfield Residential promotes a culture of philanthropy and volunteerism among our workforce. In addition to the annual corporate donations to support local charitable and community organizations through our locally managed donations committees across North America, we also encourage employees’ involvement in charitable activities by providing volunteer leave and a donations matching program.

Employee Development

Brookfield Residential is dedicated to the pursuit of lifelong learning because we look for future leaders and managers when we hire. We give our employees the support they need to deliver on their individual potential. We offer a variety of programs such as employee development workshops, onboarding, mentorship, training, education and tuition assistance so that our employees can continue to foster our vision of creating great places to live.

Risks

We are subject to local, provincial, 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 2013, fiscal 2014 or fiscal 2015.

RISKS RELATED TO THE BUSINESS AND INDUSTRY OF THE CORPORATION

The land development and homebuilding industry is significantly affected by changes in general and local economic and political conditions as well as real estate markets, which could reduce profits that may not be recaptured, could cause cancellations of home sales orders and could affect our results of operations and liquidity.

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 and cost of financing for homebuyers; political changes; regulatory changes; interest rates; foreclosure rates; levels of new and existing homes for sale; inflation; adverse changes in tax laws; the level of household debt affecting our customer demographic; the cost and availability of labor; the cost of materials and supplies; the ability of existing homeowners to sell their existing homes at prices that are acceptable to them; the Canadian, U.S. and global financial system and credit markets, including stock market and credit market volatility; private and federal mortgage financing and mortgage insurance programs and federal, provincial and state regulation of lending practices; federal, provincial and state property and income tax provisions (including provisions for the deduction of mortgage interest payments in the United States); housing demand from population growth and demographic changes (including immigration levels and trends in urban and suburban migration); the supply of available new or existing homes and other housing alternatives, such as apartments and other residential rental property; real estate taxes; competitive and market demand dynamics in our key markets; zoning laws; the supply of land suitable for development in our markets in Canada and the United States; consumer confidence; and demographic trends, including slower rates of population growth or population declines in our key markets. These factors could have a negative impact on housing demand and supply. For example, an oversupply of housing in general and alternatives to new homes, such as resale homes, including homes held for sale by investors and speculators, foreclosed homes and rental properties, may affect our sales, depress prices and reduce margins. The U.S. and Canadian land development and 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.

Especially in the U.S. market, reduced homebuyer confidence, due principally to price declines, the number of foreclosures and continued high unemployment in the economy, may lead some homebuyers to cancel or not honor their home sales contracts altogether. A more restrictive mortgage lending environment and the inability of some buyers to sell their existing homes may also impact cancellations and reduce our ability to realize our backlog.

An economic downturn in Ontario or Alberta, Canada or a slowdown in our business in the United States could have an additional adverse effect on our operating results and financial conditions.

The market for new homes in Canada is and has remained relatively stable, except for the period from October 2008 to March 2009 and the recent slowdown in 2012 from the latest record pace of growth. We cannot provide any assurances that this market stability will continue. Any economic downturn in Alberta or Ontario or an increase in unemployment, increase in interest rates or decrease in immigration, could have a material adverse effect on our Canadian operations.

The downturn in the U.S. housing market, which we believe started with an excessive supply of credit, a decline in consumer confidence, a decline in home prices and an oversupply of homes available for sale, has been exacerbated by, among other things, a decline in the overall economy, high unemployment, fear of job loss, a decline in the securities markets, an increase in the number of homes that are or will be available for sale due to foreclosures, an inability of homebuyers to sell their current homes, a deterioration in the credit markets and the direct and indirect impact of the turmoil in the mortgage loan market. All of these factors have contributed to the significant decline in the demand for new homes in the United States. Moreover, the U.S. government's legislative and administrative measures aimed at restoring liquidity to the credit markets and providing relief to homeowners facing foreclosure have only had a limited beneficial effect on the industry. It is unclear whether these measures will effectively stabilize prices and home values or restore consumer confidence and increase demand in the homebuilding industry.

The significant number of home mortgage foreclosures in the United States has increased supply of homes and further driven down prices, making the purchase of a foreclosed home an attractive alternative to purchasing a new home in some markets. Homebuilders have responded to declining sales and increased cancellation rates on home purchase contracts with significant concessions, further adding to the price declines. With the decline in the values

of homes and the inability of many homeowners to make their mortgage payments, the credit markets have been significantly disrupted, putting strains on many households and businesses. In the face of these conditions, the overall economy has weakened significantly, with high unemployment levels and substantially reduced consumer spending and confidence. As a result, in the United States demand for new homes remains at historically low levels. We cannot predict the duration or ultimate severity of the current challenging conditions, nor can we provide assurance that our responses to the downturn or the U.S. federal and state governments' attempts to address the troubles in the U.S. housing market or the economy generally will be successful.

To the extent the current economic environment does not improve or any improvement takes place over an extended period of time or if similar conditions affect the Canadian homebuilding industry, our business, financial condition and results of operations may be adversely affected.

Any increase in unemployment or underemployment may lead to an increase in the number of loan delinquencies and property repossessions and may have an adverse impact on us.

People who are not employed or are underemployed or are concerned about the loss, or potential loss, of their jobs are less likely to purchase new homes, may be forced to try to sell the homes they own and may face difficulties in making required mortgage payments. Therefore, any increase in unemployment or underemployment may lead to an increase in the number of loan delinquencies and property repossessions and may have an adverse impact on us both by reducing demand for the homes we build and by increasing the supply of homes for sale.

If the market value of our land and housing inventories declines, our results of operations could be adversely affected by impairments and write-downs.

We acquire land in the ordinary course of our business. There is an inherent risk that the value of our land may decline after purchase, which also may affect the value of our housing inventories and homes under construction. The valuation of property is inherently subjective and based on the individual characteristics of each property. The market value of our land and housing inventories depends on general and local real estate market conditions. The risks mentioned above can cause these conditions to change and thereby subject valuations to uncertainty. Moreover, all valuations are made on the basis of assumptions that may not prove to reflect economic or demographic reality. We may have acquired options on or bought and developed land at a cost we will not be able to recover fully or on which we cannot build and sell homes profitably. In addition, our deposits for building lots controlled under option or similar contracts may be put at risk. If market conditions deteriorate, some of our assets may be subject to impairments and write-down charges which would adversely affect our operations and financial results.

If housing demand decreases below what was anticipated when we acquired or developed our inventory, profitability may be adversely affected and we may not be able to recover the related costs when selling and building homes. We regularly review the value of our land holdings and will continue to do so on a periodic basis. Write-downs and impairments in the value of the inventory may be required, and we may in the future sell land or homes at a loss, which could adversely affect our results of operations and financial condition.

Because almost all of the purchasers of our homes require mortgage financing, an increase in interest and mortgage rates or a reduction in the availability of mortgage financing will discourage people from buying new homes.

Virtually all of the purchasers of our homes finance their acquisitions through mortgage financing. Prior to the recent volatility in the financial markets in the United States, a variety of mortgage products were available. As a result, more homebuyers were able to qualify for mortgage financing. An increase in interest and mortgage rates or a reduction in the availability of mortgage financing could depress the market for new homes because the increased monthly costs will discourage potential homebuyers. Even if potential purchasers do not need financing, fewer loan products and tighter loan qualifications could make it harder for them to sell their homes to potential future buyers who need financing, which would further discourage potential homebuyers. These circumstances could prevent or limit our ability to attract new purchasers as well as our ability to fully realize our backlog. As a result, an increase in mortgage rates and reduced mortgage availability could adversely affect our ability to sell new homes and the price at which we can sell them.

In Canada, bank regulators, the Ministry of Finance, Canada Mortgage and Housing Corporation and the Bank of Canada work in concert to manage mortgage lending practices. In addition, mortgage insurance is mandatory for mortgages with a loan-to-value ratio greater than 80%. This insurance covers the entire loan amount for its full duration. During the past four years, mortgage insurance rules have been tightened to shorten amortization periods, to increase minimum equity requirements and to limit the insured loan amounts, which has made access to mortgages more difficult and may negatively impact homebuyers' ability to purchase homes. In the United States, 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 make it more difficult for some borrowers to finance the purchase of new homes. This, coupled with higher mortgage interest rates for some mortgage products, has reduced demand for new homes and the duration and severity of the effects are uncertain.

Our business is seasonal in nature and quarterly operating results can fluctuate.

Our quarterly operating results generally fluctuate by season. Homebuilders typically experience the highest new home order activity in the spring and summer months, although new order activity is also highly dependent on the timing of new community openings as well as other market factors. 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. If, due to construction delays or other reasons, including seasonal natural disasters such as hurricanes, tornadoes, floods and fires, we are unable to deliver our expected number of homes in the second half of the calendar year, the full year results of operations may be adversely affected. In many cases, we may not be able to recapture increased costs by raising prices because we fix our prices in advance of delivery by signing new sales contracts.

Our business and financial results could be adversely affected by significant inflation or deflation.

Inflation can adversely affect us by increasing costs of land, materials and labor. At the same time, however, we may not be able to offset any such cost increases because an oversupply of homes relative to demand may make it difficult for us to increase the sales prices of homes. Moreover, with inflation, our costs of capital could increase, and the purchasing power of our cash resources could decline. Efforts by the government to stimulate the economy have increased the risk of inflation and its resulting adverse impact on our business or financial results. In addition, inflation is often accompanied by higher interest rates as a result of changes to U.S. or Canadian monetary policies, which have a negative impact on mortgage financing and housing demand. In such an environment, we may not be able to raise home prices sufficiently to keep up with the rate of inflation and our margins could decrease.

Alternatively, a significant period of deflation could cause a decrease in overall spending and borrowing levels. This could lead to a further deterioration in economic conditions, including an increase in the rate of unemployment. Deflation could also cause the value of our inventories to decline or reduce the value of existing homes below the related mortgage loan balance, which could potentially limit market activity and have a negative impact on our results of operations.

These factors, many of which are beyond our control, could cause, even if they affect only one of our master-planned communities, our business, financial condition and operating results to deteriorate.

Laws and regulations related to property development, ownership and occupation of land, sales and customer financing, hazardous materials and the protection of the environment, health and safety in our master-planned communities, subject us to additional costs and delays which could adversely affect our business and results of operations.

We must comply with extensive and complex regulations affecting the land development and homebuilding industry. 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. These

regulations could impose additional costs and delays, which will adversely affect our business and results of operations. In addition, new development projects may be subject to various assessments for schools, parks, streets and highways and other public improvements such as the adequacy of water and sewage facilities, roads and other local services, the costs of which can be substantial. These assessments can have a negative impact on sales by raising the price that homebuyers must pay for our homes. Fees imposed on developers to fund schools, open spaces, road improvements, and/or provide low and moderate income housing, could further increase our costs and have an adverse effect on our operations.

We must also comply with a variety of local, state, provincial and federal laws, ordinances, rules and regulations concerning the protection of the environment, health and safety. They cover, for example, the discharge of pollutants, including asbestos, into the water and air, the handling of hazardous or toxic materials and the cleanup of contaminated sites currently or formerly owned, leased or occupied by us. These environmental laws bring potential environmental risks and liabilities, whether or not we caused or knew of the pollution, or severely restrict land development and homebuilding activity in environmentally sensitive regions or areas. The presence of hazardous or toxic substances, or the failure to remediate such substances properly, may also adversely affect our ability to sell the land or to borrow using the land as security.

Environmental regulations sometimes result in delays and could cause us to implement time-consuming and expensive compliance programs. They can also have an adverse impact on the availability and price of certain raw materials, such as lumber. Health and safety issues within our communities may harm our reputation and negatively affect our operations.

Furthermore, we could incur substantial costs, including cleanup costs, fines, penalties and other sanctions and damages from third-party claims for property damage or personal injury, as a result of our failure to comply with, or liabilities under, applicable environmental laws and regulations. In addition, we are subject to third-party challenges, such as by environmental groups, under environmental laws and regulations to the permits and other approvals required for our construction activities. Moreover, in many markets government authorities have implemented no-growth or growth control initiatives, often as a result of local grass-roots lobbying efforts.

Government regulations and legal challenges may delay the start or completion of our communities, increase our expenses or limit our homebuilding or other activities, which could have an adverse impact on our results of operations.

The approval of numerous government authorities must be obtained in connection with our development activities, and these governmental authorities often have broad discretion in exercising their approval authority. We incur substantial costs related to compliance with legal and regulatory requirements. Any increase in legal and regulatory requirements may cause us to incur substantial additional costs, or in some cases cause us to determine that the property is not feasible for development. Various local, provincial, state and federal statutes, ordinances, rules and regulations concerning building, health and safety, environment, zoning, sales and similar matters apply to and/or affect the housing industry.

Municipalities may restrict or place moratoriums on the availability of utilities, such as water and sewer taps. If municipalities in which we operate take such actions, it could have an adverse effect on our business by causing delays, increasing our costs or limiting our ability to operate in those municipalities. Certain provinces, states, cities and counties in which we operate have in the past approved, or approved for inclusion on their ballot, various “slow growth” or “no growth” initiatives and other ballot measures that could negatively impact the availability of land and building opportunities within those localities. Approval of, or expansion of, slow- or no-growth measures would reduce our ability to open new home communities and to build and sell homes in the affected markets, including with respect to land we may already own, and would create additional costs and administration requirements, which in turn could harm our future sales and earnings.

Government regulation affects not only construction activities but also sales activities, mortgage lending activities and other dealings with consumers. In addition, it is possible that some form of expanded energy efficiency regulation may be implemented by Canadian or U.S. federal, provincial, state or municipal authorities, which may, even if phased in over time, significantly increase our costs of building homes and the sale price to our buyers, and adversely affect our sales volumes. The industry also has experienced an increase in provincial, state and local legislation and regulations that limit the availability or use of land. We may be required to apply for additional

approvals or modify our existing approvals because of changes in local circumstances or applicable law. Further, we may experience delays and increased expenses as a result of legal challenges to our proposed communities, whether brought by governmental authorities or by private parties.

Our business and results of operations could be materially adversely affected by labor relations.

We are party to a collective bargaining agreement with the Universal Workers Union L.I.U.N.A. Local 183 pursuant to which we are required to use union members in connection with construction projects undertaken in Simcoe County, the area which is north of Toronto. The agreement expires on April 30, 2013, subject to automatic renewal every three years.

Although we believe our relations with the Universal Workers Union L.I.U.N.A. Local 183 to be good, we cannot give assurance that we will not be affected in the future by strikes, work stoppages or other labor disputes. Any such events could have a material adverse effect on our business and results of operations. Moreover, our non-union laborers may become subject to labor union organizing efforts. If any current non-union laborers were to unionize, we would incur increased risk of work stoppages and possibly higher labor costs.

Difficulty in retaining qualified trades workers, or obtaining required materials, supplies, utilities and resources could delay or increase the cost of home construction and will adversely affect our business and results of operations.

Land developers and homebuilders are subject to risks related to the availability and cost of materials, supplies, labor and services, including shortages of qualified trades people; unionization and labor disputes, for example in the context of collective bargaining; shortages of building materials; unforeseen environmental and engineering problems; lack of availability of adequate utility infrastructure and services; increases in the cost of certain materials (particularly increases in the price of lumber, wall board and cement, which are significant components of home construction costs); and material fluctuations in utility and resource costs. In addition, the cost of petroleum products fluctuates and may increase as a result of geopolitical events or accidents. This could result in higher prices for any product utilizing petrochemicals, increased building material delivery costs, and higher land development costs. We also depend on the continued availability of and satisfactory performance by sub-contractors for the construction of our homes. For example, in Alberta given the strength of the commodity and agriculture industries, there is significant competition for skilled tradesmen. In addition, the difficult operating environment over the last five years in the United States has resulted in the failure of some sub-contractors' businesses and may result in further failures. Furthermore, restrictions on immigration can create a shortage of skilled labor. When any of these difficulties occur, it will cause delays and cost increases, which may have a material adverse effect on the business and results of operations.

Our success depends on the availability of suitable undeveloped land and lots at acceptable prices and having sufficient liquidity to acquire such properties.

Our success in developing land and in building and selling homes depends in part upon the continued availability of suitable undeveloped land and lots at acceptable prices. The availability of undeveloped land and lots for purchase at favorable prices depends on a number of factors outside of our control, including the risk of competitive over-bidding on land and lots and restrictive governmental regulation. Should suitable land opportunities become less available, the number of homes we may be able to build and sell would be reduced, which would reduce revenue and profits. In addition, our ability to make land purchases will depend upon whether we have sufficient liquidity to fund such purchases.

If we are not able to develop and market our master-planned communities successfully or within expected timeframes, 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 or to generate positive cash flows from these operations within expected timeframes, it will have a material adverse effect on our business and results of operations.

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 will sometimes be expected by community residents to resolve any issues or disputes that arise in connection with the development of our communities, including actions by subcontractors. 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.

We may incur a variety of costs to engage in future growth or expansion of our operations or acquisitions or disposals of businesses, and may not be able to realize anticipated synergies and benefits from any such endeavors.

As a part of our business strategy, we may make acquisitions, significant investments in, or disposals of businesses. Any future acquisitions, investments or disposals would be accompanied by risks such as difficulties in assimilating the operations and personnel of acquired companies or businesses; diversion of our management's attention from ongoing business concerns; our potential inability to maximize our financial and strategic position through the successful incorporation or disposition of operations; maintenance of uniform standards, controls, procedures and policies; and impairment of existing relationships with employees, contractors, suppliers and customers as a result of the integration of new management personnel and cost-saving initiatives. In addition, acquisitions or other major investments can expose us to valuation risks, including the risk of writing off goodwill or impairing inventory and other assets related to such acquisitions. The risk of goodwill and other asset impairments increases during a cyclical housing downturn in which our profitability declines. We cannot guarantee that we will be able to successfully integrate any company or business that we have acquired or might acquire in the future, and our failure to do so could harm our current business.

While we would seek protection, for example, through warranties and indemnities in the case of acquisitions, significant liabilities may not be identified in due diligence or come to light after the expiry of warranty or indemnity periods. Additionally, while we would seek to limit our ongoing exposure, for example, through liability caps and period limits on warranties and indemnities in the case of disposals, some warranties and indemnities may give rise to unexpected and significant liabilities.

Homebuilding is subject to home warranty and construction defect claims in the ordinary course of business, thus we will sometimes face liabilities when we act as a general contractor and we will sometimes be 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 will be 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. Subcontractors are independent of the homebuilders that contract with them under normal management practices and the terms of trade contracts and subcontracts within the industry; however, if Canadian or U.S. regulatory agencies or courts reclassify the employees of sub-contractors as employees of homebuilders, homebuilders using subcontractors could be responsible for wage, hour and other employment-related liabilities of their subcontractors.

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 will sometimes become responsible for the losses or other obligations of the general contractors. The costs 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.

Increasingly in recent years, individual and class action lawsuits have been filed against homebuilders asserting claims of personal injury and property damage caused by a variety of issues, including faulty materials and the presence of mold in residential dwellings. Furthermore, decreases in home values as a result of general economic conditions may result in an increase in both non-meritorious and meritorious construction defect claims, as well as claims based on marketing and sales practices. Our insurance may not cover all of the claims arising from such issues, or such coverage may become prohibitively expensive. If we are not able to obtain adequate insurance against these claims, we may experience litigation costs and losses that could reduce our net income. Even if we are successful in defending such claims, we may incur significant costs.

We may face substantial damages or be enjoined from pursuing important activities as a result of existing or future litigation, arbitration or other claims.

In our land development and homebuilding activities, we are exposed to potentially significant litigation, arbitration proceedings and other claims, including breach of contract, contractual disputes and disputes relating to defective title, property misdescription or construction defects. Class action lawsuits can be costly to defend, and if we were to lose any certified class action suit, it could result in substantial liability for us. With respect to certain general liability exposures, including construction defect and product liability claims, interpretation of underlying current and future trends, assessment of claims and the related liability and reserve estimation process requires us to exercise significant judgment due to the complex nature of these exposures, with each exposure exhibiting unique circumstances. Furthermore, once claims are asserted for construction defects, it is difficult to determine the extent to which the assertion of these claims will expand geographically. As a result, our insurance policies may not be available or adequate to cover any liability for damages.

If we are not able to raise capital on favorable terms or at all, 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 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 in the United States. 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.

Failure in our financial and commercial controls could result in significant cost overruns or errors in valuing sites.

We own and may purchase a number of sites each year and are therefore dependent on our ability to process a number of transactions (which include, among other things, evaluating the site purchase, designing the layout of the development, sourcing materials and subcontractors and managing contractual commitments) efficiently and accurately. Errors by employees, failure to comply with regulatory requirements and conduct of business rules, failings or inadequacies in internal control processes, equipment failures, natural disasters or the failure of external systems, including those of our suppliers or counterparties, could result in operational losses that could adversely affect our business, financial condition and operating results and our relationships with our customers.

Our debt and leverage could adversely affect our financial condition.

Our total debt as of December 31, 2012 was approximately \$1.05 billion. Our leverage could have important consequences, including the following: the ability to obtain additional financing for working capital, capital expenditures or acquisitions may be impacted 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 for other purposes; some of our borrowings are and will continue to be at variable rates of interest, which will expose us to the risk of increased interest rates; and our substantial leverage may limit our flexibility to adjust to changing economic or market conditions, reduce the 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 might be needed 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 many of our projects located in the United States individually. As a result, to the extent we increase the number of 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 and lot closings. Based on our interest rate sensitive net debt levels, as of December 31, 2012, a 1% change up or down in interest rates could have either a negative or positive effect of approximately \$2 million on our cash flows.

Changes to foreign currency exchange rates could adversely affect our earnings and net asset value.

We have businesses with earnings in both the United States and Canada. Our financial results are reported in US\$. Changes in the US\$-C\$ exchange rate will affect the value of the reported earnings and the value of those assets and liabilities denominated in foreign currencies. For example, an increase in the value of the U.S. dollar compared to the Canadian dollar would reduce our Canadian dollar-denominated revenue when reported in U.S. dollars, and vice versa. Our business, financial condition and operating results may be adversely affected by such exchange rate fluctuations.

Our business is susceptible to adverse weather conditions, other environmental conditions and natural and man-made disasters.

Adverse weather conditions and natural and man-made disasters such as hurricanes, tornadoes, storms, earthquakes, floods, droughts, fires, snow, blizzards and other environmental conditions, as well as terrorist attacks, riots and electrical outages, can have a significant effect on our ability to develop our communities. These adverse conditions can cause physical damage to work in progress and new homes, delays and increased costs in the construction of new homes and disruptions and suspensions of our operations, whether caused directly or by disrupting or suspending operations of those upon whom we rely in our operations. Such adverse conditions can mutually cause or aggravate each other, and their incidence and severity are unpredictable. If insurance is unavailable to us or is unavailable on acceptable terms, or if our insurance is not adequate to cover business interruptions or losses resulting from adverse weather or natural or man-made disasters, our business and results of operations will be adversely affected. In addition, damage to new homes caused by adverse weather or a natural or man-made disaster may cause our insurance costs to increase.

Increased insurance risk will adversely affect our business, and, as a consequence, may result in uninsured losses or cause us to suffer material losses in excess of insurance limits.

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 will adversely affect our ability to obtain appropriate insurance coverage at reasonable costs.

In addition, certain types of risks, such as personal injury claims, may be, or may become in the future, either uninsurable or not economically insurable, or may not be currently or in the future covered by our insurance policies. Should an uninsured loss or a loss in excess of insured limits occur, we could sustain financial loss or lose capital invested in the affected property as well as anticipated future income from that property. In the United States, the coverage offered and the availability of general liability insurance for construction defects is currently limited and costly.

An inability to obtain additional performance, payment, completion and surety bonds and letters of credit could limit our future growth.

We are often required to provide performance, payment, completion and surety bonds or letters of credit to secure the completion of our construction contracts, development agreements and other arrangements. We have obtained facilities to provide the required volume of performance, payment, completion and surety bonds and letters of credit for our expected growth in the medium term; however, unexpected growth may require additional facilities. Our ability to obtain additional performance, payment, completion and surety bonds and letters of credit primarily depends on our capitalization, working capital, past performance, management expertise and certain external factors, including the capacity of the performance bond market. Performance, payment, completion and surety bond and letter of credit providers consider these factors, in addition to our performance and claims record and provider-specific underwriting standards, which may change from time to time.

If our claims record or our providers' requirements or policies change or if the market's capacity to provide performance and completion bonds is not sufficient and we are unable to renew or amend our existing facilities on favorable terms or at all, we could be unable to obtain additional performance, payment, completion and surety bonds or letters of credit when required, which could have a material adverse effect on our business, financial condition and results of operations.

Investors might have difficulty enforcing civil liabilities in the United States against us and our directors and officers.

We are organized outside of the United States. Many of our directors and officers and the experts named in this Annual Information Form reside outside the United States. Because we and such persons are located outside the United States, it may not be possible for investors to effect service of process within the United States on us or them. Furthermore, it may not be possible for investors to enforce against us or them, in the United States, judgments obtained in U.S. courts, because a substantial portion of our and their assets are located outside the United States. Investors' rights will be subject to the laws of multiple jurisdictions, and investors may not be able to enforce effectively investors' rights in multiple bankruptcy, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly and often result in substantial uncertainty and delay in the enforcement of rights. In addition, treaties may not exist in all cases for the recognition of the enforcement of a judgment or order of a foreign court. We have been advised by our Canadian counsel that a monetary judgment of a U.S. court predicated solely upon the civil liability provisions of U.S. federal securities laws would likely be enforceable in Canada if the U.S. court in which the judgment was obtained had a basis for jurisdiction over the matter that was recognized by a Canadian court for such purposes. However, we cannot assure investors that this will be the case. In addition, we have also been advised by our Canadian counsel that it is less certain that an action can be brought in Canada in the first instance on the basis of liability predicated solely upon such laws. Therefore, it may not be possible to enforce those judgments against us, certain of our directors and officers or some of the experts named in this Annual Information Form.

In addition, the bankruptcy, insolvency, foreign exchange, administration and other laws of Canada may be materially different from those of the United States. The consequences of the multiple jurisdictions involved in the transaction could trigger disputes over which jurisdiction's laws should govern, which could adversely affect investors' ability to enforce their rights.

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

In the United States, unlike in Canada, significant expenses for purposes of owning a home, including mortgage interest expense and real estate taxes, generally are deductible expenses for an individual's U.S. federal and, in some cases, state income taxes, subject to various limitations under current tax law and policy. If the U.S. federal government or a state government changes its income tax laws, eliminating or substantially modifying these income tax deductions, the after-tax cost of owning a new home would increase for many potential purchasers of our homes. Increases in property tax rates by local governmental authorities, as experienced in response to reduced federal, state and provincial funding, can adversely affect the ability of potential purchasers of our homes to obtain financing or their desire to purchase new homes. In addition, increases in sales and other taxes could discourage potential homebuyers from purchasing one of our homes.

Any resulting loss or reduction of homeowner tax deductions, if such tax law changes were enacted without offsetting provisions, or any other increase in any taxes affecting homeowners, would adversely impact demand for and sales prices of new homes.

Higher cancellation rates of existing agreements of sale may have an adverse effect on our business.

Our backlog reflects agreements of sale with our homebuyers for homes that have not yet been delivered. We receive a deposit from our homebuyers for each home reflected in our backlog, and we have the right, subject to certain exceptions, to retain the deposit if the homebuyer defaults under their agreement by failing to comply with their obligations under their agreement such as, subject to state and local law, the homebuyer's inability to sell his or her current home or the homebuyer's inability to make additional deposits required prior to the closing date. In addition, in our Canadian markets we have the right to retain the deposits and pursue the buyer for damages or specific performance in the event of a buyer's breach of the purchase and sale agreement. However, in the United States, if prices for new homes decline, competitors increase their use of sales incentives, interest rates increase, the availability of mortgage financing diminishes or if there is a further downturn in local or regional economies or the national economy, U.S. homebuyers may terminate their existing home purchase contracts with us, in many cases without our having recourse against them other than retention of their deposit, in order to negotiate for a lower price or because they cannot, or become reluctant to, complete the purchase.

If uncertain economic conditions in the United States and Canada continue, if mortgage financing becomes less available or if current homeowners find it difficult to sell their current homes, more homebuyers may cancel their agreements of sale with us. In cases of cancellation, we remarket the home and usually retain any deposits we are permitted to retain. Nevertheless, the deposits may not cover the additional costs involved in remarketing the home and carrying of higher inventory. Significant numbers of cancellations could adversely affect our business, financial condition and results of operations.

A major health and safety incident relating to our business could be costly in terms of potential liabilities and reputational damage.

Building sites are inherently dangerous, and operating in the homebuilding industry poses certain inherent health and safety risks. Due to health and safety regulatory requirements and the number of projects we work on, health and safety performance is critical to the success of our business. Any failure in health and safety performance may result in penalties for non-compliance with relevant regulatory requirements, and a failure that results in a major or significant health and safety incident is likely to be costly in terms of potential liabilities incurred as a result. Such a failure could generate significant negative publicity and have a corresponding impact on our reputation, our relationships with relevant regulatory agencies or governmental authorities, and our ability to win new business, which in turn could have a material adverse effect on our business, financial condition and operating results.

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

The residential land development and homebuilding industry is highly competitive. Residential land developers and 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 these 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 land development and 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.

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 relationship with our majority shareholder, Brookfield Asset Management, and other affiliates may be on terms more or less favorable than those that could be obtained from third parties.

As of March 15, 2013, Brookfield Asset Management beneficially owned or controlled or directed, directly or indirectly, 68.9% of our outstanding Common Shares and our relationship with Brookfield Asset Management and its affiliates includes an unsecured revolving credit facility with a subsidiary of Brookfield Asset Management and the purchase of Canadian tax credits from Brookfield Asset Management for the year ended December 31, 2012. Additionally, we have the right to use the names “Brookfield” and “Brookfield Residential” pursuant to a license agreement between Brookfield Office Properties and Brookfield Global Asset Management Limited, a subsidiary of Brookfield Asset Management. 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 to be 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 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 as favorable as those with affiliates.

Utility and resource shortages or rate fluctuations could have an adverse effect on our operations.

Certain areas in which we operate have historically been subject to utility and resource shortages, including significant changes to the availability of electricity and water. These areas have also experienced material fluctuations in utility and resource costs. Shortages of natural resources, particularly water, in our markets, may make it more difficult for us to obtain regulatory approval of new developments, it may also cause us to incur additional costs and lead us to be unable to complete construction on a timely basis if such shortages and utility rate fluctuations arise. Furthermore, these shortages and rate fluctuations may adversely affect the regional economies in which we operate, which may reduce demand for our homes.

RISKS RELATED TO THE CORPORATION’S COMMON SHARES

If our share price declines, investors in our Common Shares could lose a significant part of their investment.

The market price of our Common Shares may be influenced by many factors, some of which are beyond our control, including those described above in “Risks Related to the Business and Industry of the Corporation” and the following:

- the failure of securities analysts to cover our Common Shares;
- changes in financial estimates by securities analysts;
- the inability to meet the financial estimates of analysts who follow our Common Shares;
- the failure to meet, or delay in meeting, our growth targets;
- strategic actions by us or our competitors;
- announcements by us or our competitors of significant contracts, acquisitions, joint marketing relationships, joint ventures or capital commitments;
- variations in our quarterly operating results and those of our competitors;
- general economic and stock market conditions;
- risks related to our business and our industry, including those discussed above;
- conditions in the land development and homebuilding markets and housing markets generally;
- terrorist acts;
- future sales of our Common Shares or other securities;
- interest rates;
- investor perceptions of the investment opportunity associated with our Common Shares relative to other investment alternatives; and
- guidance, if any, that we provide to the public about our future earnings or prospects, any changes in this guidance or our failure to meet this guidance.

As a result of these factors, investors in our Common Shares may not be able to resell their Common Shares at or above the price at which they were purchased or may not be able to resell them at all. These broad market and industry factors may materially reduce the market price of our Common Shares, regardless of our operating performance. In addition, price volatility may be greater if the trading volume of our Common Shares is low.

Brookfield Asset Management's status as our majority shareholder may create conflicts of interest with our other shareholders and could cause us to take actions that our other shareholders do not support.

As at March 15, 2013, Brookfield Asset Management beneficially owns, or controls or directs, directly or indirectly, 81,493,112 Common Shares, representing approximately 68.9% of our outstanding Common Shares. Accordingly, Brookfield Asset Management has significant influence on our strategic direction and significant corporate transactions, and its interests in these matters may conflict with those of our other shareholders. As a result, Brookfield Asset Management could cause us to take actions that our other shareholders do not support.

Brookfield Asset Management's significant ownership interest in us and other anti-takeover provisions could deter an acquisition proposal that shareholders may consider favorable.

A third party will not be able to acquire control of us without Brookfield Asset Management's consent because Brookfield Asset Management owns a majority of our outstanding Common Shares, and it could vote its Common Shares against any takeover proposal submitted for shareholder approval. Brookfield Asset Management's ownership interest in us could discourage potential acquisition proposals and could delay or prevent a change of control. These deterrents could adversely affect the price of Common Shares and make it very difficult for our shareholders, other than Brookfield Asset Management, to remove or replace members of our board of directors, which could be detrimental to our other shareholders.

We are a "controlled company" within the meaning of the NYSE rules and, as a result, may rely on exemptions from certain corporate governance requirements that are designed to provide protection to stockholders of companies that are not "controlled companies."

As of March 15, 2013, Brookfield Asset Management and its affiliates owned approximately 68.9% of our outstanding Common Shares and, as a result, we are a "controlled company" under the NYSE corporate governance standards. As a controlled company, we are exempt under the NYSE standards from the obligation to comply with certain corporate governance requirements, including the requirements: that a majority of our board of directors consist of independent directors; that our board of directors have a nominating committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and that it have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities. We do not presently intend to elect to utilize any of the "controlled company" corporate governance exemptions available to us under the NYSE rules. If we make use of the NYSE's "controlled company" exemptions, investors may not have the same protection afforded to stockholders of companies that are not "controlled companies."

Although the Common Shares are listed on the NYSE, as a foreign private issuer we have elected to rely on certain Canadian requirements concerning corporate governance, and there exists the possibility that Canadian securities law requirements will provide less protection than those required by the NYSE.

The Common Shares are listed on the NYSE, and we will be subject to certain corporate governance and other requirements to maintain our listing. However, as a foreign private issuer, we are permitted to elect to follow certain corporate governance rules that conform to Canadian requirements in lieu of most of the NYSE corporate governance standards. As a result, investors may not have the same protections afforded to stockholders of companies that are not eligible for exemption from any of the NYSE corporate governance requirements.

The trading prices of our Common Shares could fluctuate significantly, and the market for our Common Shares could be particularly volatile because of Brookfield Asset Management's significant ownership.

The trading prices of our Common Shares 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 our Common Shares; 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 prices of our Common Shares.

As of March 15, 2013, Brookfield Asset Management and its affiliates beneficially own or control or direct, directly or indirectly, approximately 68.9% of our outstanding Common Shares. If Brookfield Asset Management should decide in the future to sell any of our Common Shares owned beneficially by it, the sale (or the perception of the market that a sale may occur) could adversely affect the trading prices of our Common Shares.

If we were determined to be a passive foreign investment company, the determination would result in certain potentially adverse U.S. federal income tax consequences to U.S. Holders of Common Shares.

The rules for determining whether an entity is a passive foreign investment company, referred to as a PFIC, are complex, fact specific, and subject to interpretative differences, so that we cannot give any assurance as to our status as a PFIC for the current or any future year.

If we were to constitute a PFIC for any year during which a U.S. Holder (as defined below) owns Common Shares, then the U.S. Holder could be subject to increased taxes and related interest charges on the receipt of certain distributions or constructive distributions and with respect to the sale or other disposition of Common Shares, unless certain elections were made. In addition, U.S. Holders of a PFIC have certain IRS reporting obligations. U.S. Holders of Common Shares should consult their own tax advisors with respect to the PFIC issue and its applicability to their particular tax situation. For purposes hereof a "U.S. Holder" means (i) an individual who is a citizen or resident of the United States; (ii) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the United States any state therein or the District of Columbia; or (iii) any other person that is subject to U.S. federal income tax on a net income basis in respect of an investment in our Common Shares.

We do not expect to pay dividends on our Common Shares in the foreseeable future.

We cannot predict at this time whether we will pay dividends on Common Shares. Whether we will pay dividends on Common Shares, and the timing and amount of those dividends, will be subject to approval and declaration by the board of directors, and will depend on a variety of factors, including our earnings, cash requirements and financial condition and other factors deemed relevant by the board of directors.

Present and future offerings of debt or equity securities, ranking senior to our Common Shares, may adversely affect the market price of our Common Shares.

If we decide to issue debt or equity securities ranking senior to our Common Shares in the future it is likely that they will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of holders of our Common Shares and may result in dilution to holders of our Common Shares. We and, indirectly, our shareholders, will bear the cost of issuing and servicing such securities. Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our Common Shares will bear the risk of our future offerings reducing the market price of our Common Shares and diluting the value of their shareholdings in us.

The number of shares available for future sale could adversely affect the market price of our Common Shares.

We cannot predict whether future issuances of our Common Shares or the availability of Common Shares for resale in the open market will decrease the market price per Common Share. We may issue additional Common Shares, including securities that are convertible into or exchangeable for, or that represent the right to receive Common Shares. Sales of a substantial number of Common Shares in the public market or the perception that such sales might

occur could materially adversely affect the market price of our Common Shares. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our shareholders bear the risk of our future offerings reducing the market price of our Common Shares and diluting their shareholdings in us.

The exercise of any options granted to directors, executive officers and other employees under our stock compensation plans, and other issuances of our Common Shares could have an adverse effect on the market price of our Common Shares, and the existence of options may materially adversely affect the terms upon which we may be able to obtain additional capital through the sale of equity securities. In addition, future sales of our Common Shares may be dilutive to existing shareholders.

Brookfield Asset Management continues to have significant influence over us, which may limit the ability of holders of Common Shares to influence corporate matters or result in actions that holders of Common Shares do not believe to be in their interests or the Corporation's interests.

Brookfield Asset Management beneficially owns, or controls or directs, directly or indirectly, 81,493,112 Common Shares in the capital of the Corporation, representing approximately 68.9% of the outstanding Common Shares. Accordingly, Brookfield Asset Management has significant influence on the strategic direction and significant corporate transactions of Brookfield Residential, and its interests in these matters may conflict with those of other Brookfield Residential shareholders. As a result, Brookfield Asset Management could cause Brookfield Residential to take actions that other Brookfield Residential shareholders do not support.

This concentrated ownership of outstanding Common Shares may limit the ability of holders of Common Shares to influence corporate matters, and the interests of Brookfield Asset Management may not coincide with our interests or the interests of holders of Common Shares. As a result, we may take actions that holders of Common Shares do not believe to be in our interests or their interests and that could depress our share price.

If securities or industry analysts do not publish research or reports about our business, if they adversely change their recommendations regarding our Common Shares or if our operating results do not meet their expectations, our share price could decline.

The trading market for our Common Shares may be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline. Moreover, if one or more of the analysts who cover our company downgrades our shares or if our operating results do not meet their expectations, our share price could decline.

DESCRIPTION OF CAPITAL STRUCTURE

The following is a description of the material terms of the authorized capital of Brookfield Residential. The terms of Brookfield Residential's authorized capital are more detailed than the general information provided below. Therefore, please carefully consider the actual terms of the authorized capital. The articles of Brookfield Residential, as amended, are filed on SEDAR at www.sedar.com.

Authorized Capital

The authorized share capital of Brookfield Residential consists of

- an unlimited number of Common Shares; and
- an unlimited number of shares of preferred shares, of which 65,246 shares are designated as Preferred Shares. Brookfield Residential has no present plans to designate or issue any other preferred shares.

Outstanding Share Capital

As at December 31, 2012, the following shares of the Corporation were issued and outstanding: 118,279,534 Common Shares and 65,286 Preferred Shares.

As at March 15, 2013, the following shares of the Corporation were issued and outstanding: 118,354,703 Common Shares and 65,246 Preferred Shares.

Rights and Preferences of Brookfield Residential Shares Common Shares

Voting Rights. All Common Shares have identical rights and privileges. The holders of Common Shares are entitled to vote on all matters submitted to a vote of the Brookfield Residential shareholders, including the election of directors; provided, however, that holders of Common Shares will not be entitled to vote for any amendments to the Corporation's articles of incorporation that relate only to an outstanding series of preferred shares. On all matters to be voted on by holders of Common Shares, the holders will be entitled to one vote for each Common Share held of record, and will have no cumulative voting rights.

Dividend Rights. Holders of Common Shares are entitled to receive dividends or other distributions when and if declared by the Board. The right of the Board to declare dividends, however, will be subject to the rights of any holders of outstanding preferred shares of Brookfield Residential and the availability of sufficient funds under the OBCA to pay dividends. For a more complete description of the dividend rights of holders of preferred shares of Brookfield Residential, see "— Preferred Shares" and "— Preferred Shares Issuable in Series" below.

Liquidation Preference. In the event of a liquidation, dissolution or winding-up of Brookfield Residential, after the payment in full of all amounts owed to holders of any outstanding shares of Brookfield Residential preferred shares, the remaining assets of Brookfield Residential will be distributed rateably to the holders of Common Shares, in proportion to the number of shares held by such holders.

Other Rights. Holders of Common Shares have no preemptive rights and no right to convert their Common Shares into any other securities. There are no redemption or sinking fund provisions applicable to the Common Shares. The rights, preferences and privileges of holders of Common Shares will be subject to, and may be adversely affected by, the rights of holders of the Preferred Shares and shares of any other series of preferred shares of Brookfield Residential which the Corporation may designate and issue in the future without further shareholder approval.

Preferred Shares

Holders of the Preferred Shares are not entitled to receive notice of or to attend any meeting of shareholders of the Corporation and will not be entitled to vote at any such meeting except certain meetings at which their vote is required.

In order to ensure that the terms of the Preferred Shares would be the same in all material respects as the terms of the Brookfield Homes preferred shares, and in accordance with the terms of the Brookfield Homes convertible preferred shares, appropriate adjustments were made in the conversion rate of the Preferred Shares received in the Transactions. The adjustments reflected the exchange ratio applicable to the underlying Common Shares received in the merger of 0.76490053 Common Shares for each share of Brookfield Homes common stock held. As a result, the Preferred Shares are convertible at the option of the shareholder, into Common Shares, at a conversion rate of 2.731787605 Common Shares per Preferred Share, which is equivalent to a conversion price of approximately \$9.15 per share, subject to future adjustment.

Dividends on the Preferred shares will be fully cumulative, without interest, from the date of original issuance of the Preferred Shares and will be payable semi-annually in arrears, normally at the end of June and December of each year, at Brookfield Residential's election, in cash, shares of Common Shares or a combination of cash and Common Shares. The Preferred Shares are perpetual and will not have a maturity date; however, beginning June 30, 2014, if the 90-day volume weighted average market price of the Common Shares is greater than \$18.30 per share, Brookfield Residential may, at its option, require all preferred shares to be automatically converted into Common Shares.

In the event that the Corporation elects to pay all or any portion of the dividends in Common Shares, the amount of dividend for each Preferred Share will be computed based on an average of the volume weighted closing price of the Common Shares over the five days immediately preceding the dividend declaration date.

As the Preferred Shares rank senior to the Common Shares, holders of Common Shares are only entitled to receive any dividends after all accumulated and unpaid dividends for the then-current semi-annual dividend period are paid or declared and set apart for the Preferred Shares.

No dividends will be paid on the Preferred Shares in the event that there is a default, in whole or in part, on any dividend on any share in the capital of the Corporation ranking senior as to the payment of dividends to the Preferred Shares.

No dividends will be paid on any shares in the capital of the Corporation ranking on parity with the Preferred Shares for any period unless full cumulative dividends have been paid or declared and set aside for payment on the Preferred Shares. Additionally, no full dividends will be paid or declared and set aside for payment on the Preferred Shares for any period unless full cumulative dividends have been, or contemporaneously are, paid or declared and set aside for any shares in the capital of the Corporation ranking on parity with the Preferred Shares.

In the event of a liquidation, dissolution or winding-up of Brookfield Residential, subject to prior rights of holders of any shares ranking senior to the Preferred Shares, the holders of the Preferred Shares will be entitled to a certain amount of the Corporation's assets. For clarity, a liquidation, dissolution or winding-up of Brookfield Residential for the purposes of the Preferred Shares does not include a consolidation or merger of the Corporation with another corporation nor a sale or transfer of all or part of the Corporation's assets.

Preferred Shares Issuable in Series

The Board is authorized to issue from time to time, without further shareholder approval, an unlimited number of shares of preferred shares (in addition to the Preferred Shares) in one or more series and to fix or alter the designations, preferences, rights and any qualifications, limitations or restrictions of the shares of each series, including the dividend rights, dividend rates, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), redemption price or prices, liquidation preferences and the number of shares constituting any series. Brookfield Residential could issue its preferred shares in ways which may delay, defer or prevent a change in control of Brookfield Residential without further action by Brookfield Residential's shareholders and may adversely affect the voting and other rights of the holders of Common Shares. The issuance of preferred shares of Brookfield Residential with voting and conversion rights may adversely affect the voting power of the holders Common Shares, including the loss of voting control to others. However, despite this potential use of the preferred shares, the preferred shares are not intended for anti-takeover purposes without shareholder approval. The preferred shares are instead intended to provide future financing flexibility.

Description of the Notes and Indenture

The Notes are direct senior unsecured obligations of Brookfield Residential and rank *pari passu* in the right payment with all other unsecured and unsubordinated indebtedness of Brookfield Residential. The Notes were issued pursuant to an indenture dated December 14, 2012 among Brookfield Residential, certain of its subsidiaries, as guarantors, and Wells Fargo Bank, National Association, as trustee. The following is a summary of the terms of the Notes:

Issuer:	Brookfield Residential Properties Inc. (the "Issuer")
Guarantors:	All of the current and future subsidiaries of the Issuer, other than immaterial subsidiaries, subsidiaries that are U.S. special purpose entities and subsidiaries whose operations consist of issued mortgage loans
Security Description:	6.500% Senior Notes due 2020
Face:	\$600,000,000

Maturity:	December 15, 2020	
Coupon:	6.500% per year	
Offering Price:	100.000%, plus accrued interest, if any, from December 14, 2012	
Yield to Maturity:	6.500%	
Interest Payment Dates:	June 15 and December 15 commencing June 15, 2013	
Use of Proceeds:	Repay in full notes payable and debt due to affiliates, repay \$28 million of project specific financings and \$9 million of bank indebtedness, and the remainder for general corporate purposes	
Equity claw:	At any time before December 15, 2015, the Issuer may, on one or more occasions, redeem up to 35% of the aggregate principal amount of the notes at a redemption price of 106.500%, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption using the net cash proceeds of one or more equity offerings	
Optional Redemption:	Redeemable at Issuer's option, in whole or in part, at any time on or after December 15, 2015, at the redemption prices set forth below, together with accrued and unpaid interest, if any, to the date of redemption, if redeemed during the 12- month period beginning on December 15 of:	
	Year	Notes Redemption Percentage
	2015.....	104.875%
	2016.....	103.250%
	2017.....	101.625%
2018 and thereafter	100.000%	
Make-Whole:	Redeemable at the Issuer's option at any time prior to December 15, 2015, at a T+50 make-whole premium	

Ratings of Notes

The Notes are rated B2 by Moody's Investors Service, Inc. ("Moody's") and BB- by Standard & Poor's Rating Service ("S&P").

Moody's credit ratings are on a long-term debt rating scale that ranges from "Aaa" to "C", which represents the range from highest to lowest quality of such securities rated. A rating of B is characterized by Moody's as speculative and subject to high credit risk. Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the security ranks in the higher end of its generic rating category, the modifier 2 indicates a mid range ranking and the modifier 3 indicates a ranking in the lower end of its generic rating category. The B category is the sixth highest of the nine available rating categories.

S&P rates long-term debt instruments by rating categories ranging from a high of AAA to a low of D. According to the S&P ranking system, long-term debt rated BB (the fifth highest out of ten categories) is regarded as less vulnerable to nonpayment than other speculative issues; however, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation. The ratings from AA to CCC may be modified by the addition of a plus (+) or a minus (-) sign to show relative standing within the major rating categories.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issuer of securities. The credit ratings accorded to the Notes are not recommendations to purchase, hold or sell such securities inasmuch as such ratings are not a comment upon the market price of the securities or their suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant. A revision or withdrawal of a credit rating could have a material adverse effect on the pricing or liquidity of the Notes in the secondary markets, should such markets develop. Brookfield Residential undertakes no obligation to maintain the ratings or to advise holders of the Notes of any change in ratings. Each agency's rating should be evaluated independently of any other agency's rating.

DIVIDENDS AND DIVIDEND POLICY

Common Shares

The Corporation has never declared or paid dividends on the Common Shares. The declaration and payment of dividends on the Common Shares are at the discretion of the Board. No dividends or other distributions can be paid or set apart for payment on the Common Shares until all accumulated and unpaid preferred dividends on the Preferred Shares have been paid or declared and set apart for payment. Any dividend per Preferred Share would equal an amount computed pursuant to a formula outlined in the articles of the Corporation, as amended.

Brookfield Residential cannot predict at this time whether it will pay dividends on its Common Shares. Whether Brookfield Residential will pay dividends on its Common Shares, and the timing and amount of those dividends, will be subject to approval and declaration by the Board, and will depend on a variety of factors, including the earnings, cash requirements and financial condition of Brookfield Residential and other factors deemed relevant by the Board.

Preferred Shares

The declaration and payment of dividends on the Corporation's preferred shares are at the discretion of the Board. Dividends on the Corporation's Preferred Shares are paid semi-annually, normally at the end of June and December of each year. The dividends are fully cumulative and accumulate without interest from the date of original issuance. Dividends on the Corporation's preferred shares are declared in United States dollars.

MARKET FOR SECURITIES

The Corporation's publicly-traded securities that are currently issued and outstanding as of the date of this Annual Information Form are listed on the following exchanges under the symbol shown below:

<u>Security</u>	<u>Symbol</u>	<u>Stock Exchange</u>
Common Shares ⁽¹⁾	BRP	TSX and NYSE

⁽¹⁾ The Corporation's Common Shares were listed for trading on the TSX and NYSE on April 1, 2011.

Information on the trading prices and volumes for the Common Shares for each month of the calendar year ended December 31, 2012 is set out in Appendix A to this Annual Information Form.

DIRECTORS AND OFFICERS

Directors

The Corporation's directors are elected annually and hold office until the end of the next annual meeting of shareholders of the Corporation or until their successors are elected or appointed. As of the date of this Annual Information Form, the Board has 8 directors, a majority of whom are independent. Particulars relating to each of the 8 directors nominated for election at the Annual Meeting of Shareholders to be held on May 2, 2013 are set out in the Corporation's Management Information Circular on pages 7 to 11, which are incorporated herein by reference.

Executive Officers of the Corporation

The names of the executive officers of the Corporation, their location of residence, their current offices and their dates of appointment are shown in the following table:

<u>Name</u>	<u>Residence</u>	<u>Current Office</u>	<u>Prior Office</u>	<u>Date of Appointment</u>
Michael Dutczak	Alberta, Canada	Executive Vice President, Special Situations	Senior Vice President, Alberta Land, BPO Residential	March 31, 2011
David Harvie	Alberta, Canada	Executive Vice President	Senior Vice President, Corporate Development, BPO Residential	March 31, 2011
Craig J. Laurie	New Jersey, United States	Executive Vice President and Chief Financial Officer	Executive Vice President and Chief Financial Officer, Brookfield Homes Corporation	March 31, 2011
Alan Norris	Alberta, Canada	President and Chief Executive Officer	President and Chief Executive Officer, BPO Residential	March 31, 2011
Shane Pearson	Alberta, Canada	Senior Vice President & Corporate Counsel	Vice President & Corporate Counsel, Brookfield Homes Corporation	March 31, 2011

Each of the executive, corporate and operating officers has had the principal occupation referred to in the column “Current Office” since March 31, 2011 and the principal occupation referred to in the column “Prior Office” during the past five years but not including the period from March 31, 2011 onwards.

As at March 15, 2013, the directors and executive officers of the Corporation together owned, or controlled or directed, directly or indirectly, approximately 2.074 million Common Shares, representing approximately 1.8% of the Corporation’s issued and outstanding Common Shares.

Committees

The Board has an Audit Committee, a Governance and Nominating Committee, and a Management Resources and Compensation Committee (“Compensation Committee”). The names of the members of each of the committees are shown in the following table:

<u>Audit Committee</u>	<u>Governance and Nominating Committee</u>	<u>Management Resources and Compensation Committee</u>
Bruce T. Lehman	Allan S. Olson	Bruce T. Lehman ⁽³⁾
Patricia M. Newson ⁽¹⁾	David M. Sherman ⁽²⁾	Robert L. Stelzl ⁽⁴⁾
Allan S. Olson	Michael D. Young	Michael D. Young

(1) Chair of the Audit Committee.

(2) Chair of the Governance and Nominating Committee.

(3) Chair of the Compensation Committee.

(4) Independent Chair of the Board.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

To the knowledge of Brookfield Residential, none of the persons who are directors or executive officers of Brookfield Residential are, as at the date hereof, or have been, within the 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company that: (a)(i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively referred to as an “Order”), that was issued while the person was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was

acting in the capacity as director, chief executive officer or chief financial officer; (b) are, as at the date hereof, or have been within 10 years before the date hereof, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (c) have, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the person.

To the knowledge of Brookfield Residential, none of the persons who are directors or executive officers of Brookfield Residential, and no personal holding company thereof owned or controlled by them: (i) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Corporation is CIBC Mellon Trust Company at its principal office in Toronto, Ontario, Canada. Canadian Stock Transfer Company Inc. acts as the administrative agent for CIBC Mellon Trust Company. CIBC Mellon Trust Company maintains registers for the transfer of the Corporation's Common Shares at its offices in Toronto, Ontario in Canada and through American Stock Transfer & Trust Company, LLC in Brooklyn, New York in the United States.

AUDIT COMMITTEE INFORMATION

Responsibilities of the Audit Committee

The Board has established an Audit Committee with the responsibility for monitoring the Corporation's systems and procedures for financial reporting and internal controls, for reviewing all public disclosure documents containing financial information, and for monitoring the performance of the Corporation's external and internal auditors. The responsibilities of the Audit Committee are set out in a written charter, which is reviewed and approved annually by the Board. The current Charter of the Audit Committee was reviewed and confirmed by the Board on February 12, 2013 and is set out in full in Appendix B to this Annual Information Form.

The Audit Committee is comprised of three independent, financially literate directors: Patricia M. Newson (Chair), Bruce T. Lehman and Allan S. Olson.

Patricia M Newson (Chair)

Ms. Newson was appointed a director of the Corporation on March 31, 2011. In addition to the public companies listed below, Ms. Newson currently serves on the board of directors of the Alberta Electric System Operator, Heritage Gas Limited and Quality Urban Energy Systems of Tomorrow (QUEST). She retired in 2011 from AltaGas Ltd. as President of the Utility Division. Ms. Newson was President and CEO of AltaGas Utility Group Inc. from 2005 to 2009, and Senior Vice President Finance and CFO of AltaGas Income Trust from 1996 to 2006. Previous board experience includes Brookfield Asset Management Inc., AltaGas Utility Group Inc., Guide Exploration Inc., Inuvik Gas Ltd., and the Canadian Gas Association. Ms. Newson is a Chartered Accountant.

Bruce T. Lehman

Mr. Lehman served as a director of Brookfield Homes Corporation from 2002 until March 31, 2011. During this period, Mr. Lehman invested and held principal positions with Armada Real Estate Group, LLC and Summit Land Partners, LLC with a primary focus on residential land investments. He is presently a principal of Armada Real Estate Group, LLC and remains active in real estate investment and development. Previously, Mr. Lehman has also provided independent consulting services, including strategic advice and corporate dissertations in the real estate arena. From 1996 to 2000, Mr. Lehman was President-Merchant Housing Division, of Catellus Residential Group, a

wholly-owned subsidiary of Catellus Development Corp. (NYSE). Mr. Lehman also held this position with Catellus Residential Group's predecessor company, Akins Real Estate Group, from 1989 until 2000.

Allan S. Olson

Mr. Olson was the founder and majority shareholder, and since 1991 has been an executive and is now Chairman, of First Industries Corporation, a private investment and operating company. Prior to that he was President and Chief Executive Officer of the Churchill Corporation from 1989 to 1990, and Banister Construction Group from 1990 to 1991 and held various positions at Stuart Olson Construction including President and Chief Executive Officer from 1965 to 1989. Mr. Olson has served as a director of both private and public companies, and most recently was a director of IPSCO Steel Inc. from 1988 until the company was sold in 2007. He was also Chairman of Summit REIT until it was sold in 2006. Mr. Olson is currently a director of ZCL Composites and served as a director of Brookfield Office Properties and its predecessor companies, for more than 15 years, until 2012.

Principal Accounting Firm Fees and Services

Aggregate fees billed to the Corporation and its subsidiaries for the fiscal year ended December 31, 2012 by Deloitte LLP amounted to approximately \$1,323,096. From time to time, Deloitte LLP also provides consultative and other non-audit services to the Corporation and its subsidiaries and affiliates. The Audit Committee has adopted a policy regarding the provision of non-audit services by the external auditor. This policy, which is periodically reviewed and updated, requires Audit Committee pre-approval of permitted audit, audit-related and non-audit services. It also specifies a number of services the provision of which is not permitted by the external auditor, including the use of the external auditor for the preparation of financial information, system design and implementation assignments.

The following table sets forth further information on the fees billed by Deloitte LLP to the Corporation and its consolidated subsidiaries for the fiscal year ended December 31, 2012, expressed in U.S. dollars.

	2012			2011		
	Brookfield Residential	Subsidiaries of Brookfield Residential	Total	Brookfield Residential	Subsidiaries of Brookfield Residential	Total
Audit fees	\$1,086,471	\$87,500	\$1,173,971	\$815,000	\$99,500	\$914,500
Audit-related fees	24,125	—	24,125	6,500	—	6,500
Tax fees	—	—	—	—	—	—
Other fees	125,000	—	125,000	—	—	—
Total	\$1,235,596	\$87,500	\$1,323,096	\$821,500	\$99,500	\$921,000

Audit fees include fees for services that would normally be provided by the external auditor in connection with statutory and regulatory filings or engagements, including fees for services necessary to perform an audit or review in accordance with generally accepted auditing standards. This category also includes services that generally only the external auditor reasonably can provide, including comfort letters, statutory audits of public companies, investment funds and financial statements in connection with property-specific and subsidiary financings, attest services, consents and assistance with and review of certain documents filed with securities regulatory authorities.

Audit-related fees are for assurance and related services, such as due diligence services, that traditionally are performed by the external auditor. More specifically, these services include, among others: assistance in connection with Section 404 of the Sarbanes-Oxley Act of 2002, employee benefit plan audits, due diligence related to securities filings, securities offerings and mergers and acquisitions, accounting consultations and audits in connection with acquisitions, and attest services that are not required by statute or regulation such as consultation concerning financial accounting and reporting standards.

Tax fees are principally for assistance in tax return preparation and tax advisory services. All other fees include fees for translation, litigation and advisory support services.

The Audit Committee has received representations from Deloitte LLP regarding its independence and has considered the relations described above in arriving at its determination that Deloitte LLP is independent of the Corporation.

LEGAL PROCEEDINGS

Brookfield Residential is party to various legal actions arising in the ordinary course of its 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. In addition, the Corporation and a subsidiary of the Corporation are parties to a lawsuit that was filed in Delaware Chancery Court alleging breach of fiduciary duties and invalid merger and conversion relating to the Transactions. At a hearing held on September 6, 2012, the Court dismissed the claims in their entirety as against the subsidiary of the Corporation and the invalid merger and conversion claim as against the Corporation. Accordingly, the case has been significantly narrowed and only the fairness claim remains as against the Corporation. Management intends to vigorously defend these claims and believes the claims are without merit and that this action will not have a material adverse effect on the financial condition, results of operations or cash flows of the Corporation. An estimate of the possible loss or range of loss cannot be made at this time.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described below, no director, executive officer or shareholder who beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the outstanding Common Shares, or any known associate or affiliate of any such person, has or had any material interest, direct or indirect, in any transaction within the last year or in any proposed transaction, that has materially affected or will materially affect the Corporation.

Private Placement

On November 20, 2012, Brookfield Residential completed a private placement of 8,000,000 Common Shares to Brookfield Asset Management concurrently with a public offering of 8,424,696 Common Shares (which includes Common Shares issued pursuant to the subsequent exercise of an over-allotment option). Brookfield Residential used the net proceeds from the Equity Offerings of approximately \$227.2 million to repay approximately 58.4 million of the senior note due 2015 to Brookfield Office Properties and to pay down \$165.5 million of the amount due under Brookfield Residential's unsecured revolving credit facility with a subsidiary of Brookfield Asset Management.

Other

On December 14, 2012, Brookfield Residential completed a private placement offering of \$600 million aggregate principal amount of senior unsecured notes due 2020. The proceeds of the Debt Offering and Equity Offerings were used, among other things, to repay debt due to affiliates, including the repayment in full of a C\$265 million senior unsecured promissory note and a C\$215 million junior unsecured promissory note, both payable to Brookfield Office Properties and issued in connection with the Transactions.

Brookfield Residential has a \$300 million unsecured revolving operating facility with a subsidiary of Brookfield Asset Management.

During the year ended December 31, 2012, the Corporation paid \$26 million to Brookfield Asset Management to acquire the tax attributes of a subsidiary of Brookfield Asset Management.

During the year ended December 31, 2012, the Corporation paid \$40 million to Brookfield Asset Management for Canadian tax credits.

On December 3, 2012, the Corporation borrowed \$225.0 million under a promissory note from a subsidiary of Brookfield Asset Management in connection with the acquisition of Playa Vista Capital Company LLC. The promissory note was repaid in full prior to the end of the year.

Additionally, Brookfield Residential has the right to use the names “Brookfield” and “Brookfield Residential” pursuant to a license agreement between Brookfield Office Properties and Brookfield Global Asset Management Limited, a subsidiary of Brookfield Asset Management.

Finally, one of our directors and the Chair of the Board, Robert L. Stelzl, also serves as an independent director of Brookfield Office Properties, an affiliate of the Corporation.

MATERIAL CONTRACTS

Except for an unsecured revolving credit facility with a subsidiary of Brookfield Asset Management and the Indenture related to the Notes, the Corporation is not a party to any material contract, other than contracts entered into in the ordinary course of business, which has been entered into by the Corporation within the most recently completed financial year, or which is proposed to be entered into.

INTERESTS OF EXPERTS

Deloitte LLP, the Corporation’s external auditor, is independent of the Corporation in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

ADDITIONAL INFORMATION

Additional information relating to the Corporation, including information as to directors’ and executive officers’ remuneration and indebtedness, the principal holders of the Corporation’s securities and securities authorized for issuance under equity compensation plans, is set out in the Circular.

Additional financial information on the Corporation is provided in our financial statements and in our management’s discussion and analysis for the most recently completed financial year, which are contained in our 2012 Annual Report.

The Corporation’s most recent Circular and Annual Report, as well as other information on the Corporation, may be found on our website at www.brookfieldrp.com and on SEDAR at www.sedar.com.

APPENDIX A
TRADING INFORMATION FOR THE CORPORATION'S PUBLICLY-LISTED SECURITIES

On April 1, 2011, the Common Shares were listed and posted for trading on the TSX and NYSE under the trading symbol "BRP". The high and low trading prices and volume traded of the Common Shares on the TSX and NYSE for each applicable month of the most recently completed financial year are set out below.

Common Shares (TSX: BRP)

2012	<i>Period</i>	Price Per Share				Volume Traded^(a)
		High C\$	High US\$^(b)	Low C\$	Low US\$^(b)	
	January	9.89	9.72	7.97	7.89	51,718
	February	10.66	10.71	8.82	8.84	291,801
	March	11.69	11.85	9.80	9.78	185,438
	April	11.44	11.58	10.14	10.18	198,932
	May	11.90	12.06	10.75	10.53	115,549
	June	11.50	11.21	10.57	10.13	51,075
	July	11.67	11.64	10.85	10.62	680,915
	August	14.26	14.46	11.10	11.08	185,018
	September	14.84	15.30	13.76	14.03	119,718
	October	17.55	17.88	13.86	14.10	192,579
	November	19.04	19.10	14.14	14.10	939,210
	December	17.75	17.84	15.93	16.05	231,349

^(a) Volume traded refers to volume traded on TSX only.

^(b) Based on Bloomberg BGN Rate

Common Shares (NYSE: BRP)

2012	<i>Period</i>	Price Per Share		Volume Traded^(a)
		High US\$	Low US\$	
	January	9.48	7.88	229,953
	February	10.61	8.88	458,671
	March	11.72	9.75	939,689
	April	11.62	10.03	998,453
	May	12.08	10.60	711,480
	June	11.24	10.04	357,416
	July	11.70	10.60	493,255
	August	14.50	11.03	723,834
	September	15.36	13.95	921,971
	October	17.88	14.02	659,394
	November	18.88	14.07	2,928,413
	December	17.94	16.03	758,451

^(a) Volume traded refers to volume traded on NYSE only.

APPENDIX B

AUDIT COMMITTEE CHARTER

February 2013

A committee of the board of directors (the “Board”) of Brookfield Residential Properties Inc. (the “Corporation”) to be known as the Audit Committee (the “Committee”) shall have the following terms of reference:

MEMBERSHIP AND CHAIR

Following each annual meeting of shareholders, the Board shall appoint from its number three or more Independent Directors (the “Members” and each a “Member”) to serve on the Committee until the close of the next annual meeting of shareholders of the Corporation or until the Member ceases to be a director, resigns or is replaced, whichever occurs first.

The Members will be selected by the Board, taking into account the recommendation of the Governance and Nominating Committee. Any Member may be removed from office or replaced at any time by the Board. In addition, every Member will be Financially Literate and at least one Member will be an Audit Committee Financial Expert. Members may not serve on more than two other public company audit committees, except with the prior approval of the Board.

The Board shall appoint one Member as the chair of the Committee. If the chair is absent from a meeting, the Members shall select a chair from those in attendance to act as chair of the meeting.

RESPONSIBILITIES

The Committee shall:

- (a) oversee the work of the Corporation’s external auditor (the “auditor”) engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Corporation;
- (b) review and evaluate the auditor’s independence, experience, qualifications and performance and determine whether the auditor should be appointed or re-appointed and recommend to the Board the auditor who should be nominated for appointment or re-appointment for ratification by the shareholders;
- (c) where appropriate, recommend to the Board that the shareholders be asked to vote on the removal of the auditor;
- (d) when a change of auditor is proposed, review all issues related to the change, including the information to be included in the notice of change of auditor required, and the orderly transition of such change;
- (e) review the terms of the auditor’s engagement and the appropriateness and reasonableness of the proposed audit fees;
- (f) at least annually, obtain and review a report by the auditor describing:
 - (i) the auditor’s internal quality-control procedures; and
 - (ii) any material issues raised by the most recent internal quality control review, or peer review, of the auditor, or review by any independent oversight body such as the Canadian Public Accountability board or the Public Company Accounting Oversight board, or governmental or professional authorities within the preceding five years respecting one or more independent

audits carried out by the auditor, and the steps taken to deal with any issues raised in any such review;

- (g) at least annually, confirm that the auditor has submitted a formal written statement describing all of its relationships with the Corporation; discuss with the auditor any disclosed relationships or services that may affect its objectivity and independence; obtain written confirmation from the auditor that it is objective within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of Chartered Accountants to which it belongs and is an independent public accountant within the meaning of the federal securities legislation administered by the United States Securities and Exchange Commission and of the Independence Standards of the Canadian Institute of Chartered Accountants, and is in compliance with any independence requirements adopted by the Public Company Accounting Oversight board; and, confirm that it has complied with applicable laws with the rotation of certain members of the audit engagement team;
- (h) review and evaluate the lead partner of the auditor;
- (i) ensure the regular rotation of the audit engagement team members as required by law, and periodically consider whether there should be regular rotation of the auditor firm;
- (j) meet privately with the auditor as frequently as the Committee feels is appropriate to fulfill its responsibilities, which will not be less frequently than annually, to discuss any items of concern to the Committee or the auditor, including:
 - (i) planning and staffing of the audit;
 - (ii) any material written communications between the auditor and management;
 - (iii) whether or not the auditor is satisfied with the quality and effectiveness of financial recording procedures and systems, including internal control over financial reporting and the steps management has taken to monitor and control such exposures;
 - (iv) the extent to which the auditor is satisfied with the nature and scope of its examination;
 - (v) whether or not the auditor has received the full co-operation of management of the Corporation;
 - (vi) the auditor's opinion of the competence and performance of the Chief Financial Officer and other key financial personnel;
 - (vii) the items required to be communicated to the Committee in accordance with generally accepted auditing standards;
 - (viii) all critical accounting policies and practices to be used by the Corporation;
 - (ix) the effect of new or proposed regulatory and accounting initiatives on the Corporation's financial statements and public disclosures;
 - (x) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor;
 - (xi) any difficulties encountered in the course of the audit work, any restrictions imposed on the scope of activities or access to requested information, any significant disagreements with management, including with respect to generally accepted accounting principles, management's response to such disagreements and any material adjustments to the financial statements recommended by the auditor and adjustments that were proposed but "passed," regardless of materiality;

and

- (xii) any illegal act that may have occurred and the discovery of which is required to be disclosed to the Committee pursuant to applicable securities legislation;
- (k) pre-approve or approve, if permitted by applicable law and stock exchange listing standards, the appointment of the auditor to provide any audit service or non-prohibited non-audit service and, if desired, establish detailed policies and procedures for the pre-approval of audit services and non-prohibited non-audit services by the auditor. The Committee may delegate this responsibility to one or more Members to the extent permitted by applicable law provided that any pre-approvals granted pursuant to such delegation must be detailed as to the particular service to be provided, may not delegate Committee responsibilities to management and must be reported to the full Committee at its next scheduled meeting;
- (l) resolve any disagreements between management and the auditor regarding financial reporting;
- (m) review, and, where appropriate, recommend for approval by the Board, the following:
 - (i) audited annual financial statements, in conjunction with the report of the external auditor;
 - (ii) interim financial statements;
 - (iii) annual and interim management discussion and analysis of financial condition and results of operation;
 - (iv) reconciliations of the annual or interim financial statements; and
 - (v) all other audited or unaudited financial information contained in public disclosure documents, including without limitation, any prospectus, or other offering or public disclosure documents and financial statements required by regulatory authorities;
- (n) discuss earnings press releases and other press releases containing financial information (to ensure consistency of the disclosure to the financial statements), as well as financial information and earnings guidance provided to analysts and rating agencies, including the use of “pro forma” or “adjusted” non-GAAP information in such press releases and financial information. Such review may consist of a general discussion of the types of information to be disclosed or the types of presentations to be made;
- (o) review the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation’s financial statements and public disclosures;
- (p) review disclosures made to the Committee by the Chief Executive Officer and Chief Financial Officer during their certification process for applicable securities law filings about any significant deficiencies and material weaknesses in the design or operation of the Corporation’s internal control over financial reporting which are reasonably likely to adversely affect the Corporation’s ability to record, process, summarize and report financial information, and any fraud involving management or other employees; and changes in the Corporation’s internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, such internal control over financial reporting;
- (q) review the effectiveness of management’s policies and practices concerning financial reporting, any proposed changes in major accounting policies, the appointment and replacement of management responsible for financial reporting and the internal audit function;
- (r) review the adequacy of the internal controls that have been adopted by the Corporation to safeguard assets from loss and unauthorized use and to verify the accuracy of the financial records and any special audit steps adopted in light of material control deficiencies;

- (s) meet privately with the person responsible for the Corporation's internal audit function as frequently as the Committee feels appropriate to fulfill its responsibilities, which will not be less frequently than annually, to discuss any items of concern;
- (t) review the mandate, budget, planned activities, staffing and organizational structure of the internal audit function (which may be outsourced to a firm other than the auditor) to confirm that it is independent of management and has sufficient resources to carry out its mandate. The Committee will discuss this mandate with the auditor; review the appointment and replacement of the person in charge of the Corporation's internal audit and review the significant reports to management prepared by the internal auditor and management's responses. If the internal audit services are outsourced, the Committee shall be responsible for the engagement, evaluation and termination of the internal audit service providers and shall approve fees paid to the internal audit service providers. As part of its responsibility to evaluate any internal audit service providers, the Committee shall review the quality control procedures applicable to the service providers. The Committee shall also obtain not less frequently than annually a report of the service providers describing:
 - (i) such service providers' internal control procedures and
 - (ii) any material issues raised by the most recent internal quality control review, or peer review, of the such service provider, or review by any independent oversight body such as the Canadian Public Accountability board or the Public Company Accounting Oversight board, or governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by such service provider, and the steps taken to deal with any issues raised in any such review;
- (u) review the controls and procedures that have been adopted to confirm that material information about the Corporation and its subsidiaries that is required to be disclosed under applicable law or stock exchange rules is disclosed and to review the public disclosure of financial information extracted or derived from the issuer's financial statements and periodically assess the adequacy of these procedures;
- (v) review periodically, the Corporation's policies with respect to risk assessment and management, particularly financial risk exposure, including the steps taken to monitor and control risks;
- (w) review periodically, the status of taxation matters of the Corporation;
- (x) set clear policies for hiring partners and employees and former partners and employees of the external auditor;
- (y) review, with legal counsel where required, such litigation, claims, tax assessments, transactions, material inquiries from regulators and governmental agencies or other contingencies which may have a material impact on financial results or which may otherwise adversely affect the financial well-being of the Corporation;
- (z) review periodically the Corporation's susceptibility to fraud and oversee management's processes for identifying and managing the risks of fraud; and
- (aa) consider other matters of a financial nature as directed by the Board.

REPORTING

The Committee will regularly, which will be not less frequently than annually, report to the Board on:

- (a) the auditor's independence;
- (b) the performance of the auditor and the Committee's recommendations regarding its reappointment or termination;

- (c) the performance of the internal audit function;
- (d) the adequacy of the Corporation's internal controls and disclosure controls;
- (e) its recommendations regarding the annual and interim financial statements of the Corporation and any reconciliation of the Corporation's financial statements, including any issues with respect to the quality or integrity of the financial statements;
- (f) its review of any other public disclosure document including the annual information form and the annual and interim management's discussion and analysis of financial condition and results of operations;
- (g) the Corporation's compliance with legal and regulatory requirements, particularly those related to financial reporting; and
- (h) all other significant matters it has addressed and with respect to such other matters that are within its responsibilities.

OVERSIGHT FUNCTION

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate or are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the external auditors. The Committee, its chair and any of its members who have accounting or related financial expertise, are members of the Board, appointed to the Committee to provide broad oversight of the financial risk and control related activities of the Corporation, and are specifically not accountable nor responsible for the day to day operation or performance of such activities. Although designation of a member or members as an "audit committee financial expert" is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, designation as an "audit committee financial expert" does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of any audit committee financial expert, like the role of all Committee members, is to oversee the process rather than certifying or guaranteeing the internal or external audit of the Corporation's financial information or public disclosure.

COMPLAINTS PROCEDURE

The Committee will establish a procedure for the receipt, retention, treatment and follow-up of complaints received by the Corporation regarding accounting, internal controls, disclosure controls or auditing matters and a procedure for the confidential, anonymous submission of concerns by employees of the Corporation regarding such matters.

The Committee shall periodically, and at least annually, review with management the implementation and effectiveness of the Corporation's compliance and ethics program, including the complaints procedures referred to above.

REVIEW AND DISCLOSURE

The Committee will review this Charter at least annually and submit it to the Governance and Nominating Committee together with any proposed amendments. The Governance and Nominating Committee will review the Charter and submit it to the Board for approval with such further amendments as the Governance and Nominating Committee deems necessary and appropriate.

This Charter will be posted on the Corporation's web site at www.brookfieldrp.com. The Management Information Circular of the Corporation will state that this Charter is available on its web site and is available in print to any shareholder who requests a copy. This Charter will also be reproduced in full as an appendix to the Corporation's Annual Information Form.

ASSESSMENT AND SELF-ASSESSMENT

At least annually, the Governance and Nominating Committee will review the effectiveness of this Committee in fulfilling its responsibilities and duties as set out in this Charter and in a manner consistent with the corporate governance guidelines adopted by the Board. The Committee will also conduct its own evaluation of the Committee's performance on an annual basis and establish criteria for such evaluation.

ACCESS TO OUTSIDE ADVISORS AND SENIOR MANAGEMENT

The Committee may retain any outside advisor including legal counsel, accounting or other consultants, at the expense of the Corporation, without the Board's approval, at any time, as the Committee determines necessary to carry out the Committee duties. The Committee has the full authority to determine any such advisor's fees.

The Corporation will provide for appropriate funding for the Committee, as determined by the Audit Committee, for payment of compensation to any auditor engaged to prepare or issue an audit report or perform other audit, review or attest services, and for ordinary administrative expenses of the Committee.

Members will meet privately with management as frequently as they feel is appropriate to fulfill the Committee's responsibilities, but not less than annually.

DELEGATION

The Committee may delegate any of its responsibilities to a subcommittee comprised of one or more Members of the Committee, unless otherwise stated herein.

OTHER DELEGATED RESPONSIBILITIES

The Committee shall also carry out such other duties that may be delegated to it by the Board of Directors from time to time.

MEETINGS

Meetings of the Committee may be called by any Member, the Chair of the Board, the Chief Executive Officer or Chief Financial Officer of the Corporation, the internal auditor or the auditor. Meetings will be held each quarter and at such additional times as is necessary for the Committee to fulfill its responsibilities. The Committee shall appoint a secretary to be the secretary of each meeting of the Committee and to maintain minutes of the meeting and deliberations of the Committee.

The Committee shall periodically meet in executive session, without management present and with the auditor and/or the head of internal audit or internal audit service providers. The Committee shall also regularly meet in executive session with only the Committee members present.

The powers of the Committee shall be exercisable at a meeting at which a quorum is present. A quorum shall be not less than a majority of the Members from time to time at a meeting duly called or held. Matters decided by the Committee shall be decided by majority vote. Subject to the foregoing, the Business Corporations Act (*Ontario*) and the by-laws, and unless otherwise determined by the Board, the Committee shall have the power to regulate its procedure. Any determination of the Committee reduced to writing and signed by all members of the Committee shall be fully as effective as if it had been made a meeting duly called and held.

Notice of each meeting shall be given to each Member, the internal auditor, the auditor, and to the Chair of the Board and the Chief Executive Officer of the Corporation. Notice of meeting may be given orally or by letter, facsimile or telephone not less than 24 hours before the time fixed for the meeting. Members may waive notice of any meeting and attendance at a meeting is deemed waiver of notice. The notice need not state the purpose or purposes for which the meeting is being held.

The Committee may invite from time to time such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee. The Committee may require the auditors to attend any or all meetings.

DEFINITIONS

Capitalized terms used in this Charter and not otherwise defined have the meaning attributed to them below:

“**Independent Director**” means a director who has been affirmatively determined by the Board to have no material relationship with the Corporation, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Corporation. In addition to any other requirement of applicable securities laws or stock exchange provisions, a director who:

- (a) is an employee, or whose immediate family member is an executive officer, of the Corporation is not independent until three years after the end of such employment relationship;
- (b) is receiving, or whose immediate family member receives, more than C\$75,000 per year in direct compensation from the Corporation, 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), is not independent until three years after he or she ceases to receive more than C\$75,000 per year in compensation;
- (c) is affiliated with or employed by, or whose immediate family member is employed in a professional capacity by, a present or former internal or external auditor of the Corporation is not independent until three years after the end of the affiliation or employment relationship with the auditor;
- (d) is employed as, or whose immediate family member is employed as, an executive officer of another company where any of the present (at the time of review) members of senior management of the Corporation serve on that company’s compensation committee is not independent until three years after the end of such service or the employment relationship; and
- (e) is an executive officer or an employee of, or whose immediate family member is an executive officer of, another company for which the Corporation accounts for at least 2% or US\$1 million, whichever is greater, of such other company’s consolidated gross revenues, in each case is not independent until three years after falling below such threshold.

Additionally, an Independent Director for the purpose of the Audit Committee specifically may not:

- (a) accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the Corporation or any of its subsidiaries, 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); or
- (b) be an affiliated person of the Corporation or any of its subsidiaries (within the meaning of applicable rules and regulations).

For the purposes of the definition above, the term Corporation includes any parent, subsidiary or other affiliated entity of the Corporation.

In addition to the requirements for independence set out in paragraph (c) above, Members of the Audit Committee must disclose any other form of association they have with a current or former external or internal auditor of the Corporation to the Governance and Nominating Committee of the Board for a determination as to whether this association affects the Member’s status as an Independent Director.

“**Financially Literate**” means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

“Audit Committee Financial Expert” means a person who has the following attributes:

- (a) an understanding of generally accepted accounting principles and financial statements;
- (b) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation’s financial statements, or experience actively supervising one or more persons engaged in such activities;
- (d) an understanding of internal controls and procedures for financial reporting; and
- (e) an understanding of audit committee functions;

acquired through any one or more of the following:

- (f) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
- (g) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
- (h) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or other relevant experience; or
- (i) other relevant experience.

This charter of the Audit Committee was reviewed and approved by the Board on February 12, 2013.

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