**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 March 31, 2015**

**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 Homes, Inc.**

**(Exact Name of Registrant as Specified in Its Charter)**



**Delaware**

**27-3201111**

**(State or other Jurisdiction of**

**Incorporation or Organization)**

**(I.R.S. Employer**

**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, or a smaller reporting company.

See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Large accelerated filer | ☐ | Accelerated filer |  | ☒ |
| Non-accelerated filer | ☐ **(Do not check if a smaller reporting company)** | Smaller reporting company | | ☐ |
| Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No | | | ☒ |  |
| Registrant’s shares of common stock outstanding at May 1, 2015: 161,644,412 | |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

**TRI POINTE HOMES, INC.**

**FORM 10-Q**

**INDEX**

**March 31, 2015**

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**TRI POINTE HOMES, INC.**

**CONSOLIDATED BALANCE SHEETS**

**(in thousands, except share amounts)**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **March 31,** | |  | **December 31,** | |  |
|  |  |  |  | **2015** |  |  | **2014** |  |  |
|  |  |  |  | (unaudited) |  |  |  |  |  |
|  | **Assets** |  |  |  |  |  |  |  |  |
|  | Cash and cash equivalents | $ | | 106,573 |  | $ | 170,629 |  |  |
|  | Receivables |  |  | 23,012 |  |  | 20,118 |  |  |
|  | Real estate inventories |  |  | 2,409,306 |  |  | 2,280,183 |  |  |
|  | Investments in unconsolidated entities |  |  | 17,730 |  |  | 16,805 |  |  |
|  | Goodwill and other intangible assets, net |  |  | 162,429 |  |  | 162,563 |  |  |
|  | Deferred tax assets |  |  | 155,803 |  |  | 157,821 |  |  |
|  | Other assets |  |  | 97,394 |  |  | 105,405 |  |  |
|  | Total assets |  | $ | 2,972,247 |  | $ | 2,913,524 |  |  |
| **Liabilities** | |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  | Accounts payable | $ | | 60,995 |  | $ | 68,860 |  |  |
|  | Accrued expenses and other liabilities |  |  | 210,601 |  |  | 210,009 |  |  |
|  | Notes payable and other borrowings |  |  | 322,142 |  |  | 274,677 |  |  |
|  | Senior notes |  |  | 887,882 |  |  | 887,502 |  |  |
|  | Total liabilities |  |  | 1,481,620 |  |  | 1,441,048 |  |  |
|  | Commitments and contingencies |  |  | — | |  | — | |  |
|  |  |  |  |  |  |  |  |  |  |
| **Equity** |  |  |  |  |  |  |  |  |
|  | Stockholders' Equity: |  |  |  |  |  |  |  |  |
|  | Preferred stock, $0.01 par value, 50,000,000 shares authorized; |  |  |  |  |  |  |  |  |
|  | no shares issued and outstanding as of March 31, 2015 and December 31, 2014, |  |  |  |  |  |  |  |  |
|  | respectively |  |  | — | |  | — | |  |
|  | Common stock, $0.01 par value, 500,000,000 shares authorized; 161,602,883 and |  |  |  |  |  |  |  |  |
|  | 161,355,490 shares issued and outstanding at March 31, 2015 and |  |  |  |  |  |  |  |  |
|  | December 31, 2014, respectively |  |  | 1,616 |  |  | 1,614 |  |  |
|  | Additional paid-in capital |  |  | 907,282 |  |  | 906,159 |  |  |
|  | Retained earnings |  |  | 561,704 |  |  | 546,407 |  |  |
|  | Total stockholders' equity |  |  | 1,470,602 |  |  | 1,454,180 |  |  |
|  | Noncontrolling interests |  |  | 20,025 |  |  | 18,296 |  |  |
|  | Total equity |  |  | 1,490,627 |  |  | 1,472,476 |  |  |
|  | Total liabilities and equity |  | $ | 2,972,247 |  | $ | 2,913,524 |  |  |
|  |  |  |  |  |  |  |  |  |  |

*See accompanying condensed notes to the unaudited consolidated financial statements.*

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**TRI POINTE HOMES, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**(unaudited)**

**(in thousands, except share and per share amounts)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Three Months Ended March 31,** | | | | |  |
|  |  |  | **2015** |  |  | **2014** |  |  |
| **Revenues:** |  |  |  |  |  |  |  |  |
| Home sales | $ | | 374,265 |  | $ | 241,902 |  |  |
| Land and lot sales |  |  | 2,000 |  |  | 3,387 |  |  |
| Other operations |  |  | 993 |  |  | 2,843 |  |  |
| Total revenues |  |  | 377,258 |  |  | 248,132 |  |  |
| **Expenses:** |  |  |  |  |  |  |  |  |
| Cost of home sales |  |  | 299,907 |  |  | 191,268 |  |  |
| Cost of land and lot sales |  |  | 2,308 |  |  | 3,163 |  |  |
| Other operations |  |  | 562 |  |  | 1,632 |  |  |
| Sales and marketing |  |  | 23,286 |  |  | 20,905 |  |  |
| General and administrative |  |  | 28,179 |  |  | 18,005 |  |  |
| Restructuring charges |  |  | 222 |  |  | 1,716 |  |  |
| Total expenses |  |  | 354,464 |  |  | 236,689 |  |  |
| Income from operations |  |  | 22,794 |  |  | 11,443 |  |  |
| Equity in income (loss) of unconsolidated entities |  |  | 74 |  |  | (68) | |  |
| Other income, net |  |  | 256 |  |  | 735 |  |  |
| Income before taxes |  |  | 23,124 |  |  | 12,110 |  |  |
| Provision for income taxes |  |  | (7,827) | |  | (4,529) | |  |
| Net income |  | $ | 15,297 |  | $ | 7,581 |  |  |
| Earnings per share |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| Basic | $ | | 0.09 |  | $ | 0.06 |  |  |
| Diluted | $ | | 0.09 |  | $ | 0.06 |  |  |
| Weighted average shares outstanding |  |  |  |  |  |  |  |  |
| Basic |  |  | 161,490,970 |  |  | 129,700,000 |  |  |
| Diluted |  |  | 162,807,376 |  |  | 129,700,000 |  |  |

*See accompanying condensed notes to the unaudited consolidated financial statements.*

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**TRI POINTE HOMES, INC.**

**CONSOLIDATED STATEMENTS OF EQUITY**

**(unaudited)**

**(in thousands, except share amounts)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Number of** | |  |  |  | **Additional** | | |  |  |  |  |  | **Total** | |  |  |  |  |  |  |  |  |
|  | **Common** | |  | **Common** |  |  | **Paid-in** | |  |  | **Retained** |  | **Stockholders'** | | |  | **Noncontrolling** | | |  |  | **Total** | |
|  | **Shares (Note 1)** | |  | **Stock** |  |  | **Capital** | |  |  | **Earnings** |  |  | **Equity** | |  |  | **Interests** | |  |  | **Equity** | |
| Balance at December 31, 2013 | 129,700,000 |  | $ | 1,297 |  | $ | 333,589 |  |  | $ | 462,210 |  | $ | 797,096 |  |  | $ | 28,421 |  |  | $ | 825,517 |  |
| Net income | — | |  | — |  |  | — | |  |  | 84,197 |  |  | 84,197 |  |  |  | — | |  |  | 84,197 |  |
| Capital contribution by Weyerhaeuser, net | — | |  | — |  |  | 63,355 |  |  |  | — |  |  | 63,355 |  |  |  | — | |  |  | 63,355 |  |
| Common shares issued in connection |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| with the Merger (Note 2) | 31,632,533 |  |  | 317 |  |  | 498,656 |  |  |  | — |  |  | 498,973 |  |  |  | — | |  |  | 498,973 |  |
| Shares issued under share-based awards | 22,957 |  |  | — |  |  | 176 |  |  |  | — |  |  | 176 |  |  |  | — | |  |  | 176 |  |
| Excess tax benefit of share-based awards, |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| net | — | |  | — |  |  | 1,757 |  |  |  | — |  |  | 1,757 |  |  |  | — | |  |  | 1,757 |  |
| Stock-based compensation expense | — | |  | — |  |  | 8,626 |  |  |  | — |  |  | 8,626 |  |  |  | — | |  |  | 8,626 |  |
| Distributions to noncontrolling interests, |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| net | — | |  | — |  |  | — | |  |  | — |  |  | — | |  |  | (17,248) | |  |  | (17,248) | |
| Net effect of consolidations, de- |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| consolidations and other transactions | — | |  | — |  |  | — | |  |  | — |  |  | — | |  |  | 7,123 |  |  |  | 7,123 |  |
| Balance at December 31, 2014 | 161,355,490 |  |  | 1,614 |  |  | 906,159 |  |  |  | 546,407 |  |  | 1,454,180 |  |  |  | 18,296 |  |  |  | 1,472,476 |  |
| Net income | — | |  | — |  |  | — | |  |  | 15,297 |  |  | 15,297 |  |  |  | — | |  |  | 15,297 |  |
| Shares issued under share-based awards | 247,393 |  |  | 2 |  |  | 261 |  |  |  | — |  |  | 263 |  |  |  | — | |  |  | 263 |  |
| Excess tax benefit of share-based awards, |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| net | — | |  | — |  |  | 308 |  |  |  | — |  |  | 308 |  |  |  | — | |  |  | 308 |  |
| Minimum tax withholding paid on behalf of |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| employees for restricted stock units | — | |  | — |  |  | (1,827) | |  |  | — |  |  | (1,827) | |  |  | — | |  |  | (1,827) | |
| Stock-based compensation expense | — | |  | — |  |  | 2,381 |  |  |  | — |  |  | 2,381 |  |  |  | — | |  |  | 2,381 |  |
| Contributions to noncontrolling interests, net | — | |  | — |  |  | — | |  |  | — |  |  | — | |  |  | 147 |  |  |  | 147 |  |
| Net effect of consolidations, de- |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| consolidations and other transactions | — | |  | — |  |  | — | |  |  | — |  |  | — | |  |  | 1,582 |  |  |  | 1,582 |  |
| Balance at March 31, 2015 | 161,602,883 |  | $ | 1,616 |  | $ | 907,282 |  |  | $ | 561,704 |  | $ | 1,470,602 |  |  | $ | 20,025 |  |  | $ | 1,490,627 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

*See accompanying condensed notes to the unaudited consolidated financial statements.*

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**TRI POINTE HOMES, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(unaudited)**

**(in thousands)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended March 31,** | | | | | |
|  |  | **2015** |  |  |  | **2014** |  |
| **Cash flows from operating activities** |  |  |  |  |  |  |  |
| Net income | $ | 15,297 |  | $ | | 7,581 |  |
| Adjustments to reconcile net income to net cash used in |  |  |  |  |  |  |  |
| operating activities: |  |  |  |  |  |  |  |
| Depreciation and amortization |  | 1,481 |  |  |  | 2,882 |  |
| Equity in (income) loss of unconsolidated entities, net |  | (74) | |  |  | 68 |  |
| Deferred income taxes, net |  | 2,018 |  |  |  | 1,029 |  |
| Amortization of stock-based compensation |  | 2,381 |  |  |  | 1,293 |  |
| Charges for impairments and lot option abandonments |  | 360 |  |  |  | 468 |  |
| Changes in assets and liabilities: |  |  |  |  |  |  |  |
| Real estate inventories |  | (127,304) | |  |  | (67,902) | |
| Receivables |  | (2,894) | |  |  | 24,972 |  |
| Other assets |  | 6,963 |  |  |  | 11,811 |  |
| Accounts payable |  | (7,865) | |  |  | 22,950 |  |
| Accrued expenses and other liabilities |  | 1,323 |  |  |  | (33,370) | |
| Income taxes receivable from or payable to Weyerhaeuser |  | — | |  |  | 3,014 |  |
| Other operating cash flows |  | — | |  |  | 31 |  |
| Net cash used in operating activities |  | (108,314) |  |  |  | (25,173) |  |
| **Cash flows from investing activities:** |  |  |  |  |  |  |  |
| Purchases of property and equipment |  | (378) | |  |  | (1,663) | |
| Proceeds from sale of property and equipment |  | — | |  |  | 4 |  |
| Investments in unconsolidated entities |  | (978) | |  |  | (473) | |
| Net cash used in investing activities |  | (1,356) |  |  |  | (2,132) |  |
| **Cash flows from financing activities:** |  |  |  |  |  |  |  |
| Borrowings from notes payable |  | 50,000 |  |  |  | — | |
| Repayment of notes payable |  | (2,535) | |  |  | — | |
| Changes in debt payable to Weyerhaeuser |  | — | |  |  | 34,220 |  |
| Change in book overdrafts |  | — | |  |  | (5,639) | |
| Net repayments of debt held by variable interest entities |  | (742) | |  |  | (803) | |
| Contributions from noncontrolling interests |  | 873 |  |  |  | 854 |  |
| Distributions to noncontrolling interests |  | (726) | |  |  | (2,985) | |
| Proceeds from issuance of common stock under share-based awards |  | 263 |  |  |  | — | |
| Excess tax benefits of share-based awards |  | 308 |  |  |  | 486 |  |
| Minimum tax withholding paid on behalf of employees for restricted stock units |  | (1,827) | |  |  | — | |
| Net cash provided by financing activities |  | 45,614 |  |  |  | 26,133 |  |
| Net decrease in cash and cash equivalents |  | (64,056) |  |  |  | (1,172) |  |
| Cash and cash equivalents - beginning of period |  | 170,629 |  |  |  | 4,510 |  |
| Cash and cash equivalents - end of period | $ | 106,573 |  |  | $ | 3,338 |  |
|  |  |  |  |  |  |  |  |

*See accompanying condensed notes to the unaudited consolidated financial statements.*

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**TRI POINTE HOMES, INC.**

**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(unaudited)**

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

TRI Pointe Homes, Inc. is engaged in the design, construction and sale of innovative single-family homes through its portfolio of six quality brands across eight states, including Maracay Homes 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”).

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries as described in “Reverse Acquisition” below, as well as other entities in which the Company has a controlling interest and variable interest entities (“VIE”) in which the Company is the primary beneficiary. The noncontrolling interests as of March 31, 2015 and December 31, 2014 represent the outside owners interests in the Company’s consolidated entities and the net equity of the VIE owners. All significant intercompany accounts have been eliminated upon consolidation. Certain prior period amounts have been reclassified to conform to current period presentation. Subsequent events have been evaluated through the date the financial statements were issued. 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 Company has historically experienced, and expects to continue to experience, variability in quarterly results. The results of operations for the three months ended March 31, 2015 are not necessarily indicative of the results to be expected for the full year.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements. These financial statements 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, 2014.

Unless the context otherwise requires, the terms “TRI Pointe”, “we”, “us”, “our” and “the Company” refer to TRI Pointe Homes, Inc. (and its consolidated subsidiaries). Because the accompanying notes to consolidated financial statements are condensed, they should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10‑K for the year ended December 31, 2014.

***Reverse Acquisition***

On July 7, 2014 (the “Closing Date”), TRI Pointe Homes, Inc. consummated the previously announced merger (the “Merger”) of our wholly owned subsidiary, Topaz Acquisition, Inc. (“Merger Sub”), with and into Weyerhaeuser Real Estate Company (“WRECO”), with WRECO surviving the Merger and becoming our wholly owned subsidiary, as contemplated by the Transaction Agreement, dated as of November 3, 2013 (the “Transaction Agreement”), by and among us, Weyerhaeuser Company (“Weyerhaeuser”), WRECO and Merger Sub. The Merger is accounted for in accordance with ASC Topic 805, *Business Combinations* (“ASC 805”). For accounting purposes, the Merger is treated as a “reverse acquisition” and WRECO is considered the accountingacquirer. Accordingly, WRECO is reflected as the predecessor and acquirer and therefore the accompanying consolidated financial statements reflect the historical consolidated financial statements of WRECO for all periods presented and do not include the historical financial statements of TRI Pointe prior to the Closing Date. Subsequent to the Closing Date, the consolidated financial statements reflect the results of the combined company.

See Note 2, *Merger with Weyerhaeuser Real Estate Company,* for further information on the Merger. In the Merger, each issued and outstanding WRECO common share was converted into 1.297 shares of TRI Pointe common stock. The historical issued and outstanding WRECO common shares (100,000,000 common shares for all periods presented prior to the Merger) have been recast (as 129,700,000 common shares of the Company for all periods prior to the Merger) in all periods presented to reflect this conversion.

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**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.

**Recently Issued Accounting Standards**

In April 2014, the FASB issued amendments to Accounting Standards Update 2014-08, *Reporting Discontinued Operations and Disclosures of* *Disposals of Components of an Entity.* The update requires that a disposal representing a strategic shift that has (or will have) a major effect on an entity’sfinancial results or a business activity classified as held for sale should be reported as discontinued operations. The amendments also expand the disclosure requirements for discontinued operations and add new disclosures for individually significant dispositions that do not qualify as discontinued operations. We adopted ASU 2014-08 on January 1, 2015 and the adoption has no impact on our current or prior year financial statements.

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”). The core principle of ASU 2014-09 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. ASU 2014-09 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. ASU 2014-09 is effective for public entities for the annual periods ending after December 15, 2017, and for annual and interim periods thereafter. Early adoption is not permitted. Companies may use either a full retrospective or a modified retrospective approach to adopt ASU 2014-09. We are currently evaluating the approach for implementation and the potential impact of adopting this guidance on our consolidated financial statements.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15 (“ASU 2014-15”), *Presentation of Financial Statements — Going* *Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern*, which requires management to evaluate,in connection with preparing financial statements for each annual and interim reporting period, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about an entity’s ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable) and provide related disclosures. ASU 2014-15 is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. Early adoption is permitted. We believe the adoption of this guidance will not have a material effect on our consolidated financial statements.

In February 2015, the FASB issued Accounting Standards Update No. 2015-02, (“ASU 2015-02”), *Consolidation (Topic 810): Amendments to the* *Consolidation Analysis”.* ASU 2015-02 changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types oflegal entities. ASU 2015-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. We believe the adoption of ASU 2015-02 will not have a material effect on our consolidated financial statements.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, (“ASU 2015-03”), *Interest - Imputation of Interest (Subtopic 835-30).* ASU 2015-03 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted,including adoption in an interim period. The impact of ASU 2015-03 for the periods ended March 31, 2015 and December 31, 2014 would be a balance sheet reclassification of $22.9 million and $23.7 million of deferred loan costs on Senior Notes, currently included in Other Assets, which would be reclassified as a reduction to Senior Notes in the liabilities section of the balance sheet.

1. **Merger with Weyerhaeuser Real Estate Company**

In the Merger, TRI Pointe issued 129,700,000 shares of TRI Pointe common stock to the former holders of WRECO common shares, together with cash in lieu of any fractional shares. On the Closing Date, WRECO became a wholly owned subsidiary of TRI Pointe. Immediately following the consummation of the Merger, the ownership of TRI Pointe common stock on a fully diluted basis was as follows: (i) the WRECO common shares held by former Weyerhaeuser shareholders were converted into the right to receive, in the aggregate, 79.6% of the then outstanding TRI Pointe common stock, (ii) the TRI Pointe common stock outstanding immediately prior to the consummation of the Merger represented 19.4% of the then outstanding TRI Pointe common stock, and (iii) the outstanding equity awards of WRECO and TRI Pointe employees represented the remaining 1.0% of the then outstanding TRI Pointe

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common stock. On the Closing Date, the former direct parent entity of WRECO paid TRI Pointe $31.5 million in cash in accordance with the Transaction Agreement. Following the Merger, WRECO changed its name to TRI Pointe Holdings, Inc.

***Assumption of Senior Notes***

On the Closing Date, TRI Pointe assumed WRECO’s obligations as issuer of $450 million aggregate principal amount of its 4.375% Senior Notes due 2019 (the “2019 Notes”) and $450 million aggregate principal amount of its 5.875% Senior Notes due 2024 (the “2024 Notes” and together with the 2019 Notes, the “Senior Notes”). Additionally, WRECO and certain of its subsidiaries (collectively, the “Guarantors”) entered into supplemental indentures pursuant to which they guaranteed TRI Pointe’s obligations with respect to the Senior Notes. The Guarantors also entered into a joinder agreement to the Purchase Agreement, dated as of June 4, 2014, among WRECO, TRI Pointe, and the initial purchasers of the Senior Notes (collectively, the “Initial Purchasers”), pursuant to which the Guarantors became parties to the Purchase Agreement. Additionally, TRI Pointe and the Guarantors entered into joinder agreements to the Registration Rights Agreements, dated as of June 13, 2014, among WRECO and the Initial Purchasers with respect to the Senior Notes, pursuant to which TRI Pointe and the Guarantors were joined as parties to the Registration Rights Agreements.

The net proceeds of $861.3 million from the offering of the Senior Notes were deposited into two separate escrow accounts following the closing of the offering on June 13, 2014. Upon release of the escrowed funds on the Closing Date and prior to the consummation of the Merger, WRECO paid $743.7 million in cash to its former direct parent, which cash was retained by Weyerhaeuser and its subsidiaries (other than WRECO and its subsidiaries). The payment consisted of the $739.0 million Payment Amount (as defined in the Transaction Agreement) as well as $4.7 million in payment of all unpaid interest on the debt payable to Weyerhaeuser that accrued from November 3, 2013 to the Closing Date. The remaining $117.6 million of proceeds was retained by TRI Pointe.

***Fair Value of Assets Acquired and Liabilities Assumed***

The following table summarizes the calculation of the fair value of the total consideration transferred and the provisional amounts recognized as of the

Closing Date (in thousands, except shares and closing stock price):

|  |  |  |  |
| --- | --- | --- | --- |
| **Calculation of consideration transferred** |  |  |  |
| TRI Pointe shares outstanding |  | 31,632,533 |  |
| TRI Pointe closing stock price on July 7, 2014 | $ | 15.85 |  |
| Consideration attributable to common stock | $ | 501,376 |  |
| Consideration attributable to TRI Pointe share-based equity awards |  | 1,072 |  |
| **Total consideration transferred** | $ | 502,448 |  |
| **Assets acquired and liabilities assumed** |  |  |  |
| Cash and cash equivalents | $ | 53,800 |  |
| Accounts receivable |  | 654 |  |
| Real estate inventories |  | 539,677 |  |
| Intangible asset |  | 17,300 |  |
| Goodwill |  | 139,304 |  |
| Other assets |  | 28,060 |  |
| Total assets acquired |  | 778,795 |  |
| Accounts payable |  | 26,105 |  |
| Accrued expenses and other liabilities |  | 23,114 |  |
| Notes payable and other borrowings |  | 227,128 |  |
| Total liabilities assumed |  | 276,347 |  |
| **Total net assets acquired** | $ | 502,448 |  |
|  |  |  |  |

Cash and cash equivalents, accounts receivable, other assets, accounts payable, accrued payroll liabilities, and accrued expenses and other liabilities were generally stated at historical carrying values given the short-term nature of these assets and liabilities. Notes payable and other borrowings are stated at carrying value due to the limited amount of time since the notes payable and other borrowings were entered into prior to the Closing Date.

The Company determined the fair value of real estate inventories on a community-by-community basis primarily using a combination of market-comparable land transactions, land residual analysis and discounted cash flow models. The estimated fair value is significantly impacted by estimates related to expected average selling prices, sales pace, cancellation rates and construction and overhead costs. Such estimates must be made for each individual community and may vary significantly between communities.

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The fair value of the acquired intangible asset was determined based on a valuation performed by an independent valuation specialist. The $17.3 million intangible asset is related to the TRI Pointe Homes trade name which is deemed to have an indefinite useful life.

Goodwill is primarily attributed to expected synergies from combining WRECO’s and TRI Pointe’s existing businesses, including, but not limited to, expected cost synergies from overhead savings resulting from streamlining certain redundant corporate functions, improved operating efficiencies, including provision of certain corporate level administrative and support functions at a lower cost than was historically allocated to WRECO for such services by its former direct parent, and growth of ancillary operations in various markets as permitted under applicable law, including a mortgage business, a title company and other ancillary operations. The Company also anticipates opportunities for growth through expanded geographic and customer segment diversity and the ability to leverage additional brands. The acquired goodwill is not deductible for income tax purposes.

The Company has completed its business combination accounting as of March 31, 2015.

***Supplemental Pro Forma Information (Unaudited)***

The following represents unaudited pro forma operating results as if the acquisition had been completed as of January 1, 2014 (in thousands, except per share amounts):

**Three Months**

**Ended**

**March 31,**



**2014**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| Total revenues | $ | | 320,944 |  |
| Net income | $ | | 13,421 |  |
| Earnings per share - basic | $ | | 0.10 |  |
| Earnings per share - diluted | $ | | 0.10 |  |

The unaudited pro forma operating results have been determined after adjusting the operating results of TRI Pointe to reflect the purchase accounting and other acquisition adjustments including interest expense associated with the debt used to fund a portion of the Merger. The unaudited pro forma results do not reflect any cost savings, operating synergies or other enhancements that we may achieve as a result of the Merger or the costs necessary to integrate the operations to achieve these cost savings and synergies. Accordingly, the unaudited pro forma amounts are for comparative purposes only and may not necessarily reflect the results of operations had the Merger been completed at the beginning of the period or be indicative of the results we will achieve in the future.

1. **Restructuring**

In connection with the Merger, the Company initiated a restructuring plan to reduce duplicate corporate and divisional overhead costs and expenses. In addition, WRECO previously recognized restructuring expenses related to general cost reduction initiatives. Restructuring costs were comprised of the following (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended March 31,** | | | | | | |
|  |  | **2015** |  |  |  |  | **2014** |  |
| Employee-related costs |  | $ | 112 |  |  | $ | 1,247 |  |
| Lease termination costs |  |  | 110 |  |  |  | 411 |  |
| Other costs |  |  | — | |  |  | 58 |  |
| Total |  | $ | 222 |  |  | $ | 1,716 |  |
|  |  |  |  |  |  |  |  |  |

Employee retention and severance-related expenses were $112,000 and $1.2 million for the three months ended March 31, 2015 and 2014, respectively. Lease termination costs were $110,000 and $411,000 for the three months ended March 31, 2015, and 2014, respectively, and relate to contract terminations as a result of general cost reduction initiatives.

Other costs are primarily comprised of one-time charges incurred to prepare for the integration of WRECO and TRI Pointe.

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Changes in employee-related restructuring reserves were as follows (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Three Months Ended March 31,** | | | | |  |
|  |  |  | **2015** |  |  | **2014** |  |  |
|  | Accrued employee-related costs, beginning of period | $ | 3,844 |  | $ | 4,336 |  |  |
|  | Current year charges |  | 112 |  |  | 1,247 |  |  |
|  | Payments |  | (3,423) | |  | (5,583) | |  |
| Accrued employee-related costs, end of period | | $ | 533 |  | $ | — |  |  |
| Changes in lease termination related restructuring reserves were as follows (in thousands): | |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  | **Three Months Ended March 31,** | | | | |  |
|  |  |  | **2015** |  |  | **2014** |  |  |
|  | Accrued lease termination costs, beginning of period | $ | 1,394 |  | $ | 3,506 |  |  |
|  | Current year charges |  | 110 |  |  | 411 |  |  |
|  | Payments |  | (578) | |  | (1,159) | |  |
| Accrued lease termination costs, end of period | | $ | 926 |  | $ | 2,758 |  |  |
|  |  |  |  |  |  |  |  |  |

Employee and lease termination restructuring reserves are included in accrued expenses and other liabilities on our consolidated balance sheets.

1. **Segment Information**

Our operations consist of six homebuilding companies that acquire and develop land and construct and sell single-family 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 on our aggregation analysis, we have not exercised any aggregation of our operating segments, which are represented by the following six reportable segments: Maracay, consisting of operations in Arizona; Pardee, consisting of operations in California and Nevada; Quadrant, consisting of operations in Washington; Trendmaker, consisting of operations in Texas; TRI Pointe, consisting of operations in California and Colorado; and Winchester, consisting of operations in Maryland and Virginia.

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 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 as our consolidated financial statements described in Note 1. 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 taxes for each of our reportable segments were as follows (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Three Months Ended March 31,** | | | | |  |
|  |  |  | **2015** |  |  | **2014** |  |  |
|  | Total revenues |  |  |  |  |  |  |  |
|  | Maracay | $ | 32,477 |  | $ | 35,230 |  |  |
|  | Pardee |  | 85,658 |  |  | 72,462 |  |  |
|  | Quadrant |  | 45,629 |  |  | 32,254 |  |  |
|  | Trendmaker |  | 56,208 |  |  | 61,400 |  |  |
|  | TRI Pointe |  | 106,858 |  |  | — | |  |
|  | Winchester |  | 50,428 |  |  | 46,786 |  |  |
| Total | | $ | 377,258 |  | $ | 248,132 |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Income before taxes |  |  |  |  |  |  |  |
|  | Maracay | $ | 1,040 |  | $ | 3,623 |  |  |
|  | Pardee |  | 13,559 |  |  | 7,137 |  |  |
|  | Quadrant |  | 1,580 |  |  | 781 |  |  |
|  | Trendmaker |  | 4,360 |  |  | 6,377 |  |  |
|  | TRI Pointe |  | 11,132 |  |  | — | |  |
|  | Winchester |  | 381 |  |  | 4,169 |  |  |
|  | Corporate |  | (8,928) | |  | (9,977) | |  |
|  | Total | $ | 23,124 |  | $ | 12,110 |  |  |
|  |  |  |  |  |  |  |  |  |

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

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **March 31,** |  |  | **December 31,** | |  |
|  |  |  |  | **2015** |  |  | **2014** |  |  |
|  | Real estate inventories |  |  |  |  |  |  |  |  |
|  | Maracay | $ | | 157,862 | $ | | 153,577 |  |  |
|  | Pardee |  |  | 964,332 |  |  | 924,362 |  |  |
|  | Quadrant |  |  | 151,234 |  |  | 153,493 |  |  |
|  | Trendmaker |  |  | 183,157 |  |  | 176,696 |  |  |
|  | TRI Pointe |  |  | 677,010 |  |  | 613,666 |  |  |
|  | Winchester |  |  | 275,711 |  |  | 258,389 |  |  |
| Total | |  | $ | 2,409,306 |  | $ | 2,280,183 |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| Total assets |  |  |  |  |  |  |  |  |
|  | Maracay | $ | | 170,872 | $ | | 170,932 |  |  |
|  | Pardee |  |  | 1,045,570 |  |  | 1,000,489 |  |  |
|  | Quadrant |  |  | 168,509 |  |  | 167,796 |  |  |
|  | Trendmaker |  |  | 211,780 |  |  | 195,829 |  |  |
|  | TRI Pointe |  |  | 817,180 |  |  | 764,001 |  |  |
|  | Winchester |  |  | 300,678 |  |  | 281,547 |  |  |
|  | Corporate |  |  | 257,658 |  |  | 332,930 |  |  |
|  | Total |  | $ | 2,972,247 |  | $ | 2,913,524 |  |  |
|  |  |  |  |  |  |  |  |  |  |

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1. **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 March 31,** | | | | |  |
|  |  |  |  | **2015** |  |  | **2014** |  |  |
|  |  | Numerator: |  |  |  |  |  |  |  |
|  |  | Net income | $ | 15,297 |  | $ | 7,581 |  |  |
|  |  | Denominator: |  |  |  |  |  |  |  |
|  |  | Basic weighted-average shares outstanding |  | 161,490,970 |  |  | 129,700,000 |  |  |
|  |  | Effect of dilutive shares: |  |  |  |  |  |  |  |
|  |  | Stock options and unvested restricted stock units |  | 1,316,406 |  |  | — | |  |
|  |  | Diluted weighted-average shares outstanding |  | 162,807,376 |  |  | 129,700,000 |  |  |
|  | Earnings per share | |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  | Basic | $ | 0.09 |  | $ | 0.06 |  |  |
|  |  | Diluted |  |  |  |  |  |  |  |
|  |  | $ | 0.09 |  | $ | 0.06 |  |  |
|  |  | Antidilutive stock options not included in diluted earnings |  |  |  |  |  |  |  |
|  |  | per share |  | 1,266,863 |  |  | — |  |  |
| **6.** | **Receivables** | |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  | Receivables consisted of the following (in thousands): | |  |  |  |  |  |  |  |
|  |  |  |  | **March 31,** | |  | **December 31,** | |  |
|  |  |  |  | **2015** |  |  | **2014** |  |  |
|  |  | Accounts receivable, net | $ | 12,980 |  | $ | 9,771 |  |  |
|  |  | Warranty insurance receivable (Note 15) |  | 9,732 |  |  | 10,047 |  |  |
|  |  | Notes and contracts receivable |  | 300 |  |  | 300 |  |  |
|  | Total receivables | | $ | 23,012 |  | $ | 20,118 |  |  |
|  |  |  |  |  |  |  |  |  |  |

1. **Real Estate Inventories**

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **March 31,** | |  | **December 31,** | |
|  |  | **2015** |  |  | **2014** |  |
| Real estate inventories owned: |  |  |  |  |  |  |
| Homes completed or under construction | $ | 565,916 |  | $ | 461,712 |  |
| Land under development |  | 1,406,944 |  |  | 1,391,303 |  |
| Land held for future development |  | 246,957 |  |  | 245,673 |  |
| Model homes |  | 120,308 |  |  | 103,270 |  |
| Total real estate inventories owned |  | 2,340,125 |  |  | 2,201,958 |  |
| Real estate inventories not owned: |  |  |  |  |  |  |
| Land purchase and land option deposits |  | 34,959 |  |  | 44,155 |  |
| Consolidated inventory held by VIEs |  | 34,222 |  |  | 34,070 |  |
| Total real estate inventories not owned |  | 69,181 |  |  | 78,225 |  |
| Total real estate inventories | $ | 2,409,306 |  | $ | 2,280,183 |  |
|  |  |  |  |  |  |  |

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.

Real estate inventories not owned represents deposits related to land purchase and land option agreements as well as consolidated inventory held by a variable interest entity (VIE). For further details, see Note 9, *Variable Interest Entities*.

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

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended March 31,** | | | | | |  |
|  |  | **2015** |  |  |  | **2014** |  |  |
| Interest incurred | $ | 15,176 |  |  | $ | 4,038 |  |  |
| Interest capitalized |  | (15,176) | |  |  | (3,809) | |  |
| Interest expensed | $ | — |  |  | $ | 229 |  |  |
| Capitalized interest in beginning inventory |  |  |  |  | |  |  |  |
| $ | 124,461 |  |  | $ | 138,233 |  |  |
| Interest capitalized as a cost of inventory |  | 15,176 |  |  |  | 3,809 |  |  |
| Interest previously capitalized as a cost of inventory, |  |  |  |  |  |  |  |  |
| included in cost of sales |  | (6,765) | |  |  | (4,063) | |  |
| Capitalized interest in ending inventory | $ | 132,872 |  |  | $ | 137,979 |  |  |
|  |  |  |  |  |  |  |  |  |

Interest is capitalized to real estate inventory during development and other qualifying activities. Interest that is capitalized to real estate inventory is included in cost of home sales as related units are delivered. Interest that is expensed as incurred is included in other income (expense).

***Real estate inventory impairments and land option abandonments***

Real estate inventory impairments and land option abandonments consisted of the following (in thousands):

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended March 31,** | | | | | |
|  |  | **2015** |  |  |  | **2014** |  |
| Real estate inventory impairments |  | $ | — |  | $ | 10 |  |
| Land option abandonments and pre-acquisition costs |  |  | 360 |  |  | 458 |  |
| Total |  | $ | 360 |  | $ | 468 |  |
|  |  |  |  |  |  |  |  |

Impairments of homebuilding assets and related charges relate primarily to projects or communities held for development. Within a community that is held for development, 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 above.

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. Charges for such forfeitures are expensed to cost of sales.

1. **Investments in Unconsolidated Entities**

As of March 31, 2015, we held equity investments in six active real estate partnerships or limited liability companies. Our participation in these entities may be as a developer, a builder, or an investment partner. Our ownership percentage varies from 7% to 55%, 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):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **March 31,** | |  | **December 31,** | |  |
|  |  |  | **2015** |  |  | **2014** |  |  |
| Limited partnership and limited liability company interests |  | $ | 14,374 |  | $ | 13,710 |  |  |
| General partnership interests |  |  | 3,356 | |  | 3,095 | |  |
| Total |  | $ | 17,730 |  | $ | 16,805 |  |  |
| - 14 - |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |

***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 investment in unconsolidated entities or on our consolidated statement of operations as equity in income (loss) of unconsolidated entities.

Assets and liabilities of unconsolidated entities (in thousands):

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **March 31,** | |  | **December 31,** | |  |
|  |  |  |  | **2015** |  |  | **2014** |  |  |
|  | Assets |  |  |  |  |  |  |  |  |
|  | Cash | $ | | 13,897 |  | $ | 17,154 |  |  |
|  | Receivables |  |  | 10,192 |  |  | 9,550 |  |  |
|  | Real estate inventories |  |  | 89,275 |  |  | 95,500 |  |  |
|  | Other assets |  |  | 772 |  |  | 620 |  |  |
| Total assets | | $ | | 114,136 |  | $ | 122,824 |  |  |
|  | Liabilities and equity |  |  |  |  |  |  |  |  |
|  | Accounts payable and other liabilities | $ | | 13,517 |  | $ | 10,914 |  |  |
|  | Company's equity |  |  | 17,730 |  |  | 16,805 |  |  |
|  | Outside interests' equity |  |  | 82,889 |  |  | 95,105 |  |  |
|  | Total liabilities and equity | $ | | 114,136 |  | $ | 122,824 |  |  |
| Results of operations from unconsolidated entities (in thousands): | |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  | **Three Months Ended March 31,** | | | | |  |
|  |  |  |  | **2015** |  |  | **2014** |  |  |
|  | Net sales |  | $ | 76 |  | $ | 71 |  |  |
|  | Other operating expense |  |  | (736) | |  | (1,011) | |  |
|  | Other income |  |  | 2 | |  | 2 | |  |
|  | Net loss |  | $ | (658) |  | $ | (938) |  |  |
|  | Company's equity in income (loss) of unconsolidated entities |  | $ | 74 |  | $ | (68) |  |  |
|  |  |  |  |  |  |  |  |  |  |

1. **Variable Interest Entities**

In the ordinary course of business, we enter into land option agreements in order to procure land and residential lots for future development and the construction of homes. The use of such land 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 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.

We analyze each of our land option agreements and other similar contracts under the provisions of ASC 810 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 option agreements have no recourse against us. The maximum exposure to loss under our land option agreements is 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.

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **March 31, 2015** | | | |  |  |  |  |  | **December 31, 2014** | | | |  |  |  |  |
|  |  |  |  |  | | |  | | |  |  |  |  |  | |  |  | | |
|  |  |  |  | **Remaining** | | | **Consolidated** | |  |  |  |  |  | **Remaining** | |  | **Consolidated** | |  |
|  |  |  |  |  | **Purchase** | |  | **Inventory** | |  |  |  |  | **Purchase** | |  |  | **Inventory** | |
|  |  | **Deposits** |  |  | **Price** | | **Held by VIEs** | | |  | **Deposits** |  |  | **Price** | |  | **Held by VIEs** | | |
| Consolidated VIEs | $ | 7,237 |  | $ | 39,395 |  | $ | 34,222 |  | $ | 8,071 |  | $ | 43,432 |  |  | $ | 34,070 |  |
| Unconsolidated VIEs |  | 7,044 |  |  | 65,660 |  |  | N/A | |  | 13,309 |  |  | 129,637 |  |  |  | N/A | |
| Other land option agreements |  | 27,915 |  |  | 287,559 |  |  | N/A | |  | 30,846 |  |  | 284,819 |  |  |  | N/A | |
| Total | $ | 42,196 |  | $ | 392,614 |  | $ | 34,222 |  | $ | 52,226 |  | $ | 457,888 |  |  | $ | 34,070 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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 option contracts consisted of capitalized pre-acquisition costs of $4.2 million and $5.3 million as of March 31, 2015 and December 31, 2014, respectively. These pre-acquisition costs were included in real estate inventories as land under development on our consolidated balance sheets.

1. **Goodwill and Other Intangible Assets**

In connection with the Merger, $139.3 million of goodwill has been recorded as of March 31, 2015. For further details on the goodwill, see Note 2, *Merger with Weyerhaeuser Real Estate Company.*

We have two intangible assets recorded as of March 31, 2015, including an existing trade name from the acquisition of Maracay in 2006 which has a 20 year useful life and a new trade name, TRI Pointe Homes, resulting from the Merger which has an indefinite useful life. For further details on the TRI Pointe Homes trade name see Note 2, *Merger with Weyerhaeuser Real Estate Company.*

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **March 31, 2015** | | | |  |  |  |  |  | **December 31, 2014** | | | |  |  |  |
|  |  | **Gross** |  |  |  |  |  | **Net** |  |  | **Gross** |  |  |  |  |  | **Net** |  |
|  |  | **Carrying** |  | **Accumulated** | | |  | **Carrying** |  |  | **Carrying** |  | **Accumulated** | | |  | **Carrying** | |
|  |  | **Amount** |  | **Amortization** | | |  | **Amount** |  |  | **Amount** |  | **Amortization** | | |  | **Amount** | |
| Goodwill | $ | 139,304 |  | $ | — |  | $ | 139,304 |  | $ | 139,304 |  | $ | — |  | $ | 139,304 |  |
| Trade names |  | 27,979 |  |  | (4,854) | |  | 23,125 |  |  | 27,979 |  |  | (4,720) | |  | 23,259 |  |
| Total | $ | 167,283 |  | $ | (4,854 | ) | $ | 162,429 |  | $ | 167,283 |  | $ | (4,720) |  | $ | 162,563 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

The remaining useful life of our amortizing intangible asset related to Maracay was 10.9 and 11.2 years as of March 31, 2015 and December 31, 2014, respectively. Amortization expense related to this intangible asset was $134,000 for the three month period ended March 31, 2015 and 2014, respectively, and was charged to sales and marketing expense. Our indefinite life intangible asset related to TRI Pointe Homes is not amortizing.

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

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **March 31,** | |
|  |  | **2015** |  |
| Remainder of 2015 | $ | 401 |  |
| 2016 |  | 534 |  |
| 2017 |  | 534 |  |
| 2018 |  | 534 |  |
| 2019 |  | 534 |  |
| Thereafter |  | 3,288 |  |
| Total | $ | 5,825 |  |
|  |  |  |  |

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|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **11.** | **Other Assets** | |  |  |  |  |  |  |
|  | Other assets consisted of the following (in thousands): | |  |  |  |  |  |  |
|  |  |  |  | **March 31,** | |  | **December 31,** | |
|  |  |  |  | **2015** |  |  | **2014** |  |
|  |  | Prepaid expenses | $ | 26,200 |  | $ | 29,111 |  |
|  |  | Refundable fees and other deposits |  | 15,976 |  |  | 15,581 |  |
|  |  | Development rights, held for future use or sale |  | 7,409 |  |  | 7,409 |  |
|  |  | Deferred loan costs on Senior Notes |  | 22,876 |  |  | 23,686 |  |
|  |  | Operating properties and equipment, net |  | 10,990 |  |  | 11,719 |  |
|  |  | Income tax receivable |  | 7,606 |  |  | 10,713 |  |
|  |  | Other |  | 6,337 |  |  | 7,186 |  |
|  | Total | | $ | 97,394 |  | $ | 105,405 |  |
|  |  |  |  |  |  |  |  |  |

1. **Accrued Expenses and Other Liabilities**

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

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **March 31,** | |  | **December 31,** | | |  |
|  |  |  |  | **2015** |  |  | **2014** |  |  |  |
|  |  | Accrued payroll and related costs | $ | 16,558 |  | $ | 24,717 |  |  |  |
|  |  | Warranty reserves (Note 15) |  | 33,965 |  |  | 33,270 |  |  |  |
|  |  | Estimated cost for completion |  | 53,737 |  |  | 54,437 |  |  |  |
|  |  | Customer deposits |  | 16,536 |  |  | 14,229 |  |  |  |
|  |  | Debt (nonrecourse) held by VIEs (Note 9) |  | 8,770 |  |  | 9,512 |  |  |  |
|  |  | Income tax liability to Weyerhaeuser (Note 18) |  | 15,747 |  |  | 15,659 |  |  |  |
|  |  | Liability for uncertain tax positions (Note 17) |  | 14,685 |  |  | 13,797 |  |  |  |
|  |  | Accrued interest on Senior Notes and notes payable |  | 14,683 |  |  | 3,059 |  |  |  |
|  |  | Accrued insurance expense |  | 6,508 |  |  | 9,180 |  |  |  |
|  |  | Other |  | 29,412 |  |  | 32,149 |  |  |  |
|  |  | Total | $ | 210,601 |  | $ | 210,009 |  |  |  |
| **13.** | **Senior Notes and Notes Payable and Other Borrowings** | |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  | ***Senior Notes*** | |  |  |  |  |  |  |  |  |
|  | Senior notes consisted of the following (in thousands): | |  |  |  |  |  |  |  |  |
|  |  |  |  | **March 31,** | |  | **December 31,** | | |  |
|  |  |  |  | **2015** |  |  | **2014** |  |  |  |
|  |  | 4.375% Senior Notes due June 15, 2019, net of discount | $ | 445,727 |  | $ | 445,501 |  |  |  |
|  |  | 5.875% Senior Notes due June 15, 2024, net of discount |  | 442,155 |  |  | 442,001 |  |  |  |
|  |  | Total | $ | 887,882 |  | $ | 887,502 |  |  |  |
|  |  | |  | |  |  | |  | |  |
|  | As discussed in Note 2, *Merger with Weyerhaeuser Real Estate Company*, on the Closing Date, TRI Pointe assumed WRECO’s obligations as issuer of | | | | | | | | |  |

the 2019 Notes and the 2024 Notes (collectively, the “Senior 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 of $861.3 million, after debt issuance costs and discounts, from the offering were deposited into two separate escrow accounts following the closing of the offering on June 13, 2014.

The 2019 Notes and the 2024 Notes mature on June 15, 2019 and June 15, 2024, respectively. Interest is payable semiannually in arrears on June 15 and December 15. As of March 31, 2015, no principal has been paid on the Senior Notes, and there was $22.9 million of capitalized debt financing costs, included in other assets 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 $13.5 million as of March 31, 2015.

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***Notes Payable and Other Borrowings***

Notes payable and other borrowings consisted of the following (in thousands):

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **March 31,** | |  | **December 31,** | |
|  |  | **2015** |  |  | **2014** |  |
| Unsecured revolving credit facility | $ | 309,392 |  | $ | 260,000 |  |
| Seller financed loans |  | 12,750 |  |  | 14,677 |  |
| Total | $ | 322,142 |  | $ | 274,677 |  |
|  |  |  |  |  |  |  |

***Unsecured Revolving Credit Facility***

In June 2014, the Company entered into an unsecured $425 million revolving credit facility (the “Credit Facility”) with various lenders, with one lender serving as the administrative agent for the Credit Facility. The Credit Facility matures on July 1, 2018, and 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 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 2.15% to 2.85%, depending on the Company’s leverage ratio. As of March 31, 2015, the outstanding balance under the Credit Facility was $309.4 million with an interest rate of 2.73% per annum and $103.8 million of availability after considering the borrowing base provisions and outstanding letters of credit. Accrued interest related to the Credit Facility was $567,000 as of March 31, 2015.

At March 31, 2015 we had outstanding letters of credit of $11.8 million. 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.

***Seller Financed Loans***

As of March 31, 2015, the Company had $12.8 million outstanding related to seller financed loans to acquire lots for the construction of

homes. Principal and interest payments on these loans are due at various maturity dates, including at the time individual homes associated with the acquired land are delivered. The seller financed loans accrue interest at a weighted average rate of 6.95% per annum, with interest calculated on a daily basis. Any remaining unpaid balance on these loans is due in May 2016. Accrued interest on these loans were $654,000 as of March 31, 2015.

***Interest Incurred***

During the three month periods ended March 31, 2015 and 2014, the Company incurred interest of $15.2 million and $4.0 million, respectively, related to all notes payable, Senior Notes and debt payable to Weyerhaeuser outstanding during the period. Of the interest incurred, $15.2 million and $3.8 million was capitalized to inventory for the period ended March 31, 2015 and 2014, respectively. Included in interest incurred was amortization of deferred financing and Senior Note discount costs of $1.2 million for the period ended March 31, 2015. Accrued interest related to all outstanding debt at March 31, 2015 and December 31, 2014 was $14.7 million and $3.1 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 March 31, 2015 and December 31, 2014.

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1. **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 March 31, 2015 and December 31, 2014, related to our financial instruments, measured at fair value on a recurring basis, is set forth below (in thousands):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Hierarchy** | |  | **March 31, 2015** | | | | |  | **December 31, 2014** | | | | |  |
|  |  | **Book Value** |  |  | **Fair Value** |  |  | **Book Value** | |  | **Fair Value** |  |  |
| Receivables (1) | Level 3 |  | $ | 23,012 |  | $ | 23,012 |  | $ | 20,118 |  | $ | 20,118 |  |  |
| Senior Notes (2) | Level 2 | |  | 887,882 |  |  | 880,875 |  |  | 887,502 |  |  | 896,625 |  |  |
| Notes payable and other borrowings (3) | Level 3 | |  | 322,142 |  |  | 322,142 |  |  | 274,677 |  |  | 274,677 |  |  |

At March 31, 2015 and December 31, 2014, the carrying value of cash and cash equivalents approximated fair value.

1. The estimated fair value of our receivables was based on the discounted value of the expected future cash flows using current rates for similar receivables. The book value of our receivables equaled the fair value as of March 31, 2015 and December 31, 2014 due to the short-term nature of the remaining receivables.
2. The estimated fair value of our Senior Notes at March 31, 2015 and December 31, 2014 is based on quoted market prices.
3. We believe that the carrying value of our notes payable and other borrowings approximates 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 indicate 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):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Year Ended** | | | | | | **Year Ended** | | | | |
|  |  |  |  | **March 31, 2015** | | | | | | **December 31, 2014** | | | | |
|  |  |  |  |  |  |  | **Fair Value** |  |  |  |  |  | **Fair Value** |  |
|  |  |  |  | **Impairment** | | | **Net of** | | | **Impairment** | |  | **Net of** | |
|  | **Hierarchy** | |  | **Charge** | | | **Impairment** | | | **Charge** | |  | **Impairment** | |
| Real estate inventories | Level 3 |  | $ | — |  | $ | — |  | $ | 931 |  | $ | 20,329 |  |

1. **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 and environmental protection. 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.

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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.

***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 construction-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. Included in our warranty reserve accrual are allowances to cover our estimated costs of self-insured retentions and deductible amounts under these policies and estimated costs for claims that may not be covered by applicable insurance or indemnities. Estimation of these accruals include consideration of our claims history, including current claims and estimates of claims incurred but not yet reported. In addition, we record expected recoveries from insurance carriers when proceeds are probable and estimable. Outstanding warranty insurance receivables were $9.7 million and $10.0 million as of March 31, 2015 and December 31, 2014, respectively. Warranty insurance receivables are recorded in receivables on the accompanying consolidated balance sheet.

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.

Warranty reserves consisted of the following (in thousands):

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended March 31,** | | | | | |
|  |  | **2015** |  |  |  | **2014** |  |
| Warranty reserves, beginning of period | $ | 33,270 |  |  | $ | 24,449 |  |
| Warranty reserves accrued |  | 2,872 |  |  |  | 4,392 |  |
| Adjustments to pre-existing reserves |  | 301 |  |  |  | (1,996) | |
| Warranty expenditures |  | (2,478) | |  |  | (2,467) | |
| Warranty reserves, end of period | $ | 33,965 |  |  | $ | 24,378 |  |
|  |  |  |  |  |  |  |  |

***Performance Bonds***

We obtain surety bonds in the normal course of business to ensure completion of certain infrastructure improvements of our projects. As of March 31, 2015 and December 31, 2014, the Company had outstanding surety bonds totaling $409.9 million and $355.2 million, respectively. The beneficiaries of the bonds are various municipalities.

1. **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 legacy TRI Pointe in January 2013 and amended with the approval of our stockholders in 2014. The 2013 Incentive Plan provides for the grant of equity-based awards, including options to purchase shares of common stock, stock appreciation rights, common 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.

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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 March 31, 2015 there were 9,498,660 shares available for future grant under the 2013 Incentive Plan.

***Converted Awards***

Under the Transaction Agreement, each outstanding Weyerhaeuser equity award held by an employee of WRECO was converted into a similar equity award with TRI Pointe, based on the final exchange ratio of 2.1107 (the “Exchange Ratio”), rounded down to the nearest whole number of shares of common stock. The Company filed a registration statement on Form S-8 (Registration No. 333-197461) on July 16, 2014 to register 4,105,953 shares related to these equity awards. The converted awards have the same terms and conditions as the Weyerhaeuser equity awards except that all performance share units were surrendered in exchange for time-vesting restricted stock units without any performance-based vesting conditions or requirements and the exercise price of each converted stock option is equal to the original exercise price divided by the Exchange Ratio. There will be no future grants under the WRECO equity incentive plans. Refer to TRI Pointe’s Registration Statement on Form S-4, as amended (Registration No. 333-193248), for additional information on the Merger, the option exchange ratio and the treatment of equity awards under the Transaction Agreement.

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended March 31,** | | | | |
|  |  | **2015** |  |  | **2014** |  |
| Total stock-based compensation | $ | 2,381 |  | $ | 1,293 |  |
|  |  |  |  |  |  |  |

As of March 31, 2015, total unrecognized stock-based compensation related to all stock-based awards was $19.6 million and the weighted average term over which the expense was expected to be recognized was 2.2 years.

***Summary of Stock Option Activity***

The following table presents a summary of stock option awards for the three months ended March 31, 2015:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Weighted** | | **Weighted** | |  |  |  |  |
|  |  |  |  | **Average** | | **Average** | |  | **Aggregate** | |  |
|  |  |  |  | **Exercise** | | **Remaining** | |  | **Intrinsic** | |  |
|  |  |  |  | **Price** | | **Contractual** | |  | **Value** | |  |
|  | **Options** | |  | **Per Share** | | **Life** | |  | **(in 000's)** | |  |
| Options outstanding at December 31, 2014 | 3,322,549 |  | $ | 13.08 |  | 6.0 |  | $ | 7,841 |  |  |
| Granted | — | |  | — | | — | |  | — | |  |
| Exercised | (55,056) | |  | 10.51 |  |  |  |  |  |  |  |
| Forfeited | (5,603) | |  | 11.34 |  |  |  |  |  |  |  |
| Options outstanding at March 31, 2015 | 3,261,890 |  |  | 13.13 |  | 5.8 |  |  | 7,495 |  |  |
| Options exercisable at March 31, 2015 |  |  |  | 12.64 |  | 4.7 |  |  | 6,324 |  |  |
| 2,262,560 |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

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***Summary of Restricted Stock Unit Activity***

The following table presents a summary of restricted stock units (“RSUs”) for the three months ended March 31, 2015:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Weighted** |  |  |  |  |  |
|  |  |  |  |  |  | **Average** |  |  | **Aggregate** | |  |
|  |  | **Restricted** | |  |  | **Grant Date** |  |  | **Intrinsic** | |  |
|  |  | **Stock** | |  |  | **Fair Value** |  |  | **Value** | |  |
| Nonvested RSUs at December 31, 2014 | | **Units** | |  |  | **Per Share** |  |  | **(in 000's)** | |  |
| 882,709 |  |  | $ | 15.62 |  | $ | 13,461 |  |  |
|  | Granted | 1,511,491 |  |  |  | 11.46 |  |  | 17,315 |  |  |
|  | Vested | (331,342) | |  |  | 13.09 |  |  |  |  |  |
|  | Forfeited | (3,009) | |  |  | 15.74 |  |  |  |  |  |
| Nonvested RSUs at March 31, 2015 | | 2,059,849 |  |  |  | 12.54 |  |  | 31,783 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

On March 5, 2015, the Company granted an aggregate of 440,800 restricted stock units to employees and officers. The restricted stock units granted vest annually on the anniversary of the grant date over a three year period. The fair value of each restricted stock award granted on March 5, 2015 was measured using a price of $14.97 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 March 9, 2015, the Company granted 411,804, 384,351, and 274,536 performance-based RSUs to the Company’s Chief Executive Officer, President, and Chief Financial Officer, respectively, with 1/3 of the performance-based RSU amounts being allocated to each of the three following separate performance goals: total shareholder return (compared to a group of similarly sized homebuilders); earnings per share; and stock price. The performance-based restricted stock units granted will vest in each case, if at all, based on the percentage of attainment of the applicable performance goal. The performance periods for the performance-based RSUs with vesting based on total shareholder return and earnings per share are January 1, 2015 to December 31, 2017. The performance period for the performance-based RSUs with vesting based on stock price is January 1, 2016 to December 31, 2017. The fair value of the performance-based RSUs related to the total shareholder return and stock price performance goals was determined to be $7.55 and $7.90 per share, respectively, 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 $14.57 per share, which was the closing stock price on the date of grant. Each grant will be expensed on a straight-line basis over the expected vesting period.

As restricted stock units vest, a portion of the shares awarded is generally withheld to cover employee taxes. As a result, the number of restricted stock units vested and the number of shares of TRI Pointe common stock issued will differ.

1. **Income Taxes**

The Company accounts 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 $155.8 million and $157.8 million as of March 31, 2015 and December 31, 2014, respectively. We had a valuation allowance related to those net deferred tax assets of $4.6 million and $6.2 million as of March 31, 2015 and December 31, 2014, respectively. 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.

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Our provision for income taxes totaled $7.8 million and $4.5 million for the three months ended March 31, 2015 and 2014, respectively. The Company classifies any interest and penalties related to income taxes assessed by jurisdiction as part of income tax expense. The Company had $14.7 million and $13.8 million of liabilities for uncertain tax positions recorded as of March 31 2015 and December 31, 2014. The Company has not been assessed interest or penalties by any major tax jurisdictions related to prior years.

1. **Related Party Transactions**

Prior to the Merger, WRECO was a wholly owned subsidiary of Weyerhaeuser. Weyerhaeuser provided certain services including payroll processing and related employee benefits, other corporate services such as corporate governance, cash management and other treasury services, administrative services such as government relations, tax, internal audit, legal, accounting, human resources and equity-based compensation plan administration, lease of office space, aviation services and insurance coverage. WRECO was allocated a portion of Weyerhaeuser corporate general and administrative costs on either a proportional cost or usage basis.

Weyerhaeuser-allocated corporate general and administrative expenses were as follows (in thousands):

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Three Months Ended March 31,** | | | | | |
|  | **2015** |  |  |  | **2014** |  |
| Weyerhaeuser-allocated costs | $ | — |  | $ | 5,547 |  |

These expenses are not indicative of the actual level of expense WRECO would have incurred if it had operated as an independent company or of expenses expected to be incurred in the future after the Closing Date.

TRI Pointe has certain liabilities with Weyerhaeuser related to a tax sharing agreement. As of March 31, 2015 and December 31, 2014, we had an income tax liability to Weyerhaeuser of $15.7 million which is recorded in accrued expenses and other liabilities on the accompanying balance sheet.

1. **Supplemental Disclosure to Consolidated Statements of Cash Flow**

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

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended** | | | | | |
|  |  | **March 31,** | | | |  |  |
|  |  | **2015** |  |  |  | **2014** |  |
| Supplemental disclosure of cash flow information: |  |  |  |  |  |  |  |
| Cash paid during the period for: |  |  |  |  |  |  |  |
| Interest, net of amounts capitalized | $ | — | | $ | | — | |
| Income taxes | $ | 1,504 |  | $ | | — | |
| Supplemental disclosures of noncash activities: |  |  |  |  |  |  |  |
| Amortization of senior note discount | $ | 380 |  | $ | | — | |
| Effect of net consolidation and de-consolidation of |  |  |  |  |  |  |  |
| variable interest entities: |  |  |  |  |  |  |  |
| Increase in consolidated real estate |  |  |  |  |  |  |  |
| inventory not owned | $ | 1,453 |  | $ | | 5,629 |  |
| Increase (decrease) in deposits on real estate under |  |  |  |  |  |  |  |
| option or contract and other assets | $ | 129 |  | $ | | (1,700) | |
| Increase in noncontrolling interests | $ | (1,582) | | $ | | (3,929) | |

**20. Supplemental Guarantor Information**

On the Closing Date, the Company assumed WRECO’s obligations as issuer of the Senior Notes. Additionally, all of TRI Pointe’s wholly owned subsidiaries that are guarantors of the Company’s unsecured $425 million revolving credit facility, including WRECO and certain of its wholly owned subsidiaries, entered into supplemental indentures pursuant to which they jointly and severally guaranteed TRI Pointe’s obligations with respect to the Senior Notes.

Presented below are the condensed consolidating balance sheets at March 31, 2015 and December 31, 2014 and condensed consolidating statements of operations and cash flows for the three month period ended March 31, 2015. TRI Pointe’s non-guarantor

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subsidiaries represent less than 3% on an individual and aggregate basis of consolidated total assets, total revenues, income from operations before taxes and cash flow from operating activities. Therefore, the non-guarantor subsidiaries’ information is not separately presented in the tables below.

As discussed in Note 1, the Merger was treated as a “reverse acquisition” with WRECO being considered the accounting acquirer. Accordingly, the financial statements reflect the historical results of WRECO for all periods and do not include the historical financial information of TRI Pointe prior to the Closing Date. Subsequent to the Closing Date, the consolidated financial statements reflect the results of the combined company. As a result, we have not included condensed consolidating statements of operations and cash flows for the three months ended March 31, 2014 because those results are of WRECO and are already included on the face of the consolidated financial statements. In addition, there is no financial information for legacy TRI Pointe, issuer of the Senior Notes, in the periods prior to the Closing Date.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Condensed Consolidating Balance Sheet (in thousands):** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | **March 31, 2015** | | | | |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  | **Consolidated** | |  |  |
|  |  |  |  | **TRI Pointe** | |  | **Guarantor** | | **Consolidating** | | |  | **TRI Pointe** | |  |
|  |  |  |  | **Homes, Inc.** | |  | **Subsidiaries** | |  | **Adjustments** | |  | **Homes, Inc.** | |  |
|  | **Assets** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Cash and cash equivalents | $ | | 29,887 |  | $ | 76,686 |  | $ | — | | $ | 106,573 |  |  |
|  | Receivables |  |  | 4,257 |  |  | 18,755 |  |  | — | |  | 23,012 |  |  |
|  | Intercompany receivables |  |  | 861,518 |  |  | — | |  | (861,518) | |  | — | |  |
|  | Real estate inventories |  |  | 677,010 |  |  | 1,732,296 |  |  | — | |  | 2,409,306 |  |  |
|  | Investments in unconsolidated entities |  |  | — | |  | 17,730 |  |  | — | |  | 17,730 |  |  |
|  | Goodwill and other intangible assets, net |  |  | 162,429 |  |  | — | |  | — | |  | 162,429 |  |  |
|  | Investments in subsidiaries |  |  | 975,284 |  |  | — | |  | (975,284) | |  | — | |  |
|  | Deferred tax assets |  |  | 23,630 |  |  | 132,173 |  |  | — | |  | 155,803 |  |  |
|  | Other assets |  |  | 55,273 |  |  | 42,121 |  |  | — | |  | 97,394 |  |  |
|  | Total Assets |  | $ | 2,789,288 |  | $ | 2,019,761 |  | $ | (1,836,802 | ) | $ | 2,972,247 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Liabilities** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Accounts payable | $ | | 20,114 |  | $ | 40,881 |  | $ | — | | $ | 60,995 |  |  |
|  | Intercompany payables |  |  | — | |  | 861,518 |  |  | (861,518) | |  | — | |  |
|  | Accrued expenses and other liabilities |  |  | 69,123 |  |  | 141,478 |  |  | — | |  | 210,601 |  |  |
|  | Notes payable and other borrowings |  |  | 321,542 |  |  | 600 |  |  | — | |  | 322,142 |  |  |
|  | Senior notes |  |  | 887,882 |  |  | — | |  | — | |  | 887,882 |  |  |
|  | Total Liabilities |  |  | 1,298,661 |  |  | 1,044,477 |  |  | (861,518) |  |  | 1,481,620 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Equity** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Total Equity |  |  | 1,490,627 |  |  | 975,284 |  |  | (975,284) | |  | 1,490,627 |  |  |
|  | Total Liabilities and Equity |  | $ | 2,789,288 |  | $ | 2,019,761 |  | $ | (1,836,802 | ) | $ | 2,972,247 |  |  |
|  |  | - 24 - |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Condensed Consolidating Balance Sheet (in thousands):** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | **December 31, 2014** | | | | |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  | **Consolidated** | |  |  |
|  |  |  |  | **TRI Pointe** | |  | **Guarantor** | | **Consolidating** | | |  | **TRI Pointe** | |  |
|  |  |  |  | **Homes, Inc.** | |  | **Subsidiaries** | |  | **Adjustments** | |  | **Homes, Inc.** | |  |
|  | **Assets** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Cash and cash equivalents | $ | | 105,888 |  | $ | 64,741 |  | $ | — | | $ | 170,629 |  |  |
|  | Receivables |  |  | 5,050 |  |  | 15,068 |  |  | — | |  | 20,118 |  |  |
|  | Intercompany receivables |  |  | 797,480 |  |  | — | |  | (797,480) | |  | — | |  |
|  | Real estate inventories |  |  | 613,665 |  |  | 1,666,518 |  |  | — | |  | 2,280,183 |  |  |
|  | Investments in unconsolidated entities |  |  | — | |  | 16,805 |  |  | — | |  | 16,805 |  |  |
|  | Goodwill and other intangible assets, net |  |  | 156,603 |  |  | 5,960 |  |  | — | |  | 162,563 |  |  |
|  | Investments in subsidiaries |  |  | 959,693 |  |  | — | |  | (959,693) | |  | — | |  |
|  | Deferred tax assets |  |  | 23,630 |  |  | 134,191 |  |  | — | |  | 157,821 |  |  |
|  | Other assets |  |  | 55,199 |  |  | 50,206 |  |  | — | |  | 105,405 |  |  |
|  | Total Assets |  | $ | 2,717,208 |  | $ | 1,953,489 |  | $ | (1,757,173 | ) | $ | 2,913,524 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Liabilities** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Accounts payable | $ | | 25,800 |  | $ | 43,060 |  | $ | — | | $ | 68,860 |  |  |
|  | Intercompany payables |  |  | — | |  | 797,480 |  |  | (797,480) | |  | — | |  |
|  | Accrued expenses and other liabilities |  |  | 57,353 |  |  | 152,656 |  |  | — | |  | 210,009 |  |  |
|  | Notes payable and other borrowings |  |  | 274,077 |  |  | 600 |  |  | — | |  | 274,677 |  |  |
|  | Senior notes |  |  | 887,502 |  |  | — | |  | — | |  | 887,502 |  |  |
|  | Total Liabilities |  |  | 1,244,732 |  |  | 993,796 |  |  | (797,480) |  |  | 1,441,048 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Equity** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Total Equity |  |  | 1,472,476 |  |  | 959,693 |  |  | (959,693) | |  | 1,472,476 |  |  |
|  | Total Liabilities and Equity |  | $ | 2,717,208 |  | $ | 1,953,489 |  | $ | (1,757,173 | ) | $ | 2,913,524 |  |  |
|  |  | - 25 - |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Condensed Consolidating Statement of Operations (in thousands):** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  | **Three Months Ended March 31, 2015** | | | | | | | |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  | **Consolidated** | |  |  |
|  |  |  |  | **TRI Pointe** | |  |  | **Guarantor** | | **Consolidating** | | |  |  | **TRI Pointe** | |  |
|  |  |  |  | **Homes, Inc.** | |  |  | **Subsidiaries** | | **Adjustments** | | |  |  | **Homes, Inc.** | |  |
|  | **Revenues:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Home sales | $ | | 106,858 |  | $ | | 267,407 |  | $ | — | | $ | | 374,265 |  |  |
|  | Land and lot sales |  |  | — | |  |  | 2,000 |  |  | — | |  |  | 2,000 |  |  |
|  | Other operations |  |  | — | |  |  | 993 |  |  | — | |  |  | 993 |  |  |
|  | Total revenues |  |  | 106,858 |  |  |  | 270,400 |  |  | — |  |  |  | 377,258 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Expenses:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Cost of home sales |  |  | 86,981 |  |  |  | 212,926 |  |  | — | |  |  | 299,907 |  |  |
|  | Cost of land and lot sales |  |  | — | |  |  | 2,308 |  |  | — | |  |  | 2,308 |  |  |
|  | Other operations |  |  | — | |  |  | 562 |  |  | — | |  |  | 562 |  |  |
|  | Sales and marketing |  |  | 4,981 |  |  |  | 18,305 |  |  | — | |  |  | 23,286 |  |  |
|  | General and administrative |  |  | 12,672 |  |  |  | 15,507 |  |  | — | |  |  | 28,179 |  |  |
|  | Restructuring charges |  |  | — | |  |  | 222 |  |  | — | |  |  | 222 |  |  |
|  | Total expenses |  |  | 104,634 |  |  |  | 249,830 |  |  | — |  |  |  | 354,464 |  |  |
|  | Income from operations |  |  | 2,224 |  |  |  | 20,570 |  |  | — |  |  |  | 22,794 |  |  |
|  | Equity in loss of unconsolidated entities |  |  | — | |  |  | 74 |  |  | — | |  |  | 74 |  |  |
|  | Other income, net |  |  | 39 |  |  |  | 217 |  |  | — | |  |  | 256 |  |  |
| Income before taxes | |  |  | 2,263 |  |  |  | 20,861 |  |  | — |  |  |  | 23,124 |  |  |
|  | Provision for income taxes |  |  | (827) | |  |  | (7,000) | |  | — | |  |  | (7,827) | |  |
|  | Equity in net income of subsidiaries |  |  | 13,861 |  |  |  | — | |  | (13,861) | |  |  | — | |  |
|  | Net income |  | $ | 15,297 |  |  | $ | 13,861 |  | $ | (13,861) |  |  | $ | 15,297 |  |  |
|  |  | - 26 - |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Condensed Consolidating Statement of Cash Flows (in thousands):** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | **Three Months Ended March 31, 2015** | | | | | | | | |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  | **Consolidated** | |  |  |
|  |  |  | **TRI Pointe** | |  |  | **Guarantor** | |  | **Consolidating** | | |  |  | **TRI Pointe** | |  |
|  |  |  | **Homes, Inc.** | |  |  | **Subsidiaries** | |  | **Adjustments** | | |  |  | **Homes, Inc.** | |  |
| **Cash flows from operating activities** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net cash used in operating activities | $ | | (52,695) | | $ | | (55,619) | | $ | | — | | $ | | (108,314) | |  |
| **Cash flows from investing activities:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Purchases of property and equipment |  |  | (303) | |  |  | (75) | |  |  | — | |  |  | (378) | |  |
| Investments in unconsolidated entities |  |  | — | |  |  | (978) | |  |  | — | |  |  | (978) | |  |
| Intercompany |  |  | (69,212) | |  |  | — | |  |  | 69,212 |  |  |  | — | |  |
| Net cash used in investing activities |  |  | (69,515) |  |  |  | (1,053) |  |  |  | 69,212 |  |  |  | (1,356) |  |  |
| **Cash flows from financing activities:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Borrowings from notes payable |  |  | 50,000 |  |  |  | — | |  |  | — | |  |  | 50,000 |  |  |
| Repayment of notes payable |  |  | (2,535) | |  |  | — | |  |  | — | |  |  | (2,535) | |  |
| Net repayments of debt held by variable interest entities |  |  | — | |  |  | (742) | |  |  | — | |  |  | (742) | |  |
| Contributions from noncontrolling interests |  |  | — | |  |  | 873 |  |  |  | — | |  |  | 873 |  |  |
| Distributions to noncontrolling interests |  |  | — | |  |  | (726) | |  |  | — | |  |  | (726) | |  |
| Proceeds from issuance of common stock under share-based awards |  |  | 263 |  |  |  | — | |  |  | — | |  |  | 263 |  |  |
| Excess tax benefits of share-based awards |  |  | 308 |  |  |  | — | |  |  | — | |  |  | 308 |  |  |
| Minimum tax withholding paid on behalf of employees for restricted stock |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| units |  |  | (1,827) | |  |  | — | |  |  | — | |  |  | (1,827) | |  |
| Intercompany |  |  | — | |  |  | 69,212 |  |  |  | (69,212) | |  |  | — | |  |
| Net cash provided by financing activities |  |  | 46,209 |  |  |  | 68,617 |  |  |  | (69,212) |  |  |  | 45,614 |  |  |
| Net (decrease) increase in cash and cash equivalents |  |  | (76,001) |  |  |  | 11,945 |  |  |  | — |  |  |  | (64,056) |  |  |
| Cash and cash equivalents - beginning of year |  |  | 105,888 |  |  |  | 64,741 |  |  |  | — | |  |  | 170,629 |  |  |
| Cash and cash equivalents - end of year |  | $ | 29,887 |  |  | $ | 76,686 |  |  | $ | — |  |  | $ | 106,573 |  |  |
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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

**CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains certain statements relating to future events of our intentions, beliefs, expectations, predictions for the future and other matters that are “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended.

These statements:

* use forward-looking terminology;
* are based on various assumptions made by TRI Pointe; and
* may not prove to be accurate because of risks and uncertainties surrounding the assumptions that are made.

Factors listed in this section – as well as other factors not included – may cause actual results to differ significantly from the forward-looking statements included in this Quarterly Report on Form 10-Q. There is no guarantee that any of the events anticipated by the forward-looking statements in this Quarterly Report on Form 10-Q will occur, or if any of the events occurs, there is no guarantee of what effect it will have on our operations or financial condition.

We will not update the forward-looking statement contained in this Quarterly Report on Form 10-Q, unless otherwise required by law.

**Forward-Looking Statements**

These forward-looking statements are generally accompanied by words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “goal,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “will,” “would,” or other words that convey the uncertainty of future events or outcomes, including, without limitation, our transaction with Weyerhaeuser Real Estate Company (WRECO). These forward-looking statements include, but are not limited to, statements regarding expected benefits of the WRECO transaction, integration plans and expected synergies therefrom, and our anticipated future financial and operating performance and results, including our estimates for growth.

Forward-looking statements are based on a number of factors, including the expected effect of:

* the economy;
* laws and regulations;
* adverse litigation outcome and the adequacy of reserves;
* changes in accounting principles;
* projected benefit payments; and
* projected tax rates and credits.

**Risks, Uncertainties and Assumptions**

The major risks and uncertainties – and assumptions that are made – that affect our business and may cause actual results to differ from these forward-looking statements include, but are not limited to:

* the effect of general economic conditions, including employment rates, housing starts, interest rate levels, availability of financing for home mortgages and strength of the U.S. dollar;
* market demand for our products, which is related to the strength of the various U.S. business segments and U.S. and international economic conditions;
* levels of competition;
* the successful execution of our internal performance plans, including restructuring and cost reduction initiatives;
* global economic conditions;
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* raw material prices;
* energy prices;
* the effect of weather, including the continuing drought in California;
* the risk of loss from earthquakes, volcanoes, fires, floods, droughts, windstorms, hurricanes, pest infestations and other natural disasters;
* transportation costs;
* federal and state tax policies;
* the effect of land use, environment and other governmental regulations;
* legal proceedings;
* risks relating to any unforeseen changes to or effects on liabilities, future capital expenditures, revenues, expenses, earnings, synergies, indebtedness, financial condition, losses and future prospects;
* the risk that disruptions from the transaction with WRECO will harm our business;
* our ability to achieve the benefits of the transaction with WRECO in the estimated amount and the anticipated timeframe, if at all;
* our ability to integrate WRECO successfully and to achieve the anticipated synergies therefrom;
* change in accounting principles;
* risks related to unauthorized access to our computer systems, theft of our customer’s confidential information or other forms of cyber-attack; and
* other factors described in “Risk Factors.”

Unless the context otherwise requires, the terms “we,” “us,” “our,” “TRI Pointe” and “the Company” refer to TRI Pointe Homes, Inc. and its consolidated subsidiaries. The following discussion and analysis should be read in conjunction with our unaudited consolidated financial statements and related notes thereto contained elsewhere in this report. The information contained in this Quarterly Report on Form 10-Q is not a complete description of our business or the risks associated with an investment in our securities. We urge you to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Securities and Exchange Commission (“SEC”), including our Annual Report on Form 10-K for the year ended December 31, 2014 and subsequent reports on Form 8-K, which discuss our business in greater detail. The section entitled “Risk Factors” set forth in Item 1A of our Annual Report on Form 10-K, and similar disclosures in our other SEC filings, discuss some of the important risk factors that may affect our business, results of operations and financial condition. You should carefully consider those risks, in addition to the information in this report and in our other filings with the SEC, before deciding to invest in, or maintain your investment in, our common stock.

***Reverse Acquisition***

On July 7, 2014 (the “Closing Date”), TRI Pointe Homes, Inc. consummated the previously announced merger (the “Merger”) of our wholly owned subsidiary, Topaz Acquisition, Inc. (“Merger Sub”), with and into Weyerhaeuser Real Estate Company (“WRECO”), with WRECO surviving the Merger and becoming our wholly owned subsidiary, as contemplated by the Transaction Agreement, dated as of November 3, 2013 (the “Transaction Agreement”), by and among us, Weyerhaeuser Company (“Weyerhaeuser”), the Company, WRECO and Merger Sub. The Merger is accounted for in accordance with ASC Topic 805, *Business Combinations* (“ASC 805”). For accounting purposes, the Merger is treated as a “reverse acquisition” and WRECO is considered the accounting acquirer. Accordingly, WRECO is reflected as the predecessor and acquirer and therefore the accompanying consolidated financial statements reflect the historical consolidated financial statements of WRECO for all periods presented and do not include the historical financial statements of TRI Pointe prior to the Closing Date. Subsequent to the Closing Date, the consolidated financial statements reflect the results of the combined company.

For further information on the Merger, see Note 2, *Merger with Weyerhaeuser Real Estate Company*, of the condensed notes to the unaudited consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10‑Q. In the Merger, each issued and outstanding WRECO common share was converted into 1.297 shares of TRI Pointe common stock. The historical issued and outstanding WRECO common shares (100,000,000 common shares for all periods presented prior to the Merger) have been recast (as 129,700,000 common shares of the Company for all periods prior to the Merger) in all periods presented to reflect this conversion.

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**Consolidated Financial Data (in thousands, except per share amounts):**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **Three Months Ended** | | | | | | |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **March 31,** | | | | |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **2015** |  |  |  |  | **2014** | |  |  |  |  |  |  |
|  | **Revenues:** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Home sales | |  |  |  |  |  |  |  |  |  |  | $ | |  | 374,265 | |  | $ | | 241,902 | | | |  |  |  |  |
|  | Land and lot sales | |  |  |  |  |  |  |  |  |  |  |  |  |  | 2,000 | |  |  |  |  |  | 3,387 | |  |  |  |  |
|  | Other operations | |  |  |  |  |  |  |  |  |  |  |  |  |  | 993 | |  |  |  |  |  | 2,843 | |  |  |  |  |
|  | Total revenues | |  |  |  |  |  |  |  |  |  |  |  |  |  | 377,258 | |  |  |  | 248,132 | | | |  |  |  |  |
| **Expenses:** | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Cost of home sales | |  |  |  |  |  |  |  |  |  |  |  |  |  | 299,562 | |  |  |  | 190,840 | | | |  |  |  |  |
|  | Cost of land and lot sales | | |  |  |  |  |  |  |  |  |  |  |  |  | 2,298 | |  |  |  |  |  | 3,138 | |  |  |  |  |
|  | Other operations | |  |  |  |  |  |  |  |  |  |  |  |  |  | 557 | |  |  |  |  |  | 1,617 | |  |  |  |  |
|  | Impairments and lot option abandonments | | | | | |  |  |  |  |  |  |  |  |  | 360 | |  |  |  |  |  | 468 | |  |  |  |  |
|  | Sales and marketing | | |  |  |  |  |  |  |  |  |  |  |  |  | 23,286 | |  |  |  | 20,905 | | | |  |  |  |  |
|  | General and administrative | | |  |  |  |  |  |  |  |  |  |  |  |  | 28,179 | |  |  |  | 18,005 | | | |  |  |  |  |
|  | Restructuring charges | | |  |  |  |  |  |  |  |  |  |  |  |  | 222 | |  |  |  |  |  | 1,716 | |  |  |  |  |
|  | Total expenses | |  |  |  |  |  |  |  |  |  |  |  |  |  | 354,464 | |  |  |  | 236,689 | | | |  |  |  |  |
|  | Income from operations | | |  |  |  |  |  |  |  |  |  |  |  |  | 22,794 | |  |  |  | 11,443 | | | |  |  |  |  |
|  | Equity in income (loss) of unconsolidated entities | | | | | |  |  |  |  |  |  |  |  |  | 74 | |  |  |  |  |  | (68) | | |  |  |  |
|  | Other income, net | |  |  |  |  |  |  |  |  |  |  |  |  |  | 256 | |  |  |  |  |  | 735 | |  |  |  |  |
| Income before taxes | | |  |  |  |  |  |  |  |  |  |  |  |  |  | 23,124 | |  |  |  | 12,110 | | | |  |  |  |  |
|  | Provision for income taxes | | |  |  |  |  |  |  |  |  |  |  |  |  | (7,827) | | |  |  | (4,529) | | | | |  |  |  |
| Net income | | |  |  |  |  |  |  |  |  |  |  |  | $ |  | 15,297 | |  |  | $ |  |  | 7,581 | |  |  |  |  |
|  | Earnings per share | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Basic | |  |  |  |  |  |  |  |  |  |  | $ | |  | 0.09 | |  | $ | |  |  | 0.06 | |  |  |  |  |
|  | Diluted | |  |  |  |  |  |  |  |  |  |  | $ | |  | 0.09 | |  | $ | |  |  | 0.06 | |  |  |  |  |
| **Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014** | | | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| ***Net New Home Orders, Average Selling Communities and Monthly Absorption Rates by Segment*** | | | | | | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | **Three Months Ended March 31, 2015** | | | | |  | **Three Months Ended March 31, 2014** | | | | | |  |  | **Percentage Change** | | | | | |  |  |  |  |  |  |
|  |  |  | **Net New** |  | **Average** | | **Monthly** | | **Net New** |  | **Average** | | **Monthly** | | | **Net New** | | |  | **Average** | | |  | **Monthly** | | | |  |
|  |  |  | **Home** |  | **Selling** | | **Absorption** | | **Home** |  | **Selling** | | **Absorption** | | | **Home** | | |  | **Selling** | | |  | **Absorption** | | | |  |
|  |  |  | **Orders** |  | **Communities** |  | **Rates** |  | **Orders** | **Communities** | | | **Rates** | | | **Orders** | | | **Communities** | | | |  | **Rates** | | | |  |
| Maracay | |  |  |  |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  | | |  |  |
|  | 161 | 17.0 |  | 3.2 |  | 105 | 15.3 |  | 2.3 | |  | 53% | |  |  |  | 11% | | 38% | | | |  |
| Pardee | | | 308 | 20.3 | |  | 5.1 |  | 245 | 19.7 | |  | 4.1 | |  | 26% | |  |  |  | 3% | | 22% | | | | |  |
| Quadrant | | | 150 | 10.2 | |  | 4.9 |  | 98 | 12.7 | |  | 2.6 | |  | 53% | |  |  |  | (20)% | | 91% | | | | |  |
| Trendmaker | | | 132 | 26.5 | |  | 1.7 |  | 143 | 21.7 | |  | 2.2 | |  | (8)% | | |  |  | 22% | | (24)% | | | | |  |
| TRI Pointe | | | 336 | 26.3 | |  | 4.3 |  | — |  | — | |  | — | | N/A | | |  |  | N/A | |  |  |  | N/A | |  |
| Winchester | |  | 107 |  | 12.7 |  | 2.8 |  | 76 |  | 21.3 |  | 1.2 | |  | 41% | |  |  |  | (40)% | | 136% | | | | |  |
| Total | |  |  |  |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  | | |  |  |
|  | 1,194 | 113.0 |  | 3.5 |  | 667 | 90.7 |  | 2.5 | |  | 79% | |  |  |  | 25% | | 44% | | | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

Net new home orders for the three months ended March 31, 2015 increased 79% to 1,194, compared to 667 during the prior year period. The increase in net new home orders was partly due to an increase in our monthly absorption rate in all except for one segment reported in the prior year period. Our overall absorption rate for the three months ended March 31, 2015 was 10.6 per average selling community (3.5 monthly), compared to 7.4 per average selling community (2.5 monthly) during the prior year period. The increase in net new home orders, average selling communities and monthly absorption rate was due in part to the addition of TRI Pointe, which had 336 orders, 26.3 average selling communities and an absorption rate of 4.3 per average selling community in the three months ended March 31, 2015 with no comparable amounts in the prior year period. Net new home orders increased at all segments except for Trendmaker, which experienced a decrease as a result of a slowdown in the premium housing market in Houston driven by the uncertainty around oil prices.

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***Backlog Units, Dollar Value and Average Sales Price by Segment (dollars in thousands)***

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Three Months Ended March 31, 2015** | | | | | | | | **Three Months Ended March 31, 2014** | | | | | | | |  | **Percentage Change** | | |  |  |  |
|  |  |  |  | **Backlog** | |  | **Average** |  |  |  |  | **Backlog** | |  | **Average** |  |  |  | **Backlog** | | **Average** |  |  |
|  | **Backlog** | |  | **Dollar** | |  | **Sales** | | **Backlog** | |  | **Dollar** | |  | **Sales** | | **Backlog** | | **Dollar** | | **Sales** | |  |
|  | **Units** |  |  | **Value** |  |  | **Price** |  | **Units** |  |  | **Value** |  |  | **Price** |  | **Units** |  | **Value** |  | **Price** |  |  |
| Maracay | 181 |  | $ | 67,817 |  | $ | 375 |  | 122 |  | $ | 47,623 |  | $ | 390 |  | 48% | | 42% | | (4)% | |  |
| Pardee | 358 |  |  | 228,206 |  |  | 637 |  | 390 |  |  | 220,596 |  |  | 566 |  | (8)% | | 3% | | 13% | |  |
| Quadrant | 170 |  |  | 68,952 |  |  | 406 |  | 116 |  |  | 55,517 |  |  | 479 |  | 47% | | 24% | | (15)% | |  |
| Trendmaker | 242 |  |  | 128,206 |  |  | 530 |  | 235 |  |  | 119,055 |  |  | 507 |  | 3% | | 8% | | 5% | |  |
| TRI Pointe | 440 |  |  | 323,215 |  |  | 735 |  | — | |  | — | |  | — | | N/A | | N/A | | N/A | |  |
| Winchester | 167 |  |  | 126,956 |  |  | 760 |  | 193 |  |  | 151,759 |  |  | 786 |  | (14)% | | (16)% | | (3)% | |  |
| Total |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 1,558 |  | $ | 943,352 |  | $ | 605 |  | 1,056 |  | $ | 594,550 |  | $ | 563 |  | 48% | | 59% | | 8% | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

Backlog units reflects the number of homes, net of actual cancellations experienced during the period, for which we have entered into a sales contract with a customer but for which we have not yet delivered the home. Homes in backlog are generally delivered within three to nine months, although we may experience cancellations of sales contracts prior to delivery. Our cancellation rate of buyers who contracted to buy a home but did not close escrow (as a percentage of overall orders) was 11% for the three months ended March 31, 2015 as compared to 15% during the prior year period. The dollar value of backlog was $943.4 million as of March 31, 2015, an increase of $348.8 million, or 59%, compared to $594.6 million as of March 31, 2014. This increase is due to an increase in the number of homes in backlog of 502, or 48%, to 1,558 homes as of March 31, 2015 from 1,056 homes as of March 31, 2014, in addition to an increase in the average sales price of homes in backlog of $42,000, or 8%, to $605,000 as of March 31, 2015 compared to $563,000 as of March 31, 2014. The increase in the number of homes in backlog and the average sales price of homes in backlog was mainly the result of the addition of TRI Pointe, which had 440 homes in backlog and an average sales price in backlog of $735,000 as of March 31, 2015. In addition to the increases associated with TRI Pointe in the current year period, backlog dollar value increased at four of our reporting segments existing in the prior year period, with the exception of Winchester.

***New Homes Delivered, Homes Sales Revenue and Average Sales Price by Segment (dollars in thousands)***

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Three Months Ended March 31, 2015** | | | | | | | | **Three Months Ended March 31, 2014** | | | | | | | |  | **Percentage Change** | | |  |  |  |
|  | **New** |  |  | **Home** | |  | **Average** |  | **New** |  |  | **Home** |  |  | **Average** |  | **New** | | **Home** | | **Average** |  |  |
|  | **Homes** |  |  | **Sales** | |  | **Sales** | | **Homes** |  |  | **Sales** |  |  | **Sales** | | **Homes** | | **Sales** | | **Sales** | |  |
|  | **Delivered** |  |  | **Revenue** |  |  | **Price** |  | **Delivered** |  |  | **Revenue** |  |  | **Price** |  | **Delivered** |  | **Revenue** |  | **Price** |  |  |
| Maracay | 85 |  | $ | 32,477 |  | $ | 382 |  | 99 |  | $ | 35,230 |  | $ | 356 |  | (14) | % | (8)% | | 7% | |  |
| Pardee | 168 |  |  | 85,658 |  |  | 510 |  | 135 |  |  | 67,397 |  |  | 499 |  | 24% | | 27% | | 2% | |  |
| Quadrant | 93 |  |  | 43,336 |  |  | 466 |  | 78 |  |  | 31,089 |  |  | 399 |  | 19% | | 39% | | 17% | |  |
| Trendmaker | 108 |  |  | 56,208 |  |  | 520 |  | 130 |  |  | 61,400 |  |  | 472 |  | (17)% | | (8)% | | 10% | |  |
| TRI Pointe | 139 |  |  | 106,858 |  |  | 769 |  | — |  |  | — |  |  | — | | N/A | | N/A | | N/A | |  |
| Winchester | 75 |  |  | 49,728 |  |  | 663 |  | 66 |  |  | 46,786 |  |  | 709 |  | 14% | | 6% | | (6)% | |  |
| Total |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 668 | $ | 374,265 |  | $ | 560 |  | 508 | $ | 241,902 | $ | 476 |  | 31% | | 55% | | 18% | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

Home sales revenue increased $132.4 million, or 55%, to $374.3 million for the three months ended March 31, 2015 from $241.9 million for the prior year period. The increase was comprised of: (i) $89.6 million related to an increase in average sales price of $84,000 per home to $560,000 for the three months ended March 31, 2015 from $476,000 in the prior year period; and (ii) $42.7 million due to a 31% increase in homes delivered to 668 for the three months ended March 31, 2015 from 508 in the prior year period. The increase in the average sales price and new home deliveries was primarily attributable to the addition of TRI Pointe with no comparable amounts in the prior year period. In addition, the average sales price of homes delivered increased at all but one of our reporting segments due to a change in product mix with a shift to a more move-up product in certain markets and price increases in certain markets. The average sales price at Winchester declined for the three months ended March 31, 2015 compared to the same prior year period primarily due to a change in product mix.

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***Homebuilding Gross Margins (dollars in thousands)***

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | **Three Months Ended March 31,** | | | | |  |  |  |
|  |  |  |  |  | **2015** |  | **%** |  |  | **2014** |  | **%** |  |  |
|  |  | Home sales |  | $ | 374,265 |  | 100.0% | | $ | 241,902 |  | 100.0% | |  |
|  |  | Cost of home sales |  |  | 299,907 |  | 80.1% | |  | 191,268 |  | 79.1% | |  |
|  |  | Homebuilding gross margin |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | 74,358 |  | 19.9% | |  | 50,634 |  | 20.9% | |  |
|  |  | Add: interest in cost of home sales |  |  | 6,711 |  | 1.8% | |  | 3,300 |  | 1.4% | |  |
|  |  | Add: impairments and lot option abandonments |  |  | 345 |  | 0.1% | |  | 429 |  | 0.2% | |  |
|  |  | Adjusted homebuilding gross margin(1) |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | $ | 81,414 |  | 21.8% | | $ | 54,363 |  | 22.5% | |  |
|  |  | Homebuilding gross margin percentage |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | 19.9% | |  |  |  | 20.9% | |  |  |  |
|  |  | Adjusted homebuilding gross margin percentage(1) |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 21.8% | |  |  |  | 22.5% | |  |  |  |
| (1) | Non-GAAP financial measure (as discussed below). | |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

Our homebuilding gross margin percentage decreased to 19.9% for the three months ended March 31, 2015 as compared to 20.9% for the prior year period. The decrease was primarily due to increases in land, labor and material costs outpacing home price appreciation. Excluding interest and impairment and lot option abandonments in cost of home sales, adjusted homebuilding gross margin percentage was 21.8% for the three months ended March 31, 2015, compared to 22.5% for the prior year period. The decrease in the adjusted homebuilding gross margin was consistent with the change in non-adjusted homebuilding gross margin.

Adjusted homebuilding gross margin is a non-GAAP financial measure. We believe this information is meaningful as it isolates the impact that leverage and noncash charges have on homebuilding gross margin and permits investors to make better comparisons with our competitors, who adjust gross margins in a similar fashion. See the table above reconciling this non-GAAP financial measure to homebuilding gross margin, the nearest GAAP equivalent.

***Sales and Marketing, General and Administrative Expense (dollars in thousands)***

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended** | | | | | **As a Percentage of** | | | |  |
|  |  | **March 31,** | | |  |  | **Home Sales Revenue** | | | |  |
|  |  | **2015** |  |  | **2014** |  | **2015** |  | **2014** |  |  |
| Sales and marketing | $ | 23,286 |  | $ | 20,905 |  | 6.2% | | 8.6% | |  |
| General and administrative ("G&A") |  | 28,179 |  |  | 18,005 |  | 7.5% | | 7.4% | |  |
| Total sales and marketing and G&A |  |  |  |  |  |  |  |  |  |  |  |
| $ | 51,465 | $ | 38,910 |  | 13.8% | | 16.1% | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

Sales and marketing expense decreased to 6.2% of home sales revenue for the three months ended March 31, 2015 from 8.6% of home sales revenue for the three months ended March 31, 2014 mainly due to the addition of legacy TRI Pointe which has a lower sales and marketing expense as a percentage of revenue due to a strong sales absorption pace and higher average sales prices per community. Sales and marketing expense increased $2.4 million, or 11%, to $23.3 million for the three months ended March 31, 2015 from $20.9 million for the prior year period. The increase in sales and marketing expense was related primarily to the addition of legacy TRI Pointe for the three month period ended March 31, 2015, representing $4.8 million of sales and marketing expenses, with no comparable amounts in the prior year period. This amount was offset by decreases in each of the existing segments for the three months ending March 31, 2015 compared to the same prior year period.

General and administrative expense increased by $10.2 million to $28.2 million for the three month period ended March 31, 2015 from $18.0 for the three month period ended March 31, 2014. General and administrative expenses were 7.5% of home sales revenue for the three months ended March 31, 2015 compared to 7.4% of home sales revenue for the same period in the prior year. The slight increase in general and administrative expenses as a percentage of home sales revenue is due primarily to employee related costs.

Total sales and marketing and G&A (“SG&A”) expense increased $12.6 million, or 32%, to $51.5 million for the three months ended March 31, 2015 from $38.9 million in the prior year period, but improved to 13.8% of home sales revenue from 16.1% for the three months ended March 31, 2015 and 2014, respectively.

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***Restructuring Charges***

Restructuring charges decreased to $222,000 for the three months ended March 31, 2015 compared to $1.7 million in the same period in the prior year. The decrease was mainly due to higher employee-related restructuring costs in 2014, largely related to severance and related costs in connection with the Merger.

***Interest***

Interest, which was incurred principally to finance land acquisitions, land development and home construction, totaled $15.2 million and $4.0 million for the three months ended March 31, 2015 and 2014, respectively. The capitalized portion of interest incurred was $15.2 million and $3.8 million for the three months ended March 31, 2015 and 2014, respectively. The increase in interest incurred during the three months ended March 31, 2015 as compared to the prior year period was primarily attributable to an increase in our outstanding debt and higher interest rates as a result of the issuance of the Senior Notes in connection with the Merger.

***Income Tax***

For the three months ended March 31, 2015, we recorded a tax provision of $7.8 million based on an effective tax rate of 33.8%. For the three months ended March 31, 2014, we recorded a tax provision of $4.5 million based on an effective tax rate of 37.4%. The increase in our provision for income tax was primarily the result of the $11.0 million increase in income before income taxes to $23.1 million for the three months ended March 31, 2015 compared to $12.1 million in the prior year period.

***Lots Owned or Controlled by Segment***

Excluded from owned and controlled lots are those related to Note 8, *Investments in Unconsolidated Entities*. The table below summarizes our lots owned or controlled by segment as of the dates presented:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Increase** | | |  |  |  |
|  | **March 31,** | | |  |  | **(Decrease)** | | |  |  |  |
|  | **2015** |  |  | **2014** |  | **Amount** | | | **%** |  |  |
| **Lots Owned** |  |  |  |  |  |  |  |  |  |  |  |
| Maracay | 1,249 |  |  | 1,313 |  | (64) | |  | (5)% | |  |
| Pardee(2) | 17,263 |  |  | 17,925 |  | (662) | |  | (4)% | |  |
| Quadrant | 938 |  |  | 1,034 |  | (96) | |  | (9)% | |  |
| Trendmaker | 896 |  |  | 669 |  | 227 |  |  | 34% | |  |
| TRI Pointe | 3,067 |  |  | — | | 3,067 |  |  | N/A | |  |
| Winchester | 2,337 |  |  | 2,100 |  | 237 |  |  | 11% | |  |
| Total |  |  |  |  |  |  |  |  |  |  |  |
| 25,750 |  |  | 23,041 |  | 2,709 |  |  | 12% | |  |
| **Lots Controlled(1)** |  |  |  |  |  |  |  |  |  |  |  |
| Maracay | 937 |  |  | 1,232 |  | (295) | |  | (24)% | |  |
| Pardee(2) | 34 |  |  | 586 |  | (552) | |  | (94)% | |  |
| Quadrant | 559 |  |  | 316 |  | 243 |  |  | 77% | |  |
| Trendmaker | 1,084 |  |  | 1,183 |  | (99) | |  | (8)% | |  |
| TRI Pointe | 616 |  |  | — | | 616 |  |  | N/A | |  |
| Winchester | 338 |  |  | 1,030 |  | (692) | |  | (67)% | |  |
| Total |  |  |  |  |  |  |  |  |  |  |  |
| 3,568 |  |  | 4,347 |  | (779) |  | (18)% | |  |
| **Total Lots Owned or Controlled(1)** |  |  |  |  |  |  |  |  |  |  |  |
| 29,318 |  |  | 27,388 |  | 1,930 |  |  | 7% | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

1. As of March 31, 2015 and 2014, lots controlled included lots that were under land option contracts or purchase contracts.
2. As of March 31, 2014, excludes 10,686 lots owned and 56,413 lots controlled that were excluded assets per the Transaction Agreement.

**Liquidity and Capital Resources**

***Overview***

Our principal uses of capital for the three months ended March 31, 2015 were operating expenses, land purchases, land development and home construction. We used funds generated by our operations and available borrowings to meet our short-term working capital requirements. We remain focused on generating positive margins in our homebuilding operations and acquiring desirable land positions in order to maintain a strong balance sheet and keep us poised for growth. As of March 31, 2015, we had $106.6 million of cash and cash equivalents. We believe we have sufficient cash and sources of financing for at least the next twelve months.

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Our board of directors will consider a number of factors when evaluating our level of indebtedness and when making decisions regarding the incurrence of new indebtedness, including the purchase price of assets to be acquired with debt financing, the estimated market value of our assets and the ability of particular assets, and our company as a whole, to generate cash flow to cover the expected debt service. Our charter does not contain a limitation on the amount of debt we may incur and our board of directors may change our target debt levels at any time without the approval of our stockholders.

***Assumption of Senior Notes***

On the Closing Date, TRI Pointe assumed WRECO’s obligations as issuer of $450 million aggregate principal amount of its 4.375% Senior Notes due 2019 (“2019 Notes”) and $450 million aggregate principal amount of its 5.875% Senior Notes due 2024 (“2024 Notes” and together with the 2019 Notes, the “Senior 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 of $861.3 million, after debt issuance costs and discounts, from the offering were deposited into two separate escrow accounts following the closing of the offering on June 13, 2014. Upon release of the escrowed funds on the Closing Date, and prior to the consummation of the Merger, WRECO paid $743.7 million in cash to the former direct parent entity of WRECO, which cash was retained by Weyerhaeuser and its subsidiaries (other than WRECO and its subsidiaries). The payment consisted of the $739 million Payment Amount (as defined in the Transaction Agreement) as well as $4.7 million in payment of all unpaid interest on the debt payable to Weyerhaeuser that accrued from November 3, 2013 to the Closing Date. The remaining $117.6 million of proceeds was retained by TRI Pointe and used for general corporate purposes.

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. As of March 31, 2015, no principal has been paid on the Senior Notes, and there was $22.9 million of capitalized debt financing costs related to the Senior Notes, included in other assets on our consolidated balance sheet. These costs will amortize over the respective lives of the Senior Notes.

***Unsecured Revolving Credit Facility***

In June 2014, the Company entered into an unsecured $425 million revolving credit facility (the “Credit Facility”) with various lenders, with one lender serving as the administrative agent for the Facility. The Credit Facility matures on July 1, 2018, and 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 development and homebuilding activities. Borrowings under the Credit Facility will be governed by, among other things, a borrowing base. The Credit Facility contains customary affirmative and negative covenants, including financial covenants relating to consolidated tangible net worth, leverage, and liquidity or interest coverage. Interest rates on borrowings will be based on either a daily Eurocurrency base rate or a Eurocurrency rate, in either case, plus a spread ranging from 2.15% to 2.85% depending on the Company’s leverage ratio.

As of March 31, 2015 the outstanding balance under the Credit Facility was $309.4 million with an interest rate of 2.73% per annum and $103.8 million of availability after considering the borrowing base provisions and outstanding letters of credit. At March 31, 2015 we had outstanding letters of credit of $ 11.8 million. 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.

***Seller Financed Loan***

As of March 31, 2015, the Company had $12.7 million outstanding related to seller financed loans to acquire lots for the construction of

homes. Principal and interest payments on these loans are due at various maturity dates, including at the time individual homes associated with the acquired land are delivered. The seller financed loans will accrue interest at a weighted average rate of 6.95% per annum, with interest calculated on a daily basis. Any remaining unpaid balance on these loans is due in May 2016.

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***Covenant Compliance***

Under our Credit Facility, we are required to comply with certain financial covenants, including, but not limited to, those set forth in the table below (dollars in thousands):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Covenant** | |
|  | **Actual at** | |  | **Requirement at** | |
|  | **March 31,** | |  | **March 31,** | |
| **Financial Covenants** | **2015** |  |  | **2015** |  |
| Consolidated Tangible Net Worth | $ 1,308,173 |  | $ | 883,844 |  |
| (Not less than $850.0 million plus 50% of net income and |  |  |  |  |  |
| 50% of the net proceeds from equity offerings after |  |  |  |  |  |
| June 30, 2014) |  |  |  |  |  |
| Leverage Test | 46% | |  | <55% |  |
| (Not to exceed 55%) |  |  |  |  |  |
| Interest Coverage Test | 4.99 |  |  | >1.5 |  |
| (Not less than 1.5:1.0) |  |  |  |  |  |

As of March 31, 2015 we were in compliance with all of these financial covenants.

***Leverage Ratios***

We believe that our leverage ratios provide useful information to the users of our financial statements regarding our financial position and cash and debt management. The ratio of debt-to-capital and the ratio of net debt-to-capital are calculated as follows (dollars in thousands):

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **March 31,** | |  |  | **December 31,** | |  |
|  |  |  |  | **2015** |  |  |  | **2014** |  |  |
|  | Notes payable and other borrowings |  | $ | 322,142 |  |  | $ | 274,677 |  |  |
|  | Senior Notes |  |  | 887,882 |  |  |  | 887,502 |  |  |
|  | Total debt |  |  | 1,210,024 |  |  |  | 1,162,179 |  |  |
|  | Stockholders' equity |  |  | 1,470,602 |  |  |  | 1,454,180 |  |  |
|  | Total capital |  | $ | 2,680,626 |  |  | $ | 2,616,359 |  |  |
| Ratio of debt-to-capital(1) | |  |  |  |  |  |  |  |  |  |
|  |  | 45.1% | |  |  | 44.4% | |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
| Total debt | $ | | 1,210,024 |  | $ | | 1,162,179 |  |  |
|  | Less: Cash and cash equivalents |  |  | (106,573) | |  |  | (170,629) | |  |
|  | Net debt |  |  | 1,103,451 |  |  |  | 991,550 |  |  |
|  | Stockholders' equity |  |  | 1,470,602 |  |  |  | 1,454,180 |  |  |
|  | Total capital |  | $ | 2,574,053 |  |  | $ | 2,445,730 |  |  |
| Ratio of net debt-to-capital(2) | |  |  |  |  |  |  |  |  |  |
|  |  | 42.9% | |  |  | 40.5% | |  |
|  |  |  |  |  |  |  |  |  |  |  |

1. The ratio of debt-to-capital is computed as the quotient obtained by dividing debt by the sum of total debt plus equity.
2. The ratio of net debt-to-capital is computed as the quotient obtained by dividing net debt (which is debt less cash and cash equivalents) by the sum of net debt plus equity. The most directly comparable GAAP financial measure is the ratio of debt-to-capital. We believe the ratio of net debt-to-capital is a relevant financial measure for investors to understand the leverage employed in our operations and as an indicator of our ability to obtain financing. See the table above reconciling this non-GAAP financial measure to the ratio of debt-to-capital.
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***Cash Flows—Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014***

For the three months ended March 31, 2015 as compared to the three months ended March 31, 2014, the comparison of cash flows is as follows:

* Net cash used in operating activities increased by $83.1 million to $108.3 million for the three months ended March 31, 2015 from a use of $25.2 million for the three months ended March 31, 2014. The change was primarily comprised of (i) an increase in real estate inventories of $127.3 million in 2015 compared to an increase of $67.9 million in 2014, and (ii) an increase in receivables of $2.9 million in the current year period compared to collection of receivables of $25.0 million in the prior year period. Other offsetting activity included offsetting swings in accounts payable and accrued expenses and other liabilities, with a net impact of cash used of $6.5 million in the current year period compared to cash used of $10.4 million in the prior year period.
* Net cash used in investing activities was $1.4 million for the three month period ending March 31, 2015 compared to $2.1 million of cash used for the same prior year period. Cash used by investing activities for the prior year period was primarily due to purchases of property and equipment.
* Net cash provided by financing activities increased to $45.6 million for the three month period ending March 31, 2015 from $26.1 million for the same period in the prior year. The change was primarily a result of borrowings from notes payable.

As of March 31, 2015, our cash and cash equivalents balance was $106.6 million.

**Off-Balance Sheet Arrangements and Contractual Obligations**

In the ordinary course of business, we enter into land option contracts in order to procure lots for the construction of our homes. We are subject to customary obligations associated with entering into contracts for the purchase of land and improved lots. These purchase contracts typically require a cash deposit and the purchase of properties under these contracts is generally contingent upon satisfaction of certain requirements by the sellers, including obtaining applicable property and development entitlements. We also utilize option contracts with land sellers as a method of acquiring land in staged takedowns, to help us manage the financial and market risk associated with land holdings, and to reduce the use of funds from our corporate financing sources. Option contracts generally require a non-refundable deposit for the right to acquire lots over a specified period of time at pre-determined prices. We generally have the right, at our discretion, to terminate our obligations under both purchase contracts and option contracts by forfeiting our cash deposit with no further financial responsibility to the land seller. As of March 31, 2015, we had $42.2 million of cash deposits, the majority of which are non-refundable, pertaining to land option contracts and purchase contracts with an aggregate remaining purchase price of $392.6 million (net of deposits).

Our utilization of land option contracts is dependent on, among other things, the availability of land sellers willing to enter into option takedown arrangements, the availability of capital to finance the development of optioned lots, general housing market conditions, and local market dynamics. Options may be more difficult to procure from land sellers in strong housing markets and are more prevalent in certain geographic regions.

As of March 31, 2015, we had $103.8 million of availability under our Credit Facility after considering the borrowing base provisions and outstanding letters of credit.

**Inflation**

Our operations can be adversely impacted by inflation, primarily from higher land, financing, labor, material and construction costs. In addition, inflation can lead to higher mortgage rates, which can significantly affect the affordability of mortgage financing to homebuyers. While we attempt to pass on cost increases to customers through increased prices, when weak housing market conditions exist, we are often unable to offset cost increases with higher selling prices.

**Seasonality**

Historically, the homebuilding industry experiences seasonal fluctuations in quarterly operating results and capital requirements. We typically experience the highest new home order activity in spring and summer, although this activity is also highly dependent on the number of active selling communities, timing of new community openings and other market factors. Since it typically takes four to six months to construct a new home, we deliver more homes in the second half of the year as spring and summer home orders convert to home deliveries. Because of this seasonality, home starts, construction costs and related cash outflows have historically been highest in the second and third quarters, and the majority of cash receipts from home deliveries occur during the second half of

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the year. We expect this seasonal pattern to continue over the long-term, although it may be affected by volatility in the homebuilding industry.

**Description of Projects and Communities under Development**

The following table presents project information relating to each of our markets as of March 31, 2015 and includes information on current projects under development where we are building and selling homes.

***Maracay***

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Cumulative** | |  |  |  |  | **Homes Delivered** |  |  |  |
|  |  |  |  |  |  | **Homes** | | **Lots** | |  |  | **for the Three** |  |  |  |
|  |  | **Year of** | | **Total** | | **Delivered as of** | | **Owned as of** | | **Backlog as of** | | **Months Ended** |  | **Sales Price** |  |
|  |  | **First** | | **Number of** | | **March 31,** | | **March 31,** | | **March 31,** | | **March 31,** |  | **Range** |  |
| **County, Project, City** | | **Delivery(1)** | | **Lots(2)** | | **2015** |  | **2015(3)** |  | **2015(4)(5)** |  | **2015** |  | **(in thousands)** |  |
|  |  |  | **(6)** | |  |
| **Phoenix, Arizona** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Town of Buckeye: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Verrado Tilden | | 2012 |  | 102 |  | 76 |  | 26 |  | 11 |  | 3 | $239 - 304 | |  |
| Verrado Palisades | | 2015 |  | 63 |  | 3 |  | 60 |  | 9 |  | 3 | $305 - 378 | |  |
| Verrado Victory | | 2015 |  | 98 |  | - |  | 98 |  | 10 |  | - | $368 - 371 | |  |
| City of Chandler: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Artesian Ranch | | 2013 |  | 90 |  | 37 |  | 53 |  | 8 |  | 7 | $329 - 385 | |  |
| Vaquero Ranch | | 2013 |  | 74 |  | 43 |  | 31 |  | 13 |  | 5 | $293 - 368 | |  |
| Maracay at Layton Lakes | | 2015 |  | 47 |  | - |  | 47 |  | - |  | - | $459 - 499 | |  |
| Sendera Place | | 2015 |  | 6 |  | - |  | 6 |  | 5 |  | - | $266 - 303 | |  |
| Town of Gilbert: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Arch Crossing at Bridges of Gilbert | | 2014 |  | 67 |  | 29 |  | 38 |  | 10 |  | 8 | $275 - 335 | |  |
| Trestle Place at Bridges of Gilbert | | 2014 |  | 63 |  | 34 |  | 29 |  | 15 |  | 6 | $331 - 411 | |  |
| Warner Groves B - 5500's | | 2016 |  | 66 |  | - |  | 66 |  | - |  | - | $355 - 424 | |  |
| City of Goodyear: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Calderra at Palm Valley | | 2013 |  | 73 |  | 60 |  | 13 |  | 12 |  | 4 | $275 - 352 | |  |
| Los Vientos at Palm Valley | | 2013 |  | 57 |  | 56 |  | 1 |  | - |  | 4 | $331 - 355 | |  |
| City of Mesa: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Kinetic Point at Eastmark | | 2013 |  | 80 |  | 36 |  | 44 |  | 12 |  | 7 | $260 - 340 | |  |
| Lumiere Garden at Eastmark | | 2013 |  | 85 |  | 40 |  | 45 |  | 9 |  | 5 | $313 - 383 | |  |
| Town of Peoria: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| The Reserve at Plaza del Rio | | 2013 |  | 162 |  | 57 |  | 105 |  | 12 |  | 7 | $208 - 250 | |  |
| Maracay at Northlands | | 2014 |  | 28 |  | 11 |  | 17 |  | 10 |  | 3 | $312 - 393 | |  |
| Town of Queen Creek: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Montelena | | 2012 |  | 59 |  | 53 |  | 6 |  | 3 |  | 1 | $375 - 447 | |  |
| The Preserve at Hastings Farms | | 2014 |  | 89 |  | 19 |  | 70 |  | 15 |  | 4 | $278 - 362 | |  |
| Villagio | | 2013 |  | 135 |  | 66 |  | 69 |  | 10 |  | 6 | $275 - 333 | |  |
| **Phoenix, Arizona Total** | |  |  | **1,444** |  | **620** |  | **824** |  | **164** |  | **73** |  |  |  |
| **Tucson, Arizona** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Marana: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Tortolita Vistas | | 2014 |  | 31 |  | 13 |  | 18 |  | 5 |  | 4 | $449 - 506 | |  |
| Oro Valley: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Rancho Vistoso | | 2016 |  | 343 |  | - |  | 343 |  | - |  | - | $231 - 456 | |  |
| Tucson: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Deseo at Sabino Canyon | | 2014 |  | 39 |  | 25 |  | 14 |  | 3 |  | 3 | $419 - 505 | |  |
| Rancho del Cobre | | 2014 |  | 68 |  | 18 |  | 50 |  | 9 |  | 5 | $394 - 465 | |  |
| **Tucson, Arizona Total** | |  |  | **481** |  | **56** |  | **425** |  | **17** |  | **12** |  |  |  |
| **Arizona Total** | |  |  | **1,925** |  | **676** |  | **1,249** |  | **181** |  | **85** |  |  |  |
| **Maracay Total** | |  |  | **1,925** |  | **676** |  | **1,249** |  | **181** |  | **85** |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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***Pardee***

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Cumulative** | |  |  |  |  | **Homes Delivered** |  |  |  |  |
|  |  |  |  |  |  | **Homes** | | **Lots** | |  |  | **for the Three** |  |  |  |  |
|  |  | **Year of** | | **Total** | | **Delivered as of** | | **Owned as of** | | **Backlog as of** | | **Months Ended** |  | **Sales Price** | |  |
|  |  | **First** | | **Number of** | | **March 31,** | | **March 31,** | | **March 31,** | | **March 31,** |  | **Range** | |  |
| **County, Project** |  | **Delivery(1)** | | **Lots(2)** | | **2015** |  | **2015(3)** |  | **2015(4)(5)** |  | **2015** |  | **(in thousands)** | |  |
|  |  |  | **(6)** | | |  |
| **California** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| San Diego County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Alta Del Mar Homes | | 2013 |  | 117 |  | 45 |  | 72 |  | 30 |  | 7 | $1,800 | | - $2,300 |  |
| Sorrento Heights Prestige Collection | | 2014 |  | 20 |  | 20 |  | - |  | - |  | 2 | $890 | | - $950 |  |
| Watermark | | 2013 |  | 160 |  | 76 |  | 84 |  | 37 |  | 13 | $1,155 | | - $1,300 |  |
| Canterra | | 2015 |  | 89 |  | - |  | 89 |  | - |  | - | $720 | | - $740 |  |
| Casabella | | 2015 |  | 122 |  | - |  | 122 |  | - |  | - | $825 | | - $855 |  |
| Verana | | 2015 |  | 78 |  | - |  | 78 |  | 5 |  | - | $975 - $1,040 | | |  |
| Pacific Highlands Ranch Future | | TBD | | 963 |  | - |  | 963 |  | - |  | - |  | TBD | |  |
| Olive Hill Estate | | 2015 |  | 37 |  | - |  | 37 |  | - |  | - | $638 | | - $750 |  |
| Castlerock | | TBD | | 415 |  | - |  | 415 |  | - |  | - | $473 | | - $708 |  |
| Meadowood | | TBD | | 844 |  | - |  | 844 |  | - |  | - | $290 | | - $590 |  |
| Sea View Terrace | | 2015 |  | 40 |  | 12 |  | 28 |  | 23 |  | 11 | $308 | | - $340 |  |
| Parkview Condos | | 2016 |  | 73 |  | - |  | 73 |  | - |  | - | $345 | | - $370 |  |
| Ocean View HillsFuture | | TBD | | 1,020 |  | - |  | 1,020 |  | - |  | - |  | TBD | |  |
| South Otay Mesa | | TBD | | 893 |  | - |  | 893 |  | - |  | - | $185 | | - $530 |  |
| Alta Del Mar Custom Lots | | 2013 |  | 29 |  | 23 |  | 6 |  | - |  | - | $895 - $1,950 | | |  |
| Los Angeles County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| LivingSmart at Fair Oaks Ranch | | 2011 |  | 124 |  | 124 |  | - |  | - |  | 1 | $483 | | - $509 |  |
| Golden Valley | | TBD | | 498 |  | - |  | 498 |  | - |  | - | $499 | | - $807 |  |
| Skyline Ranch | | TBD | | 1,260 |  | - |  | 1,260 |  | - |  | - | $510 | | - $640 |  |
| Ventura County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| LivingSmart at Moorpark Highlands, Moorpark | | 2013 |  | 133 |  | 98 |  | 35 |  | 23 |  | 14 | $587 | | - $616 |  |
| Riverside County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Hillside | | 2012 |  | 182 |  | 182 |  | - |  | - |  | 2 | $284 | | - $301 |  |
| Meadow Ridge | | 2013 |  | 142 |  | 66 |  | 76 |  | 19 |  | 10 | $340 | | - $440 |  |
| Amberleaf | | 2014 |  | 131 |  | 31 |  | 100 |  | 18 |  | 10 | $295 | | - $338 |  |
| Meadow Glen | | 2014 |  | 140 |  | 50 |  | 90 |  | 18 |  | 8 | $321 - $380 | | |  |
| Summerfield | | 2015 |  | 85 |  | - |  | 85 |  | 1 |  | - | $283 - $304 | | |  |
| Canyon Hills Future | | TBD | | 581 |  | - |  | 581 |  | - |  | - |  | TBD | |  |
| Christensen | | 2016 |  | 74 |  | - |  | 74 |  | - |  | - | $338 | | - $437 |  |
| LivingSmart Tournament Hills | | 2010 |  | 235 |  | 234 |  | 1 |  | - |  | 1 | $261 | | - $334 |  |
| Lakeside | | 2012 |  | 167 |  | 162 |  | 5 |  | 3 |  | 14 | $260 | | - $282 |  |
| Tournament Hills Future | | TBD | | 268 |  | - |  | 268 |  | - |  | - |  | TBD | |  |
| LivingSmart Sundance | | 2013 |  | 152 |  | 112 |  | 40 |  | 21 |  | 2 | $280 | | - $332 |  |
| LivingSmart Estrella | | 2013 |  | 127 |  | 127 |  | - |  | - |  | 6 | $214 | | - $237 |  |
| Woodmont | | 2014 |  | 84 |  | 24 |  | 60 |  | 19 |  | 13 | $307 | | - $371 |  |
| Cielo | | 2015 |  | 92 |  | - |  | 92 |  | 36 |  | - | $220 | | - $242 |  |
| Northstar | | 2015 |  | 80 |  | - |  | 80 |  | - |  | - | $270 | | - $310 |  |
| Skycrest | | 2015 |  | 82 |  | - |  | 82 |  | - |  | - | $311 - $350 | | |  |
| Sundance Future | | TBD | | 1,689 |  | - |  | 1,689 |  | - |  | - |  | TBD | |  |
| Banning | | TBD | | 4,318 |  | - |  | 4,318 |  | - |  | - | $167 | | - $250 |  |
| Sacramento County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Natomas | | TBD | | 120 |  | - |  | 120 |  | - |  | - |  | TBD | |  |
| San Joaquin County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Bear Creek | | TBD | | 1,252 |  | - |  | 1,252 |  | - |  | - |  | TBD | |  |
| **California Total** | |  |  | **16,916** |  | **1,386** |  | **15,530** |  | **253** |  | **114** |  |  |  |  |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Nevada** |  |  |  |  |  |  |  |  |  |  |  |
| Clark County: |  |  |  |  |  |  |  |  |  |  |  |
| LivingSmart at Eldorado Ridge | 2012 | 179 |  | 131 |  | 48 |  | 12 |  | 8 | $255- $306 |
| LivingSmart at Eldorado Heights | 2013 | 133 |  | 95 |  | 38 |  | 8 |  | 9 | $302 - $392 |
| LivingSmart Sandstone | 2013 | 145 |  | 52 |  | 93 |  | 12 |  | 9 | $216 - $246 |
| Ridgeview | 2015 | 4 |  | - |  | 4 |  | - |  | - | $227 - $283 |
| North Peak | 2015 | 150 |  | - |  | 150 |  | - |  | - | $255 - $306 |
| Castle Rock | 2015 | 150 |  | - |  | 150 |  | - |  | - | $302 - $392 |
| Eldorado Future | TBD | 145 |  | - |  | 145 |  | - |  | - | TBD |
| Horizon Terrace | 2014 | 165 |  | 29 |  | 136 |  | 15 |  | 1 | $400- $455 |
| Solano | 2014 | 132 |  | 14 |  | 118 |  | 12 |  | 9 | $289 - $312 |
| Alterra | 2014 | 106 |  | 4 |  | 102 |  | 15 |  | 4 | $438 - $505 |
| Bella Verdi | 2015 | 106 |  | - |  | 106 |  | - |  | - | $375 - $420 |
| Milennial | TBD | 2 |  | - |  | 2 |  | - |  | - | TBD |
| Escala | 2016 | 78 |  | - |  | 78 |  | - |  | - | $545 - $591 |
| POD 5-1 Future | TBD | 215 |  | - |  | 215 |  | - |  | - | TBD |
| Durango Ranch | 2012 | 153 |  | 114 |  | 39 |  | 15 |  | 5 | $460 - $536 |
| Durango Trail | 2014 | 77 |  | 45 |  | 32 |  | 9 |  | 4 | $373 - $399 |
| Meridian | 2016 | 78 |  | - |  | 44 |  | - |  | - | $455 - $530 |
| LivingSmart at Providence | 2012 | 106 |  | 106 |  | - |  | - |  | 1 | $260 - $323 |
| Encanto | 2015 | 129 |  | - |  | 129 |  | - |  | - | $406 - $468 |
| Summerglen | 2014 | 140 |  | 36 |  | 104 |  | 7 |  | 4 | $292 - $298 |
| **Nevada Total** |  | **2,393** |  | **626** |  | **1,733** |  | **105** |  | **54** |  |
| **Pardee Total** |  | **19,309** |  | **2,012** |  | **17,263** |  | **358** |  | **168** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

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***Quadrant***

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Cumulative** | |  |  |  |  | **Homes Delivered** |  |  |  |
|  |  |  |  |  |  | **Homes** | | **Lots** | |  |  | **for the Three** |  |  |  |
|  |  | **Year of** | | **Total** | | **Delivered as of** | | **Owned as of** | | **Backlog as of** | | **Months Ended** |  | **Sales Price** |  |
|  |  | **First** | | **Number of** | | **March 31,** | | **March 31,** | | **March 31,** | | **March 31,** |  | **Range** |  |
| **County, Project, City** | | **Delivery(1)** | | **Lots(2)** | | **2015** |  | **2015(3)** |  | **2015(4)(5)** |  | **2015** |  | **(in thousands)** |  |
|  |  |  | **(6)** | |  |
| **Washington** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Skagit County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Skagit Highlands, Mt Vernon | | 2005 |  | 423 |  | 368 |  | 55 |  | 22 |  | 8 | $223 - $316 | |  |
| Skagit Pod D, Mt Vernon | | 2015 |  | 11 |  | - |  | 11 |  | - |  | - | $287 - $307 | |  |
| Skagit Surplus Pod E, Mt Vernon | | TBD | | - |  | - |  | 4 |  | - |  | - |  | TBD |  |
| Snohomish County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Sonterra, Lake Stevens | | 2013 |  | 44 |  | 43 |  | 1 |  | 1 |  | 1 | $362 | |  |
| Kings Corner 1&2, Mill Creek | | 2014 |  | 116 |  | 55 |  | 61 |  | 19 |  | 11 | $435- $500 | |  |
| Filbert Glen, Bothell | | 2015 |  | 16 |  | - |  | 16 |  | 10 |  | - | $580 - $615 | |  |
| King's Corner 3, Mill Creek | | 2016 |  | 29 |  | - |  | 29 |  | - |  | - | $306 - $370 | |  |
| King County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Evoke at the Willows, Kirkland | | 2014 |  | 7 |  | 5 |  | 2 |  | 2 |  | 5 | $910 - $925 | |  |
| Evoke at Pine Lake, Sammamish | | 2013 |  | 13 |  | 13 |  | - |  | - |  | 2 |  | N/A |  |
| Beclan Place, Renton | | 2013 |  | 30 |  | 30 |  | - |  | - |  | 3 |  | N/A |  |
| Wynstone East, Federal Way | | 2013 |  | 57 |  | 56 |  | 1 |  | 1 |  | 7 | $348 | |  |
| Woodland, Woodinville | | 2014 |  | 23 |  | 20 |  | 3 |  | 3 |  | 11 | $571 - $576 | |  |
| Garrison Glen, Kent | | 2014 |  | 30 |  | 10 |  | 20 |  | 16 |  | 5 | $374 - $405 | |  |
| Sonata Hill, Auburn | | 2014 |  | 71 |  | 12 |  | 59 |  | 12 |  | 5 | $332 - $420 | |  |
| Ibrahim, Issaquah | | 2015 |  | 2 |  | 1 |  | 1 |  | 1 |  | 1 | $1050 | |  |
| The Gardens at Eastlake, Sammamish | | 2015 |  | 8 |  | - |  | 8 |  | - |  | - | $810 - $900 | |  |
| Heathers Ridge, Kirkland | | 2015 |  | 41 |  | - |  | 41 |  | - |  | - | $590 - $870 | |  |
| Hedgewood, Redmond | | 2015 |  | 11 |  | - |  | 11 |  | - |  | - | $650 - $757 | |  |
| Grasslawn Estates, Redmond | | 2015 |  | 4 |  | - |  | 4 |  | - |  | - | $930 - $985 | |  |
| Vintner's Place, Kirkland | | 2016 |  | 35 |  | - |  | 35 |  | - |  | - | $610- $780 | |  |
| English Landing, Redmond | | 2016 |  | 15 |  | - |  | 15 |  | - |  | - | $730 - $810 | |  |
| Trailside, Redmond | | 2016 |  | 9 |  | - |  | 9 |  | - |  | - | $686 - $735 | |  |
| Copperwood, Renton | | 2016 |  | 46 |  | - |  | 46 |  | - |  | - | $520 - $626 | |  |
| Parkwood Terrace, Woodinville | | 2016 |  | 15 |  | - |  | 6 |  | - |  | - | $629 - $694 | |  |
| Cedar Landing, North Bend | | 2017 |  | 111 |  | - |  | 13 |  | - |  | - | $500 - $650 | |  |
| 35th Avenue Townhomes, Seattle | | TBD | | - |  | - |  | 17 |  | - |  | - |  | TBD |  |
| 42nd Avenue Townhomes, Seattle | | TBD | | - |  | - |  | 40 |  | - |  | - |  | TBD |  |
| Pearl & Delores, Seattle | | TBD | | - |  | - |  | 12 |  | - |  | - |  | TBD |  |
| Wynstone, Federal Way | | TBD | | - |  | - |  | 4 |  | - |  | - |  | TBD |  |
| Pierce County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Highlands Ridge, Puyallup | | 2012 |  | 46 |  | 46 |  | - |  | - |  | 1 |  | N/A |  |
| Harbor Hill, Gig Harbor | | 2014 |  | 40 |  | 17 |  | 23 |  | 15 |  | 6 | $365- $439 | |  |
| Chambers Ridge, Tacoma | | 2014 |  | 24 |  | 3 |  | 21 |  | 11 |  | 2 | $480 - $525 | |  |
| Tehaleh, Bonney Lake | | 2013 |  | 85 |  | 61 |  | 24 |  | 16 |  | 6 | $290 - $350 | |  |
| Harbor Hill N2, Gig Harbor | | 2015 |  | 33 |  | - |  | 33 |  | - |  | - | $530 - $590 | |  |
| Thurston County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Campus Fairways, Lacey | | 2015 |  | 79 |  | - |  | 39 |  | 8 |  | - | $365 - $425 | |  |
| Kitsap County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| McCormick Meadows, Poulsbo | | 2012 |  | 167 |  | 82 |  | 85 |  | 16 |  | 7 | $271 - $348 | |  |
| Vinlande Pointe, Poulsbo | | 2013 |  | 90 |  | 46 |  | 44 |  | 17 |  | 11 | $328 - $367 | |  |
| Mountain Aire, Poulsbo | | 2016 |  | 145 |  | - |  | 145 |  | - |  | - | $310 - $373 | |  |
| Closed Communities | | N/A | | - |  | - |  | - |  | - |  | 1 |  | N/A |  |
| **Washington Total** | |  |  | **1,876** |  | **868** |  | **938** |  | **170** |  | **93** |  |  |  |
| **Quadrant Total** | |  |  | **1,876** |  | **868** |  | **938** |  | **170** |  | **93** |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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***Trendmaker***

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Cumulative** | |  |  |  |  | **Homes Delivered** |  |  |
|  |  |  |  |  |  | **Homes** | | **Lots** | |  |  | **for the Three** |  |  |
|  |  | **Year of** | | **Total** | | **Delivered as of** | | **Owned as of** | | **Backlog as of** | | **Months Ended** |  | **Sales Price** |
|  |  | **First** | | **Number of** | | **March 31,** | | **March 31,** | | **March 31,** | | **March 31,** |  | **Range** |
| **County, Project, City** | | **Delivery(1)** | | **Lots(2)** | | **2015** |  | **2015(3)** |  | **2015(4)(5)** |  | **2015** |  | **(in thousands)(6)** |
| **Texas** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Brazoria County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Sedona Lakes, Pearland | | 2014 |  | 22 |  | 6 |  | 16 |  | 5 |  | 3 | $452 - $506 | |
| Southern Trails, Pearland | | 2014 |  | 34 |  | 21 |  | 13 |  | 8 |  | 7 | $490 - $609 | |
| Fort Bend County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cross Creek Ranch 60', Fulshear | | 2013 |  | 56 |  | 40 |  | 16 |  | 5 |  | 6 | $379 - $447 | |
| Cross Creek Ranch 65', Fulshear | | 2013 |  | 46 |  | 23 |  | 23 |  | 3 |  | 3 | $427 - $483 | |
| Cross Creek Ranch 70', Fulshear | | 2013 |  | 74 |  | 36 |  | 38 |  | 3 |  | 1 | $497 - $567 | |
| Cross Creek Ranch 80', Fulshear | | 2013 |  | 91 |  | 54 |  | 37 |  | 5 |  | 3 | $536 - $662 | |
| Cross Creek Ranch 90', Fulshear | | 2013 |  | 34 |  | 20 |  | 14 |  | 2 |  | 5 | $627 - $755 | |
| Villas at Cross Creek Ranch, Fulshear | | 2013 |  | 108 |  | 78 |  | 30 |  | 9 |  | 9 | $454 - $496 | |
| Cinco Ranch, Katy | | 2012 |  | 93 |  | 67 |  | 26 |  | 11 |  | 5 | $357 - $414 | |
| Sienna Plantation, Missouri City | | 2013 |  | 62 |  | 36 |  | 26 |  | 8 |  | 4 | $542 - $719 | |
| Lakes of Bella Terra, Richmond | | 2013 |  | 109 |  | 72 |  | 37 |  | 4 |  | 9 | $465 - $569 | |
| Villas at Aliana, Richmond | | 2013 |  | 65 |  | 42 |  | 23 |  | 5 |  | 5 | $435 - $501 | |
| Riverstone 55', Sugar Land | | 2013 |  | 81 |  | 49 |  | 32 |  | 5 |  | 1 | $397 - $460 | |
| Riverstone 80' & 100', Sugar Land | | 2013 |  | 5 |  | - |  | 5 |  | - |  | - | $990 - $1,051 | |
| The Townhomes at Imperial Sugar, Sugar Land | | 2015 |  | 27 |  | 3 |  | 24 |  | 4 |  | 3 | $384 - $530 | |
| Galveston County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Harborwalk, Hitchcock | | 2014 |  | 9 |  | 3 |  | 6 |  | 4 |  | 1 | $567 - $620 | |
| Harris County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Fairfield, Cypress | | 2010 |  | 62 |  | 29 |  | 33 |  | 10 |  | 5 | $469 - $568 | |
| Lakes of Fairhaven, Cypress | | 2008 |  | 241 |  | 215 |  | 26 |  | 19 |  | 6 | $410 - $658 | |
| Towne Lake Living Views, Cypress | | 2013 |  | 45 |  | 19 |  | 26 |  | 6 |  | 4 | $443 - $538 | |
| Calumet Townhomes, Houston | | 2015 |  | 4 |  | - |  | 4 |  | 1 |  | - | $634 | |
| The Groves, Humble | | 2015 |  | 6 |  | - |  | 12 |  | 6 |  | - | $446 - $497 | |
| Clear Lake, Houston | | 2015 |  | 188 |  | - |  | 188 |  | 21 |  | - | $493 - $683 | |
| Montgomery County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Barton Woods, Conroe | | 2013 |  | 75 |  | 40 |  | 35 |  | 5 |  | 5 | $401 - $601 | |
| Villas at Oakhurst, Porter | | 2013 |  | 56 |  | 36 |  | 20 |  | 8 |  | 3 | $372 - $412 | |
| Woodtrace, Woodtrace | | 2014 |  | 25 |  | 3 |  | 22 |  | 1 |  | 2 | $485 - $536 | |
| Bender's Landing Estates, Spring | | 2014 |  | 107 |  | 8 |  | 99 |  | 3 |  | 4 | $478 - $629 | |
| Other: | |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Avanti Custom Homes | | 2007 |  | 122 |  | 96 |  | 26 |  | 28 |  | 6 | $421 - $623 | |
| Texas Casual Cottages - Round Top | | 2010 |  | 78 |  | 66 |  | 12 |  | 26 |  | 4 | $200 - $443 | |
| Texas Casual Cottages - Hill Country | | 2012 |  | 45 |  | 37 |  | 8 |  | 10 |  | 1 | $209 - $463 | |
| Closed Communities: | |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Riverstone 80' | | 2013 |  | 50 |  | 34 |  | 19 |  | 17 |  | 3 | $559 - $710 | |
| **Texas Total** | |  |  | **2,020** |  | **1,133** |  | **896** |  | **242** |  | **108** |  |  |
| **Trendmaker Total** | |  |  | **2,020** |  | **1,133** |  | **896** |  | **242** |  | **108** |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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***TRI Pointe***

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Cumulative** | |  |  |  |  | **Homes Delivered** |  |  |  |
|  |  |  |  |  |  | **Homes** | | **Lots** | |  |  | **for the Three** |  |  |  |
|  |  | **Year of** | | **Total** | | **Delivered as of** | | **Owned as of** | | **Backlog as of** | | **Months Ended** |  | **Sales Price** | |
|  |  | **First** | | **Number of** | | **March 31,** | | **March 31,** | | **March 31,** | | **March 31,** |  | **Range** | |
| **County, Project, City** | | **Delivery(1)** | | **Lots(2)** | | **2015** |  | **2015(3)** |  | **2015(4)(5)** |  | **2015** |  | **(in thousands)(6)** | |
| **Southern California** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Orange County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Rancho Mission Viejo | | 2013 |  | 105 |  | 84 |  | 21 |  | 19 |  | 3 | $669 | | - $715 |
| Truewind, Huntington Beach | | 2014 |  | 49 |  | 15 |  | 34 |  | 15 |  | 6 | $1,015 | | - $1,140 |
| Arcadia, Irvine | | 2013 |  | 61 |  | 46 |  | - |  | - |  | 1 | $1,162 | | - $1,420 |
| Arcadia II, Irvine | | 2014 |  | 66 |  | 17 |  | 9 |  | 11 |  | 6 | $1,162 | | - $1,232 |
| Fairwind, Huntington Beach | | 2015 |  | 80 |  | - |  | 80 |  | 31 |  | - | $855 | | - $955 |
| Cariz, Irvine | | 2014 |  | 112 |  | 31 |  | 81 |  | 33 |  | 12 | $457 | | - $600 |
| Messina, Irvine | | 2014 |  | 59 |  | 17 |  | 13 |  | 6 |  | 9 | $1,515 | | - $1,630 |
| Aria, Rancho Mission Viejo | | 2016 |  | 87 |  | - |  | 87 |  | - |  | - | $645 | | - $680 |
| Auberine, Rancho Mission Viejo | | 2016 |  | 66 |  | - |  | 66 |  | - |  | - | $995 - $1,105 | | |
| San Diego County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Altana, San Diego | | 2013 |  | 45 |  | 45 |  | - |  | - |  | 1 | $630 | | - $728 |
| Riverside County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Topazridge, Riverside | | 2012 |  | 68 |  | 63 |  | 5 |  | - |  | - | $464 | | - $530 |
| Topazridge II, Riverside | | 2014 |  | 49 |  | 24 |  | 25 |  | 5 |  | 1 | $464 | | - $525 |
| Alegre, Temecula | | 2014 |  | 96 |  | 34 |  | 62 |  | 17 |  | 15 | $281 | | - $312 |
| Aldea, Temecula | | 2014 |  | 90 |  | 29 |  | 61 |  | 11 |  | 6 | $260 | | - $290 |
| Kite Ridge, Riverside | | 2015 |  | 87 |  | - |  | 87 |  | 5 |  | - | $445 | | - $470 |
| Sycamore Creek PA 7, Riverside | | 2015 |  | 87 |  | - |  | 87 |  | - |  | - | $383 | | - $400 |
| Terrassa Cluster, Corona | | 2015 |  | 94 |  | - |  | 94 |  | - |  | - | $435 | | - $485 |
| Terrassa, Corona | | 2015 |  | 52 |  | - |  | 52 |  | - |  | - | $495 | | - $545 |
| Los Angeles County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Avenswood, Azusa | | 2013 |  | 66 |  | 65 |  | 1 |  | 1 |  | 11 | $673 | | - $738 |
| Woodson, Playa Vista | | 2014 |  | 66 |  | 46 |  | 20 |  | 20 |  | 6 | $1,260 | | - $1,370 |
| Grayson, Santa Clarita | | 2015 |  | 119 |  | - |  | 119 |  | - |  | - | $510 | | - $540 |
| San Bernardino County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Sedona at Parkside, Ontario | | 2015 |  | 152 |  | - |  | 152 |  | - |  | - | $379 | | - $425 |
| Kensington at Park Place, Ontario | | 2015 |  | 67 |  | - |  | 67 |  | 4 |  | - | $526 | | - $557 |
| St. James at Park Place, Ontario | | 2015 |  | 57 |  | - |  | 57 |  | 3 |  | - | $453 | | - $484 |
| Ventura County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| The Westerlies, Oxnard | | 2015 |  | 116 |  | - |  | 116 |  | - |  | - | $326 | | - $499 |
| **Southern California Total** | |  |  | **1,996** |  | **516** |  | **1,396** |  | **181** |  | **77** |  |  |  |
| **Northern California** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Contra Costa County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Berkshire at Barrington, Brentwood | | 2014 |  | 89 |  | 25 |  | 64 |  | 13 |  | 8 | $618 -$918 | | |
| Hawthorne at Barrington, Brentwood | | 2014 |  | 105 |  | 24 |  | 81 |  | 12 |  | 5 | $515 | | - $575 |
| Marquette at Barrington, Brentwood | | 2015 |  | 90 |  | - |  | 90 |  | 4 |  | - | $475 | | - $675 |
| Wynstone at Barrington, Brentwood | | 2016 |  | 92 |  | - |  | 92 |  | - |  | - | $450 | | - $525 |
| Penrose at Barrington, Brentwood | | 2016 |  | 34 |  | - |  | 34 |  | - |  | - | $483 | | - $515 |
| Santa Clara County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Avellino, Mountain View | | 2013 |  | 63 |  | 55 |  | 8 |  | 8 |  | - | $1,205 | | - $1,498 |
| Cobblestone, Milpitas | | 2015 |  | 32 |  | - |  | 32 |  | 5 |  | - | $835 | | - $995 |
| San Mateo County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Canterbury, San Mateo | | 2014 |  | 76 |  | 42 |  | 34 |  | 30 |  | 16 | $940 - $1,230 | | |
| Solano County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Redstone, Vacaville | | 2015 |  | 141 |  | - |  | 141 |  | 9 |  | - | $435 | | - $510 |
| San Joaquin County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Ventana, Tracy | | 2015 |  | 93 |  | - |  | 93 |  | 8 |  | - | $435 | | - $535 |
| Hansen Village, Mountain House | | 2015 |  | 113 |  | - |  | 113 |  | - |  | - | $534 | | - $582 |
| Alameda County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cadence, Alameda Landing | | 2015 |  | 91 |  | - |  | 67 |  | 19 |  | - | $880 - $1,050 | | |
| Linear, Alameda Landing | | 2015 |  | 108 |  | - |  | 74 |  | 26 |  | - | $565 | | - $800 |
| Symmetry, Alameda Landing | | 2016 |  | 56 |  | - |  | 56 |  | - |  | - | $700 | | - $785 |
| Parasol, Fremont | | 2016 |  | 39 |  | - |  | 39 |  | - |  | - | $550 | | - $785 |
| Blackstone at the Cannery, Hayward | | 2016 |  | 105 |  | - |  | 105 |  | - |  | - | $495 | | - $565 |
| Blackstone at the Cannery, Hayward | | 2016 |  | 52 |  | - |  | 52 |  | - |  | - | $610 | | - $660 |
| **Northern California Total** | |  |  | **1,379** |  | **146** |  | **1,175** |  | **134** |  | **29** |  |  |  |
| **California Total** | |  |  | **3,375** |  | **662** |  | **2,571** |  | **315** |  | **106** |  |  |  |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Colorado** |  |  |  |  |  |  |  |  |  |  |  |
| Douglas County: |  |  |  |  |  |  |  |  |  |  |  |
| Terrain 4000 Series, Castle Rock | 2013 | 149 |  | 68 |  | 81 |  | 27 |  | 12 | $313 - $366 |
| Terrain 3500 Series, Castle Rock | 2015 | 67 |  | 5 |  | 62 |  | 22 |  | 5 | $292 - $315 |
| Jefferson County: |  |  |  |  |  |  |  |  |  |  |  |
| Leyden Rock 4000 Series, Arvada | 2014 | 51 |  | 14 |  | 37 |  | 21 |  | 9 | $375 - $430 |
| Leyden Rock 5000 Series, Arvada | 2015 | 67 |  | - |  | 67 |  | 28 |  | - | $432 - $492 |
| Candelas, Arvada | 2015 | 76 |  | - |  | 76 |  | 5 |  | - | $560 - $619 |
| Denver County: |  |  |  |  |  |  |  |  |  |  |  |
| Platt Park North, Denver | 2014 | 29 |  | 11 |  | 18 |  | 11 |  | 7 | $611 - $615 |
| Larimer County: |  |  |  |  |  |  |  |  |  |  |  |
| Centerra 5000 Series, Loveland | 2015 | 150 |  | - |  | 40 |  | 11 |  | - | $388 - $419 |
| Arapahoe County: |  |  |  |  |  |  |  |  |  |  |  |
| Whispering Pines, Aurora | 2015 | 115 |  | - |  | 115 |  | - |  | - | $518 - $588 |
| **Colorado Total** |  | **704** |  | **98** |  | **496** |  | **125** |  | **33** |  |
| **TRI Pointe Total** |  | **4,079** |  | **760** |  | **3,067** |  | **440** |  | **139** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

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***Winchester***

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Cumulative** | |  |  |  |  | **Homes Delivered** |  |  |  |  |
|  |  |  |  |  |  | **Homes** | | **Lots** | |  |  | **for the Three** |  |  |  |  |
|  |  | **Year of** | | **Total** | | **Delivered as of** | | **Owned as of** | | **Backlog as of** | | **Months Ended** |  | **Sales Price** | |  |
|  |  | **First** | | **Number of** | | **March 31,** | | **March 31,** | | **March 31,** | | **March 31,** |  | **Range** | |  |
| **County, Project, City** | | **Delivery(1)** | | **Lots(2)** | | **2015** |  | **2015(3)** |  | **2015(4)(5)** |  | **2015** |  | **(in thousands)** | |  |
|  |  |  | **(6)** | | |  |
| **Maryland** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Anne Arundel County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Hawthornes Grant, Arnold | | 2014 |  | 15 |  | 14 |  | 1 |  | 1 |  | 2 |  | N/A | |  |
| Hawthornes Grant Lots For Sale | | N/A | |  |  |  |  | 35 |  |  |  |  |  | N/A | |  |
| Watson's Glen, Millersville | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Watson's Glen I | | 2015 |  | 48 |  | — | | 48 |  | — | | — | $365 | | - $399 |  |
| Watson's Glen II | | 2015 |  | 55 |  | — | | 55 |  | — | | — | $411-$426 | | |  |
| Frederick County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Landsdale, Monrovia | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Landsdale Village Singles | | 2015 |  | 125 |  | — | | 125 |  | 6 |  | — | $465 | | - $570 |  |
| Landsdale Lifestyle Singles | | 2015 |  | 97 |  | — | | 97 |  | — | | — | $535 | | - $635 |  |
| Landsdale Everson Townhomes | | 2015 |  | 100 |  | — | | 100 |  | — | | — | $350 | | - $375 |  |
| Landsdale TND Neo Everson SFD | | 2015 |  | 77 |  | — | | 77 |  | — | | - | $465 | | - $595 |  |
| Howard County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Walnut Creek, Ellicott City | | 2014 |  | 15 |  | 12 |  | 3 |  | 5 |  | 3 | $990 - $1,293 | | |  |
| Montgomery County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cabin Branch, Clarksburg | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cabin Branch SFD | | 2014 |  | 252 |  | 14 |  | 238 |  | 9 |  | 5 | $480 | | - $719 |  |
| Cabin Branch Boulevard Townhomes | | 2016 |  | 61 |  | - |  | 61 |  | - |  | - |  | TBD | |  |
| Cabin Branch Everson SFD | | 2014 |  | 107 |  | 12 |  | 95 |  | 3 |  | 5 | $480 | | - $515 |  |
| Cabin Branch Everson Townhomes | | 2014 |  | 567 |  | 28 |  | 539 |  | 7 |  | 7 | $360 | | - $450 |  |
| Preserve at Stoney Spring-Lots for Sale | | N/A | | - |  | - |  | 7 |  | - |  | - |  | NA | |  |
| Preserve at Rock Creek, Rockville | | 2012 |  | 68 |  | 46 |  | 22 |  | 14 |  | - | $685 | | - $964 |  |
| Poplar Run, Silver Spring | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Poplar Run Everson Townhomes | | 2013 |  | 136 |  | 69 |  | 67 |  | 2 |  | - | $400 | | - $490 |  |
| Poplar Run Lifestyle | | 2010 |  | 195 |  | 102 |  | 93 |  | 14 |  | 4 | $570 | | - $715 |  |
| Poplar Run Lots for Sale | | N/A | | - |  |  |  | 29 |  | - |  | - |  | NA | |  |
| Poplar Run Village | | 2010 |  | 170 |  | 72 |  | 98 |  | 4 |  | 5 | $560 | | - $665 |  |
| Potomac Highlands | | 2016 |  | 23 |  | - |  | 23 |  | - |  | - |  | TBD | |  |
| Glenmont | | 2016 |  | 89 |  | - |  | 89 |  | - |  | - |  | TBD | |  |
| **Maryland Total** | |  |  | **2,200** |  | **369** |  | **1,902** |  | **65** |  | **31** |  |  |  |  |
| **Virginia** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Chesterfield County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Founders Bridge, Midlothian | | 2014 |  | 3 |  | 2 |  | 1 |  | 1 |  | 2 |  | Sold Out | |  |
| Fairfax County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Reserve at Waples Mill, Oakton | | 2013 |  | 28 |  | 17 |  | 11 |  | 6 |  | - | $1,243 | | - $1,530 |  |
| Stuart Mill & Timber Lake, Oakton | | 2014 |  | 19 |  | 3 |  | 16 |  | 2 |  | 1 | $1,363 | | - $1,650 |  |
| Henrico County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Stable Hill, Glen Allen | | 2013 |  | 49 |  | 38 |  | 11 |  | 9 |  | 2 | $484 | | - $535 |  |
| Prince William County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Villages of Piedmont | | 2015 |  | 168 |  | - |  | 168 |  | 2 |  | - | $376 | | - $435 |  |
| Loudoun County: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Willowsford Greens, Aldie | | 2014 |  | 38 |  | 11 |  | 27 |  | 11 |  | 2 | $750 | | - $810 |  |
| Brambleton, Ashburn | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| English Manor Towns | | 2014 |  | 28 |  | 9 |  | 19 |  | 4 |  | 2 | $490 | | - $530 |  |
| Glenmere at Brambleton SFD | | 2014 |  | 48 |  | 30 |  | 18 |  | 23 |  | 8 | $580 | | - $693 |  |
| Glenmere at Brambleton Townhomes | | 2014 |  | 58 |  | 41 |  | 17 |  | 11 |  | 13 | $453 | | - $457 |  |
| West Park at Brambleton | | 2013 |  | 45 |  | 39 |  | 6 |  | 6 |  | 4 | $720 - $811 | | |  |
| One Loudoun, Ashburn | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| One Loudoun Chicago Series | | 2012 |  | 43 |  | 42 |  | 1 |  | 1 |  | 1 | $675 | | - $680 |  |
| One Loudoun Brooklyn Series | | 2014 |  | 31 |  | 18 |  | 13 |  | 5 |  | 4 | $680 | | - $710 |  |
| One Loudoun Manhattan Series | | 2013 |  | 30 |  | 30 |  | - |  | 6 |  | 3 | $690 | | |  |
| Vistas at Lansdowne, Lansdowne | | 2015 |  | 120 |  | - |  | 120 |  | 11 |  | - | $569 | | - $598 |  |
| Willowsford Grant, Leesburg | | 2013 |  | 36 |  | 29 |  | 7 |  | 4 |  | 2 | $855 | | - $915 |  |
| **Virginia Total** | |  |  | **744** |  | **309** |  | **435** |  | **102** |  | **44** |  |  |  |  |
| **Winchester Total** | |  |  | **2,944** |  | **678** |  | **2,337** |  | **167** |  | **75** |  |  |  |  |
| **Combined Company Total** | |  |  | **32,153** |  | **6,127** |  | **25,750** |  | **1,558** |  | **668** |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | - 44 - |  |  |  |  |  |  |  |  |  |  |  |  |

1. Year of first delivery for future periods is based upon management’s estimates and is subject to change.
2. The number of homes to be built at completion is subject to change, and there can be no assurance that we will build these homes.
3. Owned lots as of March 31, 2015 include owned lots in backlog as of March 31, 2015.
4. Backlog consists of homes under sales contracts that had not yet been delivered, and there can be no assurance that delivery of sold homes will occur.
5. Of the total homes subject to pending sales contracts that have not been delivered as of March 31, 2015, 933 homes are under construction, 210 homes have completed construction, and 415 homes have not started construction.
6. Sales price range reflects base price only and excludes any lot premium, buyer incentives and buyer-selected options, which may vary from project to project. Sales prices for homes required to be sold pursuant to affordable housing requirements are excluded from sales price range. Sales prices reflect current pricing and might not be indicative of past or future pricing.

**Critical Accounting Policies**

See Note 1 to the accompanying condensed notes to unaudited condensed consolidated financial statements included in this Quarterly Report on Form

10-Q.

**Recently Issued Accounting Standards**

See Note 1 to the accompanying condensed notes to unaudited condensed consolidated financial statements included in this Quarterly Report on Form

10-Q.

**Related Party Transactions**

See Note 18 to the accompanying condensed notes to unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

**Item 3.** **Quantitative and Qualitative Disclosures about Market Risk**

We are exposed to market risks related to fluctuations in interest rates on our outstanding variable rate debt. In addition, our operations are interest rate sensitive as higher mortgage interest rates could negatively affect housing demand. We did not utilize swaps, forward or option contracts on interest rates or commodities, or other types of derivative financial instruments as of or during the three months ended March 31, 2015. We have not entered into and currently do not hold derivatives for trading or speculative purposes. Many of the statements contained in this section are forward looking and should be read in conjunction with our disclosures under the heading “Cautionary Note Concerning Forward-Looking Statements.”

**Item 4.** **Controls and Procedures**

Our management, with the participation of our chief executive officer and chief financial officer, has reviewed and evaluated the effectiveness of our disclosure controls and procedures, as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e), as of the end of the period covered by this Quarterly Report on Form 10-Q (the “Evaluation Date”). Based on such evaluation, management has concluded that our disclosure controls and procedures were effective as of the Evaluation Date. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures are designed to provide a reasonable level of assurance of reaching our desired disclosure control objectives.

During the fiscal quarter covered by this Quarterly Report on Form 10-Q, there has not been any change in our internal control over financial reporting that has materially affected, or that is reasonably likely to materially affect, our internal control over financial reporting.

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**PART II. OTHER INFORMATION**

**Item 1.** **Legal Proceedings**

Various claims and actions that we consider normal to our business have been asserted and are pending against us. See Note 15, *Commitments and* *Contingencies*, of the condensed notes to the unaudited financial statements included in Part I, Item 1 of this Quarterly Report on Form 10‑Q. We do notbelieve that any of such claims and actions are material to our financial statements.

**Item 1A.** **Risk Factors**

*The following supplements and updates the risk factors in Part I, Item 1A "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2014. If any of the risks discussed below or in our Annual Report on Form 10-K occur, our business, prospects, liquidity, financial condition and results of operations could be materially and adversely affected, in which case the trading price of our common stock could decline significantly and you could lose all or a part of your investment. Some statements in this Quarterly Report on Form 10-Q, including statements in the following risk factors, constitute forward-looking statements. Please refer to Part I, Item 2 of this Quarterly Report on Form 10-Q entitled "Cautionary Note Concerning Forward-Looking Statements."*

**Risks Related to Our Business**

***Adverse weather and natural disasters may increase costs, cause project delays and reduce consumer demand for housing.***

As a homebuilder and land developer, we are subject to the risks associated with numerous weather-related events and natural disasters that are beyond our control. These weather-related events and natural disasters include, but are not limited to, droughts, floods, wildfires, landslides, soil subsidence, hurricanes, tornadoes and earthquakes. The occurrence of any of these events could damage our land and projects, cause delays in, or prevent, completion of our projects, reduce consumer demand for housing, and cause shortages and price increases in labor or raw materials, any of which could materially and adversely affect our sales and profitability. We have substantial operations in Southern and Northern California that have historically experienced significant earthquake activity and seasonal wildfires. Our markets in Colorado have also experienced seasonal wildfires, floods and soil subsidence. In addition, our Washington market has historically experienced significant earthquake, volcanic and seismic activity and our Texas market occasionally experiences extreme weather conditions such as tornadoes and hurricanes.

In addition to directly damaging our land or projects, earthquakes, hurricanes, tornadoes, volcanoes, floods, wildfires or other natural events could damage roads and highways providing access to those assets or affect the desirability of our land or projects, thereby materially and adversely affecting our ability to market homes or sell land in those areas and possibly increasing the cost to complete construction of our homes.

There are some risks of loss for which we may be unable to purchase insurance coverage. For example, losses associated with landslides, earthquakes and other geologic events may not be insurable and other losses, such as those arising from terrorism, may not be economically insurable. A sizeable uninsured loss could materially and adversely affect our business, liquidity, financial condition and results of operations.

***Continuing drought conditions in California and other areas in which we operate may negatively impact the economy, increase the risk of wildfires, cause us to incur additional costs, and delay or prevent new home deliveries.***

Certain of the areas in which we operate, particularly in California, have experienced drought conditions from time to time. Continuing drought conditions could negatively impact the economy and environment as well as increase greatly the risk of wildfires.

Last year, the Governor of California proclaimed a Drought State of Emergency warning that drought conditions may place drinking water supplies at risk in many California communities. In April 2015, the Governor issued an executive order that, among other things, directs the State Water Resources Control Board to implement mandatory water reductions in cities and towns across California to reduce water usage by 25 percent and to prohibit irrigation with potable water outside newly constructed homes that is not delivered by drip or micro-spray systems. The Governor's order also calls on local water agencies to adjust their rate structures to implement conservation pricing, directs the Department of Water Resources to update the Model Water Efficient Landscape Ordinance, and directs the California Energy Commission to adopt emergency regulations establishing standards to improve the efficiency of water appliances such as toilets and faucets. These and other measures that are instituted to respond to drought conditions could cause us to incur additional costs. In addition, new home deliveries in some areas may be delayed or prevented due to the unavailability of water, even when we have obtained water rights for those projects.

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***Utility shortages or price increases could have an adverse impact on operations.***

Certain of the markets in which we operate, including California, have experienced power shortages, including mandatory periods without electrical power, as well as significant increases in utility costs. Reduced water supplies as a result of drought conditions may negatively affect electric power generation. Additionally, municipalities may restrict or place moratoriums on the availability of utilities, such as water and sewer taps. We may incur additional costs and may not be able to complete construction on a timely basis if such utility shortages, restrictions, moratoriums and rate increases continue. In addition, these utility issues may adversely affect the local economies in which we operate, which may reduce demand for housing in those markets. Our results of operations may be materially and adversely impacted if further utility shortages, restrictions, moratoriums or rate increases occur in our markets.

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|  |  |
| --- | --- |
| **Item 6.** | **Exhibits** |
| Exhibit |  |
| Number | Exhibit Description |
| 2.1 | Transaction Agreement, dated as of November 3, 2013, among TRI Pointe Homes, Inc., Weyerhaeuser Company, Weyerhaeuser Real Estate |
|  | Company, and Topaz Acquisition, Inc. (incorporated by reference to Exhibit 2.1 to the Company’s Registration Statement on Form S-4 (filed |
|  | Mar. 28, 2014)) |
| 3.1 | Amended and Restated Certificate of Incorporation of TRI Pointe Homes, Inc. (incorporated by reference to Exhibit 3.1 to the Company’s |
|  | Annual Report on Form 10-K (filed Mar. 28, 2013)) |
| 3.2 | Amended and Restated Bylaws of TRI Pointe Homes, Inc. (incorporated by reference to Exhibit 3.2 to the Company’s Quarterly Report on Form |
|  | 10-Q (filed Aug. 13, 2013)) |
| 3.3 | Amendment to Amended and Restated Bylaws of TRI Pointe Homes, Inc. (incorporated by reference to Exhibit 3.1 to the Company’s Current |
|  | Report on Form 8-K (filed August 6, 2014) |
| 4.1 | Specimen Common Stock Certificate of TRI Pointe Homes, Inc. (incorporated by reference to Exhibit 4.1 to the Company’s Registration |
|  | Statement on Form S-1 (filed Dec. 21, 2012)) |
| 4.2 | Investor Rights Agreement, dated as of January 30, 2013, by and among TRI Pointe Homes, Inc., VIII/TPC Holdings, L.L.C., BMG Homes, Inc., |
|  | The Bauer Revocable Trust U/D/T Dated December 31, 2003, Grubbs Family Trust Dated June 22, 2012, The Mitchell Family Trust U/D/T |
|  | Dated February 8, 2000, Douglas J. Bauer, Thomas J. Mitchell and Michael D. Grubbs. (incorporated by reference to Exhibit 4.2 to the |
|  | Company’s Registration Statement on Form S-4 (filed Jan. 9, 2014)) |
| 4.3 | First Amendment to Investor Rights Agreement, dated as of November 3, 2013, by and among TRI Pointe Homes, Inc., VIII/TPC Holdings, |
|  | L.L.C., BMG Homes, Inc., The Bauer Revocable Trust U/D/T Dated December 31, 2003, Grubbs Family Trust Dated June 22, 2012, The |
|  | Mitchell Family Trust U/D/T Dated February 8, 2000, Douglas F. Bauer, Thomas J. Mitchell and Michael D. Grubbs (incorporated by reference |
|  | to Exhibit 10.9 to the Company’s Current Report on Form 8-K (filed Nov. 4, 2013)) |
| 4.4 | Registration Rights Agreement, dated as of January 30, 2013, among TRI Pointe Homes, Inc., VIII/TPC Holdings, L.L.C., and certain TRI |
|  | Pointe Homes, Inc. stockholders (incorporated by reference to Exhibit 4.4 to the Company’s Registration Statement on Form S-4 (filed Jan. 9, |
|  | 2014)) |
| 4.5 | Indenture, dated as of June 13, 2014, by and among Weyerhaeuser Real Estate Company and U.S. Bank National Association, as trustee |
|  | (including form of 4.375% Senior Note due 2019) (incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K (filed |
|  | June 19, 2014)) |
| 4.6 | First Supplemental Indenture, dated as of July 7, 2014, among TRI Pointe Homes, Inc., Weyerhaeuser Real Estate Company and U.S. Bank |
|  | National Association, as trustee, relating to the 4.375% Senior Notes due 2019 (incorporated by reference to Exhibit 4.1 to the Company’s |
|  | Current Report on Form 8-K (filed July 7, 2014)) |
| 4.7 | Second Supplemental Indenture, dated as of July 7, 2014, among the guarantors party thereto and U.S. Bank National Association, as trustee, |
|  | relating to the 4.375% Senior Notes due 2019 (incorporated by reference to Exhibit 4.3 to the Company’s Current Report on Form 8-K (filed July |
|  | 7, 2014)) |
| 4.8 | Indenture, dated as of June 13, 2014, by and among Weyerhaeuser Real Estate Company and U.S. Bank National Association, as trustee |
|  | (including form of 5.875% Senior Note due 2024) (incorporated by reference to Exhibit 4.2 to the Company’s Current Report on Form 8-K (filed |
|  | June 19, 2014)) |
| 4.9 | First Supplemental Indenture, dated as of July 7, 2014, among TRI Pointe Homes, Inc., Weyerhaeuser Real Estate Company and U.S. Bank |
|  | National Association, as trustee, relating to the 5.875% Senior Notes due 2024 (incorporated by reference to Exhibit 4.2 to the Company’s |
|  | Current Report on Form 8-K (filed July 7, 2014)) |
| 4.10 | Second Supplemental Indenture, dated as of July 7, 2014, among the guarantors party thereto and U.S. Bank National Association, as trustee, |
|  | relating to the 5.875% Senior Notes due 2024 (incorporated by reference to Exhibit 4.4 to the Company’s Current Report on Form 8-K (filed July |
|  | 7, 2014)) |
| 10.1\* | Form of Performance-Based Cash Award Agreement (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K |
|  | (filed March 11, 2015)) |
| 10.2\* | Form of Performance-Based Restricted Stock Unit Award Agreement (total shareholder return) (incorporated by reference to Exhibit 10.2 to the |
|  | Company’s Current Report on Form 8-K (filed March 11, 2015)) |
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10.3\* Form of Performance-Based Restricted Stock Unit Award Agreement (earnings per share) (incorporated by reference to Exhibit 10.3 to the Company’s Current Report on Form 8-K (filed March 11, 2015))

10.4\* Form of Performance-Based Restricted Stock Unit Award Agreement (stock price) (incorporated by reference to Exhibit 10.4 to the Company’s Current Report on Form 8-K (filed March 11, 2015))

10.5\* Summary Description of Changes in Executive Officer Compensation

31.1 Chief Executive Officer Section 302 Certification of the Sarbanes-Oxley Act of 2002

31.2 Chief Financial Officer Section 302 Certification of the Sarbanes-Oxley Act of 2002

32.1 Chief Executive Officer Section 906 Certification of the Sarbanes-Oxley Act of 2002

32.2 Chief Financial Officer Section 906 Certification of the Sarbanes-Oxley Act of 2002

* 1. The following materials from TRI Pointe Homes, Inc.’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statement of Cash Flows, and (v) Condensed Notes to Consolidated Financial Statement.

\* Management Contract or Compensatory Plan or Arrangement

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TRI Pointe Homes, Inc.

By: /s/ Douglas F. Bauer

Douglas F. Bauer



Chief Executive Officer

By: /s/ Michael D. Grubbs

Michael D. Grubbs



Chief Financial Officer

Date: May 8, 2015

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**Exhibit 10.5**

**Summary Description of Changes in Executive Officer Compensation**

Period ended March 31, 2015

1. **Chief Executive Officer, President and Chief Financial Officer**

The Compensation Committee of the Board of Directors of TRI Pointe Homes, Inc. (the “Company”) approved cash performance awards and awards of performance-based restricted stock units (“RSUs”) to the Company’s Chief Executive Officer, President and Chief Financial Officer.

The cash performance awards were made pursuant to the Company’s 2013 Long-Term Incentive Plan, with a performance period of January 1, 2015 to December 31, 2015. The payout amounts, if any, will be based on the Company’s achievement of specified earnings per share amounts and will be calculated based on percentages of each officer’s target, which is equal to 110% of that officer’s base salary.

The Compensation Committee awarded 411,804, 384,351, and 274,536 performance-based RSUs to the Company’s Chief Executive Officer, President and Chief Financial Officer, respectively, with 1/3 of these RSU amounts being allocated to each of the three separate performance goals, and vesting, if at all, in each case based on the percentage of attainment of the applicable goal. The Company’s total shareholder return will be compared to a group of similarly-sized homebuilders. The performance periods for the RSUs with vesting based on total shareholder return and earnings per share are January 1, 2015 to December 31, 2017. The performance period for the RSUs with vesting based on stock price is January 1, 2016 to December 31, 2017. These performance-based RSU awards were granted pursuant to the Company’s 2013 Long-Term Incentive Plan.

The Compensation Committee approved increases in the base salaries of the Chief Executive Officer, President and Chief Financial Officer of $100,000, $100,000, and $50,000, respectively.

These changes in target total annual compensation are summarized in the table below.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Annualized | | |  | Target | |  |  |  |
| Executive |  |  | Base | |  | Annual | | Performance- | |  |
|  |  | Salary | |  | Incentive | | Based RSUs(1) | |  |
| Douglas F. Bauer (CEO) |  | $ | 600,000 |  |  | $660,000 |  | 411,804 |  |  |
| Thomas J. Mitchell (President) | $ | | 575,000 | | $633,000 | | | 384,351 | |  |
| Michael D. Grubbs (CFO) | $ | | 500,000 | | $550,000 | | | 274,536 | |  |

1. The number of performance restricted stock units awarded is based on the closing price of the Company’s common stock on March 9, 2015, the date of grant.

The foregoing is a brief summary of the terms of those performance-based awards, and is qualified in its entirety by reference to the forms of award agreements, copies of which are filed as Exhibits 10.1, 10.2, 10.3 and 10.4 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 11, 2015.

1. **Other Named Executive Officers**

On February 27, 2015, the Company approved increases in the base salaries of the Company’s General Counsel and Chief Accounting Officer, of $25,000, and $50,000, respectively. The Company also awarded restricted stock units to these officers, vesting 1/3 each year beginning on the first anniversary of the date of the awards. In addition, the Company established a performance metric of pre-tax income for the Company’s 2015 annual incentive program for all executive officers. The payout percentages of base salary for the General Counsel is 30% at threshold (75% of plan), 60% at target (100% of plan) and 120% at maximum (125% of plan). The payout percentages for the Chief Accounting Officer are 37.5%, 75%, and 150%, respectively at threshold, target and maximum. As long as the threshold is met, a multiple of 1.2 will be automatically applied to the payouts, subject to

the negative discretion of the Compensation Committee to eliminate or reduce the multiple based on individual performance.

These changes in target total annual compensation are summarized in the table below.

2015 Total Target Compensation by Element

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | Target | |  |  |  |  |  |  |  |
| Executive |  | Base | |  | Annual | | Long-term | | |  | **Total** | |  |
|  | Salary | | Incentive(1) | | | Incentive(2) | | |  |  |
| Bradley W. Blank (GC) |  | $350,000 |  | $ | 210,000 |  | $ | 200,000 |  |  | $760,000 |  |  |
| Glenn F. Keeler (CAO) | $250,000 | | | $ | 187,500 | | $ | 200,000 | | $637,500 | | |  |

1. Before application of automatic multiple of 1.2.
2. The number of performance restricted stock units and restricted stock units awarded will be based on the closing price of the Company’s common stock on March 5, 2015, the date of grant.

**Exhibit 31.1**

**SECTION 302 CERTIFICATION**

I, Douglas F. Bauer, certify that:

1. I have reviewed this report on Form 10-Q of TRI Pointe Homes, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   1. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   2. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   3. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   4. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   1. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   2. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

|  |  |
| --- | --- |
| Date: May 8, 2015 | /s/ Douglas F. Bauer |
|  | Douglas F. Bauer |
|  | Chief Executive Officer (Principal Executive Officer) |

**Exhibit 31.2**

**SECTION 302 CERTIFICATION**

I, Michael D. Grubbs, certify that:

1. I have reviewed this report on Form 10-Q of TRI Pointe Homes, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   1. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   2. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   3. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   4. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   1. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   2. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

|  |  |
| --- | --- |
| Date: May 8, 2015 | /s/ Michael D. Grubbs |
|  | Michael D. Grubbs |
|  | Chief Financial Officer (Principal Financial Officer) |

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO**

**18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Report of TRI Pointe Homes, Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Douglas F. Bauer, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C.

* 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:
  1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
  2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

|  |  |
| --- | --- |
| Date: May 8, 2015 | /s/ Douglas F. Bauer |
|  | Douglas F. Bauer |
|  | Chief Executive Officer (Principal Executive Officer) |

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO**

**18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Report of TRI Pointe Homes, Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael D. Grubbs, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C.

* 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:
  1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
  2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

|  |  |
| --- | --- |
| Date: May 8, 2015 | /s/ Michael D. Grubbs |
|  | Michael D. Grubbs |
|  | Chief Financial Officer (Principal Financial Officer) |