

TRI Pointe Group, Inc.
Form 10-Q
July 27, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number 1-35796

TRI Pointe Group, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware 61-1763235
(State or other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

19540 Jamboree Road, Suite 300
Irvine, California 92612
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code (949) 438-1400

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
	Emerging Growth Company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

152,037,568 shares of common stock were issued and outstanding as of July 16, 2018.

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EXPLANATORY NOTE

As used in this Quarterly Report on Form 10-Q, references to “TRI Pointe”, the “Company”, “we”, “us”, or “our” (including in the consolidated financial statements and related notes thereto in this report) refer to TRI Pointe Group, Inc., a Delaware corporation (“TRI Pointe Group”) and its subsidiaries.

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FORM 10-Q
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TRI POINTE GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	June 30, 2018	December 31, 2017
	(unaudited)	
Assets		
Cash and cash equivalents	\$239,906	\$282,914
Receivables	59,611	125,600
Real estate inventories	3,247,786	3,105,553
Investments in unconsolidated entities	4,169	5,870
Goodwill and other intangible assets, net	160,694	160,961
Deferred tax assets, net	66,414	76,413
Other assets	94,105	48,070
Total assets	\$3,872,685	\$3,805,381
Liabilities		
Accounts payable	\$88,936	\$72,870
Accrued expenses and other liabilities	298,077	330,882
Senior notes, net	1,453,366	1,471,302
Total liabilities	1,840,379	1,875,054
 Commitments and contingencies (Note 13)		
 Equity		
Stockholders' Equity:		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized; no shares issued and outstanding as of June 30, 2018 and December 31, 2017, respectively	—	—
Common stock, \$0.01 par value, 500,000,000 shares authorized; 152,027,014 and 151,162,999 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	1,520	1,512
Additional paid-in capital	796,746	793,980
Retained earnings	1,233,436	1,134,230
Total stockholders' equity	2,031,702	1,929,722
Noncontrolling interests	604	605
Total equity	2,032,306	1,930,327
Total liabilities and equity	\$3,872,685	\$3,805,381

See accompanying condensed notes to the unaudited consolidated financial statements.

TRI POINTE GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Homebuilding:				
Home sales revenue	\$768,795	\$ 568,816	\$1,351,367	\$ 960,820
Land and lot sales revenue	1,518	865	1,741	1,443
Other operations revenue	599	600	1,197	1,168
Total revenues	770,912	570,281	1,354,305	963,431
Cost of home sales	604,096	454,241	1,054,598	772,645
Cost of land and lot sales	1,426	644	1,929	1,298
Other operations expense	589	591	1,191	1,151
Sales and marketing	45,744	32,330	84,027	59,030
General and administrative	36,483	33,688	73,297	68,337
Homebuilding income from operations	82,574	48,787	139,263	60,970
Equity in income (loss) of unconsolidated entities	69	1,508	(399	) 1,646
Other (expense) income, net	(73	) 44	98	121
Homebuilding income before income taxes	82,570	50,339	138,962	62,737
Financial Services:				
Revenues	391	345	674	586
Expenses	129	77	266	151
Equity in income of unconsolidated entities	1,984	1,294	2,986	1,560
Financial services income before income taxes	2,246	1,562	3,394	1,995
Income before income taxes	84,816	51,901	142,356	64,732
Provision for income taxes	(21,136	) (19,098	) (35,796	) (23,712
Net income	63,680	32,803	106,560	41,020
Net income attributable to noncontrolling interests	—	(89	) —	(113
Net income available to common stockholders	\$63,680	\$ 32,714	\$106,560	\$ 40,907
Earnings per share				
Basic	\$0.42	\$ 0.21	\$0.70	\$ 0.26
Diluted	\$0.42	\$ 0.21	\$0.70	\$ 0.26
Weighted average shares outstanding				
Basic	151,983,886	155,603,699	151,725,651	157,335,296
Diluted	153,355,965	156,140,543	153,067,342	157,924,561

See accompanying condensed notes to the unaudited consolidated financial statements.

TRI POINTE GROUP, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(unaudited)
(in thousands, except share amounts)

	Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2016	158,626,229	\$ 1,586	\$ 880,822	\$ 947,039	\$ 1,829,447	\$ 19,063	\$ 1,848,510
Net income	—	—	—	187,191	187,191	360	187,551
Shares issued under share-based awards	1,531,475	16	12,275	—	12,291	—	12,291
Minimum tax withholding paid on behalf of employees for restricted stock units	—	—	(2,896)	—	(2,896)	—	(2,896)
Stock-based compensation expense	—	—	15,906	—	15,906	—	15,906
Share repurchases	(8,994,705)	(90)	(112,127)	—	(112,217)	—	(112,217)
Distributions to noncontrolling interests, net	—	—	—	—	—	(1,333)	(1,333)
Net effect of consolidations, de-consolidations and other transactions	—	—	—	—	—	(17,485)	(17,485)
Balance at December 31, 2017	151,162,999	1,512	793,980	1,134,230	1,929,722	605	1,930,327
Cumulative effect of accounting change (Note 1)	—	—	—	(7,354)	(7,354)	—	(7,354)
Net income	—	—	—	106,560	106,560	—	106,560
Shares issued under share-based awards	864,015	8	1,625	—	1,633	—	1,633
Minimum tax withholding paid on behalf of employees for restricted stock units	—	—	(6,049)	—	(6,049)	—	(6,049)
Stock-based compensation expense	—	—	7,190	—	7,190	—	7,190
Distributions to noncontrolling interests, net	—	—	—	—	—	(1)	(1)
Balance at June 30, 2018	152,027,014	\$ 1,520	\$ 796,746	\$ 1,233,436	\$ 2,031,702	\$ 604	\$ 2,032,306

See accompanying condensed notes to the unaudited consolidated financial statements.

TRI POINTE GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Six Months Ended	
	June 30,	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 106,560	\$ 41,020
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	12,579	1,698
Equity in income of unconsolidated entities, net	(2,587)	(3,206)
Deferred income taxes, net	12,428	5,641
Amortization of stock-based compensation	7,190	7,744
Charges for impairments and lot option abandonments	857	828
Changes in assets and liabilities:		
Real estate inventories	(188,407)	(298,007)
Receivables	65,989	9,717
Other assets	(2,792)	4,638
Accounts payable	16,066	(7,001)
Accrued expenses and other liabilities	(32,805)	14,171
Returns on investments in unconsolidated entities, net	4,873	2,057
Net cash used in operating activities	(49)	(220,700)
Cash flows from investing activities:		
Purchases of property and equipment	(15,682)	(1,793)
Proceeds from sale of property and equipment	3	6
Investments in unconsolidated entities	(1,178)	(462)
Net cash used in investing activities	(16,857)	(2,249)
Cash flows from financing activities:		
Borrowings from debt	—	450,000
Repayment of debt	(21,685)	(213,726)
Debt issuance costs	—	(5,906)
Distributions to noncontrolling interests	(1)	(987)
Proceeds from issuance of common stock under share-based awards	1,633	2,449
Minimum tax withholding paid on behalf of employees for share-based awards	(6,049)	(2,896)
Share repurchases	—	(99,697)
Net cash (used in) provided by financing activities	(26,102)	129,237
Net decrease in cash and cash equivalents	(43,008)	(93,712)
Cash and cash equivalents - beginning of period	282,914	208,657
Cash and cash equivalents - end of period	\$ 239,906	\$ 114,945

See accompanying condensed notes to the unaudited consolidated financial statements.

TRI POINTE GROUP, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Organization, Basis of Presentation and Summary of Significant Accounting Policies

Organization

TRI Pointe Group is engaged in the design, construction and sale of innovative single-family attached and detached homes through its portfolio of six quality brands across eight states, including Maracay in Arizona, Pardee Homes in California and Nevada, Quadrant Homes in Washington, Trendmaker Homes in Texas, TRI Pointe Homes in California and Colorado and Winchester Homes in Maryland and Virginia.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), as contained within the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. They should be read in conjunction with our consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2017. In the opinion of management, all adjustments consisting of normal recurring adjustments, necessary for a fair presentation with respect to interim financial statements, have been included. The results for the three and six months ended June 30, 2018 are not necessarily indicative of the results to be expected for the full year due to seasonal variations and other factors.

The consolidated financial statements include the accounts of TRI Pointe Group and its wholly owned subsidiaries, as well as other entities in which TRI Pointe Group has a controlling interest and variable interest entities ("VIEs") in which TRI Pointe Group is the primary beneficiary. The noncontrolling interests as of June 30, 2018 and December 31, 2017 represent the outside owners' interests in the Company's consolidated entities. All significant intercompany accounts have been eliminated upon consolidation.

Use of Estimates

Our financial statements have been prepared in accordance with GAAP. The preparation of these financial statements requires our management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from our estimates.

Significant Accounting Policies Update

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Codified as "ASC 606"). ASC 606 supersedes the revenue-recognition requirements in ASC Topic 605, Revenue Recognition, most industry-specific guidance throughout the industry topics of the accounting standards codification, and some cost guidance related to construction-type and production-type contracts. The core principle of ASC 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract; and recognize revenue when (or as) the entity satisfies a performance obligation. We have adopted and applied this updated revenue recognition policy as of January 1, 2018. See Adoption of New Accounting Standards below.

The majority of our revenue is related to fixed-price contracts to deliver completed homes to homebuyers, and to a much lesser degree, to deliver land or lots to other homebuilders or real estate developers. We generally deliver completed homes to homebuyers and land and lots to other homebuilders or real estate developers when all closing conditions are met, including the passage of title and the receipt of consideration, and the collection of associated receivables, if any, is reasonably assured. When it is determined that there are uncompleted performance obligations,

the transaction price and the related profit for those uncompleted performance obligations are deferred for recognition in future periods based on the principles of ASC 606. The

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most common examples of uncompleted performance obligations are unfinished pools or outdoor landscaping features that are unable to be completed due to weather or other circumstances.

Following the adoption of ASC 606, the timing of revenue recognition for all of our contracts remained materially consistent with our historical revenue recognition policy due to the nature of our revenue generating activities, with the most common difference under ASC 606 relating to the deferral of revenue due to these uncompleted performance obligations at the time we deliver new homes to our homebuyers.

When we enter into a contract with a homebuyer, we sometimes receive a nonrefundable deposit that is recognized as revenue under circumstances where a contract is canceled by the homebuyer. These amounts are recognized as home sales revenue at the time a contract is canceled by the homebuyer. We have not experienced significant contract modifications impacting the timing of revenue recognition under ASC 606, nor will we be required to use estimates in the application of the core revenue recognition principles.

Real Estate Inventories and Cost of Sales

ASC 606 includes Subtopic 340-40, Other Assets and Deferred Costs - Contracts with Customers (“Subtopic 340-40”), which requires the deferral of incremental costs of obtaining a contract with a customer. The adoption of Subtopic 340-40 impacts the timing of recognition and classification in our consolidated financial statements of certain sales office, model and other marketing related costs that we incur to obtain sales contracts from our customers. For example, we historically capitalized to inventory and amortized through cost of home sales various sales office, model and other marketing related costs with each home delivered in a community. Under Subtopic 340-40, these costs are expensed when incurred or capitalized to other assets and amortized to selling expense.

Recently Issued Accounting Standards Not Yet Adopted

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, (Codified as “ASC 842”), which requires an entity to recognize assets and liabilities on the balance sheet for the rights and obligations created by leases with durations of greater than 12 months, but record expenses on the statements of operations in a manner similar to current accounting. The guidance also requires more disclosures about leases in the notes to consolidated financial statements. ASC 842 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, and, at that time, we will adopt the new standard using a modified retrospective approach. We are currently evaluating the impact that the adoption of ASC 842 may have on our consolidated financial statements and disclosures.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment (“ASU 2017-04”), which removes the requirement to perform a hypothetical purchase price allocation to measure goodwill impairment. A goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. ASU 2017-04 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019, with early adoption permitted, and applied prospectively. We do not expect ASU 2017-04 to have a material impact on our financial statements.

Adoption of New Accounting Standards

In August 2016, the FASB issued Accounting Standards Update No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”), which provides guidance on how certain cash receipts and cash payments are to be presented and classified in the statement of cash flows. We adopted ASU 2016-15 on January 1, 2018 and our adoption did not have a material impact on our consolidated financial statements. On January 1, 2018, we adopted ASC 606 using the modified retrospective approach applying the method of presenting the standard of ASC 606 to only those contracts not considered completed under legacy GAAP. As a result of this application of ASC 606, no prior period results have been recast and the standard has been applied prospectively as of January 1, 2018. The cumulative effect of the changes made to our consolidated January 1, 2018 balance sheet resulting from the adoption of ASC 606 was as follows (in thousands):

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	Balance at December 31, 2017	Adjustments due to ASC 606	Balance at January 1, 2018
Assets			
Real estate inventories	\$3,105,553	\$ (49,317)	\$3,056,236
Deferred income tax asset	76,413	2,429	78,842
Other assets	48,070	39,534	87,604
Equity			
Retained earnings	1,134,230	(7,354)	1,126,876

Our cumulative adjustment to retained earnings on January 1, 2018 related primarily to the impact of Subtopic 340-40 and the timing of recognition and classification in our consolidated financial statements of certain sales office, model and other marketing related costs that we incur to obtain sales contracts from our customers. See Significant Accounting Policies Update above.

In accordance with ASC 606 disclosure requirements, the impact of adopting ASC 606 on our consolidated statements of operations and balance sheet for the three and six months ended June 30, 2018 were as follows (in thousands, except per share amounts):

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
	As Reported	Balances Without Adoption of ASC 606	Effect of Change Higher/(Lower)	As Reported	Balances Without Adoption of ASC 606	Effect of Change Higher/(Lower)
Statements of Operations						
Revenues						
Home sales	\$768,795	\$768,550	\$ 245	\$1,351,367	\$1,351,603	\$ (236)
Costs and expenses						
Cost of home sales	604,096	613,702	(9,606)	1,054,598	1,071,841	(17,243)
Sales and marketing	45,744	38,044	7,700	84,027	70,840	13,187
Provision for income taxes	(21,136)	(20,600)	536	(35,796)	(34,835)	961
Net income	63,680	62,065	1,615	106,560	103,701	2,859
Diluted earnings per share	\$0.42	\$0.40	\$ 0.02	\$0.70	\$0.68	\$ 0.02

	As of June 30, 2018		
	As Reported	Balances Without Adoption of ASC 606	Effect of Change Higher/(Lower)
Balance Sheet			
Assets			
Real estate inventories	\$3,247,786	\$3,296,309	\$ (48,523)
Deferred tax assets, net	66,414	63,025	3,389
Other assets	94,105	51,766	42,339
Liabilities			
Accrued expenses and other liabilities	298,077	297,615	462
Equity			
Retained earnings	1,233,436	1,236,693	(3,257)

Contracts with Customers

In consideration of the appropriate revenue recognition for our contracts with customers, we first assessed our ordinary operations in order to capture all revenue transactions with a counter-party appropriately considered a customer. Historically,

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our ordinary homebuilding revenue generating activities have included contracts with homebuyers to deliver completed homes and to a much lesser extent, contracts with other homebuilders or real estate developers to deliver land or lots in exchange for consideration. The majority of our homebuilding contracts with customers typically include a single performance obligation, which is the transfer of control of the real estate property when all closing conditions are met.

In addition to our core homebuilding operations, we undertake service operations with customers in the form of our financial services reportable segment (“TRI Pointe Solutions”), which is comprised of our mortgage financing operations, title services operations and property and casualty insurance agency operations. Our mortgage financing operation (“TRI Pointe Connect”) can act as a preferred mortgage broker to our homebuyers in all of the markets in which we operate. TRI Pointe Connect was formed as a joint venture with an established mortgage lender and is accounted for under the equity method of accounting. Our title services operation (“TRI Pointe Assurance”) provides title examinations for our homebuyers in our Trendmaker Homes and Winchester Homes brands. TRI Pointe Assurance is a wholly-owned subsidiary of TRI Pointe and acts as a title agency for First American Title Insurance Company. Our property and casualty insurance agency operations (“TRI Pointe Advantage”), which launched in early 2018, is a wholly-owned subsidiary of TRI Pointe that provides property and casualty insurance agency services that help facilitate the closing process in all of the markets in which we operate.

We do not currently have any long-term contracts with customers. ASC 606 provides certain practical expedients that limit some of the accounting treatments and disclosure requirements existing under this accounting standard. We do not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

Disaggregation of Revenues

We generate revenues from a mix of homebuilding operations and financial services operations. Due to the nature of our revenue generating activities, the disaggregated revenue reported on our consolidated statement of operations, in conjunction with the revenues reported in our segment disclosure, is deemed sufficient to report revenue from contracts with customers in accordance with the disaggregation disclosure requirements of ASC 606. We report total revenues in Note 2, Segment Information, which is fully comprised of our revenues from contracts with customers. While the total homebuilding revenues by segment include a mix of home sales revenue, land and lot sales revenue and other operations revenue, all material revenue amounts outside of home sales revenue are attributed to their respective homebuilding segment in the discussion below. Our consideration of disaggregated revenue consisted of a variety of facts and circumstances pertaining to our contracts with customers. These considerations included the nature, amounts, timing and other characteristics and economic factors present within each revenue line item appearing on our consolidated statement of operations. See below for further commentary on each of our revenue streams from contracts with customers.

Home sales revenue

We generate the majority of our total revenue from home sales, which consists of our core business operation of building and delivering completed homes to homebuyers. Included in home sales revenue are forfeited deposits, which occur when homebuyers cancel home purchase contracts that include a nonrefundable deposit. Both revenue from forfeited deposits and deferred revenue resulting from uncompleted performance obligations existing at the time we deliver new homes to our homebuyers is immaterial.

Land and lot sales revenue

Historically, we have generated land and lot sales revenue from a small number of transactions, although in some years we have realized a significant amount of revenue and gross margin. We do not expect our future land and lot sales revenue to be material, but we still consider these sales to be an ordinary part of our business, thus meeting the definition of contracts with customers. Similar to our home sales, revenue from land and lot sales is typically fully recognized when the land and lot sales transactions are consummated, at which time no further performance obligations are left to be satisfied. Some of our historical land and lot sales have included future profit participation rights. We will recognize future land and lot sales revenue in the periods in which all closing conditions are met, subject to the constraint on variable consideration related to profit participation rights, if such rights exist in the sales contract.

Other operations revenue

The majority of our other homebuilding operations revenue relates to a ground lease at our Quadrant Homes reporting segment. We are responsible for making lease payments to the land owner, and we collect sublease payments from the buyers of the buildings. This ground lease is accounted for in accordance with ASC Topic 840, Leases. We do not recognize a material profit on this ground lease.

Financial services revenues

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TRI Pointe Solutions is a reportable segment and is comprised of our TRI Pointe Connect mortgage financing operations, TRI Pointe Assurance title services operations, and TRI Pointe Advantage property and casualty insurance agency operations.

Mortgage financing operations

TRI Pointe Connect was formed as a joint venture with an established mortgage lender and is accounted for under the equity method of accounting. Based on our percentage stake in this joint venture, we record a percentage of income earned by TRI Pointe Connect. Revenue by TRI Pointe Connect is recognized in the period in which the home sales transactions are consummated. TRI Pointe Connect does not have a history of uncollectable amounts from these operations. TRI Pointe Connect activity appears as equity in income of unconsolidated entities under the Financial Services section of our consolidated statements of operations.

Title services operations

TRI Pointe Assurance provides title examinations for our homebuyers in Texas, Maryland and Virginia. TRI Pointe Assurance is a wholly-owned subsidiary of TRI Pointe and acts as a title agency for First American Title Insurance Company. At the time of the consummation of the home sales transactions we recognize a percentage of revenue captured by First American Title Insurance Company. We do not have a history of uncollectable amounts from these operations. TRI Pointe Assurance revenue is included in the Financial Services section of our consolidated statements of operations.

Property and casualty insurance agency operations

TRI Pointe Advantage is a wholly-owned subsidiary of TRI Pointe and provides property and casualty insurance agency services that help facilitate the closing process in all of the markets in which we operate. These operations began in February, 2018 and have not generated a material amount of revenue. We expect revenue from these operations to increase as customers use these services to procure homeowners insurance, with further revenue potential as customers renew their insurance coverages beyond the initial coverage periods. The total consideration for these services, including renewal options, shall be estimated upon the issuance of the initial insurance policy, subject to constraint. TRI Pointe Advantage revenue is included in the Financial Services section of our consolidated statements of operations.

2. Segment Information

We operate two principal businesses: homebuilding and financial services.

Our homebuilding operations consist of six homebuilding brands that acquire and develop land and construct and sell single-family detached and attached homes. In accordance with ASC Topic 280, Segment Reporting, in determining the most appropriate reportable segments, we considered similar economic and other characteristics, including product types, average selling prices, gross profits, production processes, suppliers, subcontractors, regulatory environments, land acquisition results, and underlying demand and supply. Based upon these factors, our homebuilding operations are comprised of the following six reportable segments: Maracay, consisting of operations in Arizona; Pardee Homes, consisting of operations in California and Nevada; Quadrant Homes, consisting of operations in Washington; Trendmaker Homes, consisting of operations in Texas; TRI Pointe Homes, consisting of operations in California and Colorado; and Winchester Homes, consisting of operations in Maryland and Virginia.

Our TRI Pointe Solutions financial services operation is a reportable segment and is comprised of our TRI Pointe Connect mortgage financing operations, our TRI Pointe Assurance title services operations, and our TRI Pointe Advantage property and casualty insurance agency operations. For further details, see Note 1, Organization, Basis of Presentation and Summary of Significant Accounting Policies.

Corporate is a non-operating segment that develops and implements company-wide strategic initiatives and provides support to our homebuilding reporting segments by centralizing certain administrative functions, such as marketing, legal, accounting, treasury, insurance, internal audit and risk management, information technology and human resources, to benefit from economies of scale. Our Corporate non-operating segment also includes general and administrative expenses related to operating our corporate headquarters. A portion of the expenses incurred by Corporate is allocated to the homebuilding reporting segments.

The reportable segments follow the same accounting policies used for our consolidated financial statements, as described in Note 1, Organization, Basis of Presentation and Summary of Significant Accounting Policies. Operational results of each reportable segment are not necessarily indicative of the results that would have been achieved had the reportable segment been an independent, stand-alone entity during the periods presented.

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Total revenues and income before income taxes for each of our reportable segments were as follows (in thousands):

	Three Months Ended		Six Months Ended June	
	June 30,	June 30,	June 30,	June 30,
	2018	2017	2018	2017
Revenues				
Maracay	\$56,949	\$75,754	\$115,404	\$126,814
Pardee Homes	243,286	180,377	423,756	264,076
Quadrant Homes	65,404	40,266	127,307	80,818
Trendmaker Homes	77,716	65,466	119,124	117,828
TRI Pointe Homes	255,642	154,213	446,062	285,049
Winchester Homes	71,915	54,205	122,652	88,846
Total homebuilding revenues	770,912	570,281	1,354,305	963,431
Financial services	391	345	674	586
Total	\$771,303	\$570,626	\$1,354,979	\$964,017
Income (loss) before income taxes				
Maracay	\$5,014	\$6,241	\$9,405	\$7,998
Pardee Homes	46,917	36,270	86,108	46,163
Quadrant Homes	7,797	3,109	15,937	6,853
Trendmaker Homes	6,228	4,542	6,598	6,424
TRI Pointe Homes	24,175	8,958	38,706	15,397
Winchester Homes	4,179	2,219	5,786	2,619
Corporate	(11,740)	(11,000)	(23,578)	(22,717)
Total homebuilding income before income taxes	82,570	50,339	138,962	62,737
Financial services	2,246	1,562	3,394	1,995
Total	\$84,816	\$51,901	\$142,356	\$64,732

Total real estate inventories and total assets for each of our reportable segments, as of the date indicated, were as follows (in thousands):

	June 30, 2018	December 31, 2017
Real estate inventories		
Maracay	\$275,689	\$243,883
Pardee Homes	1,331,778	1,245,659
Quadrant Homes	297,824	257,887
Trendmaker Homes	225,287	204,926
TRI Pointe Homes	811,746	855,727
Winchester Homes	305,462	297,471
Total	\$3,247,786	\$3,105,553
Total assets		
Maracay	\$296,679	\$268,866
Pardee Homes	1,444,940	1,346,296
Quadrant Homes	325,764	312,803
Trendmaker Homes	253,560	224,995
TRI Pointe Homes	989,955	1,062,920
Winchester Homes	340,160	313,921
Corporate	206,453	262,740
Total homebuilding assets	3,857,511	3,792,541
Financial services	15,174	12,840
Total	\$3,872,685	\$3,805,381

3. Earnings Per Share

The following table sets forth the components used in the computation of basic and diluted earnings per share (in thousands, except share and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Numerator:				
Net income available to common stockholders	\$63,680	\$ 32,714	\$106,560	\$ 40,907
Denominator:				
Basic weighted-average shares outstanding	151,983,885	155,603,699	151,725,651	157,335,296
Effect of dilutive shares:				
Stock options and unvested restricted stock units	1,372,075	1,536,844	1,341,691	1,589,265
Diluted weighted-average shares outstanding	153,355,960	157,140,543	153,067,342	158,924,561
Earnings per share				
Basic	\$0.42	\$ 0.21	\$0.70	\$ 0.26
Diluted	\$0.42	\$ 0.21	\$0.70	\$ 0.26
Antidilutive stock options and unvested restricted stock units not included in diluted earnings per share	584,405	3,889,923	916,444	3,862,763

4. Receivables

Receivables consisted of the following (in thousands):

	June 30, December	
	2018	31, 2017
Escrow proceeds and other accounts receivable, net	\$24,323	\$89,783
Warranty insurance receivable (Note 13)	35,288	35,817
Total receivables	\$59,611	\$125,600

Receivables are evaluated for collectability and allowances for potential losses are established or maintained on applicable receivables when collection becomes doubtful. Receivables were net of allowances for doubtful accounts of \$501,000 and \$330,000 as of June 30, 2018 and December 31, 2017, respectively.

5. Real Estate Inventories

Real estate inventories consisted of the following (in thousands):

	June 30, December	
	2018	31, 2017
Real estate inventories owned:		
Homes completed or under construction	\$1,132,976	\$793,685
Land under development	1,601,462	1,934,556
Land held for future development	200,627	138,651
Model homes	248,201	211,658
Total real estate inventories owned	3,183,266	3,078,550
Real estate inventories not owned:		
Land purchase and land option deposits	64,520	27,003
Total real estate inventories not owned	64,520	27,003
Total real estate inventories	\$3,247,786	\$3,105,553

Homes completed or under construction is comprised of costs associated with homes in various stages of construction and includes direct construction and related land acquisition and land development costs. Land under development primarily consists of land acquisition and land development costs, which include capitalized interest and real estate taxes, associated with land undergoing improvement activity. Land held for future development principally reflects land acquisition and land development costs related to land where development activity has not yet begun or has been suspended, but is expected to occur in the future. The real estate inventories owned balance was impacted by our one-time cumulative adjustment entry resulting from the adoption of ASC 606. As a result of our cumulative adjustment, the December 31, 2017 balance decreased by \$49.3 million on January 1, 2018. For further details, see Note 1, Organization, Basis of Presentation and Summary of Significant Accounting Policies.

Real estate inventories not owned represents deposits related to land purchase and land and lot option agreements as well as consolidated inventory held by variable interest entities. For further details, see Note 7, Variable Interest Entities.

Interest incurred, capitalized and expensed were as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Interest incurred	\$21,627	\$19,931	\$43,147	\$38,804
Interest capitalized	(21,627)	(19,931)	(43,147)	(38,804)
Interest expensed	\$—	\$—	\$—	\$—
Capitalized interest in beginning inventory	\$183,626	\$166,515	\$176,348	\$157,329
Interest capitalized as a cost of inventory	21,627	19,931	43,147	38,804
Interest previously capitalized as a cost of inventory, included in cost of sales	(19,664)	(13,185)	(33,906)	(22,872)
Capitalized interest in ending inventory	\$185,589	\$173,261	\$185,589	\$173,261

Interest is capitalized to real estate inventory during development and other qualifying activities. During all periods presented, we capitalized all interest incurred to real estate inventory in accordance with ASC Topic 835, Interest, as our qualified assets exceeded our debt. Interest that is capitalized to real estate inventory is included in cost of home sales or cost of land and lot sales as related units or lots are delivered. Interest that is expensed as incurred is included in other income, net.

Real Estate Inventory Impairments and Land Option Abandonments

Real estate inventory impairments and land and lot option abandonments and pre-acquisition charges consisted of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Real estate inventory impairments	\$—	\$234	\$—	\$267
Land and lot option abandonments and pre-acquisition charges	609	273	857	561
Total	\$609	\$507	\$857	\$828

Impairments of real estate inventory relate primarily to projects or communities that include homes completed or under construction. Within a project or community, there may be individual homes or parcels of land that are currently held for sale. Impairment charges recognized as a result of adjusting individual held-for-sale assets within a community to estimated fair value less cost to sell are also included in the total impairment charges.

In addition to owning land and residential lots, we also have option agreements to purchase land and lots at a future date. We have option deposits and capitalized pre-acquisition costs associated with the optioned land and lots. When the economics of a project no longer support acquisition of the land or lots under option, we may elect not to move forward with the acquisition. Option deposits and capitalized pre-acquisition costs associated with the assets under option may be forfeited at that time.

Real estate inventory impairments and land option abandonments are recorded in cost of home sales and cost of land and lot sales on the consolidated statements of operations.

6. Investments in Unconsolidated Entities

As of June 30, 2018, we held equity investments in four active homebuilding partnerships or limited liability companies and one financial services limited liability company. Our participation in these entities may be as a developer, a builder, or an investment partner. Our ownership percentage varies from 5% to 65%, depending on the investment, with no controlling interest held in any of these investments.

Investments Held

Our cumulative investment in entities accounted for on the equity method, including our share of earnings and losses, consisted of the following (in thousands):

	June 30, 2018	December 31, 2017
Limited liability company interests	\$ 1,474	\$ 2,687
General partnership interests	2,695	3,183
Total	\$ 4,169	\$ 5,870

Unconsolidated Financial Information

Aggregated assets, liabilities and operating results of the entities we account for as equity-method investments are provided below. Because our ownership interest in these entities varies, a direct relationship does not exist between the information presented below and the amounts that are reflected on our consolidated balance sheets as our investments in unconsolidated entities or on our consolidated statements of operations as equity in income of unconsolidated entities.

Assets and liabilities of unconsolidated entities (in thousands):

	June 30, 2018	December 31, 2017
Assets		
Cash	\$ 12,207	\$ 11,678
Receivables	4,394	6,564
Real estate inventories	97,818	99,997
Other assets	866	936
Total assets	\$ 115,285	\$ 119,175
Liabilities and equity		
Accounts payable and other liabilities	\$ 8,165	\$ 12,208
Company's equity	4,169	5,870
Outside interests' equity	102,951	101,097
Total liabilities and equity	\$ 115,285	\$ 119,175

Results of operations from unconsolidated entities (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net sales	\$ 9,325	\$ 5,228	\$ 13,715	\$ 10,318
Other operating expense	(7,272)	(3,579)	(10,559)	(6,182)
Other income	21	22	84	24
Net income	\$ 2,074	\$ 1,671	\$ 3,240	\$ 4,160
Company's equity in income of unconsolidated entities	\$ 2,053	\$ 2,802	\$ 2,587	\$ 3,206

7. Variable Interest Entities

In the ordinary course of business, we enter into land and lot option agreements in order to procure land and residential lots for future development and the construction of homes. The use of such land and lot option agreements generally allows us to reduce the risks associated with direct land ownership and development, and reduces our capital and financial commitments. Pursuant to these land and lot option agreements, we generally provide a deposit to the seller as consideration for the right to purchase land at different times in the future, usually at predetermined prices. Such deposits are recorded as land purchase and land option deposits under real estate inventories not owned in the

accompanying consolidated balance sheets.

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We analyze each of our land and lot option agreements and other similar contracts under the provisions of ASC 810 Consolidation to determine whether the land seller is a VIE and, if so, whether we are the primary beneficiary. Although we do not have legal title to the underlying land, if we are determined to be the primary beneficiary of the VIE, we will consolidate the VIE in our financial statements and reflect its assets as real estate inventory not owned included in our real estate inventories, its liabilities as debt (nonrecourse) held by VIEs in accrued expenses and other liabilities and the net equity of the VIE owners as noncontrolling interests on our consolidated balance sheets. In determining whether we are the primary beneficiary, we consider, among other things, whether we have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. Such activities would include, among other things, determining or limiting the scope or purpose of the VIE, selling or transferring property owned or controlled by the VIE, or arranging financing for the VIE.

Creditors of the entities with which we have land and lot option agreements have no recourse against us. The maximum exposure to loss under our land and lot option agreements is generally limited to non-refundable option deposits and any capitalized pre-acquisition costs. In some cases, we have also contracted to complete development work at a fixed cost on behalf of the land owner and budget shortfalls and savings will be borne by us. Additionally, we have entered into land banking arrangements which require us to complete development work even if we terminate the option to procure land or lots.

The following provides a summary of our interests in land and lot option agreements (in thousands):

	June 30, 2018			December 31, 2017		
	Deposits	Remaining Purchase Price	Consolidated Inventory Held by VIEs	Deposits	Remaining Purchase Price	Consolidated Inventory Held by VIEs
Consolidated VIEs	\$—	\$—	\$—	\$—	\$—	\$—
Unconsolidated VIEs	32,874	299,711	N/A	3,418	112,590	N/A
Other land option agreements	31,646	372,354	N/A	23,585	269,349	N/A
Total	\$64,520	\$ 672,065	\$—	—\$27,003	\$ 381,939	\$—

Unconsolidated VIEs represent land option agreements that were not consolidated because we were not the primary beneficiary. Other land option agreements were not considered VIEs.

In addition to the deposits presented in the table above, our exposure to loss related to our land and lot option contracts consisted of capitalized pre-acquisition costs of \$11.3 million and \$4.5 million as of June 30, 2018 and December 31, 2017, respectively. These pre-acquisition costs were included in real estate inventories as land under development on our consolidated balance sheets.

8. Goodwill and Other Intangible Assets

As of June 30, 2018 and December 31, 2017, \$139.3 million of goodwill is included in goodwill and other intangible assets, net on each of the consolidated balance sheets. The Company's goodwill balance is included in the TRI Pointe Homes reporting segment in Note 2, Segment Information.

We have two intangible assets as of June 30, 2018, comprised of an existing trade name from the acquisition of Maracay in 2006, which has a 20 year useful life, and a TRI Pointe Homes trade name resulting from the acquisition of Weyerhaeuser Real Estate Company ("WRECO") in 2014, which has an indefinite useful life.

Goodwill and other intangible assets consisted of the following (in thousands):

	June 30, 2018			December 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Goodwill	\$139,304	\$—	\$139,304	\$139,304	\$—	\$139,304
Trade names	27,979	(6,589)	21,390	27,979	(6,322)	21,657
Total	\$167,283	\$ (6,589)	\$160,694	\$167,283	\$ (6,322)	\$160,961

The remaining useful life of our amortizing intangible asset related to the Maracay trade name was 7.7 and 8.2 years as of June 30, 2018 and December 31, 2017, respectively. The net carrying amount related to this intangible asset was \$4.1 million and \$4.4 million as of June 30, 2018 and December 31, 2017, respectively. Amortization expense related to this intangible asset was \$134,000 for each of the three-month periods ended June 30, 2018 and 2017, respectively, and \$267,000 for each of the six-month periods ended June 30, 2018 and 2017, respectively. Amortization of this intangible was charged to sales and marketing expense. Our \$17.3 million indefinite life intangible asset related to the TRI Pointe Homes trade name is not amortizing. All trade names are evaluated for impairment on an annual basis or more frequently if indicators of impairment exist.

Expected amortization of our intangible asset related to Maracay for the remainder of 2018, the next four years and thereafter is (in thousands):

Remainder of 2018	\$267
2019	534
2020	534
2021	534
2022	534
Thereafter	1,687
Total	\$4,090

9. Other Assets

Other assets consisted of the following (in thousands):

	June 30, 2018	December 31, 2017
Prepaid expenses	\$17,842	\$13,040
Refundable fees and other deposits	13,614	16,012
Development rights, held for future use or sale	2,569	2,569
Deferred loan costs - unsecured revolving credit facility	2,926	3,427
Operating properties and equipment, net	54,094	10,528
Other	3,060	2,494
Total	\$94,105	\$48,070

Operating properties and equipment, net was impacted by our one-time cumulative adjustment resulting from the adoption of ASC 606. As a result of our cumulative adjustment, the December 31, 2017 balance increased by \$39.5 million on January 1, 2018. For further details, see Note 1, Organization, Basis of Presentation and Summary of Significant Accounting Policies.

10. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following (in thousands):

	June 30, 2018	December 31, 2017
Accrued payroll and related costs	\$24,232	\$36,863
Warranty reserves (Note 13)	72,342	69,373
Estimated cost for completion of real estate inventories	102,176	105,864
Customer deposits	28,947	19,568
Income tax liability to Weyerhaeuser	8,321	7,706
Accrued income taxes payable	—	30,672
Liability for uncertain tax positions (Note 15)	1,458	1,458
Accrued interest	10,861	11,014
Accrued insurance expense	4,124	1,187
Other tax liability	28,297	33,671
Other	17,319	13,506
Total	\$298,077	\$330,882

11. Senior Notes and Unsecured Revolving Credit Facility

Senior Notes

The Company's outstanding senior notes (together, the "Senior Notes") consisted of the following (in thousands):

	June 30, 2018	December 31, 2017
4.375% Senior Notes due June 15, 2019	\$428,315	\$450,000
4.875% Senior Notes due July 1, 2021	300,000	300,000
5.875% Senior Notes due June 15, 2024	450,000	450,000
5.250% Senior Notes due June 1, 2027	300,000	300,000
Discount and deferred loan costs	(24,949)	(28,698)
Total	\$1,453,366	\$1,471,302

In June 2017, TRI Pointe Group issued \$300 million aggregate principal amount of 5.250% Senior Notes due 2027 (the "2027 Notes") at 100.00% of their aggregate principal amount. Net proceeds of this issuance were \$296.3 million, after debt issuance costs and discounts. The 2027 Notes mature on June 1, 2027 and interest is paid semiannually in arrears on June 1 and December 1 of each year until maturity, beginning on December 1, 2017.

In May 2016, TRI Pointe Group issued \$300 million aggregate principal amount of 4.875% Senior Notes due 2021 (the "2021 Notes") at 99.44% of their aggregate principal amount. Net proceeds of this issuance were \$293.9 million, after debt issuance costs and discounts. The 2021 Notes mature on July 1, 2021 and interest is paid semiannually in arrears on January 1 and July 1.

TRI Pointe Group and its 100% owned subsidiary TRI Pointe Homes, Inc. ("TRI Pointe Homes") are co-issuers of the 4.375% Senior Notes due 2019 (the "2019 Notes") and the 5.875% Senior Notes due 2024 (the "2024 Notes"). The 2019 Notes were issued at 98.89% of their aggregate principal amount and the 2024 Notes were issued at 98.15% of their aggregate principal amount. The net proceeds from the offering were \$861.3 million, after debt issuance costs and discounts. The 2019 Notes and 2024 Notes mature on June 15, 2019 and June 15, 2024, respectively. Interest is payable semiannually in arrears on June 15 and December 15. During the three months ended June 30, 2018, we repurchased and cancelled an aggregate principal amount of \$21.7 million of the 2019 Notes.

As of June 30, 2018, there was \$17.3 million of capitalized debt financing costs, included in senior notes, net on our consolidated balance sheet, related to the Senior Notes that will amortize over the lives of the Senior Notes. Accrued interest related to the Senior Notes was \$10.4 million and \$10.6 million as of June 30, 2018 and December 31, 2017,

respectively.

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Unsecured Revolving Credit Facility

On June 20, 2017, the Company modified its existing unsecured revolving credit facility (the “Credit Facility”) to extend the maturity date by two years to May 18, 2021, while decreasing the total commitments under the Credit Facility to \$600 million from \$625 million. In addition, the Credit Facility was modified to give the Company the option to make offers to the lenders to extend the maturity date of the Credit Facility in twelve-month increments, subject to the satisfaction of certain conditions. The Credit Facility contains a sublimit of \$75 million for letters of credit. The Company may borrow under the Credit Facility in the ordinary course of business to fund its operations, including its land acquisition, land development and homebuilding activities. Borrowings under the Credit Facility will be governed by, among other things, a borrowing base. Interest rates on borrowings under the Credit Facility will be based on either a daily Eurocurrency base rate or a Eurocurrency rate, in either case, plus a spread ranging from 1.25% to 2.00%, depending on the Company’s leverage ratio. As of June 30, 2018, we had no outstanding indebtedness under the Credit Facility and \$586.8 million of availability after considering the borrowing base provisions and outstanding letters of credit. As of June 30, 2018, there was \$2.9 million of capitalized debt financing costs, included in other assets on our consolidated balance sheet, related to the Credit Facility that will amortize over the life of the Credit Facility, maturing on May 18, 2021. Accrued interest, including loan commitment fees, related to the Credit Facility was \$455,000 and \$426,000 as of June 30, 2018 and December 31, 2017, respectively.

At June 30, 2018 and December 31, 2017, we had outstanding letters of credit of \$13.2 million and \$7.7 million, respectively. These letters of credit were issued to secure various financial obligations. We believe it is not probable that any outstanding letters of credit will be drawn upon.

Interest Incurred

During the three months ended June 30, 2018 and 2017, the Company incurred interest of \$21.6 million and \$19.9 million, respectively, related to all debt during the period. Included in interest incurred was amortization of deferred financing and Senior Note discount costs of \$2.1 million and \$1.8 million for the three months ended June 30, 2018 and 2017, respectively. During the six-month periods ended June 30, 2018 and 2017, the Company incurred interest of \$43.1 million and \$38.8 million, respectively, related to all debt during the period. Included in interest incurred was amortization of deferred financing and Senior Notes discount costs of \$4.1 million and \$3.7 million for the six months ended June 30, 2018 and 2017, respectively. Accrued interest related to all outstanding debt at June 30, 2018 and December 31, 2017 was \$10.9 million and \$11.0 million, respectively.

Covenant Requirements

The Senior Notes contain covenants that restrict our ability to, among other things, create liens or other encumbrances, enter into sale and leaseback transactions, or merge or sell all or substantially all of our assets. These limitations are subject to a number of qualifications and exceptions.

Under the Credit Facility, the Company is required to comply with certain financial covenants, including but not limited to (i) a minimum consolidated tangible net worth; (ii) a maximum total leverage ratio; and (iii) a minimum interest coverage ratio.

The Company was in compliance with all applicable financial covenants as of June 30, 2018 and December 31, 2017.

12. Fair Value Disclosures

Fair Value Measurements

ASC Topic 820, Fair Value Measurements and Disclosures, defines “fair value” as the price that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date and requires assets and liabilities carried at fair value to be classified and disclosed in the following three categories:

Level 1—Quoted prices for identical instruments in active markets

Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are inactive; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets at measurement date

Level 3—Valuations derived from techniques where one or more significant inputs or significant value drivers are unobservable in active markets at measurement date

Fair Value of Financial Instruments

A summary of assets and liabilities at June 30, 2018 and December 31, 2017, related to our financial instruments, measured at fair value on a recurring basis, is set forth below (in thousands):

Hierarchy	June 30, 2018		December 31, 2017	
	Book Value	Fair Value	Book Value	Fair Value
Senior Notes ⁽¹⁾ Level 2	\$ 1,470,664	\$ 1,450,708	\$ 1,491,229	\$ 1,552,335

The book value of the Senior Notes is net of discounts, excluding deferred loan costs of \$17.3 million and \$19.9 million as of June 30, 2018 and December 31, 2017, respectively. The estimated fair value of the Senior Notes at June 30, 2018 and December 31, 2017 is based on quoted market prices.

At June 30, 2018 and December 31, 2017, the carrying value of cash and cash equivalents and receivables approximated fair value.

Fair Value of Nonfinancial Assets

Nonfinancial assets include items such as real estate inventories and long-lived assets that are measured at fair value on a nonrecurring basis when events and circumstances indicating the carrying value is not recoverable. The following table presents impairment charges and the remaining net fair value for nonfinancial assets that were measured during the periods presented (in thousands):

	Six Months Ended June 30, 2018		Year Ended December 31, 2017	
	Impairment Charge	Fair Value Net of Impairment	Impairment Charge	Fair Value Net of Impairment
Real estate inventories ⁽¹⁾	\$ —	\$ —	\$ 854	\$ 12,950

⁽¹⁾ Fair value of real estate inventories, net of impairment charges represents only those assets whose carrying values were adjusted to fair value in the respective periods presented. The fair value of these real estate inventories impaired was determined based on an analysis of future undiscounted net cash flows. In the case of lots for sale, fair value was determined based on recent land and lot sales for similar assets.

13. Commitments and Contingencies

Legal Matters

Lawsuits, claims and proceedings have been and may be instituted or asserted against us in the normal course of business, including actions brought on behalf of various classes of claimants. We are also subject to local, state and federal laws and regulations related to land development activities, house construction standards, sales practices, employment practices, environmental protection and financial services. As a result, we are subject to periodic examinations or inquiry by agencies administering these laws and regulations.

We record a reserve for potential legal claims and regulatory matters when they are probable of occurring and a potential loss is reasonably estimable. We accrue for these matters based on facts and circumstances specific to each matter and revise these estimates when necessary. In view of the inherent difficulty of predicting outcomes of legal claims and related contingencies, we generally cannot predict their ultimate resolution, related timing or eventual loss. Accordingly, it is possible that the ultimate outcome of any matter, if in excess of a related accrual or if no accrual was made, could be material to our financial statements. For matters as to which the Company believes a loss is probable and reasonably estimable, we had no legal reserves as of June 30, 2018 or December 31, 2017, respectively. On April 3, 2017, Pardee Homes was named as a defendant in a lawsuit filed in San Diego County Superior Court by Scripps Health (“Scripps”) related to the April 1989 sale by Pardee Homes of real property located in Carmel Valley, California to Scripps pursuant to a purchase agreement dated December 18, 1987 (as amended, the “Purchase

Agreement”). In March 2003, Scripps contacted Pardee Homes and alleged Pardee Homes had breached a covenant in the Purchase Agreement by failing to record a restriction against the development of the surrounding property then owned by Pardee Homes for medical office use. In November 2003, the parties entered into a tolling agreement, pursuant to which the parties agreed to toll any applicable statutes of limitation from November 3, 2003 until the expiration of the agreement. The tolling agreement did not revive any cause of action already time barred by a statute of limitation as of November 3, 2003. The tolling agreement was

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terminated as of February 21, 2017. Pardee Homes became an indirect, wholly owned subsidiary of TRI Pointe on July 7, 2014 in connection with TRI Pointe's acquisition of WRECO.

We intend to vigorously defend the action, and intend to continue challenging Scripps' claims. On May 18, 2018, Pardee Homes filed a motion for summary judgment in the action, which currently has a hearing date of September 14, 2018. Although we cannot predict or determine the timing or final outcome of the lawsuit or the effect that any adverse findings or determinations may have on us, we believe Scripps has no actionable claims against Pardee Homes and that this dispute will not have a material impact on our business, liquidity, financial condition and results of operations. An unfavorable determination could result in the payment by us of monetary damages, which could be significant. The complaint does not indicate the amount of relief sought, and an estimate of possible loss or range of loss cannot presently be made with respect to this matter. No reserve with respect to this matter has been recorded on our consolidated financial statements.

In April 2018, the California Regional Water Quality Control Board, San Diego Region ("RWQCB"), notified Pardee Homes of its intention to assess a penalty for alleged violations of a General Permit for Storm Water Discharges Associated with Construction and Land Disturbance Activities (the "General Permit"). The alleged violations of the General Permit related to the discharge of stormwater during heavy rains in 2017 in connection with the development of a community in San Diego County, California. On June 4, 2018, Pardee Homes reached a settlement with the RWQCB staff and agreed to pay a fine in the sum of \$291,286.

Warranty

Warranty reserves are accrued as home deliveries occur. Our warranty reserves on homes delivered will vary based on product type and geographic area and also depending on state and local laws. The warranty reserve is included in accrued expenses and other liabilities on our consolidated balance sheets and represents expected future costs based on our historical experience over previous years. Estimated warranty costs are charged to cost of home sales in the period in which the related home sales revenue is recognized.

We maintain general liability insurance designed to protect us against a portion of our risk of loss from warranty and construction defect-related claims. We also generally require our subcontractors and design professionals to indemnify us for liabilities arising from their work, subject to various limitations. However, such indemnity is significantly limited with respect to certain subcontractors that are added to our general liability insurance policy.

Our warranty reserve and related estimated insurance recoveries are based on actuarial analysis that uses our historical claim and expense data, as well as industry data to estimate these overall costs and related recoveries. Key assumptions used in developing these estimates include claim frequencies, severities and resolution patterns, which can occur over an extended period of time. These estimates are subject to variability due to the length of time between the delivery of a home to a homebuyer and when a warranty or construction defect claim is made, and the ultimate resolution of such claim; uncertainties regarding such claims relative to our markets and the types of product we build; and legal or regulatory actions and/or interpretations, among other factors. Due to the degree of judgment involved and the potential for variability in these underlying assumptions, our actual future costs could differ from those estimated. There can be no assurance that the terms and limitations of the limited warranty will be effective against claims made by homebuyers, that we will be able to renew our insurance coverage or renew it at reasonable rates, that we will not be liable for damages, cost of repairs, and/or the expense of litigation surrounding possible construction defects, soil subsidence or building related claims or that claims will not arise out of uninsurable events or circumstances not covered by insurance and not subject to effective indemnification agreements with certain subcontractors.

We also record expected recoveries from insurance carriers based on actual insurance claims made and actuarially determined amounts that depend on various factors, including the above-described reserve estimates, our insurance policy coverage limits for the applicable policy years and historical recovery rates. Because of the inherent uncertainty and variability in these assumptions, our actual insurance recoveries could differ significantly from amounts currently estimated. Outstanding warranty insurance receivables were \$35.3 million and \$35.8 million as of June 30, 2018 and December 31, 2017, respectively. Warranty insurance receivables are recorded in receivables on the accompanying consolidated balance sheet.

Warranty reserve activity consisted of the following (in thousands):

	Three Months		Six Months Ended	
	Ended June 30,		June 30,	
	2018	2017	2018	2017
Warranty reserves, beginning of period	\$70,482	\$80,953	\$69,373	\$83,135
Warranty reserves accrued	6,666	3,794	11,412	5,674
Adjustments to pre-existing reserves	—	699	—	621
Warranty expenditures	(4,806)	(5,318)	(8,443)	(9,302)
Warranty reserves, end of period	\$72,342	\$80,128	\$72,342	\$80,128

Performance Bonds

We obtain surety bonds in the normal course of business to ensure completion of certain infrastructure improvements of our projects. The beneficiaries of the bonds are various municipalities. As of June 30, 2018 and December 31, 2017, the Company had outstanding surety bonds totaling \$724.4 million and \$627.1 million, respectively. As of June 30, 2018 and December 31, 2017, our estimated cost to complete obligations related to these surety bonds was \$430.2 million and \$537.4 million, respectively.

14. Stock-Based Compensation

2013 Long-Term Incentive Plan

The Company's stock compensation plan, the 2013 Long-Term Incentive Plan (the "2013 Incentive Plan"), was adopted by TRI Pointe in January 2013 and amended, with the approval of our stockholders, in 2014 and 2015. In addition, our board of directors amended the 2013 Incentive Plan in 2014 to prohibit repricing (other than in connection with any equity restructuring or any change in capitalization) of outstanding options or stock appreciation rights without stockholder approval. The 2013 Incentive Plan provides for the grant of equity-based awards, including options to purchase shares of common stock, stock appreciation rights, bonus stock, restricted stock, restricted stock units and performance awards. The 2013 Incentive Plan will automatically expire on the tenth anniversary of its effective date. Our board of directors may terminate or amend the 2013 Incentive Plan at any time, subject to any requirement of stockholder approval required by applicable law, rule or regulation.

As amended, the number of shares of our common stock that may be issued under the 2013 Incentive Plan is 11,727,833 shares. To the extent that shares of our common stock subject to an outstanding option, stock appreciation right, stock award or performance award granted under the 2013 Incentive Plan are not issued or delivered by reason of the expiration, termination, cancellation or forfeiture of such award or the settlement of such award in cash, then such shares of our common stock generally shall again be available under the 2013 Incentive Plan. As of June 30, 2018, there were 6,454,995 shares available for future grant under the 2013 Incentive Plan.

The following table presents compensation expense recognized related to all stock-based awards (in thousands):

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2018	2017	2018	2017
Total stock-based compensation	\$3,720	\$3,903	\$7,190	\$7,744

Stock-based compensation is charged to general and administrative expense on the accompanying consolidated statements of operations. As of June 30, 2018, total unrecognized stock-based compensation related to all stock-based awards was \$24.5 million and the weighted average term over which the expense was expected to be recognized was 2.0 years.

Summary of Stock Option Activity

The following table presents a summary of stock option awards for the six months ended June 30, 2018:

	Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Options outstanding at December 31, 2017	1,154,658	\$ 14.16	4.9	\$ 4,350
Granted	—	—	—	—
Exercised	(154,993)	\$ 12.33	—	—
Forfeited	(18,154)	\$ 11.77	—	—
Options outstanding at June 30, 2018	981,511	\$ 14.49	4.7	\$ 2,028
Options exercisable at June 30, 2018	981,511	\$ 14.49	4.7	\$ 2,028

The intrinsic value of each stock option award outstanding or exercisable is the difference between the fair market value of the Company's common stock at the end of the period and the exercise price of each stock option award to the extent it is considered "in-the-money". A stock option award is considered to be "in-the-money" if the fair market value of the Company's stock is greater than the exercise price of the stock option award. The aggregate intrinsic value of options outstanding and options exercisable represents the value that would have been received by the holders of stock option awards had they exercised their stock option award on the last trading day of the period and sold the underlying shares at the closing price on that day.

Summary of Restricted Stock Unit Activity

The following table presents a summary of restricted stock units (“RSUs”) for the six months ended June 30, 2018:

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	Restricted Stock Units	Weighted Average Grant Date Fair Value Per Share	Aggregate Intrinsic Value (in thousands)
Nonvested RSUs at December 31, 2017	4,307,592	\$ 9.80	\$ 77,192
Granted	1,124,554	\$ 15.76	—
Vested	(1,102,727)	\$ 12.47	—
Forfeited	(987,808)	\$ 9.37	—
Nonvested RSUs at June 30, 2018	3,341,611	\$ 11.05	\$ 54,669

On April 30, 2018, the Company granted an aggregate of 40,910 RSUs to the non-employee members of its board of directors. These RSUs vest in their entirety on the day immediately prior to the Company's 2019 Annual Meeting of Stockholders. The fair value of each RSU granted on April 30, 2018 was measured using a price of \$17.11 per share, which was the closing stock price on the date of grant. Each award will be expensed on a straight-line basis over the vesting period.

On May 7, 2018 and February 22, 2018, the Company granted an aggregate of 4,258 and 633,107, respectively, of time-vested RSUs to certain employees and officers. The RSUs granted vest in equal installments annually on the anniversary of the grant date over a three year period. The fair value of each RSU granted on May 7, 2018 and February 22, 2018 was measured using a price of \$17.61 and \$16.94 per share, respectively, which was the closing stock price on the date of grant. Each award will be expensed on a straight-line basis over the vesting period.

On February 22, 2018, the Company granted 184,179, 177,095, and 85,005 performance-based RSUs to the Company's Chief Executive Officer, President, and Chief Financial Officer, respectively. These performance-based RSUs are allocated in equal parts to two separate performance metrics: (i) TSR, with vesting based on the Company's TSR relative to its peer-group homebuilders; and (ii) earnings per share. The vesting, if at all, of these performance-based RSUs may range from 0% to 100% and will be based on the Company's percentage attainment of specified threshold, target and maximum performance goals. The performance period for these performance-based RSUs is January 1, 2018 to December 31, 2020. The fair value of the performance-based RSUs related to the TSR metric was determined to be \$10.97 per share based on a Monte Carlo simulation. The fair value of the performance-based RSUs related to the earnings per share goal was measured using a price of \$16.94 per share, which was the closing stock price on the date of grant. Each award will be expensed over the requisite service period.

On February 15, 2018, the Compensation Committee of our Board of Directors certified the performance achieved with respect to performance-based RSUs granted to the Company's Chief Executive Officer, President, and Chief Financial Officer in 2015 that resulted in the issuance of 197,898 shares of our common stock under the 2013 Incentive Plan. The vesting of these performance-based RSUs are included in the table above. RSUs that were forfeited in the table above, during the six months ended June 30, 2018, included performance-based RSUs and time-based RSUs that were forfeited for no consideration.

On February 27, 2017, the Company granted an aggregate of 990,279 time-vested RSUs to certain employees and officers. The RSUs granted vest in equal installments annually on the anniversary of the grant date over a three year period. The fair value of each RSU granted on February 27, 2017 was measured using a price of \$12.10 per share, which was the closing stock price on the date of grant. Each award will be expensed on a straight-line basis over the vesting period.

On February 27, 2017, the Company granted 257,851, 247,933 and 119,008 performance-based RSUs to the Company's Chief Executive Officer, President, and Chief Financial Officer, respectively. These performance-based

RSUs are allocated in equal parts to two separate performance metrics: (i) TSR, with vesting based on the Company's TSR relative to its peer-group homebuilders; and (ii) earnings per share. The vesting, if at all, of these performance-based RSUs may range from 0% to 100% and will be based on the Company's percentage attainment of specified threshold, target and maximum performance goals. The performance period for these performance-based RSUs is January 1, 2017 to December 31, 2019. The fair value of the performance-based RSUs related to the TSR metric was determined to be \$6.16 per share based on a Monte Carlo simulation. The fair value of the performance-based RSUs related to the earnings per share goal was measured using a price of \$12.10 per share, which was the closing stock price on the date of grant. Each award will be expensed over the requisite service period.

On May 30, 2017, the Company granted an aggregate of 55,865 RSUs to the non-employee members of its board of directors. These RSUs vest in their entirety on the day immediately prior to the Company's 2018 Annual Meeting of Stockholders. The fair value of each RSU granted on May 30, 2017 was measured using a price of \$12.53 per share, which was the closing stock price on the date of grant. Each award will be expensed on a straight-line basis over the vesting period.

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As RSUs vest for employees, a portion of the shares awarded is generally withheld to cover employee tax withholdings. As a result, the number of RSUs vested and the number of shares of TRI Pointe common stock issued will differ.

15. Income Taxes

We account for income taxes in accordance with ASC Topic 740, Income Taxes (“ASC 740”), which requires an asset and liability approach for measuring deferred taxes based on temporary differences between the financial statements and tax bases of assets and liabilities using enacted tax rates for the years in which taxes are expected to be paid or recovered. Each quarter we assess our deferred tax asset to determine whether all or any portion of the asset is more likely than not unrealizable under ASC 740. We are required to establish a valuation allowance for any portion of the asset we conclude is more likely than not to be unrealizable. Our assessment considers, among other things, the nature, frequency and severity of our current and cumulative losses, forecasts of our future taxable income, the duration of statutory carryforward periods and tax planning alternatives.

We had net deferred tax assets of \$66.4 million and \$76.4 million as of June 30, 2018 and December 31, 2017, respectively. We had a valuation allowance related to those net deferred tax assets of \$3.5 million as of both June 30, 2018 and December 31, 2017. The Company will continue to evaluate both positive and negative evidence in determining the need for a valuation allowance against its deferred tax assets. Changes in positive and negative evidence, including differences between the Company's future operating results and the estimates utilized in the determination of the valuation allowance, could result in changes in the Company's estimate of the valuation allowance against its deferred tax assets. The accounting for deferred taxes is based upon estimates of future results. Differences between the anticipated and actual outcomes of these future results could have a material impact on the Company's consolidated results of operations or financial position. Also, changes in existing federal and state tax laws and tax rates could affect future tax results and the valuation allowance against the Company's deferred tax assets. TRI Pointe has certain liabilities with Weyerhaeuser Company (“Weyerhaeuser”) related to a tax sharing agreement. As of June 30, 2018 and December 31, 2017, we had an income tax liability to Weyerhaeuser of \$8.3 million and \$7.7 million, respectively. The income tax liability to Weyerhaeuser is recorded in accrued expenses and other liabilities on the accompanying consolidated balance sheets.

Our provision for income taxes totaled \$21.1 million and \$19.1 million for the three months ended June 30, 2018 and 2017, respectively. Our provision for income taxes totaled \$35.8 million and \$23.7 million for the six months ended June 30, 2018 and 2017, respectively. The Company classifies any interest and penalties related to income taxes assessed by jurisdiction as part of income tax expense. The Company had \$1.5 million of uncertain tax positions recorded as of both June 30, 2018 and December 31, 2017. The Company has not been assessed interest or penalties by any major tax jurisdictions related to prior years.

On December 22, 2017, the Tax Cuts and Jobs Act was enacted, reducing the U.S. federal corporate income tax rate from 35% to 21%, among other changes. In December 2017, the SEC issued Staff Accounting Bulletin No. 118 (“SAB 118”), which provides guidance on accounting for the income tax effects of the Tax Cuts and Jobs Act, for which the accounting under ASC 740 is incomplete. As of June 30, 2018, we have completed our accounting for the tax effects of the Tax Cuts and Jobs Act, however, as there is some uncertainty around the grandfathering provisions related to performance-based executive compensation, we have estimated a provisional amount for the deferred tax assets related to performance-based executive compensation. In addition, we also remeasured the applicable deferred tax assets and liabilities based on the rate at which they are expected to reverse in the future, which is generally 21%. We are still analyzing certain aspects of the Tax Cuts and Jobs Act and refining our calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts. In the quarter ended December 31, 2017, the Company recorded an income tax charge of \$22.0 million related to the re-measurement of our deferred tax assets related to the Tax Cuts and Jobs Act.

16. Related Party Transactions

We had no related party transactions for the six months ended June 30, 2018 and 2017.

17. Supplemental Disclosure to Consolidated Statements of Cash Flows

The following are supplemental disclosures to the consolidated statements of cash flows (in thousands):

	Six Months Ended	
	June 30,	
	2018	2017
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest, net of amounts capitalized of \$39,229 and \$43,573	\$—	\$—
Income taxes	\$62,011	\$10,950
Supplemental disclosures of noncash activities:		
Amortization of senior note discount capitalized to real estate inventory	\$1,069	\$1,010
Increase in other assets related to adoption of ASC 606	\$39,534	\$—
Amortization of deferred loan costs capitalized to real estate inventory	\$3,003	\$2,648
Effect of net consolidation and de-consolidation of variable interest entities:		
Decrease in consolidated real estate inventory not owned	\$—	\$(3,275)
Decrease in noncontrolling interests	\$—	\$3,275

18. Supplemental Guarantor Information

2021 Notes and 2027 Notes

On May 26, 2016, TRI Pointe Group issued the 2021 Notes. On June 5, 2017, TRI Pointe Group issued the 2027 Notes. All of TRI Pointe Group's 100% owned subsidiaries that are guarantors (each a "Guarantor" and, collectively, the "Guarantors") of the Credit Facility, including TRI Pointe Homes, are party to supplemental indentures pursuant to which they jointly and severally guarantee TRI Pointe Group's obligations with respect to the 2021 Notes and the 2027 Notes. Each Guarantor of the 2021 Notes and the 2027 Notes is 100% owned by TRI Pointe Group, and all guarantees are full and unconditional, subject to customary exceptions pursuant to the indentures governing the 2021 Notes and the 2027 Notes, as described in the following paragraph. All of our non-Guarantor subsidiaries have nominal assets and operations and are considered minor, as defined in Rule 3-10(h) of Regulation S-X. In addition, TRI Pointe Group has no independent assets or operations, as defined in Rule 3-10(h) of Regulation S-X. There are no significant restrictions upon the ability of TRI Pointe Group or any Guarantor to obtain funds from any of their respective wholly owned subsidiaries by dividend or loan. None of the assets of our subsidiaries represent restricted net assets pursuant to Rule 4-08(e)(3) of Regulation S-X.

A Guarantor of the 2021 Notes and the 2027 Notes shall be released from all of its obligations under its guarantee if (i) all of the assets of the Guarantor have been sold; (ii) all of the equity interests of the Guarantor held by TRI Pointe Group or a subsidiary thereof have been sold; (iii) the Guarantor merges with and into TRI Pointe Group or another Guarantor, with TRI Pointe Group or such other Guarantor surviving the merger; (iv) the Guarantor is designated "unrestricted" for covenant purposes; (v) the Guarantor ceases to guarantee any indebtedness of TRI Pointe Group or any other Guarantor which gave rise to such Guarantor guaranteeing the 2021 Notes or the 2027 Notes; (vi) TRI Pointe Group exercises its legal defeasance or covenant defeasance options; or (vii) all obligations under the applicable supplemental indenture are discharged.

2019 Notes and 2024 Notes

TRI Pointe Group and TRI Pointe Homes are co-issuers of the 2019 Notes and the 2024 Notes. All of the Guarantors (other than TRI Pointe Homes) have entered into supplemental indentures pursuant to which they jointly and severally guarantee the obligations of TRI Pointe Group and TRI Pointe Homes with respect to the 2019 Notes and the 2024 Notes. Each Guarantor of the 2019 Notes and the 2024 Notes is 100% owned by TRI Pointe Group and TRI Pointe Homes, and all guarantees are full and unconditional, subject to customary exceptions pursuant to the indentures governing the 2019 Notes and the 2024 Notes, as described below.

A Guarantor of the 2019 Notes and the 2024 Notes shall be released from all of its obligations under its guarantee if (i) all of the assets of the Guarantor have been sold; (ii) all of the equity interests of the Guarantor held by TRI Pointe Group or a subsidiary thereof have been sold; (iii) the Guarantor merges with and into TRI Pointe Group or another Guarantor, with

TRI Pointe or such other Guarantor surviving the merger; (iv) the Guarantor is designated “unrestricted” for covenant purposes; (v) the Guarantor ceases to guarantee any indebtedness of TRI Pointe or any other Guarantor which gave rise to such Guarantor

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guaranteeing the 2019 Notes and 2024 Notes; (vi) TRI Pointe exercises its legal defeasance or covenant defeasance options; or (vii) all obligations under the applicable indenture are discharged.

Presented below are the condensed consolidating balance sheets at June 30, 2018 and December 31, 2017, condensed consolidating statements of operations for the three and six months ended June 30, 2018 and 2017 and condensed consolidating statement of cash flows for the six months ended June 30, 2018 and 2017. Because TRI Pointe's non-Guarantor subsidiaries are considered minor, as defined in Rule 3-10(h) of Regulation S-X, the non-Guarantor subsidiaries' information is not separately presented in the tables below, but is included with the Guarantors. Additionally, because TRI Pointe Group has no independent assets or operations, as defined in Rule 3-10(h) of Regulation S-X, the condensed consolidated financial information of TRI Pointe Group and TRI Pointe Homes, the co-issuers of the 2019 Notes and 2024 Notes, is presented together in the column titled "Issuer".

Condensed Consolidating Balance Sheet (in thousands):

	June 30, 2018			
	Issuer	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
Assets				
Cash and cash equivalents	\$ 125,531	\$ 114,375	\$ —	\$ 239,906
Receivables	15,801	43,810	—	59,611
Intercompany receivables	915,563	—	(915,563)	—
Real estate inventories	811,746	2,436,040	—	3,247,786
Investments in unconsolidated entities	—	4,169	—	4,169
Goodwill and other intangible assets, net	156,604	4,090	—	160,694
Investments in subsidiaries	1,534,825	—	(1,534,825)	—
Deferred tax assets, net	10,892	55,522	—	66,414
Other assets	11,461	82,644	—	94,105
Total assets	\$ 3,582,423	\$ 2,740,650	\$ (2,450,388)	\$ 3,872,685
Liabilities				
Accounts payable	\$ 14,608	\$ 74,328	\$ —	\$ 88,936
Intercompany payables	—	915,563	(915,563)	—
Accrued expenses and other liabilities	82,747	215,330	—	298,077
Senior notes	1,453,366	—	—	1,453,366
Total liabilities	1,550,721	1,205,221	(915,563)	1,840,379
Equity				
Total stockholders' equity	2,031,702	1,534,825	(1,534,825)	2,031,702
Noncontrolling interests	—	604	—	604
Total equity	2,031,702	1,535,429	(1,534,825)	2,032,306
Total liabilities and equity	\$ 3,582,423	\$ 2,740,650	\$ (2,450,388)	\$ 3,872,685

Condensed Consolidating Balance Sheet (in thousands):

	December 31, 2017			
	Issuer	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
Assets				
Cash and cash equivalents	\$176,684	\$106,230	\$—	\$282,914
Receivables	56,021	69,579	—	125,600
Intercompany receivables	794,550	—	(794,550)	—
Real estate inventories	855,727	2,249,826	—	3,105,553
Investments in unconsolidated entities	—	5,870	—	5,870
Goodwill and other intangible assets, net	156,604	4,357	—	160,961
Investments in subsidiaries	1,448,690	—	(1,448,690)	—
Deferred tax assets, net	10,892	65,521	—	76,413
Other assets	3,465	44,605	—	48,070
Total assets	\$3,502,633	\$2,545,988	\$(2,243,240)	\$3,805,381
Liabilities				
Accounts payable	\$9,364	\$63,506	\$—	\$72,870
Intercompany payables	—	794,550	(794,550)	—
Accrued expenses and other liabilities	92,245	238,637	—	330,882
Senior notes	1,471,302	—	—	1,471,302
Total liabilities	1,572,911	1,096,693	(794,550)	1,875,054
Equity				
Total stockholders' equity	1,929,722	1,448,690	(1,448,690)	1,929,722
Noncontrolling interests	—	605	—	605
Total equity	1,929,722	1,449,295	(1,448,690)	1,930,327
Total liabilities and equity	\$3,502,633	\$2,545,988	\$(2,243,240)	\$3,805,381

Condensed Consolidating Statement of Operations (in thousands):

	Three Months Ended June 30, 2018			Consolidated TRI Pointe Group, Inc.
	Issuer	Guarantor Subsidiaries	Consolidating Adjustments	
Homebuilding:				
Home sales revenue	\$255,642	\$ 513,153	\$ —	\$ 768,795
Land and lot sales revenue	—	1,518	—	1,518
Other operations revenue	—	599	—	599
Total revenues	255,642	515,270	—	770,912
Cost of home sales	213,038	391,058	—	604,096
Cost of land and lot sales	—	1,426	—	1,426
Other operations expense	—	589	—	589
Sales and marketing	11,992	33,752	—	45,744
General and administrative	17,941	18,542	—	36,483
Homebuilding income from operations	12,671	69,903	—	82,574
Equity in income of unconsolidated entities	—	69	—	69
Other (expense) income, net	(104	) 31	—	(73
Homebuilding income before income taxes	12,567	70,003	—	82,570
Financial Services:				
Revenues	—	391	—	391
Expenses	—	129	—	129
Equity in income of unconsolidated entities	—	1,984	—	1,984
Financial services income before income taxes	—	2,246	—	2,246
Income before income taxes	12,567	72,249	—	84,816
Equity of net income of subsidiaries	51,113	—	(51,113) —
Provision for income taxes	—	(21,136	) —	(21,136
Net income	63,680	51,113	(51,113	) 63,680
Net income attributable to noncontrolling interests	—	—	—	—
Net income available to common stockholders	\$63,680	\$ 51,113	\$ (51,113	) \$ 63,680

Condensed Consolidating Statement of Operations (in thousands):

	Three Months Ended June 30, 2017			
	Issuer	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
Homebuilding:				
Home sales revenue	\$ 154,212	\$ 414,604	\$ —	\$ 568,816
Land and lot sales revenue	—	865	—	865
Other operations revenue	—	600	—	600
Total revenues	154,212	416,069	—	570,281
Cost of home sales	132,859	321,382	—	454,241
Cost of land and lot sales	—	644	—	644
Other operations expense	—	591	—	591
Sales and marketing	6,966	25,364	—	32,330
General and administrative	16,304	17,384	—	33,688
Homebuilding (loss) income from operations	(1,917)	50,704	—	48,787
Equity in income of unconsolidated entities	—	1,508	—	1,508
Other income, net	9	35	—	44
Homebuilding (loss) income before income taxes	(1,908)	52,247	—	50,339
Financial Services:				
Revenues	—	345	—	345
Expenses	—	77	—	77
Equity in income of unconsolidated entities	—	1,294	—	1,294
Financial services income before income taxes	—	1,562	—	1,562
(Loss) income before income taxes	(1,908)	53,809	—	51,901
Equity of net income of subsidiaries	34,415	—	(34,415)	—
Benefit (provision) for income taxes	207	(19,305)	—	(19,098)
Net income	32,714	34,504	(34,415)	32,803
Net income attributable to noncontrolling interests	—	(89)	—	(89)
Net income available to common stockholders	\$ 32,714	\$ 34,415	\$ (34,415)	\$ 32,714

Condensed Consolidating Statement of Operations (in thousands):

	Six Months Ended June 30, 2018			Consolidated TRI Pointe Group, Inc.
	Issuer	Guarantor Subsidiaries	Consolidating Adjustments	
Homebuilding:				
Home sales revenue	\$446,062	\$905,305	\$ —	\$1,351,367
Land and lot sales revenue	—	1,741	—	1,741
Other operations revenue	—	1,197	—	1,197
Total revenues	446,062	908,243	—	1,354,305
Cost of home sales	372,093	682,505	—	1,054,598
Cost of land and lot sales	—	1,929	—	1,929
Other operations expense	—	1,191	—	1,191
Sales and marketing	22,509	61,518	—	84,027
General and administrative	36,100	37,197	—	73,297
Homebuilding income from operations	15,360	123,903	—	139,263
Equity in loss of unconsolidated entities	—	(399	) —	(399)
Other income, net	35	63	—	98
Homebuilding income before income taxes	15,395	123,567	—	138,962
Financial Services:				
Revenues	—	674	—	674
Expenses	—	266	—	266
Equity in income of unconsolidated entities	—	2,986	—	2,986
Financial services income before income taxes	—	3,394	—	3,394
Income before income taxes	15,395	126,961	—	142,356
Equity of net income of subsidiaries	91,165	—	(91,165) —
Provision for income taxes	—	(35,796	) —	(35,796)
Net income	106,560	91,165	(91,165	) 106,560
Net income attributable to noncontrolling interests	—	—	—	—
Net income available to common stockholders	\$106,560	\$91,165	\$ (91,165	) \$106,560

Condensed Consolidating Statement of Operations (in thousands):

	Six Months Ended June 30, 2017			
	Issuer	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
Homebuilding:				
Home sales revenue	\$285,049	\$ 675,771	\$ —	\$ 960,820
Land and lot sales revenue	—	1,443	—	1,443
Other operations revenue	—	1,168	—	1,168
Total revenues	285,049	678,382	—	963,431
Cost of home sales	245,117	527,528	—	772,645
Cost of land and lot sales	—	1,298	—	1,298
Other operations expense	—	1,151	—	1,151
Sales and marketing	13,449	45,581	—	59,030
General and administrative	33,553	34,784	—	68,337
Homebuilding (loss) income from operations	(7,070)	68,040	—	60,970
Equity in income of unconsolidated entities	—	1,646	—	1,646
Other income, net	18	103	—	121
Homebuilding (loss) income before income taxes	(7,052)	69,789	—	62,737
Financial Services:				
Revenues	—	586	—	586
Expenses	—	151	—	151
Equity in income of unconsolidated entities	—	1,560	—	1,560
Financial services income before income taxes	—	1,995	—	1,995
(Loss) income before income taxes	(7,052)	71,784	—	64,732
Equity of net income of subsidiaries	43,452	—	(43,452)	—
Benefit (provision) for income taxes	4,507	(28,219)	—	(23,712)
Net income	40,907	43,565	(43,452)	41,020
Net income attributable to noncontrolling interests	—	(113)	—	(113)
Net income available to common stockholders	\$40,907	\$43,452	\$ (43,452)	\$ 40,907

Condensed Consolidating Statement of Cash Flows (in thousands):

Six Months Ended June 30, 2018

	Issuer	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
Cash flows from operating activities:				
Net cash provided by (used in) operating activities			\$97,711	