

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2019  
or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-35796



**TRI Pointe Group, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**  
(State or other Jurisdiction of  
Incorporation or Organization)

**61-1763235**  
(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

Not Applicable  
(Former name, former address and former fiscal year, if changed since last report)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.01 per share	TPH	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes  No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

142,258,663 shares of the registrant's common stock were issued and outstanding as of July 12, 2019.

#### **EXPLANATORY NOTE**

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

**TRI POINTE GROUP, INC.**  
**QUARTERLY REPORT ON FORM 10-Q**  
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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**TRI POINTE GROUP, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share amounts)

	June 30, 2019	December 31, 2018
	(unaudited)	
<b>Assets</b>		
Cash and cash equivalents	\$ 171,516	\$ 277,696
Receivables	58,370	51,592
Real estate inventories	3,253,601	3,216,059
Investments in unconsolidated entities	4,241	5,410
Goodwill and other intangible assets, net	160,160	160,427
Deferred tax assets, net	64,671	67,768
Other assets	164,991	105,251
Total assets	\$ 3,877,550	\$ 3,884,203
<b>Liabilities</b>		
Accounts payable	\$ 63,091	\$ 81,313
Accrued expenses and other liabilities	295,671	335,149
Loans payable	400,000	—
Senior notes, net	1,032,145	1,410,804
Total liabilities	1,790,907	1,827,266
Commitments and contingencies (Note 13)		
<b>Equity</b>		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized; no shares issued and outstanding as of June 30, 2019 and December 31, 2018, respectively	—	—
Common stock, \$0.01 par value, 500,000,000 shares authorized; 142,258,663 and 141,661,713 shares issued and outstanding at June 30, 2019 and December 31, 2018, respectively	1,423	1,417
Additional paid-in capital	662,087	658,720
Retained earnings	1,423,120	1,396,787
Total stockholders' equity	2,086,630	2,056,924
Noncontrolling interests	13	13
Total equity	2,086,643	2,056,937
Total liabilities and equity	\$ 3,877,550	\$ 3,884,203

See accompanying condensed notes to the unaudited consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Homebuilding:</b>				
Home sales revenue	\$ 692,138	\$ 768,795	\$ 1,184,841	\$ 1,351,367
Land and lot sales revenue	5,183	1,518	6,212	1,741
Other operations revenue	637	599	1,235	1,197
Total revenues	697,958	770,912	1,192,288	1,354,305
Cost of home sales	574,684	604,096	996,220	1,054,598
Cost of land and lot sales	5,562	1,426	7,057	1,929
Other operations expense	627	589	1,217	1,191
Sales and marketing	47,065	45,744	86,054	84,027
General and administrative	36,854	36,483	75,451	73,297
Homebuilding income from operations	33,166	82,574	26,289	139,263
Equity in (loss) income of unconsolidated entities	(26)	69	(51)	(399)
Other income (expense), net	153	(73)	6,394	98
Homebuilding income before income taxes	33,293	82,570	32,632	138,962
<b>Financial Services:</b>				
Revenues	756	391	1,058	674
Expenses	627	129	948	266
Equity in income of unconsolidated entities	1,972	1,984	2,747	2,986
Financial services income before income taxes	2,101	2,246	2,857	3,394
<b>Income before income taxes</b>	35,394	84,816	35,489	142,356
Provision for income taxes	(9,132)	(21,136)	(9,156)	(35,796)
Net income	\$ 26,262	\$ 63,680	\$ 26,333	\$ 106,560
<b>Earnings per share</b>				
Basic	\$ 0.18	\$ 0.42	\$ 0.19	\$ 0.70
Diluted	\$ 0.18	\$ 0.42	\$ 0.18	\$ 0.70
<b>Weighted average shares outstanding</b>				
Basic	142,244,166	151,983,886	142,055,766	151,725,651
Diluted	142,471,191	153,355,965	142,431,725	153,067,342

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

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

	Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at March 31, 2019	142,210,147	\$ 1,422	\$ 658,743	\$ 1,396,858	\$ 2,057,023	\$ 13	\$ 2,057,036
Net income	—	—	—	26,262	26,262	—	26,262
Shares issued under share-based awards	48,516	1	—	—	1	—	1
Minimum tax withholding paid on behalf of employees for restricted stock units	—	—	(7)	—	(7)	—	(7)
Stock-based compensation expense	—	—	3,351	—	3,351	—	3,351
Balance at June 30, 2019	<u>142,258,663</u>	<u>\$ 1,423</u>	<u>\$ 662,087</u>	<u>\$ 1,423,120</u>	<u>\$ 2,086,630</u>	<u>\$ 13</u>	<u>\$ 2,086,643</u>
	Number of Shares of Common Stock (Note 1)	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2018	141,661,713	\$ 1,417	\$ 658,720	\$ 1,396,787	\$ 2,056,924	\$ 13	\$ 2,056,937
Net income	—	—	—	26,333	26,333	—	26,333
Shares issued under share-based awards	596,950	6	193	—	199	—	199
Minimum tax withholding paid on behalf of employees for restricted stock units	—	—	(3,612)	—	(3,612)	—	(3,612)
Stock-based compensation expense	—	—	6,786	—	6,786	—	6,786
Balance at June 30, 2019	<u>142,258,663</u>	<u>\$ 1,423</u>	<u>\$ 662,087</u>	<u>\$ 1,423,120</u>	<u>\$ 2,086,630</u>	<u>\$ 13</u>	<u>\$ 2,086,643</u>
	Number of Shares of Common Stock (Note 1)	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at March 31, 2018	151,922,459	\$ 1,519	\$ 792,369	\$ 1,169,756	\$ 1,963,644	\$ 604	\$ 1,964,248
Net income	—	—	—	63,680	63,680	—	63,680
Shares issued under share-based awards	104,555	1	657	—	658	—	658
Stock-based compensation expense	—	—	3,720	—	3,720	—	3,720
Balance at June 30, 2018	<u>152,027,014</u>	<u>\$ 1,520</u>	<u>\$ 796,746</u>	<u>\$ 1,233,436</u>	<u>\$ 2,031,702</u>	<u>\$ 604</u>	<u>\$ 2,032,306</u>
	Number of Shares of Common Stock (Note 1)	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2017	151,162,999	\$ 1,512	\$ 793,980	\$ 1,134,230	\$ 1,929,722	\$ 605	\$ 1,930,327
Cumulative effect of accounting change	—	—	—	(7,354)	(7,354)	—	(7,354)
Net income	—	—	—	106,560	106,560	—	106,560
Shares issued under share-based awards	864,015	8	1,625	—	1,633	—	1,633
Minimum tax withholding paid on behalf of employees for restricted stock units	—	—	(6,049)	—	(6,049)	—	(6,049)
Stock-based compensation expense	—	—	7,190	—	7,190	—	7,190
Distributions to noncontrolling interests, net	—	—	—	—	—	(1)	(1)
Balance at June 30, 2018	<u>152,027,014</u>	<u>\$ 1,520</u>	<u>\$ 796,746</u>	<u>\$ 1,233,436</u>	<u>\$ 2,031,702</u>	<u>\$ 604</u>	<u>\$ 2,032,306</u>

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

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

	Six Months Ended June 30,	
	2019	2018
<b>Cash flows from operating activities:</b>		
Net income	\$ 26,333	\$ 106,560
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	11,561	12,579
Equity in income of unconsolidated entities, net	(2,696)	(2,587)
Deferred income taxes, net	3,097	12,428
Amortization of stock-based compensation	6,786	7,190
Charges for impairments and lot option abandonments	5,490	857
Changes in assets and liabilities:		
Real estate inventories	(50,700)	(188,407)
Receivables	(6,778)	65,989
Other assets	(1,774)	(2,792)
Accounts payable	(18,221)	16,066
Accrued expenses and other liabilities	(80,964)	(32,805)
Returns on investments in unconsolidated entities, net	3,927	4,873
Net cash used in operating activities	(103,939)	(49)
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(13,142)	(15,682)
Proceeds from sale of property and equipment	46	3
Investments in unconsolidated entities	(712)	(1,178)
Net cash used in investing activities	(13,808)	(16,857)
<b>Cash flows from financing activities:</b>		
Borrowings from debt	400,000	—
Repayment of debt	(381,895)	(21,685)
Debt issuance costs	(3,125)	—
Distributions to noncontrolling interests	—	(1)
Proceeds from issuance of common stock under share-based awards	199	1,633
Minimum tax withholding paid on behalf of employees for share-based awards	(3,612)	(6,049)
Net cash provided by (used in) financing activities	11,567	(26,102)
Net decrease in cash and cash equivalents	(106,180)	(43,008)
Cash and cash equivalents—beginning of period	277,696	282,914
Cash and cash equivalents—end of period	\$ 171,516	\$ 239,906

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



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

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

**Organization**

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

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), as contained within the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”), for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. They should be read in conjunction with our consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2018. In the opinion of management, all adjustments consisting of normal recurring adjustments, necessary for a fair presentation with respect to interim financial statements, have been included. The results for the three and six months ended June 30, 2019 are not necessarily indicative of the results to be expected for the full year ending December 31, 2019 due to seasonal variations and other factors.

The consolidated financial statements include the accounts of TRI Pointe Group and its wholly owned subsidiaries, as well as other entities in which TRI Pointe Group has a controlling interest and variable interest entities (“VIEs”) in which TRI Pointe Group is the primary beneficiary. The noncontrolling interests as of June 30, 2019 and December 31, 2018 represent the outside owners’ interests in the Company’s consolidated entities. All significant intercompany accounts have been eliminated upon consolidation.

**Use of Estimates**

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

**Revenue Recognition**

We recognize revenue in accordance with Accounting Standards Topic 606 (“ASC 606”), *Revenue from Contracts with Customers*. Under ASC 606, we apply the following steps to determine the timing and amount of revenue to recognize: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation.

***Home sales revenue***

We generate the majority of our total revenues from home sales, which consists of our core business operation of building and delivering completed homes to homebuyers. Home sales revenue and related profit is generally recognized when title to and possession of the home is transferred to the homebuyer at the home closing date. Our performance obligation to deliver the agreed-upon home is generally satisfied in less than one year from the original contract date. Included in home sales revenue are forfeited deposits, which occur when homebuyers cancel home purchase contracts that include a nonrefundable deposit. Both revenue from forfeited deposits and deferred revenue resulting from uncompleted performance obligations existing at the time we deliver new homes to our homebuyers are immaterial.

***Land and lot sales revenue***

Historically, we have generated land and lot sales revenue from a small number of transactions, although in some years we have realized a significant amount of revenue and gross margin. We do not expect our future land and lot sales revenue to

be material, but we still consider these sales to be an ordinary part of our business, thus meeting the definition of contracts with customers. Similar to our home sales, revenue from land and lot sales is typically fully recognized when the land and lot sales transactions are consummated, at which time no further performance obligations are left to be satisfied. Some of our historical land and lot sales have included future profit participation rights. We will recognize future land and lot sales revenue in the periods in which all closing conditions are met, subject to the constraint on variable consideration related to profit participation rights, if such rights exist in the sales contract.

#### ***Other operations revenue***

The majority of our homebuilding other operations revenue relates to a ground lease at our Quadrant Homes reporting segment. We are responsible for making lease payments to the land owner, and we collect sublease payments from the buyers of the buildings. This ground lease is accounted for in accordance with ASC Topic 842, *Leases*. We do not recognize a material profit on this ground lease.

#### ***Financial services revenues***

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

##### ***Mortgage financing operations***

TRI Pointe Connect was formed as a joint venture with an established mortgage lender and is accounted for under the equity method of accounting. We record a percentage of income earned by TRI Pointe Connect based on our ownership percentage in this joint venture. TRI Pointe Connect activity appears as equity in income of unconsolidated entities under the Financial Services section of our consolidated statements of operations.

##### ***Title and escrow services operations***

TRI Pointe Assurance provides title examinations for our homebuyers in Arizona, Colorado, Maryland, Nevada, Texas and Virginia and escrow services for our homebuyers in Arizona, Nevada and Texas. TRI Pointe Assurance is a wholly owned subsidiary of TRI Pointe and acts as a title agency for First American Title Insurance Company. At the time of the consummation of the home sales transactions, we recognize a percentage of revenue captured by First American Title Insurance Company. TRI Pointe Assurance revenue is included in the Financial Services section of our consolidated statements of operations.

##### ***Property and casualty insurance agency operations***

TRI Pointe Advantage is a wholly owned subsidiary of TRI Pointe and provides property and casualty insurance agency services that help facilitate the closing process in all of the markets in which we operate. The total consideration for these services, including renewal options, is estimated upon the issuance of the initial insurance policy, subject to constraint. TRI Pointe Advantage revenue is included in the Financial Services section of our consolidated statements of operations.

#### **Recently Issued Accounting Standards Not Yet Adopted**

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

## Adoption of New Accounting Standards

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases* (Codified as “ASC 842”), which requires an entity to recognize a lease right-of-use asset and lease liability on the balance sheet for the rights and obligations created by leases with durations of greater than 12 months. Right-of-use lease assets represent our right to use the underlying asset for the lease term and the lease obligation represents our commitment to make the lease payments arising from the lease. The guidance also requires more disclosures about leases in the notes to financial statements. We adopted ASC 842 on January 1, 2019, using a modified retrospective approach resulting in the recognition of a cumulative effect adjustment to the opening balance sheet of \$57.4 million, which included a lease right-of-use asset offset by a lease liability on our consolidated balance sheet. No prior period adjustment was recorded. Additionally, we have elected the transition package of three practical expedients permitted under ASC 842, which among other things, allows us to retain the current operating classification for all of our existing leases prior to January 1, 2019. For further details on the adoption of ASC 842, see Note 13, *Commitments and Contingencies*.

## 2. Segment Information

We operate two principal businesses: homebuilding and financial services.

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

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

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Revenues</b>				
Maracay	\$ 55,653	\$ 56,949	\$ 95,214	\$ 115,404
Pardee Homes	194,699	243,286	329,562	423,756
Quadrant Homes	71,066	65,404	114,937	127,307
Trendmaker Homes	121,963	77,716	192,784	119,124
TRI Pointe Homes	192,752	255,642	364,543	446,062
Winchester Homes	61,825	71,915	95,248	122,652
Total homebuilding revenues	697,958	770,912	1,192,288	1,354,305
Financial services	756	391	1,058	674
<b>Total</b>	<b>\$ 698,714</b>	<b>\$ 771,303</b>	<b>\$ 1,193,346</b>	<b>\$ 1,354,979</b>
<b>Income (loss) before income taxes</b>				
Maracay	\$ 2,986	\$ 5,014	\$ 4,176	\$ 9,405
Pardee Homes	14,735	46,917	13,944	86,108
Quadrant Homes	5,193	7,797	2,554	15,937
Trendmaker Homes	6,908	6,228	5,310	6,598
TRI Pointe Homes	12,280	24,175	22,489	38,706
Winchester Homes	2,555	4,179	1,789	5,786
Corporate	(11,364)	(11,740)	(17,630)	(23,578)
Total homebuilding income before income taxes	33,293	82,570	32,632	138,962
Financial services	2,101	2,246	2,857	3,394
<b>Total</b>	<b>\$ 35,394</b>	<b>\$ 84,816</b>	<b>\$ 35,489</b>	<b>\$ 142,356</b>

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

	June 30, 2019	December 31, 2018
<b>Real estate inventories</b>		
Maracay	\$ 341,557	\$ 293,217
Pardee Homes	1,336,208	1,286,877
Quadrant Homes	265,329	279,486
Trendmaker Homes	284,101	271,061
TRI Pointe Homes	755,281	812,799
Winchester Homes	271,125	272,619
<b>Total</b>	<b>\$ 3,253,601</b>	<b>\$ 3,216,059</b>
<b>Total assets</b>		
Maracay	\$ 367,437	\$ 318,703
Pardee Homes	1,445,755	1,391,503
Quadrant Homes	334,736	313,947
Trendmaker Homes	326,840	325,943
TRI Pointe Homes	943,485	987,610
Winchester Homes	306,778	298,602
Corporate	130,564	228,010
Total homebuilding assets	3,855,595	3,864,318
Financial services	21,955	19,885
<b>Total</b>	<b>\$ 3,877,550</b>	<b>\$ 3,884,203</b>

### 3. Earnings Per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Numerator:</b>				
Net income	\$ 26,262	\$ 63,680	\$ 26,333	\$ 106,560
<b>Denominator:</b>				
Basic weighted-average shares outstanding	142,244,166	151,983,886	142,055,766	151,725,651
<b>Effect of dilutive shares:</b>				
Stock options and unvested restricted stock units	227,025	1,372,079	375,959	1,341,691
Diluted weighted-average shares outstanding	142,471,191	153,355,965	142,431,725	153,067,342
<b>Earnings per share</b>				
Basic	\$ 0.18	\$ 0.42	\$ 0.19	\$ 0.70
Diluted	\$ 0.18	\$ 0.42	\$ 0.18	\$ 0.70
Antidilutive stock options and unvested restricted stock units not included in diluted earnings per share	2,920,708	584,405	3,144,445	916,444

#### 4. Receivables

Receivables consisted of the following (in thousands):

	June 30, 2019	December 31, 2018
Escrow proceeds and other accounts receivable, net	\$ 20,749	\$ 13,995
Warranty insurance receivable (Note 13)	37,621	37,597
<b>Total receivables</b>	<b>\$ 58,370</b>	<b>\$ 51,592</b>

Receivables are evaluated for collectability and allowances for potential losses are established or maintained on applicable receivables when collection becomes doubtful. Receivables were net of allowances for doubtful accounts of \$498,000 and \$667,000 as of June 30, 2019 and December 31, 2018, respectively.

#### 5. Real Estate Inventories

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

	June 30, 2019	December 31, 2018
<b>Real estate inventories owned:</b>		
Homes completed or under construction	\$ 1,144,914	\$ 959,911
Land under development	1,565,802	1,743,537
Land held for future development	204,994	201,874
Model homes	266,522	238,828
<b>Total real estate inventories owned</b>	<b>3,182,232</b>	<b>3,144,150</b>
<b>Real estate inventories not owned:</b>		
Land purchase and land option deposits	71,369	71,909
<b>Total real estate inventories not owned</b>	<b>71,369</b>	<b>71,909</b>
<b>Total real estate inventories</b>	<b>\$ 3,253,601</b>	<b>\$ 3,216,059</b>

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 and lot option agreements as well as consolidated inventory held by variable interest entities. For further details, see Note 7, *Variable Interest Entities*.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Interest incurred	\$ 21,962	\$ 21,627	\$ 45,335	\$ 43,147
Interest capitalized	(21,962)	(21,627)	(45,335)	(43,147)
Interest expensed	\$ —	\$ —	\$ —	\$ —
Capitalized interest in beginning inventory	\$ 193,440	\$ 183,626	\$ 184,400	\$ 176,348
Interest capitalized as a cost of inventory	21,962	21,627	45,335	43,147
Interest previously capitalized as a cost of inventory, included in cost of sales	(18,107)	(19,664)	(32,440)	(33,906)
<b>Capitalized interest in ending inventory</b>	<b>\$ 197,295</b>	<b>\$ 185,589</b>	<b>\$ 197,295</b>	<b>\$ 185,589</b>

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

### Real Estate Inventory Impairments and Land Option Abandonments

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Real estate inventory impairments	\$ —	\$ —	\$ —	\$ —
Land and lot option abandonments and pre-acquisition charges	288	609	5,490	857
Total	\$ 288	\$ 609	\$ 5,490	\$ 857

Impairments of real estate inventory relate primarily to projects or communities that include homes completed or under construction. Within a project or community, there may be individual homes or parcels of land that are currently held for sale. Impairment charges recognized as a result of adjusting individual held-for-sale assets within a community to estimated fair value less cost to sell are also included in the total impairment charges. No real estate inventory impairments were recorded for the three- or six-month periods ended June 30, 2019 or 2018.

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

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

### 6. Investments in Unconsolidated Entities

As of June 30, 2019, we held equity investments in four active homebuilding partnerships or limited liability companies and one financial services limited liability company. Our participation in these entities may be as a developer, a builder, or an investment partner. Our ownership percentage varies from 7% to 65%, depending on the investment, with no controlling interest held in any of these investments.

#### Unconsolidated Financial Information

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

Assets and liabilities of unconsolidated entities (in thousands):

	June 30, 2019	December 31, 2018
<b>Assets</b>		
Cash	\$ 10,119	\$ 13,337
Receivables	2,584	4,674
Real estate inventories	101,595	99,864
Other assets	704	811
<b>Total assets</b>	<b>\$ 115,002</b>	<b>\$ 118,686</b>
<b>Liabilities and equity</b>		
Accounts payable and other liabilities	\$ 6,901	\$ 11,631
Company's equity	4,241	5,410
Outside interests' equity	103,860	101,645
<b>Total liabilities and equity</b>	<b>\$ 115,002</b>	<b>\$ 118,686</b>

Results of operations from unconsolidated entities (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net sales	\$ 6,353	\$ 9,325	\$ 10,464	\$ 13,715
Other operating expense	(3,528)	(7,272)	(6,280)	(10,559)
Other (expense) income, net	(7)	21	1	84
Net income	\$ 2,818	\$ 2,074	\$ 4,185	\$ 3,240
Company's equity in income of unconsolidated entities	\$ 1,946	\$ 2,053	\$ 2,696	\$ 2,587

## 7. Variable Interest Entities

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

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

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



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

	June 30, 2019			December 31, 2018		
	Deposits	Remaining Purchase Price	Consolidated Inventory Held by VIEs	Deposits	Remaining Purchase Price	Consolidated Inventory Held by VIEs
Consolidated VIEs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Unconsolidated VIEs	44,442	400,572	N/A	41,198	433,720	N/A
Other land option agreements	26,927	264,684	N/A	30,711	307,498	N/A
Total	\$ 71,369	\$ 665,256	\$ —	\$ 71,909	\$ 741,218	\$ —

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

In addition to the deposits presented in the table above, our exposure to loss related to our land and lot option contracts consisted of capitalized pre-acquisition costs of \$7.3 million and \$7.5 million as of June 30, 2019 and December 31, 2018, respectively. These pre-acquisition costs are included in real estate inventories as land under development on our consolidated balance sheets.

## 8. Goodwill and Other Intangible Assets

As of June 30, 2019 and December 31, 2018, \$139.3 million of goodwill is included in goodwill and other intangible assets, net on each of the consolidated balance sheets. The Company's goodwill balance is included in the TRI Pointe Homes reporting segment in Note 2, *Segment Information*.

We have two intangible assets as of June 30, 2019, comprised of an existing trade name from the acquisition of Maracay in 2006, which has a 20 year useful life, and a TRI Pointe Homes trade name resulting from the acquisition of Weyerhaeuser Real Estate Company in 2014, which has an indefinite useful life.

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

	June 30, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Goodwill	\$ 139,304	\$ —	\$ 139,304	\$ 139,304	\$ —	\$ 139,304
Trade names	27,979	(7,123)	20,856	27,979	(6,856)	21,123
Total	\$ 167,283	\$ (7,123)	\$ 160,160	\$ 167,283	\$ (6,856)	\$ 160,427

The remaining useful life of our amortizing intangible asset related to the Maracay trade name was 6.7 and 7.2 years as of June 30, 2019 and December 31, 2018, respectively. The net carrying amount related to this intangible asset was \$3.6 million and \$3.8 million as of June 30, 2019 and December 31, 2018, respectively. Amortization expense related to this intangible asset was \$133,000 for each of the three-month periods ended June 30, 2019 and 2018, respectively, and \$267,000 for each of the six-month periods ended June 30, 2019 and 2018, respectively. Amortization of this intangible was charged to sales and marketing expense. Our \$17.3 million indefinite life intangible asset related to the TRI Pointe Homes trade name is not amortizing. All trade names are evaluated for impairment on an annual basis or more frequently if indicators of impairment exist.

Expected amortization of our intangible asset related to Maracay for the remainder of 2019 , the next four years and thereafter is (in thousands):

Remainder of 2019	\$	267
2020		534
2021		534
2022		534
2023		534
Thereafter		1,153
Total	\$	<u>3,556</u>

## 9. Other Assets

Other assets consisted of the following (in thousands):

	June 30, 2019	December 31, 2018
Prepaid expenses	\$ 29,383	\$ 31,983
Refundable fees and other deposits	15,468	12,376
Development rights, held for future use or sale	2,249	845
Deferred loan costs—loans payable	4,980	2,424
Operating properties and equipment, net	56,180	54,198
Lease right-of-use assets	53,421	—
Other	3,310	3,425
Total	<u>\$ 164,991</u>	<u>\$ 105,251</u>

Lease right-of-use assets was impacted by our one-time cumulative adjustment resulting from the adoption of ASC 842. As a result of our cumulative adjustment, the December 31, 2018 balance increased by \$57.4 million on January 1, 2019. For further details, see Note 1, *Organization, Basis of Presentation and Summary of Significant Accounting Policies*.

## 10. Accrued Expenses and Other Liabilities

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

	June 30, 2019	December 31, 2018
Accrued payroll and related costs	\$ 25,361	\$ 44,010
Warranty reserves (Note 13)	71,471	71,836
Estimated cost for completion of real estate inventories	82,968	114,928
Customer deposits	21,838	17,464
Income tax liability to Weyerhaeuser	577	6,577
Accrued income taxes payable	2,947	8,335
Liability for uncertain tax positions (Note 15)	972	972
Accrued interest	11,869	12,572
Other tax liability	7,381	21,892
Lease liabilities	56,696	3,196
Other	13,591	33,367
Total	<u>\$ 295,671</u>	<u>\$ 335,149</u>

Lease liabilities was impacted by our one-time cumulative adjustment resulting from the adoption of ASC 842. As a result of our cumulative adjustment, the December 31, 2018 balance increased by \$57.4 million on January 1, 2019. For further details, see Note 1, *Organization, Basis of Presentation and Summary of Significant Accounting Policies*.

## 11. Senior Notes and Loans Payable

### Senior Notes

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

	June 30, 2019	December 31, 2018
4.375% Senior Notes due June 15, 2019	\$ —	\$ 381,895
4.875% Senior Notes due July 1, 2021	300,000	300,000
5.875% Senior Notes due June 15, 2024	450,000	450,000
5.250% Senior Notes due June 1, 2027	300,000	300,000
Discount and deferred loan costs	(17,855)	(21,091)
Total	\$ 1,032,145	\$ 1,410,804

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

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

TRI Pointe Group and its wholly owned subsidiary TRI Pointe Homes, Inc. ("TRI Pointe Homes") are co-issuers of the 5.875% Senior Notes due 2024 (the "2024 Notes") and the 4.375% Senior Notes that matured on June 15, 2019 (the "2019 Notes"). The 2024 Notes were issued at 98.15% of their aggregate principal amount. The net proceeds from the offering of the 2019 Notes and the 2024 Notes were \$861.3 million, after debt issuance costs and discounts. The 2024 Notes mature on June 15, 2024, with interest payable semiannually in arrears on June 15 and December 15. During the three months ended June 30, 2019, we repaid the remaining \$381.9 million of principal balance of the 2019 Notes upon maturity. During the year ended December 31, 2018, we repurchased and cancelled an aggregate principal amount of \$68.1 million of the 2019 Notes.

As of June 30, 2019, there was \$12.3 million of capitalized debt financing costs, included in senior notes, net on our consolidated balance sheet, related to the Senior Notes that will amortize over the lives of the Senior Notes. Accrued interest related to the Senior Notes was \$9.8 million and \$11.5 million as of June 30, 2019 and December 31, 2018, respectively.

### Loans Payable

The Company's outstanding loans payable consisted of the following (in thousands):

	June 30, 2019	December 31, 2018
Term loan facility	\$ 250,000	\$ —
Unsecured revolving credit facility	150,000	—
Total	\$ 400,000	\$ —

On March 29, 2019, the Company entered into a Second Amended and Restated Credit Agreement (the "Credit Agreement"), which amended and restated the Company's Amended and Restated Credit Agreement, dated as of July 7, 2015. The Credit Facility (as defined below), which matures on March 29, 2023, consists of a \$600 million revolving credit facility (the "Revolving Facility") and a \$250 million term loan facility (the "Term Facility" and together with the Revolving Facility, the "Credit Facility"). The Term Facility includes a 90-day delayed draw provision that allowed the Company to draw the full \$250 million from the Term Facility in June 2019 in connection with the maturity of the 2019 Notes. The Company may increase the Credit Facility to not more than \$1 billion in the aggregate, at its request, upon satisfaction of specified conditions. The Revolving Facility contains a sublimit of \$75 million for letters of credit. The Company may borrow under the Revolving

Facility in the ordinary course of business to repay senior notes and fund its operations, including its land acquisition, land development and homebuilding activities. Borrowings under the Revolving Facility will be governed by, among other things, a borrowing base. Interest rates on borrowings under the Revolving Facility will be based on either a daily Eurocurrency base rate or a Eurocurrency rate, in either case, plus a spread ranging from 1.25% to 2.00% , depending on the Company's leverage ratio. Interest rates on borrowings under the Term Facility will be based on either a daily Eurocurrency base rate or a Eurocurrency rate, in either case, plus a spread ranging from 1.10% to 1.85% , depending on the Company's leverage ratio.

As of June 30, 2019 , we had \$150 million outstanding debt under the Revolving Facility with an interest rate of 4.18% per annum and there was \$418.9 million of availability after considering the borrowing base provisions and outstanding letters of credit. As of June 30, 2019, we had \$250 million outstanding debt under the Term Facility with an interest rate of 4.00% . As of June 30, 2019 , there was \$5.0 million of capitalized debt financing costs, included in other assets on our consolidated balance sheet, related to the Credit Facility that will amortize over the remaining term of the Credit Facility. Accrued interest, including loan commitment fees, related to the Credit Facility was \$712,000 and \$402,000 as of June 30, 2019 and December 31, 2018 , respectively.

At June 30, 2019 and December 31, 2018 , we had outstanding letters of credit of \$31.1 million and \$31.8 million , respectively. These letters of credit were issued to secure various financial obligations. We believe it is not probable that any outstanding letters of credit will be drawn upon.

### **Interest Incurred**

During the three months ended June 30, 2019 and 2018 , the Company incurred interest of \$22.0 million and \$21.6 million , respectively, related to all debt during the period. Included in interest incurred was amortization of deferred financing and Senior Note discount costs of \$1.9 million and \$2.1 million for the three months ended June 30, 2019 and 2018 , respectively. During the six-months ended June 30, 2019 and 2018 , the Company incurred interest of \$45.3 million and \$43.1 million , respectively, related to all debt during the period. Included in interest incurred was amortization of deferred financing and Senior Note discount costs of \$3.8 million and \$4.1 million for the six months ended June 30, 2019 and 2018 , respectively. Accrued interest related to all outstanding debt at June 30, 2019 and December 31, 2018 was \$11.9 million and \$12.6 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 those relating to consolidated tangible net worth, leverage, liquidity or interest coverage, and a spec unit inventory test. The Credit Facility also requires that at least 97.0% of consolidated tangible net worth must be attributable to the Company and its guarantor subsidiaries, subject to certain grace periods.

The Company was in compliance with all applicable financial covenants as of June 30, 2019 and December 31, 2018 .

## **12. Fair Value Disclosures**

### **Fair Value Measurements**

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

- Level 1—Quoted prices for identical instruments in active markets
- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are inactive; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets at measurement date
- Level 3—Valuations derived from techniques where one or more significant inputs or significant value drivers are unobservable in active markets at measurement date

## Fair Value of Financial Instruments

A summary of assets and liabilities at June 30, 2019 and December 31, 2018, related to our financial instruments, measured at fair value on a recurring basis, is set forth below (in thousands):

	Hierarchy	June 30, 2019		December 31, 2018	
		Book Value	Fair Value	Book Value	Fair Value
Senior Notes <sup>(1)</sup>	Level 2	\$ 1,044,482	\$ 1,052,865	\$ 1,425,397	\$ 1,308,826
Unsecured revolving credit facility <sup>(2)</sup>	Level 2	\$ 150,000	\$ 150,000	\$ —	\$ —
Term loan facility <sup>(2)</sup>	Level 2	\$ 250,000	\$ 250,000	\$ —	\$ —

<sup>(1)</sup> The book value of the Senior Notes is net of discounts, excluding deferred loan costs of \$12.3 million and \$14.6 million as of June 30, 2019 and December 31, 2018, respectively. The estimated fair value of the Senior Notes at June 30, 2019 and December 31, 2018 is based on quoted market prices.

<sup>(2)</sup> The estimated fair value of the Credit Facility and Term Loan Facility as of June 30, 2019 approximated book value as these borrowings occurred in June 2019 and have variable interest rate terms.

At June 30, 2019 and December 31, 2018, the carrying value of cash and cash equivalents and receivables approximated fair value due to their short-term nature and variable interest rate terms.

## Fair Value of Nonfinancial Assets

Nonfinancial assets include items such as real estate inventories and long-lived assets that are measured at fair value on a nonrecurring basis when events and circumstances indicating the carrying value is not recoverable. No carrying values were adjusted to fair value for the six months ended June 30, 2019 or the year ended December 31, 2018.

## 13. Commitments and Contingencies

### *Legal Matters*

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

We record a reserve for potential legal claims and regulatory matters when they are probable of occurring and a potential loss is reasonably estimable. We accrue for these matters based on facts and circumstances specific to each matter and revise these estimates when necessary. In view of the inherent difficulty of predicting outcomes of legal claims and related contingencies, we generally cannot predict their ultimate resolution, related timing or eventual loss. Accordingly, it is possible that the ultimate outcome of any matter, if in excess of a related accrual or if no accrual was made, could be material to our financial statements. For matters as to which the Company believes a loss is probable and reasonably estimable, we had no legal reserve as of June 30, 2019. As of December 31, 2018, we had a \$17.5 million legal reserve related to a settlement in connection with a previously disclosed lawsuit involving a land sale that occurred in 1987. This settlement was paid on February 4, 2019.

### *Warranty*

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

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

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

We also record expected recoveries from insurance carriers based on actual insurance claims made and actuarially determined amounts that depend on various factors, including the above-described reserve estimates, our insurance policy coverage limits for the applicable policy years and historical recovery rates. Because of the inherent uncertainty and variability in these assumptions, our actual insurance recoveries could differ significantly from amounts currently estimated. Outstanding warranty insurance receivables were \$37.6 million as of June 30, 2019 and December 31, 2018 . Warranty insurance receivables are recorded in receivables on the accompanying consolidated balance sheets.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Warranty reserves, beginning of period	\$ 70,947	\$ 70,482	\$ 71,836	\$ 69,373
Warranty reserves accrued	6,385	6,666	10,655	11,412
Warranty expenditures	(5,861)	(4,806)	(11,020)	(8,443)
Warranty reserves, end of period	\$ 71,471	\$ 72,342	\$ 71,471	\$ 72,342

#### Performance Bonds

We obtain surety bonds in the normal course of business to ensure completion of certain infrastructure improvements of our projects. The beneficiaries of the bonds are various municipalities. As of June 30, 2019 and December 31, 2018 , the Company had outstanding surety bonds totaling \$587.1 million and \$685.7 million , respectively. As of June 30, 2019 and December 31, 2018 , our estimated cost to complete obligations related to these surety bonds was \$380.2 million and \$423.4 million , respectively.

#### Lease Obligations

Under ASC 842 we recognize a right-of-use lease asset and a lease liability for contracts deemed to contain a lease at the inception of the contract. Our lease population is fully comprised of operating leases, which are now recorded at the net present value of future lease obligations existing at each balance sheet date. At the inception of a lease, or if a lease is subsequently modified, we determine whether the lease is an operating or financing lease. Key estimates involved with ASC 842 include the discount rate used to measure our future lease obligations and the lease term, where considerations include renewal options and intent to renew. Lease right-of-use assets are included in other assets and lease liabilities are included in accrued expenses and other liabilities on our consolidated balance sheet.

#### Operating Leases

We lease certain property and equipment under non-cancelable operating leases. Office leases are for terms of up to ten years and generally provide renewal options. In most cases, we expect that, in the normal course of business, leases that expire will be renewed or replaced by other leases. Equipment leases are typically for terms of three to four years .

#### Ground Leases

In 1987, we obtained two 55 -year ground leases of commercial property that provided for three renewal options of ten years each and one 45 -year renewal option. We exercised the three ten -year extensions on one of these ground leases to extend

the lease through 2071. The commercial buildings on these properties have been sold and the ground leases have been sublet to the buyers.

For one of these leases, we are responsible for making lease payments to the land owner, and we collect sublease payments from the buyers of the buildings. This ground lease has been subleased through 2041 to the buyers of the commercial buildings. For the second lease, the buyers of the buildings are responsible for making lease payments directly to the land owner, however, we have guaranteed the performance of the buyers/lessees. See below for additional information on leases (dollars in thousands):

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
<b>Lease Cost</b>		
Operating lease cost (included in SG&A expense)	\$ 2,166	\$ 4,210
Ground lease cost (included in other operations expense)	627	1,217
Sublease income, ground leases (included in other operations revenue)	(637)	(1,235)
Net lease cost	<u>\$ 2,156</u>	<u>\$ 4,192</u>

**Other information**

Cash paid for amounts included in the measurement of lease liabilities:

Operating lease cash flows (included in operating cash flows)	\$ 1,641	\$ 3,250
Ground lease cash flows (included in operating cash flows)	\$ 609	\$ 1,217
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 346	\$ 2,053

	June 30, 2019
Weighted-average discount rate:	
Operating leases	6.0%
Ground leases	10.2%
Weighted-average remaining lease term (in years):	
Operating leases	6.1
Ground leases	48.7

The future minimum lease payments under our operating leases are as follows (in thousands):

	Property, Equipment and Other Leases	Ground Leases <sup>(1)</sup>
Remaining in 2019	\$ 4,982	\$ 1,492
2020	8,456	2,984
2021	7,129	2,984
2022	5,538	2,984
2023	4,431	2,984
Thereafter	8,844	84,266
Total lease payments	<u>\$ 39,380</u>	<u>\$ 97,694</u>
Less: Interest	9,673	70,705
Present value of operating lease liabilities	<u>\$ 29,707</u>	<u>\$ 26,989</u>

<sup>(1)</sup> Ground leases are fully subleased through 2041, representing \$66.7 million of the \$97.7 million future ground lease obligations.





## 14. Stock-Based Compensation

### 2013 Long-Term Incentive Plan

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

As amended, the number of shares of our common stock that may be issued under the 2013 Incentive Plan is 11,727,833 shares. To the extent that shares of our common stock subject to an outstanding option, stock appreciation right, stock award or performance award granted under the 2013 Incentive Plan are not issued or delivered by reason of the expiration, termination, cancellation or forfeiture of such award or the settlement of such award in cash, then such shares of our common stock generally shall again be available under the 2013 Incentive Plan. As of June 30, 2019, there were 5,833,208 shares available for future grant under the 2013 Incentive Plan.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Total stock-based compensation	\$ 3,351	\$ 3,720	\$ 6,786	\$ 7,190

Stock-based compensation is charged to general and administrative expense on the accompanying consolidated statements of operations. As of June 30, 2019, total unrecognized stock-based compensation related to all stock-based awards was \$25.9 million and the weighted average term over which the expense was expected to be recognized was 2.1 years.

### Summary of Stock Option Activity

The following table presents a summary of stock option awards for the six months ended June 30, 2019:

	Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Options outstanding at December 31, 2018	953,905	\$ 14.58	4.2	\$ 296
Granted	—	—	—	—
Exercised	(32,486)	\$ 6.50	—	—
Forfeited	(4,754)	\$ 14.29	—	—
Options outstanding at June 30, 2019	916,665	\$ 14.87	3.8	\$ 262
Options exercisable at June 30, 2019	916,665	\$ 14.87	3.8	\$ 262

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

### Summary of Restricted Stock Unit Activity

The following table presents a summary of RSUs for the six months ended June 30, 2019:

	Restricted Stock Units	Weighted Average Grant Date Fair Value Per Share	Aggregate Intrinsic Value (in thousands)
Nonvested RSUs at December 31, 2018	3,341,848	\$ 11.05	\$ 36,526
Granted	1,656,333	\$ 12.16	—
Vested	(844,534)	\$ 12.95	—
Forfeited	(754,460)	\$ 5.30	—
Nonvested RSUs at June 30, 2019	<u>3,399,187</u>	\$ 12.40	\$ 40,688

RSUs that vested, as reflected in the table above, during the six months ended June 30, 2019 include previously granted time-based RSUs. RSUs that were forfeited, as reflected in the table above, during the six months ended June 30, 2019 include performance-based RSUs and time-based RSUs that were forfeited for no consideration.

On May 6, 2019 the Company granted an aggregate of 61,488 time-based RSUs to the non-employee members of its board of directors and 1,098 time-based RSUs to certain employees. The RSUs granted to non-employee directors vest in their entirety on the day immediately prior to the Company's 2020 Annual Meeting of Stockholders and the RSUs granted to employee's vest in equal installments annually on the anniversary of the grant date over a three-year period. The fair value of each RSU granted on May 6, 2019 was measured using a price of \$13.66 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 11, 2019 and February 28, 2019, the Company granted an aggregate of 3,025 and 990,723, respectively, of time-based RSUs to certain employees and officers. The RSUs granted vest in equal installments annually on the anniversary of the grant date over a three-year period. The fair value of each RSU granted on March 11, 2019 and February 28, 2019 was measured using a price of \$13.22 and \$12.60 per share, respectively, which were the closing stock prices on the dates of grant. Each award will be expensed on a straight-line basis over the vesting period.

On February 28, 2019, the Company granted 247,619, 238,095 and 114,285 performance-based RSUs to the Company's Chief Executive Officer, President, and Chief Financial Officer, respectively. These performance-based RSUs are allocated to two separate performance metrics, as follows: (i) thirty percent to total stockholder return ("TSR"), with vesting based on the Company's TSR relative to its peer-group homebuilders; and (ii) seventy percent to earnings per share. The vesting, if at all, of these performance-based RSUs may range from 0% to 100% and will be based on the Company's percentage attainment of specified threshold, target and maximum performance goals. The performance period for these performance-based RSUs is January 1, 2019 to December 31, 2021. The fair value of the performance-based RSUs related to the TSR metric was determined to be \$8.16 per share based on a Monte Carlo simulation. The fair value of the performance-based RSUs related to the earnings per share goal was measured using a price of \$12.60 per share, which was the closing stock price on the date of grant. Each award will be expensed over the requisite service period.

On April 30, 2018, the Company granted an aggregate of 40,910 RSUs to the non-employee members of its board of directors. On July 23, 2018, the Company granted 6,677 RSUs to a non-employee member of its board of directors in connection with such individual's appointment to the board of directors. These RSUs vest in their entirety on the day immediately prior to the Company's 2019 Annual Meeting of Stockholders. The fair value of each RSU granted on April 30, 2018 and July 23, 2018 was measured using a price of \$17.11 and \$16.37 per share, respectively, which were the closing stock prices on the dates of grant. Each award will be expensed on a straight-line basis over the vesting period.

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

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

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

## **15. Income Taxes**

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

We had net deferred tax assets of \$64.7 million and \$67.8 million as of June 30, 2019 and December 31, 2018 . We had a valuation allowance related to those net deferred tax assets of \$3.4 million as of both June 30, 2019 and December 31, 2018 . The Company will continue to evaluate both positive and negative evidence in determining the need for a valuation allowance against its deferred tax assets. Changes in positive and negative evidence, including differences between the Company's future operating results and the estimates utilized in the determination of the valuation allowance, could result in changes in the Company's estimate of the valuation allowance against its deferred tax assets. The accounting for deferred taxes is based upon estimates of future results. Differences between the anticipated and actual outcomes of these future results could have a material impact on the Company's consolidated results of operations or financial position. Also, changes in existing federal and state tax laws and tax rates could affect future tax results and the valuation allowance against the Company's deferred tax assets.

TRI Pointe has certain liabilities to Weyerhaeuser Company ("Weyerhaeuser") related to a tax sharing agreement. As of June 30, 2019 and December 31, 2018 , we had an income tax liability to Weyerhaeuser of \$577,000 and \$6.6 million , respectively. The income tax liability to Weyerhaeuser is recorded in accrued expenses and other liabilities on the accompanying consolidated balance sheets. During the three months ended March 31, 2019, we amended our existing tax sharing agreement with Weyerhaeuser, pursuant to which the parties agreed, among other things, that we had no further obligation to remit payment to Weyerhaeuser in connection with any potential utilization of certain deductions or losses associated with certain Weyerhaeuser entities with respect to federal and state taxes. As a result of the amendment, during the three months ended March 31, 2019, we decreased our income tax liability to Weyerhaeuser and recorded other income of \$6.0 million , which is included in other income, net in the accompanying consolidated statements of operations.

Our provision for income taxes totaled \$9.1 million and \$21.1 million for the three months ended June 30, 2019 and 2018 , respectively. Our provision for income taxes totaled \$9.2 million and \$35.8 million for the six months ended June 30, 2019 and 2018 , respectively. The Company classifies any interest and penalties related to income taxes assessed by jurisdiction as part of income tax expense. The Company had \$1.0 million of uncertain tax positions recorded as of both June 30, 2019 and December 31, 2018 . The Company has not been assessed interest or penalties by any major tax jurisdictions related to prior years.

## **16. Related Party Transactions**

We had no related party transactions for the six months ended June 30, 2019 and 2018.

## 17. Supplemental Disclosure to Consolidated Statements of Cash Flows

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

	Six Months Ended June 30,	
	2019	2018
Supplemental disclosure of cash flow information:		
Interest paid (capitalized), net	\$ (3,104)	\$ (4,098)
Income taxes paid (refunded), net	\$ 10,601	\$ 62,011
Supplemental disclosures of noncash activities:		
Amortization of senior note discount capitalized to real estate inventory	\$ 981	\$ 1,069
Amortization of deferred loan costs capitalized to real estate inventory	\$ 2,826	\$ 3,003
Increase in other assets related to adoption of ASC 606	\$ —	\$ 39,534

## 18. Supplemental Guarantor Information

### 2021 Notes and 2027 Notes

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

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

### 2019 Notes and 2024 Notes

TRI Pointe Group and TRI Pointe Homes are co-issuers of the 2019 Notes and the 2024 Notes. All of the Guarantors (other than TRI Pointe Homes) have entered into supplemental indentures pursuant to which they jointly and severally guarantee the obligations of TRI Pointe Group and TRI Pointe Homes with respect to the 2019 Notes and the 2024 Notes. Each Guarantor of the 2019 Notes and the 2024 Notes is 100% owned by TRI Pointe Group and TRI Pointe Homes, and all guarantees are full and unconditional, subject to customary exceptions pursuant to the indentures governing the 2019 Notes and the 2024 Notes, as described below. The 2019 Notes matured on June 15, 2019, at which time the Company repaid the remaining principal balance of \$381.9 million.

A Guarantor of the 2019 Notes and the 2024 Notes shall be released from all of its obligations under its guarantee if (i) all of the assets of the Guarantor have been sold; (ii) all of the equity interests of the Guarantor held by TRI Pointe or a subsidiary thereof have been sold; (iii) the Guarantor merges with and into TRI Pointe or another Guarantor, with TRI Pointe or such other Guarantor surviving the merger; (iv) the Guarantor is designated "unrestricted" for covenant purposes; (v) the Guarantor ceases to guarantee any indebtedness of TRI Pointe or any other Guarantor which gave rise to such Guarantor guaranteeing the 2019 Notes and 2024 Notes; (vi) TRI Pointe exercises its legal defeasance or covenant defeasance options; or (vii) all obligations under the applicable indenture are discharged.

Presented below are the condensed consolidating balance sheets at June 30, 2019 and December 31, 2018, condensed consolidating statements of operations for the three and six months ended June 30, 2019 and 2018 and condensed consolidating

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

**Condensed Consolidating Balance Sheet (in thousands):**

	June 30, 2019			
	Issuer	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
<b>Assets</b>				
Cash and cash equivalents	\$ 53,620	\$ 117,896	\$ —	\$ 171,516
Receivables	23,135	35,235	—	58,370
Intercompany receivables	894,359	—	(894,359)	—
Real estate inventories	755,282	2,498,319	—	3,253,601
Investments in unconsolidated entities	—	4,241	—	4,241
Goodwill and other intangible assets, net	156,604	3,556	—	160,160
Investments in subsidiaries	1,693,254	—	(1,693,254)	—
Deferred tax assets, net	14,822	49,849	—	64,671
Other assets	20,092	144,899	—	164,991
Total assets	<u>\$ 3,611,168</u>	<u>\$ 2,853,995</u>	<u>\$ (2,587,613)</u>	<u>\$ 3,877,550</u>
<b>Liabilities</b>				
Accounts payable	\$ 11,511	\$ 51,580	\$ —	\$ 63,091
Intercompany payables	—	894,359	(894,359)	—
Accrued expenses and other liabilities	80,882	214,789	—	295,671
Loans payable	400,000	—	—	400,000
Senior notes	1,032,145	—	—	1,032,145
Total liabilities	<u>1,524,538</u>	<u>1,160,728</u>	<u>(894,359)</u>	<u>1,790,907</u>
<b>Equity</b>				
Total stockholders’ equity	2,086,630	1,693,254	(1,693,254)	2,086,630
Noncontrolling interests	—	13	—	13
Total equity	<u>2,086,630</u>	<u>1,693,267</u>	<u>(1,693,254)</u>	<u>2,086,643</u>
Total liabilities and equity	<u>\$ 3,611,168</u>	<u>\$ 2,853,995</u>	<u>\$ (2,587,613)</u>	<u>\$ 3,877,550</u>

**Condensed Consolidating Balance Sheet (in thousands):**

	December 31, 2018			
	Issuer	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
<b>Assets</b>				
Cash and cash equivalents	\$ 148,129	\$ 129,567	\$ —	\$ 277,696
Receivables	16,589	35,003	—	51,592
Intercompany receivables	758,501	—	(758,501)	—
Real estate inventories	812,799	2,403,260	—	3,216,059
Investments in unconsolidated entities	—	5,410	—	5,410
Goodwill and other intangible assets, net	156,604	3,823	—	160,427
Investments in subsidiaries	1,672,635	—	(1,672,635)	—
Deferred tax assets, net	14,822	52,946	—	67,768
Other assets	12,984	92,267	—	105,251
Total assets	<u>\$ 3,593,063</u>	<u>\$ 2,722,276</u>	<u>\$ (2,431,136)</u>	<u>\$ 3,884,203</u>
<b>Liabilities</b>				
Accounts payable	\$ 13,433	\$ 67,880	\$ —	\$ 81,313
Intercompany payables	—	758,501	(758,501)	—
Accrued expenses and other liabilities	111,902	223,247	—	335,149
Senior notes	1,410,804	—	—	1,410,804
Total liabilities	<u>1,536,139</u>	<u>1,049,628</u>	<u>(758,501)</u>	<u>1,827,266</u>
<b>Equity</b>				
Total stockholders' equity	2,056,924	1,672,635	(1,672,635)	2,056,924
Noncontrolling interests	—	13	—	13
Total equity	<u>2,056,924</u>	<u>1,672,648</u>	<u>(1,672,635)</u>	<u>2,056,937</u>
Total liabilities and equity	<u>\$ 3,593,063</u>	<u>\$ 2,722,276</u>	<u>\$ (2,431,136)</u>	<u>\$ 3,884,203</u>

**Condensed Consolidating Statement of Operations (in thousands):**

	Three Months Ended June 30, 2019			
	Issuer	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
<b>Homebuilding:</b>				
Home sales revenue	\$ 192,752	\$ 499,386	\$ —	\$ 692,138
Land and lot sales revenue	—	5,183	—	5,183
Other operations revenue	—	637	—	637
Total revenues	192,752	505,206	—	697,958
Cost of home sales	163,356	411,328	—	574,684
Cost of land and lot sales	—	5,562	—	5,562
Other operations expense	—	627	—	627
Sales and marketing	9,961	37,104	—	47,065
General and administrative	18,391	18,463	—	36,854
Homebuilding income from operations	1,044	32,122	—	33,166
Equity in loss of unconsolidated entities	—	(26)	—	(26)
Other income, net	8	145	—	153
Homebuilding income before income taxes	1,052	32,241	—	33,293
<b>Financial Services:</b>				
Revenues	—	756	—	756
Expenses	—	627	—	627
Equity in income of unconsolidated entities	—	1,972	—	1,972
Financial services income before income taxes	—	2,101	—	2,101
<b>Income before income taxes</b>	1,052	34,342	—	35,394
Equity of net income of subsidiaries	25,215	—	(25,215)	—
Provision for income taxes	(5)	(9,127)	—	(9,132)
Net income	\$ 26,262	\$ 25,215	\$ (25,215)	\$ 26,262

**Condensed Consolidating Statement of Operations (in thousands):**

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



**Condensed Consolidating Statement of Operations (in thousands):**

	Six Months Ended June 30, 2019			
	Issuer	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
<b>Homebuilding:</b>				
Home sales revenue	\$ 364,543	\$ 820,298	\$ —	\$ 1,184,841
Land and lot sales revenue	—	6,212	—	6,212
Other operations revenue	—	1,235	—	1,235
Total revenues	364,543	827,745	—	1,192,288
Cost of home sales	308,431	687,789	—	996,220
Cost of land and lot sales	—	7,057	—	7,057
Other operations expense	—	1,217	—	1,217
Sales and marketing	19,260	66,794	—	86,054
General and administrative	37,870	37,581	—	75,451
Homebuilding (loss) income from operations	(1,018)	27,307	—	26,289
Equity in loss of unconsolidated entities	—	(51)	—	(51)
Other income, net	6,148	246	—	6,394
Homebuilding income before income taxes	5,130	27,502	—	32,632
<b>Financial Services:</b>				
Revenues	—	1,058	—	1,058
Expenses	—	948	—	948
Equity in income of unconsolidated entities	—	2,747	—	2,747
Financial services income before income taxes	—	2,857	—	2,857
<b>Income before income taxes</b>	5,130	30,359	—	35,489
Equity of net income of subsidiaries	21,208	—	(21,208)	—
Provision for income taxes	(5)	(9,151)	—	(9,156)
<b>Net income</b>	<b>\$ 26,333</b>	<b>\$ 21,208</b>	<b>\$ (21,208)</b>	<b>\$ 26,333</b>

**Condensed Consolidating Statement of Operations (in thousands):**

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

**Condensed Consolidating Statement of Cash Flows (in thousands):**

	Six Months Ended June 30, 2019			
	Issuer	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
<b>Cash flows from operating activities:</b>				
Net cash provided by (used in) operating activities	\$ 32,114	\$ (136,053)	\$ —	\$ (103,939)
<b>Cash flows from investing activities:</b>				
Purchases of property and equipment	(4,532)	(8,610)	—	(13,142)
Proceeds from sale of property and equipment	—	46	—	46
Investments in unconsolidated entities	—	(712)	—	(712)
Intercompany	(133,658)	—	133,658	—
Net cash (used in) investing activities	(138,190)	(9,276)	133,658	(13,808)
<b>Cash flows from financing activities:</b>				
Borrowings from debt	400,000	—	—	400,000
Repayment of debt	(381,895)	—	—	(381,895)
Debt issuance costs	(3,125)	—	—	(3,125)
Proceeds from issuance of common stock under share-based awards	199	—	—	199
Minimum tax withholding paid on behalf of employees for restricted stock units	(3,612)	—	—	(3,612)
Intercompany	—	133,658	(133,658)	—
Net cash provided by financing activities	11,567	133,658	(133,658)	11,567
Net decrease in cash and cash equivalents	(94,509)	(11,671)	—	(106,180)
Cash and cash equivalents—beginning of period	148,129	129,567	—	277,696
Cash and cash equivalents—end of period	\$ 53,620	\$ 117,896	\$ —	\$ 171,516

**Condensed Consolidating Statement of Cash Flows (in thousands):**

	Six Months Ended June 30, 2018			
	Issuer	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
<b>Cash flows from operating activities:</b>				
Net cash provided by (used in) operating activities	\$ 97,711	\$ (97,760)	\$ —	\$ (49)
<b>Cash flows from investing activities:</b>				
Purchases of property and equipment	(4,148)	(11,534)	—	(15,682)
Proceeds from sale of property and equipment	—	3	—	3
Investments in unconsolidated entities	—	(1,178)	—	(1,178)
Intercompany	(118,615)	—	118,615	—
Net cash used in investing activities	(122,763)	(12,709)	118,615	(16,857)
<b>Cash flows from financing activities:</b>				
Repayment of notes payable	(21,685)	—	—	(21,685)
Distributions to noncontrolling interests	—	(1)	—	(1)
Proceeds from issuance of common stock under share-based awards	1,633	—	—	1,633
Minimum tax withholding paid on behalf of employees for restricted stock units	(6,049)	—	—	(6,049)
Intercompany	—	118,615	(118,615)	—
Net cash (used in) provided by financing activities	(26,101)	118,614	(118,615)	(26,102)
Net (decrease) increase in cash and cash equivalents	(51,153)	8,145	—	(43,008)
Cash and cash equivalents—beginning of period	176,684	106,230	—	282,914
Cash and cash equivalents—end of period	\$ 125,531	\$ 114,375	\$ —	\$ 239,906

## 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 “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 (the “Exchange Act”). These forward-looking statements are based on our current intentions, beliefs, expectations and predictions for the future, and you should not place undue reliance on these statements. These statements use forward-looking terminology, are based on various assumptions made by us, and may not 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 what effect it will have on our operations, financial condition, or share price.

We undertake no, and hereby disclaim any, obligation to update or revise any forward-looking statements, unless required by law. However, we reserve the right to make such updates or revisions from time to time by press release, periodic report, or other method of public disclosure without the need for specific reference to this Quarterly Report on Form 10-Q. No such update or revision shall be deemed to indicate that other statements not addressed by such update or revision remain correct or create an obligation to provide any other updates or revisions.

#### Forward-Looking Statements

Forward-looking statements that are included in this Quarterly Report on Form 10-Q are generally accompanied by words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “future,” “goal,” “intend,” “likely,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will,” “would,” or other words that convey the uncertainty of future events or outcomes. These forward-looking statements may include, but are not limited to, statements regarding our strategy, projections and estimates concerning the timing and success of specific projects and our future production, land and lot sales, the outcome of legal proceedings, the anticipated impact of natural disasters on our operations, operational and financial results, including our estimates for growth, financial condition, sales prices, prospects and capital spending.

#### 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;
- raw material and labor prices and availability;
- oil and other energy prices;
- the effect of weather, including the re-occurrence of drought conditions in California;
- the risk of loss from earthquakes, volcanoes, fires, floods, droughts, windstorms, hurricanes, pest infestations and other natural disasters, and the risk of delays, reduced consumer demand, and shortages and price increases in labor or materials associated with such natural disasters;
- transportation costs;
- federal and state tax policies;
- the effect of land use, environment and other governmental laws and regulations;
- legal proceedings or disputes and the adequacy of reserves;
- 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;
- changes in accounting principles;

- risks related to unauthorized access to our computer systems, theft of our homebuyers' confidential information or other forms of cyber-attack; and
- other factors described in "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2018 and in other filings we make with the Securities and Exchange Commission ("SEC").

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related condensed notes thereto contained elsewhere in this Quarterly Report on Form 10-Q. 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 investors to review and consider carefully the various disclosures made by us in this report and in our other reports filed with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2018 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. Investors 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 an investment in, our common stock.

### **Overview and Outlook**

We remain encouraged by the economic conditions experienced during the first half of 2019, which resulted in improved seasonally expected demand throughout the period. Mortgage interest rates have steadily declined during the first six months of 2019, reinforcing a generally healthy homebuying market. Lower mortgage interest rates are accompanied by low unemployment, positive wage growth and high consumer confidence. The backdrop of housing remains favorable as supply remains low compared to historical levels. While the U.S. economy has been resilient against international trade conflicts and the predictions of a global economic slowdown, we remain cautious as we guide our Company through the current phase of the economic cycle. While the global economic front remains somewhat uncertain and deteriorating global conditions could negatively impact the U.S. economy, we remain confident heading into the second half of 2019. Based on the latest economic data and commentary by the Federal Reserve, we expect fiscal and monetary policy to remain favorable to our industry throughout the remainder of 2019, and we expect generally favorable industry conditions to persist into the long-term.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Homebuilding:</b>				
Home sales revenue	\$ 692,138	\$ 768,795	\$ 1,184,841	\$ 1,351,367
Land and lot sales revenue	5,183	1,518	6,212	1,741
Other operations revenue	637	599	1,235	1,197
Total revenues	697,958	770,912	1,192,288	1,354,305
Cost of home sales	574,684	604,096	996,220	1,054,598
Cost of land and lot sales	5,562	1,426	7,057	1,929
Other operations expense	627	589	1,217	1,191
Sales and marketing	47,065	45,744	86,054	84,027
General and administrative	36,854	36,483	75,451	73,297
Homebuilding income from operations	33,166	82,574	26,289	139,263
Equity in (loss) income of unconsolidated entities	(26)	69	(51)	(399)
Other income (expense), net	153	(73)	6,394	98
Homebuilding income before income taxes	33,293	82,570	32,632	138,962
<b>Financial Services:</b>				
Revenues	756	391	1,058	674
Expenses	627	129	948	266
Equity in income of unconsolidated entities	1,972	1,984	2,747	2,986
Financial services income before income taxes	2,101	2,246	2,857	3,394
<b>Income before income taxes</b>	<b>35,394</b>	<b>84,816</b>	<b>35,489</b>	<b>142,356</b>
Provision for income taxes	(9,132)	(21,136)	(9,156)	(35,796)
Net income	\$ 26,262	\$ 63,680	26,333	106,560
<b>Earnings per share</b>				
Basic	\$ 0.18	\$ 0.42	\$ 0.19	\$ 0.70
Diluted	\$ 0.18	\$ 0.42	\$ 0.18	\$ 0.70

**Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018**

*Net New Home Orders, Average Selling Communities and Monthly Absorption Rates by Segment*

	Three Months Ended June 30, 2019			Three Months Ended June 30, 2018			Percentage Change		
	Net New Home Orders	Average Selling Communities	Monthly Absorption Rates	Net New Home Orders	Average Selling Communities	Monthly Absorption Rates	Net New Home Orders	Average Selling Communities	Monthly Absorption Rates
Maracay	253	15.0	5.6	132	14.2	3.1	92 %	6 %	81 %
Pardee Homes	522	44.5	3.9	464	33.5	4.6	13 %	33 %	(15)%
Quadrant Homes	67	6.5	3.4	54	6.3	2.9	24 %	3 %	20 %
Trendmaker Homes	247	37.5	2.2	161	29.0	1.9	53 %	29 %	19 %
TRI Pointe Homes	294	28.5	3.4	408	33.8	4.0	(28)%	(16)%	(15)%
Winchester Homes	108	14.0	2.6	124	14.0	3.0	(13)%	— %	(13)%
Total	1,491	146.0	3.4	1,343	130.8	3.4	11 %	12 %	(1)%

Net new home orders for the three months ended June 30, 2019 increased by 148 orders, or 11%, to 1,491, compared to 1,343 during the prior-year period. The increase in net new home orders was due to a 12% increase in average selling communities. The increase in average selling communities was due primarily to our acquisition of a Dallas–Fort Worth-based homebuilder in December 2018.

Maracay reported a 92% increase in net new home orders driven by an 81% increase in monthly absorption rate and a 6% increase in average selling communities. The increase in Maracay's monthly absorption rate to 5.6 for the three months ended June 30, 2019 was driven by strong demand for Maracay's new community openings during the first half of 2019 as well as continued strong market fundamentals in Arizona. Pardee Homes reported a 13% increase in net new home orders driven by a 33% increase in average selling communities, offset by a 15% decrease in monthly absorption rates. Pardee Homes' monthly absorption rate remained strong at 3.9 homes per community per month but decreased from a robust 4.6 in the prior-year period. The increase in average selling communities was a result of increased community count in our Los Angeles, Inland Empire and San Diego markets. Net new home orders increased 24% at Quadrant Homes due primarily to a 20% increase in monthly absorption rate during the current-year period as compared to the prior-year period. The increase in monthly absorption rate was due to a more stable demand environment compared to the prior-year period as well as increased sales incentives. Trendmaker Homes' net new home orders increased 53% due to a 29% increase in average selling communities and a 19% increase in monthly absorption rate. The increase in net new home orders and average selling communities was largely the result of the acquisition of a Dallas-Fort Worth-based homebuilder in the fourth quarter of 2018. During the three months ended June 30, 2019, Trendmaker Homes reported 66 net new home orders from 13.0 average selling communities in Dallas-Fort Worth. The increase in Trendmaker Homes' monthly absorption rate was due to improvements in the monthly absorption rates in Houston and Austin as a result of strong market fundamentals and successful new community openings. TRI Pointe Homes' net new home orders decreased 28% due to a 16% decrease in average selling communities and a 15% decrease in the monthly absorption rate. The decrease in average selling communities was due to timing of community openings and closings, particularly in our Southern California market. The decrease in TRI Pointe Homes' monthly absorption rate was primarily driven by slower demand in our core Bay Area market compared to the prior-year period. Winchester Homes reported a 13% decrease in net new home orders as a result of a 13% decrease in monthly absorption rate. The decrease in Winchester Homes' monthly absorption rate was due to less favorable local market conditions compared to the prior-year period.

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

	As of June 30, 2019			As of June 30, 2018			Percentage Change		
	Backlog Units	Backlog Dollar Value	Average Sales Price	Backlog Units	Backlog Dollar Value	Average Sales Price	Backlog Units	Backlog Dollar Value	Average Sales Price
Maracay	385	\$ 211,935	\$ 550	256	\$ 134,138	\$ 524	50 %	58 %	5 %
Pardee Homes	790	602,054	762	695	451,860	650	14 %	33 %	17 %
Quadrant Homes	77	65,968	857	138	130,270	944	(44)%	(49)%	(9)%
Trendmaker Homes	399	195,871	491	250	145,046	580	60 %	35 %	(15)%
TRI Pointe Homes	384	252,708	658	728	523,907	720	(47)%	(52)%	(9)%
Winchester Homes	173	110,012	636	204	132,875	651	(15)%	(17)%	(2)%
<b>Total</b>	<b>2,208</b>	<b>\$ 1,438,548</b>	<b>\$ 652</b>	<b>2,271</b>	<b>\$ 1,518,096</b>	<b>\$ 668</b>	<b>(3)%</b>	<b>(5)%</b>	<b>(2)%</b>

Backlog units reflect the number of homes, net of actual cancellations experienced during the period, for which we have entered into a sales contract with a homebuyer 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 homebuyers who contracted to buy a home but cancelled prior to delivery of the home (as a percentage of overall orders) was 16% during both three month periods ending June 30, 2019 and 2018, respectively. The dollar value of backlog was \$1.4 billion as of June 30, 2019, a decrease of \$79.5 million, or 5%, compared to \$1.5 billion as of June 30, 2018. This decrease was due to a decrease in backlog units of 63, or 3%, to 2,208 as of June 30, 2019, compared to 2,271 as of June 30, 2018, in addition to a 2% decrease in the average sales price of homes in backlog to \$652,000 as of June 30, 2019, compared to \$668,000 as of June 30, 2018.

Maracay's backlog dollar value increased 58% compared to the prior-year period largely due to a 50% increase in backlog units. The increase in backlog units is due to strong market conditions in Arizona and the success of recently opened communities, as demonstrated by the 92% increase in net new home orders for the current quarter. Pardee Homes' backlog dollar value increased 33% due to an increase in average sales price of 17% and an increase in backlog units of 14%. The increase in average sales price is largely due to a higher priced mix of homes in backlog from our San Diego, California division. The increase in backlog units was due to the 13% increase in net new home orders for the current quarter. Quadrant Homes' backlog dollar value decreased 49% as a result of a 44% decrease in backlog units and a 9% decrease in average sales price. The decrease in backlog units was a result of starting the quarter with lower backlog units resulting from generally slower year over year market conditions in the Seattle area. Trendmaker Homes' backlog dollar value increased 35% due to a 60% increase in backlog units, offset by a 15% decrease in average sales price. The increase in backlog units and the decrease



in average sales price resulted primarily from our expansion into Dallas–Fort Worth, where we had 137 homes in backlog as of June 30, 2019 at average sales prices lower than our legacy Houston and Austin operations. TRI Pointe Homes' backlog dollar value decreased 52% mainly due to a 47% decrease in backlog units as a result of the 28% decrease in net new home orders for the current quarter. Winchester Homes' backlog dollar value decreased 17% largely due to a 15% decrease in backlog units. The decrease in backlog units is a result of the 13% decrease in net new home orders for the three months ended June 30, 2019 as well as the reduced number of units in backlog as of the beginning of the current-year period as compared to the prior-year period.

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

	Three Months Ended June 30, 2019			Three Months Ended June 30, 2018			Percentage Change		
	New Homes Delivered	Home Sales Revenue	Average Sales Price	New Homes Delivered	Home Sales Revenue	Average Sales Price	New Homes Delivered	Home Sales Revenue	Average Sales Price
Maracay	106	\$ 55,653	\$ 525	121	\$ 56,949	\$ 471	(12)%	(2)%	11 %
Pardee Homes	325	194,700	599	377	243,286	645	(14)%	(20)%	(7)%
Quadrant Homes	67	70,429	1,051	85	64,805	762	(21)%	9 %	38 %
Trendmaker Homes	250	117,010	468	155	76,198	492	61 %	54 %	(5)%
TRI Pointe Homes	281	192,752	686	347	255,642	737	(19)%	(25)%	(7)%
Winchester Homes	96	61,594	642	130	71,915	553	(26)%	(14)%	16 %
<b>Total</b>	<b>1,125</b>	<b>\$ 692,138</b>	<b>\$ 615</b>	<b>1,215</b>	<b>\$ 768,795</b>	<b>\$ 633</b>	<b>(7)%</b>	<b>(10)%</b>	<b>(3)%</b>

Home sales revenue decreased \$76.7 million, or 10%, to \$692.1 million for the three months ended June 30, 2019. The decrease was comprised of (i) \$56.9 million related to a decrease of 90 new homes delivered in the three months ended June 30, 2019 compared to the prior-year period, and (ii) \$19.7 million related to a decrease of \$18,000 in average sales price of homes delivered in the three months ended June 30, 2019 compared to the prior-year period.

Maracay home sales revenue decreased 2% due to a 12% decrease in new homes delivered offset by an 11% increase in average sales price. The decrease in new home deliveries was due to the timing of deliveries and the slight decrease in backlog units at the start of the current-year period compared to the prior-year period. Pardee Homes' home sales revenue decreased 20% due to a 14% decrease in new homes delivered and a 7% decrease in average sales price. The decrease in new homes delivered is due to a combination of timing and the decrease in backlog units at the start of the current-year period compared to the prior-year period. The decrease in average sales price was due to a product mix shift that included a lesser proportion of deliveries from our higher priced long-dated California assets in the current-year period. Quadrant Homes' home sales revenue increased by 9% due to a 38% increase in average sales price, offset by a 21% decrease in new homes delivered. The increase in average sales price was the result of delivering more units in some core Greater Puget Sound markets, which tend to have higher price points. The decrease in new homes delivered was due to starting the current-year period with a lower number of backlog units compared to the prior-year period. Trendmaker Homes' home sales revenue increased 54% due to a 61% increase in new homes delivered. The increase in new homes delivered was largely due to 96 deliveries from our Dallas–Fort Worth operations, along with higher volume in the Austin market. TRI Pointe Homes' home sales revenue decreased due to a 19% decrease in new homes delivered and a 7% decrease in average sales price. The decrease in new homes delivered was driven by lower backlog units at the start of the current-year period compared to the prior-year period as well as a decrease in net new home orders in the current year period. Home sales revenue decreased at Winchester Homes by 14% due to a 26% decrease in new homes delivered offset by a 16% increase in average sales price. The decrease in new homes delivered was due to lower backlog units at the start of the current-year period compared to the prior-year period as well as a decrease in net new home orders in the current year period.

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

	Three Months Ended June 30,			
	2019	%	2018	%
Home sales revenue	\$ 692,138	100.0%	\$ 768,795	100.0%
Cost of home sales	574,684	83.0%	604,096	78.6%
Homebuilding gross margin	117,454	17.0%	164,699	21.4%
Add: interest in cost of home sales	18,071	2.6%	19,569	2.5%
Add: impairments and lot option abandonments	288	0.0%	609	0.1%
Adjusted homebuilding gross margin <sup>(1)</sup>	\$ 135,813	19.6%	\$ 184,877	24.0%
Homebuilding gross margin percentage	17.0%		21.4%	
Adjusted homebuilding gross margin percentage <sup>(1)</sup>	19.6%		24.0%	

<sup>(1)</sup> Non-GAAP financial measure (as discussed below).

Our homebuilding gross margin percentage decreased to 17.0% for the three months ended June 30, 2019 as compared to 21.4% for the prior-year period. The decrease in gross margin percentage was due to lower revenue from some of our long-dated California communities, which produce gross margins above the Company average. In addition, we increased incentives in the fourth quarter of 2018 and first half of 2019 to sell inventory homes, which impacted gross margin percentage upon delivery of those homes during the second quarter of 2019. Excluding interest and impairment and lot option abandonments in cost of home sales, adjusted homebuilding gross margin percentage was 19.6% for the three months ended June 30, 2019, compared to 24.0% for the prior-year period.

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. Because adjusted homebuilding gross margin is not calculated in accordance with GAAP, it may not be comparable to other similarly titled measures of other companies and should not be considered in isolation or as a substitute for, or superior to, financial measures prepared in accordance with GAAP. See the table above reconciling this non-GAAP financial measure to homebuilding gross margin, the most directly comparable GAAP measure.

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

	Three Months Ended June 30,		As a Percentage of Home Sales Revenue	
	2019	2018	2019	2018
Sales and marketing	\$ 47,065	\$ 45,744	6.8%	6.0%
General and administrative (G&A)	36,854	36,483	5.3%	4.7%
Total sales and marketing and G&A	\$ 83,919	\$ 82,227	12.1%	10.7%

Total sales and marketing and general and administrative (“SG&A”) as a percentage of home sales revenue increased to 12.1% for the three months ended June 30, 2019, compared to 10.7% in the prior-year period. Total SG&A expense increased \$1.7 million to \$83.9 million for the three months ended June 30, 2019 from \$82.2 million in the prior-year period.

Sales and marketing expense as a percentage of home sales revenue increased to 6.8% for the three months ended June 30, 2019, compared to 6.0% for the prior-year period. The increase was due primarily to advertising costs associated with the timing of current and future community openings. In addition, our ending community count increased to 146 as of June 30, 2019 from 130 as of June 30, 2018, resulting in higher fixed sales and marketing costs on a year over year basis. Sales and marketing expense increased to \$47.1 million for the three months ended June 30, 2019 compared to \$45.7 million in the prior-year period due to the higher costs associated with a higher community count.

General and administrative (“G&A”) expense as a percentage of home sales revenue increased to 5.3% of home sales revenue for the three months ended June 30, 2019 compared to 4.7% for the prior-year period as a result of lower operating leverage due to the 10% decrease in home sales revenue. G&A expense increased to \$36.9 million for the three months ended June 30, 2019 compared to \$36.5 million for the prior-year period primarily as a result of additional headcount to support future

growth in our new and existing markets, including our organic expansion into North Carolina in October 2018 and our acquisition of a Dallas–Fort Worth-based homebuilder in December 2018.

### **Interest**

Interest, which we incurred principally to finance land acquisitions, land development and home construction, totaled \$22.0 million and \$21.6 million for the three months ended June 30, 2019 and 2018, respectively. All interest incurred in both periods was capitalized.

### **Income Tax**

For the three months ended June 30, 2019, we recorded a tax provision of \$9.1 million based on an effective tax rate of 25.8%. For the three months ended June 30, 2018, we recorded a tax provision of \$21.1 million based on an effective tax rate of 24.9%. The decrease in provision for income taxes is due to a \$49.4 million decrease in income before income taxes to \$35.4 million for the three months ended June 30, 2019, compared to \$84.8 million for the prior-year period.

### **Financial Services Segment**

Income before income taxes from our financial services operations decreased to \$2.1 million for the three months ended June 30, 2019 compared to \$2.2 million for the prior-year period. This decrease relates to the 7% decrease in new homes delivered, which resulted in fewer opportunities to capture financial services income.

## **Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018**

### **Net New Home Orders, Average Selling Communities and Monthly Absorption Rates by Segment**

	Six Months Ended June 30, 2019			Six Months Ended June 30, 2018			Percentage Change		
	Net New Home Orders	Average Selling Communities	Monthly Absorption Rates	Net New Home Orders	Average Selling Communities	Monthly Absorption Rates	Net New Home Orders	Average Selling Communities	Monthly Absorption Rates
Maracay	414	13.4	5.1	285	13.6	3.5	45 %	(1)%	46 %
Pardee Homes	955	44.4	3.6	937	33.1	4.7	2 %	34 %	(23)%
Quadrant Homes	142	6.9	3.4	162	6.6	4.1	(12)%	5 %	(17)%
Trendmaker Homes	490	38.6	2.1	316	29.3	1.8	55 %	32 %	17 %
TRI Pointe Homes	589	29.6	3.3	867	33.6	4.3	(32)%	(12)%	(23)%
Winchester Homes	222	14.1	2.6	272	13.9	3.3	(18)%	1 %	(21)%
Total	2,812	147.0	3.2	2,839	130.1	3.6	(1)%	13 %	(11)%

Net new home orders for the six months ended June 30, 2019 decreased by 27 orders, or 1%, to 2,812, compared to 2,839 during the prior-year period. The decrease in net new home orders was due to an 11% decrease in our average monthly absorption rate offset by a 13% increase in average selling communities.

Maracay reported a 45% increase in net new home orders driven by a 46% increase in monthly absorption rate. For the current six-month period, Maracay experienced seasonally strong market conditions in Arizona, as demonstrated by a monthly absorption rate of 5.1 homes per community. Pardee Homes increased net new home orders by 2% due to a 34% increase in average community count offset by a 23% decrease in monthly absorption rate. The increase in average selling communities was a result of increased community growth in the Los Angeles, Inland Empire and San Diego markets. Overall demand for the period was strong at Pardee Homes with a monthly absorption rate of 3.6 homes per community. Net new home orders decreased 12% at Quadrant Homes due primarily to an 17% decrease in monthly absorption rate offset by a 5% increase in average selling communities. The decrease in the monthly absorption rate at Quadrant Homes was due primarily to the substantially strong absorptions we experienced in the first three months of 2018 compared to the same current year period. Trendmaker Homes' net new home orders increased 55% due to a 32% increase in average selling communities and a 17% increase in monthly absorption rate. The increase in net new home orders and average selling communities was largely the result of the acquisition of a Dallas–Fort Worth-based homebuilder in the fourth quarter of 2018. During the six months ended June 30, 2019, Trendmaker Homes reported 151 net new home orders from 13.4 average selling communities in Dallas–Fort Worth. The increase in the monthly absorption rate was due to improved market conditions in Houston and Austin during the

six months ended June 30, 2019 compared to the prior-year period. TRI Pointe Homes' net new home orders decreased 32% due to a 12% decrease in average selling communities and a 23% decrease in monthly absorption rate. The decrease in average selling communities was due to the timing of community openings and closings, particularly in our Southern California market. The decrease in TRI Pointe Homes' monthly absorption rate was primarily driven by slower demand in our core Bay Area market compared to the prior-year period. Winchester Homes' net new home orders decreased 18% as a result of a 21% decrease in monthly absorption rate, offset by a 1% increase in average selling communities. The decrease in our monthly absorption rate was due to changes in product mix, with fewer attached communities with high absorption rates compared to the prior-year period.

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

	Six Months Ended June 30, 2019			Six Months Ended June 30, 2018			Percentage Change		
	New Homes Delivered	Home Sales Revenue	Average Sales Price	New Homes Delivered	Home Sales Revenue	Average Sales Price	New Homes Delivered	Home Sales Revenue	Average Sales Price
Maracay	180	\$ 95,214	\$ 529	246	\$ 115,404	\$ 469	(27)%	(17)%	13 %
Pardee Homes	567	329,562	581	651	423,756	651	(13)%	(22)%	(11)%
Quadrant Homes	111	113,702	1,024	168	126,111	751	(34)%	(10)%	36 %
Trendmaker Homes	404	187,130	463	239	117,383	491	69 %	59 %	(6)%
TRI Pointe Homes	523	364,543	697	616	446,062	724	(15)%	(18)%	(4)%
Winchester Homes	154	94,690	615	219	122,651	560	(30)%	(23)%	10 %
Total	1,939	\$ 1,184,841	\$ 611	2,139	\$ 1,351,367	\$ 632	(9)%	(12)%	(3)%

Home sales revenue decreased \$166.5 million, or 12%, to \$1.2 billion for the six months ended June 30, 2019. The decrease was comprised of (i) \$126.4 million related to a decrease in new homes delivered to 1,939 for the six months ended June 30, 2019 from 2,139 in the prior-year period, and (ii) \$40.2 million related to a \$21,000, or 3%, decrease in average sales price of homes delivered to \$611,000 for the six months ended June 30, 2019, from \$632,000 in the prior-year period.

Maracay home sales revenue decreased 17% due to a 27% decrease in new homes delivered, offset by a 13% increase in average sales price. The decrease in new home deliveries was due to the timing of deliveries and the decrease in backlog units at the start of the current-year period compared to the prior-year period. Pardee Homes' home sales revenue decreased 22% due to a 13% decrease in new homes delivered and an 11% decrease in average sales price. The decrease in average sales price was due to a product mix shift that included a fewer proportion of deliveries from our higher priced long-dated California assets. Quadrant Homes' home sales revenue decreased home sales revenue by 10% due to a 34% decrease in new homes delivered offset by a 36% increase in average sales price. The increase in average sales price was the result of delivering more units in some core Greater Puget Sound markets, which tend to have higher price points. Trendmaker Homes' home sales revenue increased 59% due to a 69% increase in new homes delivered offset by a 6% decrease in average sales price compared to the prior year. The increase in new homes delivered was largely due to 149 deliveries from our Dallas-Fort Worth operations that were acquired in December 2018, along with higher volume in the Austin market. TRI Pointe Homes' home sales revenue decreased 18% due to a 15% decrease in new homes delivered and a 4% decrease in average sales price. The decrease in new homes delivered was driven by a lesser number of backlog units to start the current year compared to the prior-year period, and the decrease in average sales price was related to product mix in the quarter. Home sales revenue decreased at Winchester Homes by 23% due to a 30% decrease in homes delivered offset by a 10% increase in average sales price. The decrease in new homes delivered was due to lower backlog units at the start of the current-year period compared to the prior-year period as well as a decrease in net new home orders in the current year period.

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

	Six Months Ended June 30,			
	2019	%	2018	%
Home sales revenue	\$ 1,184,841	100.0%	\$ 1,351,367	100.0%
Cost of home sales	996,220	84.1%	1,054,598	78.0%
Homebuilding gross margin	188,621	15.9%	296,769	22.0%
Add: interest in cost of home sales	32,262	2.7%	33,798	2.5%
Add: impairments and lot option abandonments	5,490	0.5%	857	0.1%
Adjusted homebuilding gross margin <sup>(1)</sup>	\$ 226,373	19.1%	\$ 331,424	24.5%
Homebuilding gross margin percentage	15.9%		22.0%	
Adjusted homebuilding gross margin percentage <sup>(1)</sup>	19.1%		24.5%	

<sup>(1)</sup> Non-GAAP financial measure (as discussed below).

Our homebuilding gross margin percentage decreased to 15.9% for the six months ended June 30, 2019 as compared to 22.0% for the prior-year period. The decrease in gross margin percentage was primarily due to the mix of deliveries, with a smaller proportion of deliveries from our long-dated California communities, which produce gross margins above the Company average, having a smaller impact on our overall gross margin percentage compared to the prior-year period. Excluding interest and impairment and lot option abandonments in cost of home sales, adjusted homebuilding gross margin percentage was 19.1% for the six months ended June 30, 2019, compared to 24.5% for the prior-year period.

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. Because adjusted homebuilding gross margin is not calculated in accordance with GAAP, it may not be comparable to other similarly titled measures of other companies and should not be considered in isolation or as a substitute for, or superior to, financial measures prepared in accordance with GAAP. See the table above reconciling this non-GAAP financial measure to homebuilding gross margin, the most directly comparable GAAP measure.

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

	Six Months Ended June 30,		As a Percentage of Home Sales Revenue	
	2019	2018	2019	2018
Sales and marketing	\$ 86,054	\$ 84,027	7.3%	6.2%
General and administrative (G&A)	75,451	73,297	6.4%	5.4%
Total sales and marketing and G&A	\$ 161,505	\$ 157,324	13.6%	11.6%

Total SG&A as a percentage of home sales revenue increased to 13.6% for the six months ended June 30, 2019, compared to 11.6% for the prior-year period. Total SG&A expense increased \$4.2 million, to \$161.5 million for the six months ended June 30, 2019 from \$157.3 million in the prior-year period.

Sales and marketing expense as a percentage of home sales revenue increased to 7.3% for the six months ended June 30, 2019, compared to 6.2% for the prior-year period. The increase was due primarily to lower operating leverage on the fixed components of sales and marketing expenses as a result of the 12% decrease in home sales revenue and the community count growth we have experienced in the current year, resulting in higher fixed sales and marketing costs on a year over year basis. Sales and marketing expense increased to \$86.1 million for the six months ended June 30, 2019 compared to \$84.0 million in the prior-year period due to the active community count.

G&A expenses as a percentage of home sales revenue increased to 6.4% of home sales revenue for the six months ended June 30, 2019 compared to 5.4% for the prior-year period as a result of lower operating leverage due to the 12% decrease in home sales revenue. G&A expenses increased to \$75.5 million for the six months ended June 30, 2019 compared to \$73.3 million in the prior-year period primarily as a result of additional headcount to support future growth in our existing markets.

### Interest

Interest, which was incurred principally to finance land acquisitions, land development and home construction, totaled \$45.3 million and \$43.1 million for the six months ended June 30, 2019 and 2018, respectively. All interest incurred in both periods was capitalized.

### Other Income (Expense), Net

Other income (expense), net for the six months ended June 30, 2019 and 2018 was income of \$6.4 million and \$0.1 million, respectively. During the three months ended March 31, 2019, we amended our existing tax sharing agreement with Weyerhaeuser Company (“Weyerhaeuser”), pursuant to which the parties agreed, among other things, that we had no further obligation to remit payment to Weyerhaeuser in connection with any potential utilization of certain deductions or losses associated with certain Weyerhaeuser entities with respect to federal and state taxes. As a result of the amendment, during the three months ended March 31, 2019, we recorded other income of \$6.0 million related to the reduction of our income tax liability to Weyerhaeuser.

### Income Tax

For the six months ended June 30, 2019, we recorded a tax provision of \$9.2 million based on an effective tax rate of 25.8%. For the six months ended June 30, 2018, we recorded a tax provision of \$35.8 million based on an effective tax rate of 25.1%. The decrease in provision for income taxes is due to a \$106.9 million decrease in income before income taxes to \$35.5 million for the six months ended June 30, 2019, compared to \$142.4 million for the prior-year period.

### Financial Services Segment

Income from our financial services operations decreased to \$2.9 million for the six months ended June 30, 2019 compared to \$3.4 million for the prior-year period. The decrease in financial services income for the six months ended June 30, 2019 compared to the prior-year period relates to the decline in new home deliveries we have experienced, which resulted in fewer opportunities to capture financial services income.

### Lots Owned or Controlled by Segment

Excluded from owned and controlled lots are those related to Note 6, *Investments in Unconsolidated Entities*, to the accompanying condensed notes to unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q. The table below summarizes our lots owned or controlled by segment as of the dates presented:

	June 30,		Increase (Decrease)	
	2019	2018	Amount	%
<b>Lots Owned</b>				
Maracay	2,234	2,142	92	4 %
Pardee Homes	13,649	14,749	(1,100)	(7)%
Quadrant Homes	853	1,073	(220)	(21)%
Trendmaker Homes	1,924	1,443	481	33 %
TRI Pointe Homes	2,759	2,584	175	7 %
Winchester Homes	1,211	1,570	(359)	(23)%
Total	22,630	23,561	(931)	(4)%
<b>Lots Controlled <sup>(1)</sup></b>				
Maracay	1,377	914	463	51 %
Pardee Homes	755	1,075	(320)	(30)%
Quadrant Homes	589	759	(170)	(22)%
Trendmaker Homes	778	481	297	62 %
TRI Pointe Homes	1,646	1,584	62	4 %
Winchester Homes	342	455	(113)	(25)%
Total	5,487	5,268	219	4 %
<b>Total Lots Owned or Controlled <sup>(1)</sup></b>	<b>28,117</b>	<b>28,829</b>	<b>(712)</b>	<b>(2)%</b>

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<sup>(1)</sup> As of June 30, 2019 and 2018, lots controlled represented lots that were under land or lot option contracts or purchase contracts.

## **Liquidity and Capital Resources**

### ***Overview***

Our principal uses of capital for the six months ended June 30, 2019 were the repayment of debt, operating expenses, land purchases, land development and home construction. We used funds generated by our operations to meet our short-term working capital requirements. We monitor financing requirements to evaluate potential financing sources, including bank credit facilities and note offerings. 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 June 30, 2019, we had total liquidity of \$590.4 million, including cash and cash equivalents of \$171.5 million and \$418.9 million of availability under our Credit Facility, as described below, after considering the borrowing base provisions and outstanding letters of credit.

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 availability of particular assets, and our Company as a whole, to generate cash flow to cover the expected debt service.

### ***Senior Notes***

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

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

TRI Pointe Group and its wholly owned subsidiary TRI Pointe Homes, Inc. (“TRI Pointe Homes”) are co-issuers of the 5.875% Senior Notes due 2024 (the “2024 Notes”) and the 4.375% Senior Notes that matured on June 15, 2019 (the “2019 Notes”). The 2024 Notes were issued at 98.15% of their aggregate principal amount. The net proceeds from the offering of the 2019 Notes and the 2024 Notes were \$861.3 million, after debt issuance costs and discounts. The 2024 Notes mature on June 15, 2024, with interest payable semiannually in arrears on June 15 and December 15. During the three months ended June 30, 2019, we repaid the remaining \$381.9 million of principal balance of the 2019 Notes upon maturity. During the year ended December 31, 2018, we repurchased and cancelled an aggregate principal amount of \$68.1 million of the 2019 Notes.

Our outstanding senior notes (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. As of June 30, 2019, we were in compliance with the covenants required by our Senior Notes.

### ***Loans Payable***

On March 29, 2019, we entered into a Second Amended and Restated Credit Agreement (the “Credit Agreement”), which amended and restated our Amended and Restated Credit Agreement, dated as of July 7, 2015. The Credit Facility (as defined below), which matures on March 29, 2023, consists of a \$600 million revolving credit facility (the “Revolving Facility”) and a \$250 million term loan facility (the “Term Facility”) and together with the Revolving Facility, the “Credit Facility”). The Term Facility includes a 90-day delayed draw provision, which allowed us to draw the full \$250 million from the Term Facility in June 2019 in connection with the maturity of the 2019 Notes. We may increase the Credit Facility to not more than \$1 billion in the aggregate, at our request, upon satisfaction of specified conditions. The Revolving Facility contains a sublimit of \$75 million for letters of credit. We may borrow under the Revolving Facility in the ordinary course of business to repay senior notes and fund our operations, including our land acquisition, land development and homebuilding activities. Borrowings under the Revolving Facility will be governed by, among other things, a borrowing base. Interest rates on borrowings under the Revolving Facility will be based on either a daily Eurocurrency base rate or a Eurocurrency rate, in either case, plus a spread ranging from 1.25% to 2.00%, depending on our leverage ratio. Interest rates on borrowings under the Term

Facility will be based on either a daily Eurocurrency base rate or a Eurocurrency rate, in either case, plus a spread ranging from 1.10% to 1.85% , depending on the Company's leverage ratio.

As of June 30, 2019 , we had \$150 million outstanding debt under the Revolving Facility with an interest rate of 4.18% per annum and there was \$418.9 million of availability after considering the borrowing base provisions and outstanding letters of credit. As of June 30, 2019, we had \$250 million outstanding debt under the Term Facility with an interest rate of 4.00%. As of June 30, 2019 , there was \$5.0 million of capitalized debt financing costs, included in other assets on our consolidated balance sheet, related to the Credit Facility that will amortize over the remaining term of the Credit Facility. Accrued interest, including loan commitment fees, related to the Credit Facility was \$712,000 and \$402,000 as of June 30, 2019 and December 31, 2018 , respectively.

At June 30, 2019 and December 31, 2018 , we had outstanding letters of credit of \$31.1 million and \$31.8 million , respectively. These letters of credit were issued to secure various financial obligations. We believe it is not probable that any outstanding letters of credit will be drawn upon.

Under the 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):

<b>Financial Covenants</b>	<b>Actual at June 30, 2019</b>	<b>Covenant Requirement at June 30, 2019</b>
<b>Consolidated Tangible Net Worth</b>	\$ 1,926,470	\$ 1,363,168
(Not less than \$1.35 billion plus 50% of net income and 50% of the net proceeds from equity offerings after December 31, 2018)		
<b>Leverage Test</b>	40.0%	≤55%
(Not to exceed 55%)		
<b>Interest Coverage Test</b>	4.3	≥1.5
(Not less than 1.5:1.0)		

In addition, the Credit Facility limits the aggregate number of single family dwellings (where construction has commenced) owned by the Company or any guarantor that are not presold or model units to no more than the greater of (i) 50% of the number of housing unit closings (as defined) during the preceding 12 months; or (ii) 100% of the number of housing unit closings during the preceding 6 months. However, a failure to comply with this "Spec Unit Inventory Test" will not be an event of default or default, but will be excluded from the borrowing base as of the last day of the quarter in which the non-compliance occurs. The Credit Facility further requires that at least 97.0% of consolidated tangible net worth must be attributable to the Company and its guarantor subsidiaries, subject to certain grace periods.

As of June 30, 2019 , we were in compliance with all of these financial covenants.

### ***Stock Repurchase Program***

On February 21, 2019, our board of directors discontinued and cancelled the 2018 Repurchase Program and approved the 2019 Repurchase Program, authorizing the repurchase of shares of common stock with an aggregate value of up to \$100 million through March 31, 2020. Purchases of common stock pursuant to the 2019 Repurchase Program may be made in open market transactions effected through a broker-dealer at prevailing market prices, in block trades, or by other means in accordance with federal securities laws, including pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 under the Exchange Act. We are not obligated under the 2019 Repurchase Program to repurchase any specific number or dollar amount of shares of common stock, and we may modify, suspend or discontinue the 2019 Repurchase Program at any time. Our management will determine the timing and amount of repurchase in its discretion based on a variety of factors, such as the market price of our common stock, corporate requirements, general market economic conditions and legal requirements. Through the date of the filing of this Quarterly Report on Form 10-Q, no shares of common stock have been repurchased under the 2019 Repurchase Program.

### ***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-net capital are calculated as follows (dollars in thousands):

	June 30, 2019	December 31, 2018
Loans Payable	\$ 400,000	\$ —
Senior Notes	1,032,145	1,410,804
Total debt	1,432,145	1,410,804
Stockholders' equity	2,086,630	2,056,924
Total capital	\$ 3,518,775	\$ 3,467,728
Ratio of debt-to-capital <sup>(1)</sup>	40.7%	40.7%
Total debt	\$ 1,432,145	\$ 1,410,804
Less: Cash and cash equivalents	(171,516)	(277,696)
Net debt	1,260,629	1,133,108
Stockholders' equity	2,086,630	2,056,924
Net capital	\$ 3,347,259	\$ 3,190,032
Ratio of net debt-to-net capital <sup>(2)</sup>	37.7%	35.5%

<sup>(1)</sup> The ratio of debt-to-capital is computed as the quotient obtained by dividing total debt by the sum of total debt plus stockholders' equity.

<sup>(2)</sup> The ratio of net debt-to-net capital is a non-GAAP financial measure and is computed as the quotient obtained by dividing net debt (which is total debt less cash and cash equivalents) by the sum of net debt plus stockholders' equity. The most directly comparable GAAP financial measure is the ratio of debt-to-capital. We believe the ratio of net debt-to-net 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. Because the ratio of net debt-to-net capital is not calculated in accordance with GAAP, it may not be comparable to other similarly titled measures of other companies and should not be considered in isolation or as a substitute for, or superior to, financial measures prepared in accordance with GAAP.

#### Cash Flows— Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

For the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, the comparison of cash flows is as follows:

- Net cash used in operating activities increased by \$103.9 million to \$103.9 million for the six months ended June 30, 2019, from net cash used of \$49,000 for the six months ended June 30, 2018. The change was comprised of offsetting activity, including (i) a decrease in net income to \$26.3 million for the three months ended June 30, 2019 compared to \$106.6 million in the prior-year period, (ii) a decrease in cash collected to cash used of \$6.8 million in the three months ended June 30, 2019 compared to cash provided of \$66.0 million in the prior-year period, and (iii) other offsetting activity, including changes in inventory, other assets, accounts payable and accrued expenses.
- Net cash used in investing activities was \$13.8 million for the six months ended June 30, 2019, compared to \$16.9 million for the prior-year period. The decrease in cash used in investing activities was due mainly to a decrease in purchases of property and equipment.
- Net cash provided by financing activities was \$11.6 million for the six months ended June 30, 2019, compared to net cash used in financing activities of \$26.1 million for the same period in the prior year. In the current year period, we borrowed \$400.0 million in loans payable and repaid \$381.9 million of senior notes which matured in June 2019.

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

In the ordinary course of business, we enter into purchase 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 and land banking arrangements 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. These option contracts and land banking arrangements generally require a non-refundable deposit for the right to acquire land and 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. In some cases, however, we may be contractually obligated to complete development work even if we terminate the option to procure land or lots. As of June 30, 2019, we had \$71.4 million of cash deposits, the majority of which are non-refundable, pertaining to land and lot option contracts and purchase contracts with an aggregate remaining purchase price of \$665.3 million (net of deposits).

Our utilization of land and lot option contracts and land banking arrangements is dependent on, among other things, the availability of land sellers or land banking firms willing to enter into such arrangements, the availability of capital to finance the development of optioned land and 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.

### **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 during the first and second quarters of our fiscal year, 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 three to nine months to construct a new home, the number of homes delivered and associated home sales revenue typically increases in the third and fourth quarters of our fiscal year as new home orders sold earlier in the year 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 of our fiscal year, and the majority of cash receipts from home deliveries occur during the second half of 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 June 30, 2019 and includes information on current projects under development where we are building and selling homes.

*Maracay*

<u>County, Project, City</u>	<u>Year of First Delivery</u> <sup>(1)</sup>	<u>Total Number of Lots</u> <sup>(2)</sup>	<u>Cumulative Homes Delivered as of June 30, 2019</u>	<u>Lots Owned as of June 30, 2019</u> <sup>(3)</sup>	<u>Backlog as of June 30, 2019</u> <sup>(4)(5)</sup>	<u>Homes Delivered for the Six Months Ended June 30, 2019</u>	<u>Sales Price Range (in thousands)</u> <sup>(6)</sup>
<b>Phoenix, Arizona</b>							
City of Buckeye:							
Verrado Victory	2015	98	94	4	—	14	\$373 - \$405
Arroyo Seco	2020	44	—	44	—	—	\$419 - \$479
City of Chandler:							
Hawthorn Manor	2017	84	73	11	8	14	\$490 - \$564
Mission Estates	2019	26	1	25	15	1	\$537 - \$598
Windermere Ranch	2019	91	—	91	20	—	\$503 - \$542
City of Gilbert:							
Marathon Ranch	2018	63	32	31	25	23	\$520 - \$563
Lakes At Annecy	2019	216	5	211	32	5	\$257 - \$354
Annecy P3	2020	250	—	250	—	—	\$226 - \$301
Lakeview Trails	2019	92	—	92	53	—	\$549 - \$624
Lakeview Trails II	2020	68	—	68	—	—	\$554 - \$629
Copper Bend	2020	38	—	38	—	—	\$489 - \$509
Waterston	2020	332	—	332	—	—	\$487 - \$775
City of Goodyear:							
Villages at Rio Paseo	2018	117	32	85	19	14	\$190 - \$221
Cottages at Rio Paseo	2018	93	46	47	14	15	\$231 - \$252
City of Mesa:							
The Vista at Granite Crossing	2018	37	37	—	—	12	\$438 - \$513
Electron at Eastmark	2019	53	10	43	22	10	\$364 - \$441
City of Peoria:							
Legacy at The Meadows	2017	74	68	6	—	2	\$425 - \$451
Estates at The Meadows	2017	272	126	146	55	26	\$505 - \$591
Enclave at The Meadows	2018	126	43	83	34	14	\$386 - \$481
Deseo	2019	94	—	94	14	—	\$502 - \$596
City of Phoenix:							
Navarro Groves	2018	54	42	12	9	18	\$439 - \$484
Loma @ Avance	2019	124	—	124	26	—	\$367 - \$426
Ranger @ Avance	2019	145	—	145	16	—	\$409 - \$481
Piedmont @ Avance	2019	99	—	99	19	—	\$495 - \$510
Alta @ Avance	2019	26	—	26	2	—	\$607 - \$636
Town of Queen Creek:							
Spur Cross	2020	118	—	118	—	—	\$474 - \$579
<b>Phoenix, Arizona Total</b>		<b>2,834</b>	<b>609</b>	<b>2,225</b>	<b>383</b>	<b>168</b>	
<b>Tucson, Arizona</b>							
Oro Valley:							
Desert Crest - Center Pointe Vistoso	2016	103	95	8	1	8	\$262 - \$307
The Cove - Center Pointe Vistoso	2016	83	83	—	—	1	\$345 - \$405
Summit N & S - Center Pointe Vistoso	2016	88	88	—	—	3	\$397 - \$432
The Pinnacle - Center Pointe Vistoso	2016	69	68	1	1	—	\$448 - \$480
<b>Tucson, Arizona Total</b>		<b>343</b>	<b>334</b>	<b>9</b>	<b>2</b>	<b>12</b>	
<b>Maracay Total</b>		<b>3,177</b>	<b>943</b>	<b>2,234</b>	<b>385</b>	<b>180</b>	

**Pardee Homes**

<b>County, Project, City</b>	<b>Year of First Delivery <sup>(1)</sup></b>	<b>Total Number of Lots <sup>(2)</sup></b>	<b>Cumulative Homes Delivered as of June 30, 2019</b>	<b>Lots Owned as of June 30, 2019 <sup>(3)</sup></b>	<b>Backlog as of June 30, 2019 <sup>(4)(5)</sup></b>	<b>Homes Delivered for the Six Months Ended June 30, 2019</b>	<b>Sales Price Range (in thousands) <sup>(6)</sup></b>
<b>California</b>							
San Diego County:							
Almeria	2017	80	80	—	—	5	\$1,440 - \$1,560
Vista Santa Fe	2019	44	—	44	14	—	\$1,760 - \$1,950
Sendero	2019	112	11	101	57	11	\$1,150 - \$1,350
Terraza	2019	81	9	72	39	9	\$1,260 - \$1,400
Carmel	2019	105	—	105	38	—	\$1,380 - \$1,500
Vista Del Mar	2019	79	—	79	27	—	\$1,530 - \$1,720
Pacific Highlands Ranch Future	2020	115	—	115	—	—	TBD
Sandstone	2018	81	66	15	11	17	\$640 - \$710
Lake Ridge	2018	129	57	72	15	23	\$710 - \$860
Veraz	2018	111	22	89	5	12	\$380 - \$460
Moderna	2018	44	35	9	6	25	\$355 - \$440
Marea	2020	143	—	143	—	—	\$370 - \$470
Solmar	2019	74	—	74	—	—	\$365 - \$440
Solmar Sur	2019	108	—	108	—	—	\$365 - \$440
PA61 Townhomes	2021	170	—	170	—	—	TBD
Meadowood	TBD	845	—	845	—	—	\$360 - \$650
South Otay Mesa	TBD	893	—	893	—	—	TBD
Los Angeles County:							
Verano	2017	95	49	46	2	12	\$575 - \$670
Arista	2017	143	78	65	9	10	\$725 - \$790
Cresta	2018	67	24	43	6	14	\$790 - \$890
Lyra	2019	84	8	76	16	8	\$650 - \$720
Sola	2019	104	13	91	46	13	\$545 - \$590
Skyline Ranch Future	TBD	882	—	882	—	—	\$550 - \$810
Riverside County:							
Vantage	2016	101	101	—	—	2	\$390 - \$410
Aura	2017	100	100	—	—	3	\$370 - \$385
Starling	2017	68	55	13	9	15	\$425 - \$440
Canyon Hills Future 70 x 115	TBD	125	—	125	—	—	TBD
Westlake	2020	163	—	163	—	—	\$310 - \$325
Elara	2016	260	225	35	18	23	\$310 - \$345
Daybreak	2017	159	85	74	27	11	\$345 - \$365
Cascade	2017	209	128	81	12	28	\$330 - \$345
Abrio	2018	98	39	59	23	7	\$400 - \$425
Beacon	2018	106	38	68	24	20	\$475 - \$525
Alisio	2019	84	3	81	32	3	\$295 - \$330
Vita	2019	113	8	105	16	8	\$310 - \$335
Avid	2019	70	1	69	16	1	\$340 - \$365
Elan	2019	101	3	98	9	3	\$400 - \$420
Mira	2019	90	5	85	3	5	\$365 - \$395
Sundance Future Active Adult	TBD	330	—	330	—	—	TBD
Avena	2018	84	39	45	8	14	\$450 - \$475
Tamarack	2018	84	64	20	9	9	\$480 - \$520
Braeburn	2018	82	17	65	24	9	\$400 - \$425
Canvas	2018	89	25	64	19	17	\$370 - \$425
Kadence	2018	85	20	65	20	12	\$390 - \$440
Newpark	2018	93	15	78	23	7	\$430 - \$495

Easton	2018	92	15	77	14	10	\$440 - \$530
Tournament Hills Future	TBD	268	—	268	—	—	TBD
Banning	2020	4,344	—	4,344	—	—	TBD

San Joaquin County:							
Bear Creek	TBD	1,252	—	1,252	—	—	TBD
<b>California Total</b>		<b>13,239</b>	<b>1,438</b>	<b>11,801</b>	<b>597</b>	<b>366</b>	
<b>Nevada</b>							
Clark County:							
North Peak	2015	176	176	—	—	1	\$312 - \$370
Castle Rock	2015	183	183	—	—	4	\$365 - \$455
Escala	2016	64	64	—	—	1	\$520 - \$590
Strada	2017	83	59	24	19	—	\$425 - \$490
Linea	2018	123	76	47	28	28	\$365 - \$405
Strada 2.0	2019	92	—	92	2	—	\$425 - \$545
Linea II	2020	79	—	79	—	—	\$360 - \$400
Inspirada Townhomes	2020	114	—	114	—	—	TBD
Meridian	2016	62	62	—	—	1	\$595 - \$690
Pebble Estate Future	TBD	8	—	8	—	—	TBD
Encanto	2016	51	50	1	1	1	\$475 - \$530
Luma	2018	63	61	2	2	20	\$490 - \$530
Evolve	2019	74	—	74	17	—	\$300 - \$320
Corterra	2018	112	17	95	5	14	\$450 - \$550
Keystone	2017	70	69	1	—	6	\$465 - \$550
Cobalt	2017	107	59	48	8	13	\$390 - \$455
Onyx	2018	88	24	64	14	10	\$450 - \$490
Axis	2017	52	46	6	4	13	\$860 - \$1,125
Axis at the Canyons	2019	26	—	26	10	—	\$780 - \$905
Midnight Ridge	2019	104	—	104	—	—	\$540 - \$585
Pivot	2017	88	64	24	12	20	\$405 - \$470
Strada at Pivot	2017	27	27	—	12	2	\$450 - \$480
Nova Ridge	2017	81	56	25	—	17	\$680 - \$840
Nova Ridge at the Cliffs	2019	27	—	27	3	—	\$680 - \$840
Tera Luna	2018	116	12	104	12	8	\$545 - \$660
Indogo	2018	202	40	162	15	18	\$300 - \$355
Larimar	2018	170	13	157	8	9	\$350 - \$405
Blackstone	2018	140	20	120	18	15	\$410 - \$500
Cirrus	2019	54	—	54	3	—	\$360 - \$395
Silverado	2020	274	—	274	—	—	TBD
Sandalwood	2020	116	—	116	—	—	\$685 - \$815
<b>Nevada Total</b>		<b>3,026</b>	<b>1,178</b>	<b>1,848</b>	<b>193</b>	<b>201</b>	
<b>Pardee Total</b>		<b>16,265</b>	<b>2,616</b>	<b>13,649</b>	<b>790</b>	<b>567</b>	

**Quadrant Homes**

<u>County, Project, City</u>	<u>Year of First Delivery <sup>(1)</sup></u>	<u>Total Number of Lots <sup>(2)</sup></u>	<u>Cumulative Homes Delivered as of June 30, 2019</u>	<u>Lots Owned as of June 30, 2019 <sup>(3)</sup></u>	<u>Backlog as of June 30, 2019 <sup>(4)(5)</sup></u>	<u>Homes Delivered for the Six Months Ended June 30, 2019</u>	<u>Sales Price Range (in thousands) <sup>(6)</sup></u>
<b>Washington</b>							
Snohomish County:							
Grove North, Bothell	2019	43	—	43	4	—	\$770 - \$880
Grove South, Bothell	2019	9	—	9	1	—	\$770 - \$820
King County:							
Vareze, Kirkland	2020	82	—	82	—	—	\$690 - \$880
Inglewood Landing, Sammamish	2019	21	10	11	4	10	\$1,115 - \$1,290
Kirkwood Terrace, Sammamish	2018	12	10	2	—	5	\$1,800 - \$1,900
Cedar Landing, North Bend	2019	138	—	138	24	—	\$740 - \$880
Monarch Ridge, Sammamish	2019	59	—	59	—	—	\$970 - \$1,245
Overlook at Summit Park, Maple Valley	2019	126	9	117	17	9	\$596 - \$700
Aurea, Sammamish	2019	41	—	41	—	—	\$695 - \$837
Aldea, Newcastle	2019	129	18	111	13	18	\$810 - \$883
Lario, Bellevue	2020	46	—	46	—	—	\$765 - \$1,030
Soundview, Federal Way	2018	21	15	6	4	11	\$531 - \$660
Eagles Glen, Sammamish	2020	10	—	10	—	—	\$1,100 - \$2,000
Finn Meadows, Kirkland	2020	10	—	10	—	—	\$900 - \$1,050
Hazelwood Gardens, Newcastle	2021	15	—	15	—	—	\$1,100 - \$1,260
Kitsap County:							
Lone Pine, Poulsbo	2019	15	—	15	4	—	\$474 - \$530
Winslow Grove, Bainbridge Island	2018	19	12	7	6	10	\$997 - \$1,192
Blue Heron, Poulsbo	2021	85	—	85	—	—	\$489 - \$664
Poulsbo Meadows, Poulsbo	2021	46	—	46	—	—	\$494 - \$530
Closed Communities		—	—	—	—	48	
<b>Washington Total</b>		<b>927</b>	<b>74</b>	<b>853</b>	<b>77</b>	<b>111</b>	
<b>Quadrant Total</b>		<b>927</b>	<b>74</b>	<b>853</b>	<b>77</b>	<b>111</b>	

**Trendmaker Homes**

<b>County, Project, City</b>	<b>Year of First Delivery <sup>(1)</sup></b>	<b>Total Number of Lots <sup>(2)</sup></b>	<b>Cumulative Homes Delivered as of June 30, 2019</b>	<b>Lots Owned as of June 30, 2019 <sup>(3)</sup></b>	<b>Backlog as of June 30, 2019 <sup>(4)(5)</sup></b>	<b>Homes Delivered for the Six Months Ended June 30, 2019</b>	<b>Sales Price Range (in thousands) <sup>(6)</sup></b>
<b>Texas</b>							
Brazoria County:							
Pomona, Manvel	2015	49	42	7	3	7	\$446 - \$489
Rise Meridiana	2016	47	38	9	—	8	\$292 - \$350
Fort Bend County:							
Cross Creek Ranch 60', Fulshear	2013	32	6	26	8	5	\$415 - \$500
Cross Creek Ranch 65', Fulshear	2013	77	50	27	5	10	\$442 - \$559
Cross Creek Ranch 70', Fulshear	2013	85	60	25	14	9	\$510 - \$587
Cross Creek Ranch 80', Fulshear	2013	60	39	21	13	11	\$600 - \$655
Cross Creek Ranch 90', Fulshear	2013	37	33	4	1	1	\$695 - \$829
Fulshear Run 1/2 Acre, Richmond	2016	54	43	11	4	12	\$573 - \$699
Fulshear Run (Land)	TBD	91	—	91	—	—	TBD
Harvest Green 75', Richmond	2015	48	37	11	9	2	\$449 - \$574
Sienna Plantation 85', Missouri City	2015	54	33	21	1	3	\$546 - \$717
Grayson Woods 60'	TBD	17	—	17	—	—	\$400 - \$480
Grayson Woods 70'	TBD	10	—	10	1	—	\$480 - \$555
Katy Gaston	TBD	129	—	129	—	—	TBD
Harris County:							
The Groves, Humble	2015	117	78	39	8	7	\$298 - \$360
Lakes of Creekside	2015	38	22	16	7	6	\$460 - \$611
Balmoral 50'	2019	24	—	24	1	—	\$270 - \$351
Bridgeland '80, Cypress	2015	118	91	27	13	8	\$555 - \$683
Bridgeland 70'	2018	41	9	32	8	2	\$511 - \$574
Villas at Bridgeland 50'	2018	48	7	41	2	5	\$356 - \$409
Elyson 70', Cypress	2016	20	20	—	—	2	\$463 - \$482
Falls at Dry Creek	2019	5	—	5	—	—	TBD
Hidden Arbor, Cypress	2015	129	102	27	—	—	\$419 - \$599
Clear Lake, Houston	2015	778	528	250	57	50	\$350 - \$698
Montgomery County:							
Northgrove, Tomball	TBD	25	7	18	—	—	TBD
Bender's Landing Estates, Spring	2014	104	104	—	—	13	\$553 - \$555
The Woodlands, Creekside Park	2015	127	99	28	10	29	\$423 - \$729
Royal Brook, Porter	2018	24	2	22	1	1	\$393 - \$479
Waller County:							
LakeHouse	2019	350	3	347	20	3	\$263 - \$575
Williamson County:							
Crystal Falls	2016	29	25	4	—	—	TBD
Rancho Sienna 60'	2016	51	25	26	5	7	\$339 - \$446
Rancho Sienna 80'	2018	5	4	1	1	2	\$456 - \$519
Highlands at Mayfield Ranch 50'	2018	36	17	19	10	9	\$282 - \$375
Highlands at Mayfield Ranch 60'	2018	23	8	15	9	7	\$335 - \$406
Rancho Sienna 50'	2019	30	1	29	3	1	\$291 - \$394
Palmera Ridge	2019	30	2	28	18	2	\$272 - \$344
Hays County:							
Belterra 60', Austin	2017	36	36	—	—	10	\$419 - \$458
Belterra 80', Austin	2016	37	37	—	—	3	\$552 - \$562
Headwaters, Dripping Springs	2017	30	30	—	—	7	\$453 - \$485
6 Creeks 50' Section 1 & 2	2019	35	—	35	—	—	TBD
6 Creeks 60' Section 1 & 2	2019	15	—	15	—	—	TBD



Travis County:

Lakes Edge 70'	2018	45	21	24	23	8	\$645 - \$830
Lakes Edge 80'	2018	14	7	7	7	3	\$742 - \$792

Collin County:							
Miramonte, Frisco	2016	62	46	16	6	10	\$475 - \$560
Retreat at Craig Ranch, McKinney	2012	165	145	20	6	2	\$375 - \$415
Dallas County:							
Vineyards, Rowlett	2017	40	18	22	8	6	\$368 - \$480
Denton County:							
Glenview, Frisco	2017	50	20	30	4	12	\$345 - \$485
Paloma Creek, Little Elm		267	164	103	6	20	\$275 - \$390
Parks at Legacy, Prosper	2017	55	24	31	6	10	\$384 - \$495
Shadow Creek, Hickory Creek	2016	40	39	1	1	3	\$360 - \$400
Valencia, Little Elm	2016	82	48	34	6	11	\$350 - \$444
Villages of Carmel, Denton	2017	96	52	44	28	10	\$290 - \$360
Kaufman County:							
Park Trails, Forney	2015	85	82	3	2	9	\$240 - \$280
Rockwall County:							
Heath Golf and Yacht, Heath	2016	100	64	36	7	7	\$294 - \$490
Woodcreek, Fate	2017	94	78	16	10	16	\$267 - \$330
Tarrant County:							
Chisholm Trail Ranch, Fort Worth	2017	81	58	23	5	14	\$270 - \$375
Lakes of River Trails, Fort Worth	2011	156	130	26	24	9	\$317 - \$416
Ventana, Benbrook	2017	70	39	31	18	10	\$318 - \$430
Closed Communities	N/A	—	—	—	—	2	
<b>Texas Total</b>		<b>4,597</b>	<b>2,673</b>	<b>1,924</b>	<b>399</b>	<b>404</b>	
<b>Trendmaker Homes Total</b>		<b>4,597</b>	<b>2,673</b>	<b>1,924</b>	<b>399</b>	<b>404</b>	

**TRI Pointe Homes**

<u>County, Project, City</u>	<u>Year of First Delivery</u> <sup>(1)</sup>	<u>Total Number of Lots</u> <sup>(2)</sup>	<u>Cumulative Homes Delivered as of June 30, 2019</u>	<u>Lots Owned as of June 30, 2019</u> <sup>(3)</sup>	<u>Backlog as of June 30, 2019</u> <sup>(4)(5)</sup>	<u>Homes Delivered for the Six Months Ended June 30, 2019</u>	<u>Sales Price Range (in thousands)</u> <sup>(6)</sup>
<b>Southern California</b>							
Orange County:							
Aria, Rancho Mission Viejo	2016	151	151	—	—	5	\$687 - \$719
Viridian	2018	72	26	46	16	9	\$895 - \$994
Sterling Row Townhomes, Irvine	2017	96	96	—	—	1	\$572 - \$779
Varenna at Orchard Hills, Irvine	2016	105	90	15	1	17	\$1,225 - \$1,343
Alston, Anaheim	2017	75	75	—	—	15	\$828 - \$869
StrataPointe, Buena Park	2017	149	146	3	3	21	\$549 - \$737
Lyric	2019	70	24	46	5	24	\$790 - \$943
Citron at Bedford	2019	101	19	82	12	19	\$383 - \$425
Windbourne	2020	19	—	19	—	—	TBD
Canvas	2020	25	—	25	—	—	TBD
San Diego County:							
Prism at Weston	2018	142	50	92	29	16	\$574 - \$632
Talus at Weston	2018	63	42	21	10	10	\$680 - \$730
Riverside County:							
Terrassa Court, Corona	2015	94	94	—	—	1	\$421 - \$499
Terrassa Villas, Corona	2015	52	51	1	1	5	\$491 - \$554
Cassis at Rancho Soleo	2020	79	—	79	—	—	TBD
Cava at Rancho Soleo	2020	63	—	63	—	—	TBD
Cerro at Rancho Soleo	2020	103	—	103	—	—	TBD
Los Angeles County:							
VuePointe, El Monte	2017	102	100	2	2	13	\$479 - \$654
Bradford @ Rosedale, Azusa	2017	52	52	—	—	1	\$816 - \$906
Lucera at Aliento	2017	67	66	1	1	4	\$622 - \$648
Tierno at Aliento	2017	63	49	14	—	—	\$667 - \$695
Tierno II at Aliento	2018	63	24	39	8	14	\$642 - \$708
Paloma at West Creek	2018	155	85	70	16	35	\$453 - \$524
Mystral	2019	78	8	70	22	8	\$635 - \$684
Celestia	2019	72	11	61	25	11	\$597 - \$626
San Bernardino County:							
St. James at Park Place, Ontario	2015	125	119	6	—	—	\$509 - \$560
St. James III at Park Place, Ontario	2018	82	55	27	14	18	\$509 - \$560
Ivy at The Preserve	2020	113	—	113	—	—	TBD
Hazel at The Preserve	2020	133	—	133	—	—	TBD
Tempo at The Resort	2019	80	—	80	—	—	TBD
<b>Southern California Total</b>		<b>2,644</b>	<b>1,433</b>	<b>1,211</b>	<b>165</b>	<b>247</b>	
<b>Northern California</b>							
Contra Costa County:							
Wynstone at Barrington, Brentwood	2017	92	88	4	2	11	\$640 - \$675
Greyson Place	2019	44	—	44	7	—	\$785 - \$885
Santa Clara County:							
Madison Gate	2018	65	30	35	6	6	\$785 - \$1,134
Blanc at Glen Loma	2019	49	—	49	2	—	\$765 - \$815
Noir at Glen Loma	2019	64	—	64	3	—	\$870 - \$920
Lotus at Urban Oak	2020	25	—	25	—	—	\$930 - \$1,054
Solano County:							
Bloom at Green Valley, Fairfield	2018	91	48	43	12	17	\$548 - \$588

Harvest at Green Valley, Fairfield	2018	56	38	18	7	10	\$550 - \$630
Lantana, Fairfield	2019	133	19	114	21	19	\$460 - \$505
San Joaquin County:							

Sundance, Mountain House	2015	113	108	5	—	—	\$648 - \$721
Sundance II, Mountain House	2017	138	72	66	11	13	\$648 - \$721
Alameda County:							
Commercial, Alameda Landing	2019	2	—	2	2	—	\$550
Blackstone at the Cannery, Hayward SFA	2016	105	105	—	—	1	\$666 - \$776
Slate at Jordan Ranch, Dublin	2017	56	56	—	—	5	\$1,125 - \$1,225
Onyx at Jordan Ranch, Dublin	2017	105	68	37	4	14	\$914 - \$966
Quartz at Jordan Ranch, Dublin	2018	45	42	3	1	12	\$958 - \$1,098
Apex, Fremont	2018	77	47	30	3	8	\$784 - \$1,096
Palm, Fremont	2019	31	7	24	3	7	\$2,119 - \$2,225
Ellis at Central Station, Oakland	2019	128	—	128	—	—	\$700 - \$813
Sacramento County:							
Natomas	2019	94	—	94	—	—	\$344 - \$410
Placer County:							
La Madera	2019	102	—	102	7	—	\$446 - \$526
San Francisco County:							
Lofton at NOPO, San Francisco	2020	54	—	54	—	—	\$995 - \$1,255
<b>Northern California Total</b>		<b>1,669</b>	<b>728</b>	<b>941</b>	<b>91</b>	<b>123</b>	
<b>California Total</b>		<b>4,313</b>	<b>2,161</b>	<b>2,152</b>	<b>256</b>	<b>370</b>	
<b>Colorado</b>							
Douglas County:							
Terrain Ravenwood Village (3500)	2018	157	64	93	23	30	\$375 - \$427
Terrain Ravenwood Village (4000)	2018	100	50	50	22	17	\$403 - \$471
Trails at Crowfoot	2020	100	—	100	—	—	TBD
Sterling Ranch	2020	80	—	80	—	—	TBD
The Canyons	2020	89	—	89	—	—	TBD
Jefferson County:							
Candelas 6000 Series, Arvada	2015	76	76	—	—	1	\$516 - \$656
Candelas 3500 Series, Arvada	2016	97	97	—	—	16	\$408 - \$466
Candelas 5000 Series, Arvada	2017	62	61	1	1	17	\$516 - \$584
Candelas 4020 Series, Arvada	2019	98	21	77	20	21	\$465 - \$520
Crown Point, Westminster	2019	64	8	56	28	8	\$430 - \$482
Arapahoe County:							
Whispering Pines, Aurora	2016	115	78	37	21	14	\$636 - \$681
Adams County:							
Amber Creek, Thornton	2017	121	97	24	13	29	\$398 - \$483
<b>Colorado Total</b>		<b>1,159</b>	<b>552</b>	<b>607</b>	<b>128</b>	<b>153</b>	
<b>TRI Pointe Total</b>		<b>5,472</b>	<b>2,713</b>	<b>2,759</b>	<b>384</b>	<b>523</b>	

**Winchester Homes**

County, Project, City	Year of First Delivery <sup>(1)</sup>	Total Number of Lots <sup>(2)</sup>	Cumulative Homes Delivered as of June 30, 2019	Lots Owned as of June 30, 2019 <sup>(3)</sup>	Backlog as of June 30, 2019 <sup>(4)(5)</sup>	Homes Delivered for the Six Months Ended June 30, 2019	Sales Price Range (in thousands) <sup>(6)</sup>
<b>Maryland</b>							
Anne Arundel County:							
Two Rivers Townhomes, Crofton	2017	100	53	47	9	14	\$450 - \$560
Two Rivers Cascades SFD, Crofton	2018	43	21	22	4	5	\$540 - \$625
Watson's Glen, Millersville	2015	103	4	99	—	—	TBD
Frederick County:							
Landsdale, Monrovia							
Landsdale SFD	2015	222	139	83	21	14	\$495 - \$597
Landsdale Townhomes	2015	100	83	17	3	7	\$330 - \$383
Landsdale TND Neo SFD	2015	77	48	29	10	4	\$440 - \$473
Montgomery County:							
Cabin Branch, Clarksburg							
Cabin Branch SFD	2014	359	222	137	14	18	\$510 - \$765
Cabin Branch Avenue Townhomes	2017	86	61	25	12	9	\$420 - \$488
Cabin Branch Crossings Townhomes	2019	98	—	98	—	—	\$440 - \$515
Cabin Branch Manor Townhomes	2014	444	315	129	18	16	\$360 - \$464
Preserve at Stoney Spring - Lots for Sale	N/A	3	—	3	—	—	N/A
Glenmont MetroCenter, Silver Spring	2016	171	93	78	25	18	\$435 - \$513
Chapman Row, Rockville	2019	61	—	61	7	—	\$720 - \$775
Randolph Farms, Rockville	2019	104	—	104	—	—	TBD
Closed Communities	N/A	—	—	—	—	1	
<b>Maryland Total</b>		<b>1,971</b>	<b>1,039</b>	<b>932</b>	<b>123</b>	<b>106</b>	
<b>Virginia</b>							
Fairfax County:							
Stuart Mill, Oakton - Lots for Sale	N/A	5	—	5	—	—	N/A
Westgrove, Fairfax	2018	24	8	16	9	7	\$1,001 - \$1,107
West Oaks Corner, Fairfax	2019	188	—	188	4	—	\$660 - \$755
Loudoun County:							
Brambleton, Ashburn							
West Park SFD	2018	53	29	24	18	9	\$700 - \$724
Birchwood AA	2018	43	23	20	10	14	\$577 - \$634
Vistas at Lansdowne, Lansdowne	2015	120	120	—	—	11	\$536 - \$576
Willowsford Grant II, Aldie	2016	55	29	26	9	6	\$950 - \$1,226
Closed Communities	N/A	—	—	—	—	1	N/A
<b>Virginia Total</b>		<b>488</b>	<b>209</b>	<b>279</b>	<b>50</b>	<b>48</b>	
<b>Winchester Total</b>		<b>2,459</b>	<b>1,248</b>	<b>1,211</b>	<b>173</b>	<b>154</b>	
<b>Combined Company Total</b>		<b>32,897</b>	<b>10,267</b>	<b>22,630</b>	<b>2,208</b>	<b>1,939</b>	

(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 June 30, 2019 include owned lots in backlog as of June 30, 2019.

(4) Backlog consists of homes under sales contracts that have 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 June 30, 2019, 1,474 homes are under construction, 326 homes have completed construction, and 408 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**

Our discussion and analysis of our financial condition and results of operations is based on our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, which have been prepared in accordance with GAAP. Our condensed notes to the unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q and the audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018 describe the significant accounting policies essential to our unaudited condensed consolidated financial statements. The preparation of our financial statements requires our management to make estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions that we have used are appropriate and correct based on information available at the time they were made. These estimates, judgments and assumptions can affect our reported assets and liabilities as of the date of the financial statements, as well as the reported revenues and expenses during the period presented. If there is a material difference between these estimates, judgments and assumptions and actual facts, our financial statements may be affected.

In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require our judgment in its application. There are areas in which our judgment in selecting among available alternatives would not produce a materially different result, but there are some areas in which our judgment in selecting among available alternatives would produce a materially different result. See the condensed notes to the unaudited consolidated financial statements that contain additional information regarding our accounting policies and other disclosures.

Except for accounting policies related to our adoption of ASC 842, there have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018. See Note 1, *Organization, Basis of Presentation and Summary of Significant Accounting Policies*, to the accompanying condensed notes to unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q for the critical accounting policies resulting from our adoption of ASC 842.

## **Recently Issued Accounting Standards**

See Note 1, *Organization, Basis of Presentation and Summary of Significant Accounting Policies*, to the accompanying condensed notes to unaudited 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 debt. 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 six months ended June 30, 2019. We did not enter into during the six months ended June 30, 2019, and currently do not hold, derivatives for trading or speculative purposes.

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

We have established disclosure controls and procedures to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and accumulated and communicated to management, including the Chief Executive Officer (the "Principal Executive Officer") and Chief Financial Officer (the "Principal Financial Officer"), as appropriate, to allow timely decisions regarding required disclosure. Under the supervision and with the participation of senior management, including our Principal Executive Officer and Principal Financial Officer, we evaluated our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act. Based on this evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2019.

Our management, including our Principal Executive Officer and Principal Financial Officer, has evaluated our internal control over financial reporting to determine whether any change occurred during the three months ended June 30, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there has been no such change during the three months ended June 30, 2019.

## **PART II. OTHER INFORMATION**

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

The information required with respect to this item can be found under Note 13, *Commitments and Contingencies – Legal Matters*, to the accompanying condensed notes to unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q and is incorporated by reference into this Item 1.

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

*There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018. If any of the risks discussed 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 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.”*

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

On February 21, 2019, our board of directors discontinued and cancelled the 2018 Repurchase Program and approved the 2019 Repurchase Program, authorizing the repurchase of shares of common stock with an aggregate value of up to \$100 million through March 31, 2020. Purchases of common stock pursuant to the 2019 Repurchase Program may be made in open market transactions effected through a broker-dealer at prevailing market prices, in block trades, or by other means in accordance with federal securities laws, including pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 under the Exchange Act. We are not obligated under the 2019 Repurchase Program to repurchase any specific number or dollar amount of shares of common stock, and we may modify, suspend or discontinue the 2019 Repurchase Program at any time. Our management will determine the timing and amount of repurchase in its discretion based on a variety of factors, such as the market price of our common stock, corporate requirements, general market economic conditions and legal requirements. Through the date of the filing of this Quarterly Report on Form 10-Q, no shares of common stock have been repurchased under the 2019 Repurchase Program.



**Item 6. Exhibits**

<i>Exhibit Number</i>	<i>Exhibit Description</i>
<a href="#">3.1</a>	Amended and Restated Certificate of Incorporation of TRI Pointe Group, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (filed July 7, 2015))
<a href="#">3.2</a>	Amended and Restated Bylaws of TRI Pointe Group, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (filed October 27, 2016))
<a href="#">10.1</a> †	Executive Employment Agreement dated as of March 20, 2019 between TRI Pointe Group, Inc. and Douglas F. Bauer
<a href="#">10.2</a> †	Executive Employment Agreement dated as of March 20, 2019 between TRI Pointe Group, Inc. and Thomas J. Mitchell
<a href="#">10.3</a> †	Executive Employment Agreement dated as of March 20, 2019 between TRI Pointe Group, Inc. and Michael D. Grubbs
<a href="#">10.4</a> †	Form of Severance and Change in Control Protection Agreement
<a href="#">10.5</a> †	Letter agreement by and between TRI Pointe Group, Inc. and Michael D. Grubbs, dated as of July 1, 2019 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (filed July 1, 2019))
<a href="#">31.1</a>	Chief Executive Officer Section 302 Certification of the Sarbanes-Oxley Act of 2002
<a href="#">31.2</a>	Chief Financial Officer Section 302 Certification of the Sarbanes-Oxley Act of 2002
<a href="#">32.1</a>	Chief Executive Officer Section 906 Certification of the Sarbanes-Oxley Act of 2002
<a href="#">32.2</a>	Chief Financial Officer Section 906 Certification of the Sarbanes-Oxley Act of 2002
101	The following materials from TRI Pointe Group, Inc.'s Quarterly Report on Form 10-Q for the six months ended June 30, 2019, 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

**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 Group, Inc.

Date: July 25, 2019

By: /s/ Douglas F. Bauer

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Douglas F. Bauer  
Chief Executive Officer  
*(Principal Executive Officer)*

Date: July 25, 2019

By: /s/ Michael D. Grubbs

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Michael D. Grubbs  
Chief Financial Officer  
*(Principal Financial Officer)*



## EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (the “**Agreement**”) is entered into as of March 20, 2019 (the “**Effective Date**”), by and between Douglas F. Bauer (“**Executive**”) and TRI Pointe Group, Inc. (the “**Company**”).

**Whereas**, Executive is currently employed by Company as its Chief Executive Officer, and Company desires to have Executive’s employment continue in such capacity, and Executive desires to continue to serve in such capacity, pursuant to the terms and conditions set forth in this Agreement.

**Now, Therefore**, in consideration of the mutual promises and covenants contained herein, it is hereby agreed by and between the parties hereto as follows:

### ARTICLE I DEFINITIONS

For purposes of the Agreement, the following terms are defined as follows:

**1.1. “Board”** means the Board of Directors of the Company.

**1.2. “Cause”** means any of the following events: (i) Executive’s willful failure to follow the reasonable and lawful directions of the Board; (ii) conviction of a felony (or a plea of guilty or nolo contendere by the Executive to a felony); (iii) acts of fraud, dishonesty or misappropriation committed by the Executive and intended to result in substantial personal enrichment at the expense of the Company; (iv) willful misconduct by the Executive in the performance of the Executive’s material duties required by this Agreement which is likely to materially damage the financial position or reputation of the Company; or (v) a material breach of this Agreement. The foregoing is an exclusive list of the acts or omissions that shall be considered “Cause” provided, however, with respect to the acts or omissions set forth in clauses (i), (iii), (iv) and (v) above, (x) the Board shall provide the Executive with 30 days advance written notice detailing the basis for the termination of employment for Cause, (y) during the 30 day period after the Executive has received such notice, the Executive shall have an opportunity to cure such alleged Cause events and to present his case to the full Board (with the assistance of his own counsel) before any termination for Cause is finalized by a vote of a majority of the Board and (z) the Executive shall continue to receive the compensation and benefits provided by this Agreement during the 30 day cure period; provided, further, no act or failure to act of Executive shall be willful or intentional if performed in good faith with the reasonable belief that the action or inaction was in the best interest of the Company.

**1.3. “Change in Control”** means (i) the acquisition, other than from the Company, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1986, as amended (the “**Exchange Act**”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either the then outstanding shares of Common Stock of the Company or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, but excluding, for this purpose, any such acquisition by the Company or any of its Subsidiaries, or any employee benefit plan (or related trust) of the Company or its Subsidiaries, or any entity with respect to which, following such acquisition, more than 50% of, respectively, the then outstanding equity of such entity and the combined voting power of the then outstanding voting equity of such entity entitled to vote generally in the election of all or substantially all of the members of such entity’s governing body is then beneficially owned, directly or indirectly, by the individuals and entities who were the beneficial owners, respectively, of the Common Stock and voting securities of the Company immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the then outstanding shares of Common Stock of the Company or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, as the case may be; or (ii) the consummation of a reorganization, merger or consolidation of the Company, in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the Common Stock and voting securities of the Company immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of Common Stock and the combined

voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation; or (iii) a complete liquidation or dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company; or (iv) individuals who at the beginning of any two-year period constitute the Board (the “ **Incumbent Board** ”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual who becomes a director of the Company during such two-year period and whose election, or whose nomination for election by the Company’s stockholders, to the Board was either (A) approved by a vote of at least a majority of the directors then comprising the Incumbent Board or (B) recommended by a nominating committee comprised entirely of directors who are then Incumbent Board members, shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act), other actual or threatened solicitation of proxies or consents, or an actual or threatened tender offer.

Notwithstanding the foregoing, (i) any bona fide primary or secondary public offering shall not constitute a Change in Control and (ii) if a Change in Control constitutes a payment event with respect to any payment or benefit that provides for the deferral of compensation and is subject to Section 409A, the Change in Control transaction or event with respect to such payment or benefit must also constitute a “change in control event,” as defined in Treasury Regulation §1.409A-3(i)(5) to the extent required by Section 409A.

1.4. “ **COBRA** ” means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

1.5. “ **Code** ” means the Internal Revenue Code of 1986, as amended.

1.6. “ **Company** ” means TRI Pointe Group, Inc. or any successor thereto.

1.7. “ **Covered Termination** ” means (a) an Involuntary Termination Without Cause or (b) a voluntary termination for Good Reason. For the avoidance of doubt, neither (i) the termination of Executive’s employment as a result of Executive’s death or Disability nor (ii) the expiration of this Agreement due to non-renewal pursuant to the terms of Section 2.2 of this Agreement will be deemed to be a Covered Termination.

1.8. “ **Disability** ” shall mean a termination of Executive’s employment due to Executive’s absence from Executive’s duties with the Company on a full-time basis for at least 180 consecutive days as a result of Executive’s incapacity due to physical or mental illness which is determined to be total and permanent by a physician selected by the Company or its insurers.

1.9. “ **Good Reason** ” means any of the following are undertaken without Executive’s prior written consent: (a) a material diminution in Executive’s title, authority, duties, or responsibilities which substantially reduces the nature or character of Executive’s position with the Company (or the highest parent entity if the Company has one or more parent entities); (b) a reduction by the Company of Executive’s base salary as in effect immediately prior to such reduction; (c) a material reduction by the Company of Executive’s Target Bonus as in effect immediately prior to such reduction; (d) relocation of Executive’s principal office (defined as a relocation of Executive’s principal office to a location that increases Executive’s one-way commute by more than fifty (50) miles), provided, that, for the avoidance of doubt, reasonable required travel by Executive on the Company’s business shall not constitute a relocation; (e) a change in Executive’s title following a Change in Control such that Executive does not serve as Chief Executive Officer of the surviving entity’s highest parent entity; or (f) any material breach by the Company of any provision of this Agreement. Notwithstanding the foregoing, Executive’s resignation shall not constitute a resignation for “Good Reason” as a result of any event described in the preceding sentence unless (A) Executive provides written notice thereof to the Company within thirty (30) days after the first occurrence of such event, (B) to the extent correctable, the Company fails to remedy such circumstance or event within thirty (30) days following the Company’s receipt of such written notice and (C) the effective date of Executive’s resignation for “Good Reason” is not later than ninety (90) days after the initial existence of the circumstances constituting Good Reason.

1.10. “ **Involuntary Termination Without Cause** ” means Executive’s dismissal or discharge by the Company other than for Cause.

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1.11. “ **Section 409A** ” means Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date.

1.12. “ **Separation from Service** ” means Executive’s termination of employment constitutes a “separation from service” within the meaning of Treasury Regulation Section 1.409A-1(h).

## ARTICLE II EMPLOYMENT BY THE COMPANY

2.1. **Position and Duties.** Subject to terms set forth herein, Executive shall continue to serve in an executive capacity and shall continue to perform such duties as are customarily associated with the position of Chief Executive Officer and such other duties as are assigned to Executive by the Board. Executive shall also continue to serve as a member of the Board, and, while Executive is employed hereunder, the Company shall nominate Executive for reelection as a member of the Board at the end of each Board term. During the term of Executive’s employment with the Company, Executive will devote Executive’s best efforts and substantially all of Executive’s business time and attention (except for vacation periods and reasonable periods of illness or other incapacities permitted by the Company’s general employment policies or as otherwise set forth in this Agreement) to the business of the Company.

2.2. **Term.** The initial term of this Agreement shall commence on the Effective Date and shall terminate on the earlier of (i) the third anniversary of the Effective Date and (ii) the termination of Executive’s employment under this Agreement. On the third anniversary of the Effective Date and each annual anniversary of such date thereafter (in either case, provided Executive’s employment has not been terminated under this Agreement prior thereto), this Agreement shall automatically be extended for one additional year unless either Executive or the Company gives written notice of non-renewal to the other at least 60 days prior to the automatic extension date. If a Change in Control occurs during the initial or an extended term of this Agreement, the term of this Agreement shall, notwithstanding anything to the contrary in this Agreement, continue in effect for a period of not less than twenty-four (24) months beyond the month in which the Change in Control occurred. The period from the Effective Date until the earlier of (i) termination of Executive’s employment under this Agreement and (ii) the expiration of this Agreement due to non-renewal pursuant to this Section 2.2 is referred to as the “Term.”

2.3. **Employment at Will.** Both the Company and Executive shall have the right to terminate Executive’s employment with the Company at any time, with or without cause, and with or without prior notice. Upon certain terminations of Executive’s employment with the Company, Executive may become eligible to receive the severance benefits provided in Article IV of this Agreement.

2.4. **Employment Policies.** The employment relationship between the parties shall also be governed by the general employment policies and practices of the Company, including those relating to protection of confidential information and assignment of inventions, except that when the terms of this Agreement differ from or are in conflict with the Company’s general employment policies or practices, this Agreement shall control.

## ARTICLE III COMPENSATION

3.1. **Base Salary.** As of the Effective Date, Executive shall receive for services to be rendered hereunder an annual base salary of \$800,000 (“ **Base Salary** ”), payable on the regular payroll dates of the Company (but no less often than monthly), subject to increase in the sole discretion of the Board or a committee of the Board.

3.2. **Annual Bonus.** For each calendar year ending during the term of Executive’s employment, Executive shall be eligible to receive an annual performance bonus (the “ **Annual Bonus** ”) targeted at one-hundred and sixty percent (160%) of Base Salary or such other amount as determined in the sole discretion of the Board or a committee of the Board (the “ **Target Bonus** ”), on such terms and conditions determined by the Board or a committee of the Board. The actual amount of any Annual Bonus (if any) will be determined in the discretion of the Board or a committee of the Board and will be (a) subject to achievement of any applicable bonus objectives and/or conditions determined by the Board or a committee of the Board and (b) subject to Executive’s continued employment with the Company through the date the Annual Bonus is paid. The Annual Bonus for any calendar year will be paid at the same time as bonuses other Company executives are

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paid related annual bonuses generally, but in no event later than March 15th of the year following the year to which such Annual Bonus relates.

**3.3. Standard Company Benefits.** During the Term, Executive shall be entitled to all rights and benefits for which Executive is eligible under the terms and conditions of the standard Company benefits and compensation practices that may be in effect from time to time and are provided by the Company to its executive employees generally, as well as any additional benefits provided to Executive consistent with past practice. Notwithstanding the foregoing, this Section 3.3 shall not create or be deemed to create any obligation on the part of the Company to adopt or maintain any benefits or compensation practices at any time.

**3.4. Paid Time Off.** During the Term, Executive shall be entitled to such periods of paid time off (“ PTO ”) each year as provided from time to time under the Company’s PTO policies and as otherwise provided for executive officers, as it may be amended from time to time, but notwithstanding anything to the contrary in this Agreement, Executive shall be entitled to a minimum of twenty (20) vacation days per year (prorated for any partial year).

**3.5. Equity Awards.** Executive will be eligible to receive stock options and other equity incentive grants as determined by the Board or a committee of the Board in its sole discretion.

#### **ARTICLE IV SEVERANCE AND CHANGE IN CONTROL BENEFITS**

**4.1. Severance Benefits.** Upon Executive’s termination of employment, Executive shall receive any accrued but unpaid Base Salary and other accrued and unpaid compensation, including any accrued but unpaid vacation and Annual Bonus that has been earned with respect to any calendar year ending prior to Executive’s termination date, but remains unpaid as of the date of the termination. If the termination is due to a Covered Termination, provided that Executive delivers an effective general release of all claims against the Company and its affiliates in a form acceptable to the Company (a “ **Release of Claims** ”) that becomes effective and irrevocable within sixty (60) days following the Covered Termination, Executive shall be entitled to receive the severance benefits described in Section 4.1(a) or (b), as applicable. If the termination is due to Executive’s death or Disability, provided that Executive (or Executive’s beneficiaries or estate) delivers an effective Release of Claims that becomes effective and irrevocable within sixty (60) days following such termination of employment, Executive shall be entitled to receive the severance benefits described in Section 4.1(c).

**(a) Covered Termination Not Related to a Change in Control.** If Executive’s employment terminates due to a Covered Termination which occurs at any time other than during the period beginning three (3) months prior to and ending twenty-four (24) months after a Change in Control, Executive shall receive the following:

**(i)** An amount equal to two times the sum of (i) Executive’s Base Salary at the rate in effect (or required to be in effect before any diminution that is the basis of Executive’s termination for Good Reason) at the time of Executive’s termination of employment and (ii) the greater of (A) the average of the annual cash bonuses received by Executive for the two fiscal years ending before the date of Executive’s termination of employment and (B) Executive’s Target Bonus for the year in which the date of Executive’s termination of employment occurs, payable in a lump sum payment, less applicable withholdings, as soon as administratively practicable following the date on which the Release of Claims becomes effective and, in any event, no later than the sixtieth (60<sup>th</sup>) day following the date of the Covered Termination.

**(ii)** Notwithstanding anything set forth in an award agreement or incentive plan to the contrary, a pro-rata portion of Executive’s Annual Bonus for the fiscal year in which Executive’s termination occurs based on actual achievement of the applicable bonus objectives and/or conditions determined by the Board or a committee of the Board for such year (determined by multiplying the amount of the Annual Bonus that would be payable for the full fiscal year by a fraction, the numerator of which shall be equal to the number of days during the fiscal year of termination that Executive is employed by, and performing services for, the Company and the denominator of which is 365 days) payable, less applicable withholdings, at the same time bonuses for such year are paid to other senior executives of the Company.

**(iii)** The Company shall directly pay, or reimburse Executive for: (A) the premium for Executive and Executive’s covered dependents to maintain continued health coverage pursuant to the provisions of COBRA through

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the earlier of (i) the twenty-four (24) month anniversary of the date of Executive's termination of employment and (ii) the date Executive and Executive's covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s) and (B) the premiums for Executive to maintain Executive's life and disability insurance coverage through the twenty-four (24) month anniversary of the date of Executive's termination of employment. Notwithstanding the foregoing, (i) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Section 409A of the Code under Treasury Regulation Section 1.409A-1(a)(5), or (ii) the Company is otherwise unable to continue to cover Executive under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act), then, in either case, an amount equal to each remaining Company subsidy shall thereafter be paid to Executive in substantially equal monthly installments.

**(b) Covered Termination Related to a Change in Control.** If Executive's employment terminates due to a Covered Termination that occurs within the period beginning three (3) months prior to and ending twenty-four (24) months after a Change in Control, Executive shall receive the following:

**(i)** An amount equal to three times the sum of (i) Executive's Base Salary at the rate in effect (or required to be in effect before any diminution that is the basis of Executive's termination for Good Reason) at the time of Executive's termination of employment and (ii) the greater of (A) the average of the annual cash bonuses received by Executive for the two fiscal years ending before the date of Executive's termination of employment and (B) Executive's Target Bonus for the year in which the date of Executive's termination of employment occurs, payable in a lump sum payment, less applicable withholdings, as soon as administratively practicable following the date on which the Release of Claims becomes effective and, in any event, no later than the sixtieth (60<sup>th</sup>) day following the date of the Covered Termination.

**(ii)** Notwithstanding anything set forth in an award agreement or incentive plan to the contrary, a pro-rata portion of Executive's Annual Bonus for the fiscal year in which Executive's termination occurs based on actual achievement of the applicable bonus objectives and/or conditions determined by the Board or a committee of the Board for such year (determined by multiplying the amount of the Annual Bonus that would be payable for the full fiscal year by a fraction, the numerator of which shall be equal to the number of days during the fiscal year of termination that Executive is employed by, and performing services for, the Company and the denominator of which is 365 days) payable, less applicable withholdings, at the same time bonuses for such year are paid to other senior executives of the Company.

**(iii)** The Company shall directly pay, or reimburse Executive for: (A) the premium for Executive and Executive's covered dependents to maintain continued health coverage pursuant to the provisions of COBRA through the earlier of (i) the twenty-four (24) month anniversary of the date of Executive's termination of employment and (ii) the date Executive and Executive's covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s) and (B) the premiums for Executive to maintain Executive's life and disability insurance coverage through the twenty-four (24) month anniversary of the date of Executive's termination of employment. Notwithstanding the foregoing, (i) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Section 409A of the Code under Treasury Regulation Section 1.409A-1(a)(5), or (ii) the Company is otherwise unable to continue to cover Executive under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act), then, in either case, an amount equal to each remaining Company subsidy shall thereafter be paid to Executive in substantially equal monthly installments.

If there is a dispute as to whether grounds triggering termination with or without Cause or resignation with or without Good Reason have occurred, in each case in connection with a Change in Control, then any fees and expenses arising from the resolution of such dispute (including any reasonably incurred attorneys' fees and expenses of Executive) shall be paid by the Company or its successor, as the case may be; provided, that Executive shall reimburse the Company on a net after-tax basis to cover expenses incurred by Executive for claims brought by Executive that are judicially determined to be frivolous or advanced in bad faith.

**(c) Termination Due to Death or Disability.** In the event that Executive's employment is terminated at any time due to Executive's death or Disability, Executive (or Executive's beneficiaries or estate) shall be entitled to receive an amount equal to Executive's Target Bonus for the fiscal year in which Executive's termination occurs, payable in a

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lump sum payment, less applicable withholdings, as soon as administratively practicable following the date of termination (and, in any event, no later than the sixtieth (60<sup>th</sup>) day following the date of the termination). In addition, in the event that Executive's employment is terminated due to Disability, the Company shall directly pay, or reimburse Executive for: (A) the premium for Executive and Executive's covered dependents to maintain continued health coverage pursuant to the provisions of COBRA through the earlier of (i) the twenty-four (24) month anniversary of the date of Executive's termination of employment and (ii) the date Executive and Executive's covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s) and (B) the premiums for Executive to maintain Executive's life and disability insurance coverage through the twenty-four (24) month anniversary of the date of Executive's termination of employment. Notwithstanding the foregoing, (i) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Section 409A of the Code under Treasury Regulation Section 1.409A-1(a)(5), or (ii) the Company is otherwise unable to continue to cover Executive under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act), then, in either case, an amount equal to each remaining Company subsidy shall thereafter be paid to Executive in substantially equal monthly installments.

**4.2. 280G Provisions.** Notwithstanding anything in this Agreement to the contrary, if any payment or distribution Executive would receive pursuant to this Agreement or otherwise (" **Payment** ") would (a) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (b) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the " **Excise Tax** "), then such Payment shall either be (i) delivered in full, or (ii) delivered as to such lesser extent which would result in no portion of such Payment being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the largest payment, notwithstanding that all or some portion the Payment may be taxable under Section 4999 of the Code. The accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change in Control shall perform the foregoing calculations. The Company shall bear all expenses with respect to the determinations by such accounting firm required to be made hereunder. The accounting firm shall provide its calculations to the Company and Executive within fifteen (15) calendar days after the date on which Executive's right to a Payment is triggered (if requested at that time by the Company or Executive) or such other time as requested by the Company or Executive. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon the Company and Executive. Any reduction in payments and/or benefits pursuant to this Section 4.2 will occur in the following order: (1) reduction of cash payments; (2) cancellation of accelerated vesting of equity awards other than stock options; (3) cancellation of accelerated vesting of stock options; and (4) reduction of other benefits payable to Executive.

**4.3. Section 409A .**

(a) Notwithstanding any provision to the contrary in this Agreement, if Executive is deemed at the time of his Separation from Service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code which would subject Executive to a tax obligation under Section 409A of the Code, such portion of Executive's benefits shall not be provided to Executive prior to the earlier of (i) the expiration of the six- month period measured from the date of the Executive's Separation from Service or (ii) the date of Executive's death. Upon the expiration of the applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this Section 4.3(a) shall be paid in a lump sum to Executive, and any remaining payments due under the Agreement shall be paid as otherwise provided herein.

(b) Any reimbursements payable to Executive pursuant to the Agreement shall be paid to Executive no later than 30 days after Executive provides the Company with a written request for reimbursement, and to the extent that any such reimbursements are deemed to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code (i) such amounts shall be paid or reimbursed to Executive promptly, but in no event later than December 31 of the year following the year in which the expense is incurred, (ii) the amount of any such payments eligible for reimbursement in one year shall not affect the payments or expenses that are eligible for payment or reimbursement in any other taxable year, and (iii) Executive's right to such payments or reimbursement shall not be subject to liquidation or exchange for any other benefit.

(c) For purposes of Section 409A of the Code (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Executive's right to receive installment payments under the Agreement shall be

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treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment.

**4.4. Mitigation.** Executive shall not be required to mitigate damages or the amount of any payment provided under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by Executive as a result of employment by another employer or by any retirement benefits received by Executive after the date of the Covered Termination, or otherwise.

**4.5. Equity Coordination .** For the avoidance of doubt, all equity awards, including stock options, restricted stock units and other equity-based compensation granted by the Company to Executive under the Company's equity-based compensation plans shall be subject to the terms of such plans and Executive's equity award agreements with respect thereto.

## **ARTICLE V PROPRIETARY INFORMATION OBLIGATIONS**

**5.1. Agreement.** All Company Innovations shall be the sole and exclusive property of the Company without further compensation and are "works made for hire" as that term is defined under the United States copyright laws. Executive shall promptly notify the Company of any Company Innovations that Executive solely or jointly Creates. "**Company Innovations**" means all Innovations, and any associated intellectual property rights, which Executive may solely or jointly Create, during Executive's employment with the Company, which (i) relate, at the time Created, to the Company's business or actual or demonstrably anticipated research or development, or (ii) were developed on any amount of the Company's time or with the use of any of the Company's equipment, supplies, facilities or trade secret information, or (iii) resulted from any work Executive performed for the Company. Executive is notified that Company Innovations does not include any Innovation which qualifies fully under the provisions of California Labor Code Section 2870. "**Create**" means to create, conceive, reduce to practice, derive, develop or make. "**Innovations**" means processes, machines, manufactures, compositions of matter, improvements, inventions (whether or not protectable under patent laws), works of authorship, information fixed in any tangible medium of expression (whether or not protectable under copyright laws), mask works, trademarks, trade names, trade dress, trade secrets, know-how, ideas (whether or not protectable under trade secret laws), and other subject matter protectable under patent, copyright, moral rights, mask work, trademark, trade secret or other laws regarding proprietary rights, including new or useful art, combinations, discoveries, formulae, manufacturing techniques, technical developments, discoveries, artwork, software and designs. Executive hereby assigns (and will assign) to the Company all Company Innovations. Executive shall perform (at the Company's expense), during and after Executive's employment, all acts reasonably deemed necessary or desirable by the Company to assist the Company in obtaining and enforcing the full benefits, enjoyment, rights and title throughout the world in the Company Innovations. Such acts may include execution of documents and assistance or cooperation (i) in the filing, prosecution, registration, and memorialization of assignment of patent, copyright, mask work or other applications, (ii) in the enforcement of any applicable Proprietary Rights, and (iii) in other legal proceedings related to the Company's Innovations. "**Proprietary Rights**" means patents, copyrights, mask work, moral rights, trade secrets and other proprietary rights. No provision in this Agreement is intended to require Executive to assign or offer to assign any of Executive's rights in any invention for which Executive can establish that no trade secret information of the Company were used, and which was developed on Executive's own time, unless the invention relates to the Company's actual or demonstrably anticipated research or development, or the invention results from any work performed by Executive for the Company.

**5.2. Remedies.** Executive's duties under this Article V shall survive termination of Executive's employment with the Company and the termination of this Agreement. Executive acknowledges that a remedy at law for any breach or threatened breach by Executive of Article V, as well as Executive's obligations pursuant to Section 6.2 and Article VII below, would be inadequate, and Executive therefore agrees that the Company shall be entitled to seek injunctive relief in case of any such breach or threatened breach.

## **ARTICLE VI OUTSIDE ACTIVITIES**

**6.1. Other Activities .**

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(a) Except as otherwise provided in Section 6.1(b), Executive shall not, during the term of this Agreement undertake or engage in any other employment, occupation or business enterprise, other than ones in which Executive is a passive investor, unless he obtains the prior written consent of the Board.

(b) Executive may engage in civic and not-for-profit activities so long as such activities do not materially interfere with the performance of Executive's duties hereunder. In addition, subject to Executive providing prior written notice to the Board, Executive shall be allowed to serve as a member of the board of directors of one (1) other for-profit entity at any time during the term of this Agreement, so long as such service does not materially interfere with the performance of Executive's duties hereunder; provided, however, that the Board, in its discretion, may require that Executive resign from such director position if it determines that such resignation would be in the best interests of the Company.

**6.2. Competition/Investments.** During the term of Executive's employment by the Company and for a period of one (1) year following Executive's termination of employment for any reason, Executive shall not (except on behalf of the Company) directly or indirectly, whether as an officer, director, stockholder, partner, proprietor, associate, representative, consultant, or in any capacity whatsoever engage in, become financially interested in, be employed by or have any business connection with any other person, corporation, firm, partnership or other entity whatsoever which are known by Executive to compete directly with the Company, throughout the world, in any line of business engaged in (or planned to be engaged in) by the Company; provided, however, that anything above to the contrary notwithstanding, Executive may own, as a passive investor, securities of any competitor corporation, so long as Executive's direct holdings in any one such corporation do not, in the aggregate, constitute more than 1% of the voting stock of such corporation. The provisions of this Section 6.2 shall survive the termination of Executive's employment with the Company and shall be fully enforceable thereafter. If it is determined by a court of competent jurisdiction in any state that any restriction in this Section 6.2 is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state. Company and Executive understand that the post-employment restrictive covenants under this Section 6.2 do not apply and will not be enforced in California or other states where such restrictive covenants are not permitted.

## **ARTICLE VII NONINTERFERENCE**

Executive shall not during the term of Executive's employment by the Company and for a period of one (1) year following Executive's termination of employment for any reason, either on Executive's own account or jointly with or as a manager, agent, officer, employee, consultant, partner, joint venturer, owner or stockholder or otherwise on behalf of any other person, firm or corporation, directly or indirectly solicit, induce attempt to solicit any of (i) its customers or clients to terminate their relationship with the Company or to cease purchasing services or products from the Company or (ii) its officers or employees or offer employment to any person who is an officer or employee of the Company; *provided, however* , that a general advertisement to which an employee of the Company responds shall in no event be deemed to result in a breach of this Article VII.

Executive agrees not to harass or disparage the Company or its employees, clients, directors or agents, and the Company hereby agrees not to, and to instruct its officers and directors not to, harass or disparage Executive; provided, however, that nothing in this Agreement shall restrict Executive or the Company from making truthful statements (a) when required by law, subpoena, court order or the like; (b) when requested by a governmental, regulatory, or similar body or entity; (c) in confidence to a professional advisor for the purpose of securing professional advice; or (d) in the course of performing his duties during the Term.

The provisions of this Article VII shall survive the termination of Executive's employment with the Company and shall be fully enforceable thereafter. If it is determined by a court of competent jurisdiction in any state that any restriction in this Article VII is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state.

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**ARTICLE VIII  
GENERAL PROVISIONS**

**8.1. Notices.** Any notices provided hereunder must be in writing and shall be deemed effective upon the earlier of personal delivery (including personal delivery by facsimile) or the third day after mailing by first class mail, to the Company at its primary office location and to Executive at Executive's address as listed on the Company's books and records.

**8.2. Tax Withholding.** Executive acknowledges that all amounts and benefits payable under this Agreement are subject to deduction and withholding to the extent required by applicable law.

**8.3. Severability.** Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provisions had never been contained herein.

**8.4. Waiver.** If either party should waive any breach of any provisions of this Agreement, they shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

**8.5. Complete Agreement.** This Agreement, together with the Indemnification Agreement between the Company and Executive, dated as of January 30, 2013, as amended, constitute the entire agreement between Executive and the Company and is the complete, final, and exclusive embodiment of their agreement with regard to this subject matter, and will supersede all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between the parties with respect to the subject matter hereof, including, without limitation, the Amended and Restated Senior Officer Employment Agreement by and between TRI Pointe Homes, Inc. and Executive dated November 19, 2015, any offer letter agreement or promise of change in control or severance protection. This Agreement is entered into without reliance on any promise or representation other than those expressly contained herein or therein, and cannot be modified or amended except in a writing signed by a duly-authorized officer of the Company and Executive.

**8.6. Counterparts.** This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same Agreement.

**8.7. Headings.** The headings of the sections hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

**8.8. Successors and Assigns.** This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive and the Company, and their respective successors, assigns, heirs, executors and administrators, except that Executive may not assign his rights or delegate his duties or obligations hereunder without the prior written consent of the Company.

**8.9. Arbitration.** Unless otherwise prohibited by law or specified below, all disputes, claims and causes of action, in law or equity, arising from or relating to this Agreement or its enforcement, performance, breach, or interpretation (each, a " **Claim** ") shall be resolved solely and exclusively by final and binding arbitration held in Orange County, California through Judicial Arbitration & Mediation Services (" **JAMS** ") in conformity with the then-existing JAMS employment arbitration rules and California law. The arbitrator shall: (a) provide adequate discovery for the resolution of the dispute; and (b) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award. However, nothing in this section is intended to prevent either party from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. The Company shall bear the costs of any such arbitration. Executive and the Company understand that by agreement to arbitrate any Claim pursuant to this Section 8.9, they will not have the right to have any Claim decided by a jury or a court, but shall instead have any Claim decided through arbitration. Executive and the Company waive any constitutional or other right to bring claims covered by this Agreement other than in their individual capacities. Except as may be prohibited by applicable law, the foregoing waiver includes the ability to assert claims as a plaintiff or class member in any purported class or representative proceeding.

**8.10. Executive Acknowledgement.** Executive acknowledges that (a) he has consulted with or has had the opportunity to consult with independent counsel of his own choice concerning this Agreement, and has been advised to do so by the

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Company, and (b) that he has read and understands the Agreement, is fully aware of its legal effect, and has entered into it freely based on his own judgment.

**8.11. Choice of Law.** All questions concerning the construction, validity and interpretation of this Agreement will be governed by the law of the State of California without regard to the conflicts of law provisions thereof.

[Signature page follows]

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**In Witness Whereof**, the parties have executed this Agreement as of the date first written above.

**TRI POINTE GROUP, INC.**

By: /s/ Michael D. Grubbs  
Michael D. Grubbs  
Title: Chief Financial Officer

Accepted and Agreed:

/s/ Douglas F. Bauer  
**Douglas F. Bauer**



## EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (the “**Agreement**”) is entered into as of March 20, 2019 (the “**Effective Date**”), by and between Thomas J. Mitchell (“**Executive**”) and TRI Pointe Group, Inc. (the “**Company**”).

**WHEREAS**, Executive is currently employed by Company as its President and Chief Operating Officer, and Company desires to have Executive’s employment continue in such capacity, and Executive desires to continue to serve in such capacity, pursuant to the terms and conditions set forth in this Agreement.

**NOW, THEREFORE**, in consideration of the mutual promises and covenants contained herein, it is hereby agreed by and between the parties hereto as follows:

### ARTICLE I DEFINITIONS

For purposes of the Agreement, the following terms are defined as follows:

**1.1.** “**Board**” means the Board of Directors of the Company.

**1.2.** “**Cause**” means any of the following events: (i) Executive’s willful failure to follow the reasonable and lawful directions of the Board; (ii) conviction of a felony (or a plea of guilty or nolo contendere by the Executive to a felony); (iii) acts of fraud, dishonesty or misappropriation committed by the Executive and intended to result in substantial personal enrichment at the expense of the Company; (iv) willful misconduct by the Executive in the performance of the Executive’s material duties required by this Agreement which is likely to materially damage the financial position or reputation of the Company; or (v) a material breach of this Agreement. The foregoing is an exclusive list of the acts or omissions that shall be considered “Cause” provided, however, with respect to the acts or omissions set forth in clauses (i), (iii), (iv) and (v) above, (x) the Board shall provide the Executive with 30 days advance written notice detailing the basis for the termination of employment for Cause, (y) during the 30 day period after the Executive has received such notice, the Executive shall have an opportunity to cure such alleged Cause events and to present his case to the full Board (with the assistance of his own counsel) before any termination for Cause is finalized by a vote of a majority of the Board and (z) the Executive shall continue to receive the compensation and benefits provided by this Agreement during the 30 day cure period; provided, further, no act or failure to act of Executive shall be willful or intentional if performed in good faith with the reasonable belief that the action or inaction was in the best interest of the Company.

**1.3.** “**Change in Control**” means (i) the acquisition, other than from the Company, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1986, as amended (the “**Exchange Act**”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either the then outstanding shares of Common Stock of the Company or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, but excluding, for this purpose, any such acquisition by the Company or any of its Subsidiaries, or any employee benefit plan (or related trust) of the Company or its Subsidiaries, or any entity with respect to which, following such acquisition, more than 50% of, respectively, the then outstanding equity of such entity and the combined voting power of the then outstanding voting equity of such entity entitled to vote generally in the election of all or substantially all of the members of such entity’s governing body is then beneficially owned, directly or indirectly, by the individuals and entities who were the beneficial owners, respectively, of the Common Stock and voting securities of the Company immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the then outstanding shares of Common Stock of the Company or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, as the case may be; or (ii) the consummation of a reorganization, merger or consolidation of the Company, in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the Common Stock and voting securities of the Company immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of Common Stock and the combined

voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation; or (iii) a complete liquidation or dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company; or (iv) individuals who at the beginning of any two-year period constitute the Board (the “ **Incumbent Board** ”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual who becomes a director of the Company during such two-year period and whose election, or whose nomination for election by the Company’s stockholders, to the Board was either (A) approved by a vote of at least a majority of the directors then comprising the Incumbent Board or (B) recommended by a nominating committee comprised entirely of directors who are then Incumbent Board members, shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act), other actual or threatened solicitation of proxies or consents, or an actual or threatened tender offer.

Notwithstanding the foregoing, (i) any bona fide primary or secondary public offering shall not constitute a Change in Control and (ii) if a Change in Control constitutes a payment event with respect to any payment or benefit that provides for the deferral of compensation and is subject to Section 409A, the Change in Control transaction or event with respect to such payment or benefit must also constitute a “change in control event,” as defined in Treasury Regulation §1.409A-3(i)(5) to the extent required by Section 409A.

1.4. “ **COBRA** ” means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

1.5. “ **Code** ” means the Internal Revenue Code of 1986, as amended.

1.6. “ **Company** ” means TRI Pointe Group, Inc. or any successor thereto.

1.7. “ **Covered Termination** ” means (a) an Involuntary Termination Without Cause or (b) a voluntary termination for Good Reason. For the avoidance of doubt, neither (i) the termination of Executive’s employment as a result of Executive’s death or Disability nor (ii) the expiration of this Agreement due to non-renewal pursuant to the terms of Section 2.2 of this Agreement will be deemed to be a Covered Termination.

1.8. “ **Disability** ” shall mean a termination of Executive’s employment due to Executive’s absence from Executive’s duties with the Company on a full-time basis for at least 180 consecutive days as a result of Executive’s incapacity due to physical or mental illness which is determined to be total and permanent by a physician selected by the Company or its insurers.

1.9. “ **Good Reason** ” means any of the following are undertaken without Executive’s prior written consent: (a) a material diminution in Executive’s title, authority, duties, or responsibilities which substantially reduces the nature or character of Executive’s position with the Company (or the highest parent entity if the Company has one or more parent entities); (b) a reduction by the Company of Executive’s base salary as in effect immediately prior to such reduction; (c) a material reduction by the Company of Executive’s Target Bonus as in effect immediately prior to such reduction; (d) relocation of Executive’s principal office (defined as a relocation of Executive’s principal office to a location that increases Executive’s one-way commute by more than fifty (50) miles), provided, that, for the avoidance of doubt, reasonable required travel by Executive on the Company’s business shall not constitute a relocation; (e) a change in Executive’s title following a Change in Control such that Executive does not serve as President and Chief Operating Officer of the surviving entity’s highest parent entity; or (f) any material breach by the Company of any provision of this Agreement. Notwithstanding the foregoing, Executive’s resignation shall not constitute a resignation for “Good Reason” as a result of any event described in the preceding sentence unless (A) Executive provides written notice thereof to the Company within thirty (30) days after the first occurrence of such event, (B) to the extent correctable, the Company fails to remedy such circumstance or event within thirty (30) days following the Company’s receipt of such written notice and (C) the effective date of Executive’s resignation for “Good Reason” is not later than ninety (90) days after the initial existence of the circumstances constituting Good Reason.

1.10. “ **Involuntary Termination Without Cause** ” means Executive’s dismissal or discharge by the Company other than for Cause.

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1.11. “ **Section 409A** ” means Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date.

1.12. “ **Separation from Service** ” means Executive’s termination of employment constitutes a “separation from service” within the meaning of Treasury Regulation Section 1.409A-1(h).

## ARTICLE II EMPLOYMENT BY THE COMPANY

2.1. **Position and Duties.** Subject to terms set forth herein, Executive shall continue to serve in an executive capacity and shall continue to perform such duties as are customarily associated with the position of President and Chief Operating Officer and such other duties as are assigned to Executive by the Board. During the term of Executive’s employment with the Company, Executive will devote Executive’s best efforts and substantially all of Executive’s business time and attention (except for vacation periods and reasonable periods of illness or other incapacities permitted by the Company’s general employment policies or as otherwise set forth in this Agreement) to the business of the Company.

2.2. **Term.** The initial term of this Agreement shall commence on the Effective Date and shall terminate on the earlier of (i) the third anniversary of the Effective Date and (ii) the termination of Executive’s employment under this Agreement. On the third anniversary of the Effective Date and each annual anniversary of such date thereafter (in either case, provided Executive’s employment has not been terminated under this Agreement prior thereto), this Agreement shall automatically be extended for one additional year unless either Executive or the Company gives written notice of non-renewal to the other at least 60 days prior to the automatic extension date. If a Change in Control occurs during the initial or an extended term of this Agreement, the term of this Agreement shall, notwithstanding anything to the contrary in this Agreement, continue in effect for a period of not less than twenty-four (24) months beyond the month in which the Change in Control occurred. The period from the Effective Date until the earlier of (i) termination of Executive’s employment under this Agreement and (ii) the expiration of this Agreement due to non-renewal pursuant to this Section 2.2 is referred to as the “Term.”

2.3. **Employment at Will.** Both the Company and Executive shall have the right to terminate Executive’s employment with the Company at any time, with or without cause, and with or without prior notice. Upon certain terminations of Executive’s employment with the Company, Executive may become eligible to receive the severance benefits provided in Article IV of this Agreement.

2.4. **Employment Policies.** The employment relationship between the parties shall also be governed by the general employment policies and practices of the Company, including those relating to protection of confidential information and assignment of inventions, except that when the terms of this Agreement differ from or are in conflict with the Company’s general employment policies or practices, this Agreement shall control.

## ARTICLE III COMPENSATION

3.1. **Base Salary.** As of the Effective Date, Executive shall receive for services to be rendered hereunder an annual base salary of \$770,000 (“ **Base Salary** ”), payable on the regular payroll dates of the Company (but no less often than monthly), subject to increase in the sole discretion of the Board or a committee of the Board.

3.2. **Annual Bonus.** For each calendar year ending during the term of Executive’s employment, Executive shall be eligible to receive an annual performance bonus (the “ **Annual Bonus** ”) targeted at one-hundred and sixty percent (160%) of Base Salary or such other amount as determined in the sole discretion of the Board or a committee of the Board (the “ **Target Bonus** ”), on such terms and conditions determined by the Board or a committee of the Board. The actual amount of any Annual Bonus (if any) will be determined in the discretion of the Board or a committee of the Board and will be (a) subject to achievement of any applicable bonus objectives and/or conditions determined by the Board or a committee of the Board and (b) subject to Executive’s continued employment with the Company through the date the Annual Bonus is paid. The Annual Bonus for any calendar year will be paid at the same time as bonuses other Company executives are paid related annual bonuses generally, but in no event later than March 15th of the year following the year to which such Annual Bonus relates.

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**3.3. Standard Company Benefits** . During the Term, Executive shall be entitled to all rights and benefits for which Executive is eligible under the terms and conditions of the standard Company benefits and compensation practices that may be in effect from time to time and are provided by the Company to its executive employees generally, as well as any additional benefits provided to Executive consistent with past practice. Notwithstanding the foregoing, this Section 3.3 shall not create or be deemed to create any obligation on the part of the Company to adopt or maintain any benefits or compensation practices at any time.

**3.4. Paid Time Off** . During the Term, Executive shall be entitled to such periods of paid time off (“ PTO ”) each year as provided from time to time under the Company’s PTO policies and as otherwise provided for executive officers, as it may be amended from time to time, but notwithstanding anything to the contrary in this Agreement, Executive shall be entitled to a minimum of twenty (20) vacation days per year (prorated for any partial year).

**3.5. Equity Awards** . Executive will be eligible to receive stock options and other equity incentive grants as determined by the Board or a committee of the Board in its sole discretion.

#### **ARTICLE IV SEVERANCE AND CHANGE IN CONTROL BENEFITS**

**4.1. Severance Benefits.** Upon Executive’s termination of employment, Executive shall receive any accrued but unpaid Base Salary and other accrued and unpaid compensation, including any accrued but unpaid vacation and Annual Bonus that has been earned with respect to any calendar year ending prior to Executive’s termination date, but remains unpaid as of the date of the termination. If the termination is due to a Covered Termination, provided that Executive delivers an effective general release of all claims against the Company and its affiliates in a form acceptable to the Company (a “ **Release of Claims** ”) that becomes effective and irrevocable within sixty (60) days following the Covered Termination, Executive shall be entitled to receive the severance benefits described in Section 4.1(a) or (b), as applicable. If the termination is due to Executive’s death or Disability, provided that Executive (or Executive’s beneficiaries or estate) delivers an effective Release of Claims that becomes effective and irrevocable within sixty (60) days following such termination of employment, Executive shall be entitled to receive the severance benefits described in Section 4.1(c).

**(a) Covered Termination Not Related to a Change in Control.** If Executive’s employment terminates due to a Covered Termination which occurs at any time other than during the period beginning three (3) months prior to and ending twenty-four (24) months after a Change in Control, Executive shall receive the following:

**(i)** An amount equal to 1.5 times the sum of (i) Executive’s Base Salary at the rate in effect (or required to be in effect before any diminution that is the basis of Executive’s termination for Good Reason) at the time of Executive’s termination of employment and (ii) the greater of (A) the average of the annual cash bonuses received by Executive for the two fiscal years ending before the date of Executive’s termination of employment and (B) Executive’s Target Bonus for the year in which the date of Executive’s termination of employment occurs, payable in a lump sum payment, less applicable withholdings, as soon as administratively practicable following the date on which the Release of Claims becomes effective and, in any event, no later than the sixtieth (60<sup>th</sup>) day following the date of the Covered Termination.

**(ii)** Notwithstanding anything set forth in an award agreement or incentive plan to the contrary, a pro-rata portion of Executive’s Annual Bonus for the fiscal year in which Executive’s termination occurs based on actual achievement of the applicable bonus objectives and/or conditions determined by the Board or a committee of the Board for such year (determined by multiplying the amount of the Annual Bonus that would be payable for the full fiscal year by a fraction, the numerator of which shall be equal to the number of days during the fiscal year of termination that Executive is employed by, and performing services for, the Company and the denominator of which is 365 days) payable, less applicable withholdings, at the same time bonuses for such year are paid to other senior executives of the Company.

**(iii)** The Company shall directly pay, or reimburse Executive for: (A) the premium for Executive and Executive’s covered dependents to maintain continued health coverage pursuant to the provisions of COBRA through the earlier of (i) the twenty-four (24) month anniversary of the date of Executive’s termination of employment and (ii) the date Executive and Executive’s covered dependents, if any, become eligible for healthcare coverage under another employer’s plan(s) and (B) the premiums for Executive to maintain Executive’s life and disability insurance coverage through the twenty-four (24) month anniversary of the date of Executive’s termination of employment. Notwithstanding

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the foregoing, (i) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Section 409A of the Code under Treasury Regulation Section 1.409A-1(a)(5), or (ii) the Company is otherwise unable to continue to cover Executive under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act), then, in either case, an amount equal to each remaining Company subsidy shall thereafter be paid to Executive in substantially equal monthly installments.

**(b) Covered Termination Related to a Change in Control.** If Executive's employment terminates due to a Covered Termination that occurs within the period beginning three (3) months prior to and ending twenty-four (24) months after a Change in Control, Executive shall receive the following:

**(i)** An amount equal to 2.5 times the sum of (i) Executive's Base Salary at the rate in effect (or required to be in effect before any diminution that is the basis of Executive's termination for Good Reason) at the time of Executive's termination of employment and (ii) the greater of (A) the average of the annual cash bonuses received by Executive for the two fiscal years ending before the date of Executive's termination of employment and (B) Executive's Target Bonus for the year in which the date of Executive's termination of employment occurs, payable in a lump sum payment, less applicable withholdings, as soon as administratively practicable following the date on which the Release of Claims becomes effective and, in any event, no later than the sixtieth (60<sup>th</sup>) day following the date of the Covered Termination.

**(ii)** Notwithstanding anything set forth in an award agreement or incentive plan to the contrary, a pro-rata portion of Executive's Annual Bonus for the fiscal year in which Executive's termination occurs based on actual achievement of the applicable bonus objectives and/or conditions determined by the Board or a committee of the Board for such year (determined by multiplying the amount of the Annual Bonus that would be payable for the full fiscal year by a fraction, the numerator of which shall be equal to the number of days during the fiscal year of termination that Executive is employed by, and performing services for, the Company and the denominator of which is 365 days) payable, less applicable withholdings, at the same time bonuses for such year are paid to other senior executives of the Company.

**(iii)** The Company shall directly pay, or reimburse Executive for: (A) the premium for Executive and Executive's covered dependents to maintain continued health coverage pursuant to the provisions of COBRA through the earlier of (i) the twenty-four (24) month anniversary of the date of Executive's termination of employment and (ii) the date Executive and Executive's covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s) and (B) the premiums for Executive to maintain Executive's life and disability insurance coverage through the twenty-four (24) month anniversary of the date of Executive's termination of employment. Notwithstanding the foregoing, (i) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Section 409A of the Code under Treasury Regulation Section 1.409A-1(a)(5), or (ii) the Company is otherwise unable to continue to cover Executive under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act), then, in either case, an amount equal to each remaining Company subsidy shall thereafter be paid to Executive in substantially equal monthly installments.

If there is a dispute as to whether grounds triggering termination with or without Cause or resignation with or without Good Reason have occurred, in each case in connection with a Change in Control, then any fees and expenses arising from the resolution of such dispute (including any reasonably incurred attorneys' fees and expenses of Executive) shall be paid by the Company or its successor, as the case may be; provided, that Executive shall reimburse the Company on a net after-tax basis to cover expenses incurred by Executive for claims brought by Executive that are judicially determined to be frivolous or advanced in bad faith.

**(c) Termination Due to Death or Disability.** In the event that Executive's employment is terminated at any time due to Executive's death or Disability, Executive (or Executive's beneficiaries or estate) shall be entitled to receive an amount equal to Executive's Target Bonus for the fiscal year in which Executive's termination occurs, payable in a lump sum payment, less applicable withholdings, as soon as administratively practicable following the date of termination (and, in any event, no later than the sixtieth (60<sup>th</sup>) day following the date of the termination). In addition, in the event that Executive's employment is terminated due to Disability, the Company shall directly pay, or reimburse Executive for: (A) the premium for Executive and Executive's covered dependents to maintain continued health coverage pursuant to the provisions of COBRA through the earlier of (i) the twenty-four (24) month anniversary of the date of Executive's termination

of employment and (ii) the date Executive and Executive's covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s) and (B) the premiums for Executive to maintain Executive's life and disability insurance coverage through the twenty-four (24) month anniversary of the date of Executive's termination of employment. Notwithstanding the foregoing, (i) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Section 409A of the Code under Treasury Regulation Section 1.409A-1(a)(5), or (ii) the Company is otherwise unable to continue to cover Executive under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act), then, in either case, an amount equal to each remaining Company subsidy shall thereafter be paid to Executive in substantially equal monthly installments.

**4.2. 280G Provisions.** Notwithstanding anything in this Agreement to the contrary, if any payment or distribution Executive would receive pursuant to this Agreement or otherwise (“**Payment**”) would (a) constitute a “parachute payment” within the meaning of Section 280G of the Code, and (b) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the “**Excise Tax**”), then such Payment shall either be (i) delivered in full, or (ii) delivered as to such lesser extent which would result in no portion of such Payment being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the largest payment, notwithstanding that all or some portion the Payment may be taxable under Section 4999 of the Code. The accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change in Control shall perform the foregoing calculations. The Company shall bear all expenses with respect to the determinations by such accounting firm required to be made hereunder. The accounting firm shall provide its calculations to the Company and Executive within fifteen (15) calendar days after the date on which Executive's right to a Payment is triggered (if requested at that time by the Company or Executive) or such other time as requested by the Company or Executive. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon the Company and Executive. Any reduction in payments and/or benefits pursuant to this Section 4.2 will occur in the following order: (1) reduction of cash payments; (2) cancellation of accelerated vesting of equity awards other than stock options; (3) cancellation of accelerated vesting of stock options; and (4) reduction of other benefits payable to Executive.

**4.3. Section 409A .**

(a) Notwithstanding any provision to the contrary in this Agreement, if Executive is deemed at the time of his Separation from Service to be a “specified employee” for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code which would subject Executive to a tax obligation under Section 409A of the Code, such portion of Executive's benefits shall not be provided to Executive prior to the earlier of (i) the expiration of the six- month period measured from the date of the Executive's Separation from Service or (ii) the date of Executive's death. Upon the expiration of the applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this Section 4.3(a) shall be paid in a lump sum to Executive, and any remaining payments due under the Agreement shall be paid as otherwise provided herein.

(b) Any reimbursements payable to Executive pursuant to the Agreement shall be paid to Executive no later than 30 days after Executive provides the Company with a written request for reimbursement, and to the extent that any such reimbursements are deemed to constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code (i) such amounts shall be paid or reimbursed to Executive promptly, but in no event later than December 31 of the year following the year in which the expense is incurred, (ii) the amount of any such payments eligible for reimbursement in one year shall not affect the payments or expenses that are eligible for payment or reimbursement in any other taxable year, and (iii) Executive's right to such payments or reimbursement shall not be subject to liquidation or exchange for any other benefit.

(c) For purposes of Section 409A of the Code (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Executive's right to receive installment payments under the Agreement shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment.

**4.4. Mitigation.** Executive shall not be required to mitigate damages or the amount of any payment provided under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for under this

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Agreement be reduced by any compensation earned by Executive as a result of employment by another employer or by any retirement benefits received by Executive after the date of the Covered Termination, or otherwise.

**4.5. Equity Coordination** . For the avoidance of doubt, all equity awards, including stock options, restricted stock units and other equity-based compensation granted by the Company to Executive under the Company's equity-based compensation plans shall be subject to the terms of such plans and Executive's equity award agreements with respect thereto.

## ARTICLE V PROPRIETARY INFORMATION OBLIGATIONS

**5.1. Agreement.** All Company Innovations shall be the sole and exclusive property of the Company without further compensation and are "works made for hire" as that term is defined under the United States copyright laws. Executive shall promptly notify the Company of any Company Innovations that Executive solely or jointly Creates. "**Company Innovations**" means all Innovations, and any associated intellectual property rights, which Executive may solely or jointly Create, during Executive's employment with the Company, which (i) relate, at the time Created, to the Company's business or actual or demonstrably anticipated research or development, or (ii) were developed on any amount of the Company's time or with the use of any of the Company's equipment, supplies, facilities or trade secret information, or (iii) resulted from any work Executive performed for the Company. Executive is notified that Company Innovations does not include any Innovation which qualifies fully under the provisions of California Labor Code Section 2870. "**Create**" means to create, conceive, reduce to practice, derive, develop or make. "**Innovations**" means processes, machines, manufactures, compositions of matter, improvements, inventions (whether or not protectable under patent laws), works of authorship, information fixed in any tangible medium of expression (whether or not protectable under copyright laws), mask works, trademarks, trade names, trade dress, trade secrets, know-how, ideas (whether or not protectable under trade secret laws), and other subject matter protectable under patent, copyright, moral rights, mask work, trademark, trade secret or other laws regarding proprietary rights, including new or useful art, combinations, discoveries, formulae, manufacturing techniques, technical developments, discoveries, artwork, software and designs. Executive hereby assigns (and will assign) to the Company all Company Innovations. Executive shall perform (at the Company's expense), during and after Executive's employment, all acts reasonably deemed necessary or desirable by the Company to assist the Company in obtaining and enforcing the full benefits, enjoyment, rights and title throughout the world in the Company Innovations. Such acts may include execution of documents and assistance or cooperation (i) in the filing, prosecution, registration, and memorialization of assignment of patent, copyright, mask work or other applications, (ii) in the enforcement of any applicable Proprietary Rights, and (iii) in other legal proceedings related to the Company's Innovations. "**Proprietary Rights**" means patents, copyrights, mask work, moral rights, trade secrets and other proprietary rights. No provision in this Agreement is intended to require Executive to assign or offer to assign any of Executive's rights in any invention for which Executive can establish that no trade secret information of the Company were used, and which was developed on Executive's own time, unless the invention relates to the Company's actual or demonstrably anticipated research or development, or the invention results from any work performed by Executive for the Company.

**5.2. Remedies.** Executive's duties under this Article V shall survive termination of Executive's employment with the Company and the termination of this Agreement. Executive acknowledges that a remedy at law for any breach or threatened breach by Executive of Article V, as well as Executive's obligations pursuant to Section 6.2 and Article VII below, would be inadequate, and Executive therefore agrees that the Company shall be entitled to seek injunctive relief in case of any such breach or threatened breach.

## ARTICLE VI OUTSIDE ACTIVITIES

### **6.1. Other Activities.**

(a) Except as otherwise provided in Section 6.1(b), Executive shall not, during the term of this Agreement undertake or engage in any other employment, occupation or business enterprise, other than ones in which Executive is a passive investor, unless he obtains the prior written consent of the Board.

(b) Executive may engage in civic and not-for-profit activities so long as such activities do not materially interfere with the performance of Executive's duties hereunder. In addition, subject to Executive providing prior written

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notice to the Board, Executive shall be allowed to serve as a member of the board of directors of one (1) other for-profit entity at any time during the term of this Agreement, so long as such service does not materially interfere with the performance of Executive's duties hereunder; provided, however, that the Board, in its discretion, may require that Executive resign from such director position if it determines that such resignation would be in the best interests of the Company.

**6.2. Competition/Investments.** During the term of Executive's employment by the Company and for a period of one (1) year following Executive's termination of employment for any reason, Executive shall not (except on behalf of the Company) directly or indirectly, whether as an officer, director, stockholder, partner, proprietor, associate, representative, consultant, or in any capacity whatsoever engage in, become financially interested in, be employed by or have any business connection with any other person, corporation, firm, partnership or other entity whatsoever which are known by Executive to compete directly with the Company, throughout the world, in any line of business engaged in (or planned to be engaged in) by the Company; provided, however, that anything above to the contrary notwithstanding, Executive may own, as a passive investor, securities of any competitor corporation, so long as Executive's direct holdings in any one such corporation do not, in the aggregate, constitute more than 1% of the voting stock of such corporation. The provisions of this Section 6.2 shall survive the termination of Executive's employment with the Company and shall be fully enforceable thereafter. If it is determined by a court of competent jurisdiction in any state that any restriction in this Section 6.2 is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state. Company and Executive understand that the post-employment restrictive covenants under this Section 6.2 do not apply and will not be enforced in California or other states where such restrictive covenants are not permitted.

## **ARTICLE VII NONINTERFERENCE**

Executive shall not during the term of Executive's employment by the Company and for a period of one (1) year following Executive's termination of employment for any reason, either on Executive's own account or jointly with or as a manager, agent, officer, employee, consultant, partner, joint venturer, owner or stockholder or otherwise on behalf of any other person, firm or corporation, directly or indirectly solicit, induce attempt to solicit any of (i) its customers or clients to terminate their relationship with the Company or to cease purchasing services or products from the Company or (ii) its officers or employees or offer employment to any person who is an officer or employee of the Company; *provided, however*, that a general advertisement to which an employee of the Company responds shall in no event be deemed to result in a breach of this Article VII.

Executive agrees not to harass or disparage the Company or its employees, clients, directors or agents, and the Company hereby agrees not to, and to instruct its officers and directors not to, harass or disparage Executive; provided, however, that nothing in this Agreement shall restrict Executive or the Company from making truthful statements (a) when required by law, subpoena, court order or the like; (b) when requested by a governmental, regulatory, or similar body or entity; (c) in confidence to a professional advisor for the purpose of securing professional advice; or (d) in the course of performing his duties during the Term.

The provisions of this Article VII shall survive the termination of Executive's employment with the Company and shall be fully enforceable thereafter. If it is determined by a court of competent jurisdiction in any state that any restriction in this Article VII is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state.

## **ARTICLE VIII GENERAL PROVISIONS**

**8.1. Notices.** Any notices provided hereunder must be in writing and shall be deemed effective upon the earlier of personal delivery (including personal delivery by facsimile) or the third day after mailing by first class mail, to the Company at its primary office location and to Executive at Executive's address as listed on the Company's books and records.

**8.2. Tax Withholding.** Executive acknowledges that all amounts and benefits payable under this Agreement are subject to deduction and withholding to the extent required by applicable law.

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**8.3. Severability.** Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provisions had never been contained herein.

**8.4. Waiver.** If either party should waive any breach of any provisions of this Agreement, they shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

**8.5. Complete Agreement.** This Agreement, together with the Indemnification Agreement between the Company and Executive, dated as of January 30, 2013, as amended, constitute the entire agreement between Executive and the Company and is the complete, final, and exclusive embodiment of their agreement with regard to this subject matter, and will supersede all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between the parties with respect to the subject matter hereof, including, without limitation, the Amended and Restated Senior Officer Employment Agreement by and between TRI Pointe Homes, Inc. and Executive dated November 19, 2015, any offer letter agreement or promise of change in control or severance protection. This Agreement is entered into without reliance on any promise or representation other than those expressly contained herein or therein, and cannot be modified or amended except in a writing signed by a duly-authorized officer of the Company and Executive.

**8.6. Counterparts.** This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same Agreement.

**8.7. Headings.** The headings of the sections hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

**8.8. Successors and Assigns.** This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive and the Company, and their respective successors, assigns, heirs, executors and administrators, except that Executive may not assign his rights or delegate his duties or obligations hereunder without the prior written consent of the Company.

**8.9. Arbitration.** Unless otherwise prohibited by law or specified below, all disputes, claims and causes of action, in law or equity, arising from or relating to this Agreement or its enforcement, performance, breach, or interpretation (each, a “ **Claim** ”) shall be resolved solely and exclusively by final and binding arbitration held in Orange County, California through Judicial Arbitration & Mediation Services (“ **JAMS** ”) in conformity with the then-existing JAMS employment arbitration rules and California law. The arbitrator shall: (a) provide adequate discovery for the resolution of the dispute; and (b) issue a written arbitration decision, to include the arbitrator’s essential findings and conclusions and a statement of the award. However, nothing in this section is intended to prevent either party from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. The Company shall bear the costs of any such arbitration. Executive and the Company understand that by agreement to arbitrate any Claim pursuant to this Section 8.9, they will not have the right to have any Claim decided by a jury or a court, but shall instead have any Claim decided through arbitration. Executive and the Company waive any constitutional or other right to bring claims covered by this Agreement other than in their individual capacities. Except as may be prohibited by applicable law, the foregoing waiver includes the ability to assert claims as a plaintiff or class member in any purported class or representative proceeding.

**8.10. Executive Acknowledgement.** Executive acknowledges that (a) he has consulted with or has had the opportunity to consult with independent counsel of his own choice concerning this Agreement, and has been advised to do so by the Company, and (b) that he has read and understands the Agreement, is fully aware of its legal effect, and has entered into it freely based on his own judgment.

**8.11. Choice of Law.** All questions concerning the construction, validity and interpretation of this Agreement will be governed by the law of the State of California without regard to the conflicts of law provisions thereof.

[Signature page follows]

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

**TRI POINTE GROUP, INC.**

By: /s/ Douglas F. Bauer  
Douglas F. Bauer  
Title: Chief Executive Officer

Accepted and Agreed:

/s/ Thomas J. Mitchell  
**Thomas J. Mitchell**



## EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (the “**Agreement**”) is entered into as of March 20, 2019 (the “**Effective Date**”), by and between Michael D. Grubbs (“**Executive**”) and TRI Pointe Group, Inc. (the “**Company**”).

**Whereas**, Executive is currently employed by Company as its Chief Financial Officer and Treasurer, and Company desires to have Executive’s employment continue in such capacity, and Executive desires to continue to serve in such capacity, pursuant to the terms and conditions set forth in this Agreement.

**Now, Therefore**, in consideration of the mutual promises and covenants contained herein, it is hereby agreed by and between the parties hereto as follows:

### ARTICLE I DEFINITIONS

For purposes of the Agreement, the following terms are defined as follows:

**1.1. “Board”** means the Board of Directors of the Company.

**1.2. “Cause”** means any of the following events: (i) Executive’s willful failure to follow the reasonable and lawful directions of the Board; (ii) conviction of a felony (or a plea of guilty or nolo contendere by the Executive to a felony); (iii) acts of fraud, dishonesty or misappropriation committed by the Executive and intended to result in substantial personal enrichment at the expense of the Company; (iv) willful misconduct by the Executive in the performance of the Executive’s material duties required by this Agreement which is likely to materially damage the financial position or reputation of the Company; or (v) a material breach of this Agreement. The foregoing is an exclusive list of the acts or omissions that shall be considered “Cause” provided, however, with respect to the acts or omissions set forth in clauses (i), (iii), (iv) and (v) above, (x) the Board shall provide the Executive with 30 days advance written notice detailing the basis for the termination of employment for Cause, (y) during the 30 day period after the Executive has received such notice, the Executive shall have an opportunity to cure such alleged Cause events and to present his case to the full Board (with the assistance of his own counsel) before any termination for Cause is finalized by a vote of a majority of the Board and (z) the Executive shall continue to receive the compensation and benefits provided by this Agreement during the 30 day cure period; provided, further, no act or failure to act of Executive shall be willful or intentional if performed in good faith with the reasonable belief that the action or inaction was in the best interest of the Company.

**1.3. “Change in Control”** means (i) the acquisition, other than from the Company, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1986, as amended (the “**Exchange Act**”)) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either the then outstanding shares of Common Stock of the Company or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, but excluding, for this purpose, any such acquisition by the Company or any of its Subsidiaries, or any employee benefit plan (or related trust) of the Company or its Subsidiaries, or any entity with respect to which, following such acquisition, more than 50% of, respectively, the then outstanding equity of such entity and the combined voting power of the then outstanding voting equity of such entity entitled to vote generally in the election of all or substantially all of the members of such entity’s governing body is then beneficially owned, directly or indirectly, by the individuals and entities who were the beneficial owners, respectively, of the Common Stock and voting securities of the Company immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the then outstanding shares of Common Stock of the Company or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, as the case may be; or (ii) the consummation of a reorganization, merger or consolidation of the Company, in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the Common Stock and voting securities of the Company immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of Common Stock and the combined



voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation; or (iii) a complete liquidation or dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company; or (iv) individuals who at the beginning of any two-year period constitute the Board (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual who becomes a director of the Company during such two-year period and whose election, or whose nomination for election by the Company’s stockholders, to the Board was either (A) approved by a vote of at least a majority of the directors then comprising the Incumbent Board or (B) recommended by a nominating committee comprised entirely of directors who are then Incumbent Board members, shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act), other actual or threatened solicitation of proxies or consents, or an actual or threatened tender offer.

Notwithstanding the foregoing, (i) any bona fide primary or secondary public offering shall not constitute a Change in Control and (ii) if a Change in Control constitutes a payment event with respect to any payment or benefit that provides for the deferral of compensation and is subject to Section 409A, the Change in Control transaction or event with respect to such payment or benefit must also constitute a “change in control event,” as defined in Treasury Regulation §1.409A-3(i)(5) to the extent required by Section 409A.

**1.4.** “**COBRA**” means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

**1.5.** “**Code**” means the Internal Revenue Code of 1986, as amended.

**1.6.** “**Company**” means TRI Pointe Group, Inc. or any successor thereto.

**1.7.** “**Covered Termination**” means (a) an Involuntary Termination Without Cause or (b) a voluntary termination for Good Reason. For the avoidance of doubt, neither (i) the termination of Executive’s employment as a result of Executive’s death or Disability nor (ii) the expiration of this Agreement due to non-renewal pursuant to the terms of Section 2.2 of this Agreement will be deemed to be a Covered Termination.

**1.8.** “**Disability**” shall mean a termination of Executive’s employment due to Executive’s absence from Executive’s duties with the Company on a full-time basis for at least 180 consecutive days as a result of Executive’s incapacity due to physical or mental illness which is determined to be total and permanent by a physician selected by the Company or its insurers.

**1.9.** “**Good Reason**” means any of the following are undertaken without Executive’s prior written consent: (a) a material diminution in Executive’s title, authority, duties, or responsibilities which substantially reduces the nature or character of Executive’s position with the Company (or the highest parent entity if the Company has one or more parent entities); (b) a reduction by the Company of Executive’s base salary as in effect immediately prior to such reduction; (c) a material reduction by the Company of Executive’s Target Bonus as in effect immediately prior to such reduction; (d) relocation of Executive’s principal office (defined as a relocation of Executive’s principal office to a location that increases Executive’s one-way commute by more than fifty (50) miles), provided, that, for the avoidance of doubt, reasonable required travel by Executive on the Company’s business shall not constitute a relocation; (e) a change in Executive’s title following a Change in Control such that Executive does not serve as Chief Financial Officer of the surviving entity’s highest parent entity; or (f) any material breach by the Company of any provision of this Agreement. Notwithstanding the foregoing, Executive’s resignation shall not constitute a resignation for “Good Reason” as a result of any event described in the preceding sentence unless (A) Executive provides written notice thereof to the Company within thirty (30) days after the first occurrence of such event, (B) to the extent correctable, the Company fails to remedy such circumstance or event within thirty (30) days following the Company’s receipt of such written notice and (C) the effective date of Executive’s resignation for “Good Reason” is not later than ninety (90) days after the initial existence of the circumstances constituting Good Reason.

**1.10.** “**Involuntary Termination Without Cause**” means Executive’s dismissal or discharge by the Company other than for Cause.

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**1.11. “ Section 409A ”** means Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date.

**1.12. “ Separation from Service ”** means Executive’s termination of employment constitutes a “separation from service” within the meaning of Treasury Regulation Section 1.409A-1(h).

## **ARTICLE II EMPLOYMENT BY THE COMPANY**

**2.1. Position and Duties.** Subject to terms set forth herein, Executive shall continue to serve in an executive capacity and shall continue to perform such duties as are customarily associated with the position of Chief Financial Officer and Treasurer and such other duties as are assigned to Executive by the Board. During the term of Executive’s employment with the Company, Executive will devote Executive’s best efforts and substantially all of Executive’s business time and attention (except for vacation periods and reasonable periods of illness or other incapacities permitted by the Company’s general employment policies or as otherwise set forth in this Agreement) to the business of the Company.

**2.2. Term.** The initial term of this Agreement shall commence on the Effective Date and shall terminate on the earlier of (i) the third anniversary of the Effective Date and (ii) the termination of Executive’s employment under this Agreement. On the third anniversary of the Effective Date and each annual anniversary of such date thereafter (in either case, provided Executive’s employment has not been terminated under this Agreement prior thereto), this Agreement shall automatically be extended for one additional year unless either Executive or the Company gives written notice of non-renewal to the other at least 60 days prior to the automatic extension date. If a Change in Control occurs during the initial or an extended term of this Agreement, the term of this Agreement shall, notwithstanding anything to the contrary in this Agreement, continue in effect for a period of not less than twenty-four (24) months beyond the month in which the Change in Control occurred. The period from the Effective Date until the earlier of (i) termination of Executive’s employment under this Agreement and (ii) the expiration of this Agreement due to non-renewal pursuant to this Section 2.2 is referred to as the “Term.”

**2.3. Employment at Will.** Both the Company and Executive shall have the right to terminate Executive’s employment with the Company at any time, with or without cause, and with or without prior notice. Upon certain terminations of Executive’s employment with the Company, Executive may become eligible to receive the severance benefits provided in Article IV of this Agreement.

**2.4. Employment Policies.** The employment relationship between the parties shall also be governed by the general employment policies and practices of the Company, including those relating to protection of confidential information and assignment of inventions, except that when the terms of this Agreement differ from or are in conflict with the Company’s general employment policies or practices, this Agreement shall control.

## **ARTICLE III COMPENSATION**

**3.1. Base Salary.** As of the Effective Date, Executive shall receive for services to be rendered hereunder an annual base salary of \$600,000 (“ **Base Salary** ”), payable on the regular payroll dates of the Company (but no less often than monthly), subject to increase in the sole discretion of the Board or a committee of the Board.

**3.2. Annual Bonus.** For each calendar year ending during the term of Executive’s employment, Executive shall be eligible to receive an annual performance bonus (the “ **Annual Bonus** ”) targeted at one-hundred and twenty-five percent (125%) of Base Salary or such other amount as determined in the sole discretion of the Board or a committee of the Board (the “ **Target Bonus** ”), on such terms and conditions determined by the Board or a committee of the Board. The actual amount of any Annual Bonus (if any) will be determined in the discretion of the Board or a committee of the Board and will be (a) subject to achievement of any applicable bonus objectives and/or conditions determined by the Board or a committee of the Board and (b) subject to Executive’s continued employment with the Company through the date the Annual Bonus is paid. The Annual Bonus for any calendar year will be paid at the same time as bonuses other Company executives are paid related annual bonuses generally, but in no event later than March 15th of the year following the year to which such Annual Bonus relates.

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**3.3. Standard Company Benefits** . During the Term, Executive shall be entitled to all rights and benefits for which Executive is eligible under the terms and conditions of the standard Company benefits and compensation practices that may be in effect from time to time and are provided by the Company to its executive employees generally, as well as any additional benefits provided to Executive consistent with past practice. Notwithstanding the foregoing, this Section 3.3 shall not create or be deemed to create any obligation on the part of the Company to adopt or maintain any benefits or compensation practices at any time.

**3.4. Paid Time Off** . During the Term, Executive shall be entitled to such periods of paid time off (“ PTO ”) each year as provided from time to time under the Company’s PTO policies and as otherwise provided for executive officers, as it may be amended from time to time, but notwithstanding anything to the contrary in this Agreement, Executive shall be entitled to a minimum of twenty (20) vacation days per year (prorated for any partial year).

**3.5. Equity Awards** . Executive will be eligible to receive stock options and other equity incentive grants as determined by the Board or a committee of the Board in its sole discretion.

#### **ARTICLE IV SEVERANCE AND CHANGE IN CONTROL BENEFITS**

**4.1. Severance Benefits.** Upon Executive’s termination of employment, Executive shall receive any accrued but unpaid Base Salary and other accrued and unpaid compensation, including any accrued but unpaid vacation and Annual Bonus that has been earned with respect to any calendar year ending prior to Executive’s termination date, but remains unpaid as of the date of the termination. If the termination is due to a Covered Termination, provided that Executive delivers an effective general release of all claims against the Company and its affiliates in a form acceptable to the Company (a “ **Release of Claims** ”) that becomes effective and irrevocable within sixty (60) days following the Covered Termination, Executive shall be entitled to receive the severance benefits described in Section 4.1(a) or (b), as applicable. If the termination is due to Executive’s death or Disability, provided that Executive (or Executive’s beneficiaries or estate) delivers an effective Release of Claims that becomes effective and irrevocable within sixty (60) days following such termination of employment, Executive shall be entitled to receive the severance benefits described in Section 4.1(c).

**(a) Covered Termination Not Related to a Change in Control.** If Executive’s employment terminates due to a Covered Termination which occurs at any time other than during the period beginning three (3) months prior to and ending twenty-four (24) months after a Change in Control, Executive shall receive the following:

**(i)** An amount equal to 1.5 times the sum of (i) Executive’s Base Salary at the rate in effect (or required to be in effect before any diminution that is the basis of Executive’s termination for Good Reason) at the time of Executive’s termination of employment and (ii) the greater of (A) the average of the annual cash bonuses received by Executive for the two fiscal years ending before the date of Executive’s termination of employment and (B) Executive’s Target Bonus for the year in which the date of Executive’s termination of employment occurs, payable in a lump sum payment, less applicable withholdings, as soon as administratively practicable following the date on which the Release of Claims becomes effective and, in any event, no later than the sixtieth (60<sup>th</sup>) day following the date of the Covered Termination.

**(ii)** Notwithstanding anything set forth in an award agreement or incentive plan to the contrary, a pro-rata portion of Executive’s Annual Bonus for the fiscal year in which Executive’s termination occurs based on actual achievement of the applicable bonus objectives and/or conditions determined by the Board or a committee of the Board for such year (determined by multiplying the amount of the Annual Bonus that would be payable for the full fiscal year by a fraction, the numerator of which shall be equal to the number of days during the fiscal year of termination that Executive is employed by, and performing services for, the Company and the denominator of which is 365 days) payable, less applicable withholdings, at the same time bonuses for such year are paid to other senior executives of the Company.

**(iii)** The Company shall directly pay, or reimburse Executive for: (A) the premium for Executive and Executive’s covered dependents to maintain continued health coverage pursuant to the provisions of COBRA through the earlier of (i) the twenty-four (24) month anniversary of the date of Executive’s termination of employment and (ii) the date Executive and Executive’s covered dependents, if any, become eligible for healthcare coverage under another employer’s plan(s) and (B) the premiums for Executive to maintain Executive’s life and disability insurance coverage through the twenty-four (24) month anniversary of the date of Executive’s termination of employment. Notwithstanding

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the foregoing, (i) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Section 409A of the Code under Treasury Regulation Section 1.409A-1(a)(5), or (ii) the Company is otherwise unable to continue to cover Executive under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act), then, in either case, an amount equal to each remaining Company subsidy shall thereafter be paid to Executive in substantially equal monthly installments.

**(b) Covered Termination Related to a Change in Control.** If Executive's employment terminates due to a Covered Termination that occurs within the period beginning three (3) months prior to and ending twenty-four (24) months after a Change in Control, Executive shall receive the following:

**(i)** An amount equal to 2.5 times the sum of (i) Executive's Base Salary at the rate in effect (or required to be in effect before any diminution that is the basis of Executive's termination for Good Reason) at the time of Executive's termination of employment and (ii) the greater of (A) the average of the annual cash bonuses received by Executive for the two fiscal years ending before the date of Executive's termination of employment and (B) Executive's Target Bonus for the year in which the date of Executive's termination of employment occurs, payable in a lump sum payment, less applicable withholdings, as soon as administratively practicable following the date on which the Release of Claims becomes effective and, in any event, no later than the sixtieth (60<sup>th</sup>) day following the date of the Covered Termination.

**(ii)** Notwithstanding anything set forth in an award agreement or incentive plan to the contrary, a pro-rata portion of Executive's Annual Bonus for the fiscal year in which Executive's termination occurs based on actual achievement of the applicable bonus objectives and/or conditions determined by the Board or a committee of the Board for such year (determined by multiplying the amount of the Annual Bonus that would be payable for the full fiscal year by a fraction, the numerator of which shall be equal to the number of days during the fiscal year of termination that Executive is employed by, and performing services for, the Company and the denominator of which is 365 days) payable, less applicable withholdings, at the same time bonuses for such year are paid to other senior executives of the Company.

**(iii)** The Company shall directly pay, or reimburse Executive for: (A) the premium for Executive and Executive's covered dependents to maintain continued health coverage pursuant to the provisions of COBRA through the earlier of (i) the twenty-four (24) month anniversary of the date of Executive's termination of employment and (ii) the date Executive and Executive's covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s) and (B) the premiums for Executive to maintain Executive's life and disability insurance coverage through the twenty-four (24) month anniversary of the date of Executive's termination of employment. Notwithstanding the foregoing, (i) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Section 409A of the Code under Treasury Regulation Section 1.409A-1(a)(5), or (ii) the Company is otherwise unable to continue to cover Executive under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act), then, in either case, an amount equal to each remaining Company subsidy shall thereafter be paid to Executive in substantially equal monthly installments.

If there is a dispute as to whether grounds triggering termination with or without Cause or resignation with or without Good Reason have occurred, in each case in connection with a Change in Control, then any fees and expenses arising from the resolution of such dispute (including any reasonably incurred attorneys' fees and expenses of Executive) shall be paid by the Company or its successor, as the case may be; provided, that Executive shall reimburse the Company on a net after-tax basis to cover expenses incurred by Executive for claims brought by Executive that are judicially determined to be frivolous or advanced in bad faith.

**(c) Termination Due to Death or Disability.** In the event that Executive's employment is terminated at any time due to Executive's death or Disability, Executive (or Executive's beneficiaries or estate) shall be entitled to receive an amount equal to Executive's Target Bonus for the fiscal year in which Executive's termination occurs, payable in a lump sum payment, less applicable withholdings, as soon as administratively practicable following the date of termination (and, in any event, no later than the sixtieth (60<sup>th</sup>) day following the date of the termination). In addition, in the event that Executive's employment is terminated due to Disability, the Company shall directly pay, or reimburse Executive for: (A) the premium for Executive and Executive's covered dependents to maintain continued health coverage pursuant to the provisions of COBRA through the earlier of (i) the twenty-four (24) month anniversary of the date of Executive's termination

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of employment and (ii) the date Executive and Executive's covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s) and (B) the premiums for Executive to maintain Executive's life and disability insurance coverage through the twenty-four (24) month anniversary of the date of Executive's termination of employment. Notwithstanding the foregoing, (i) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Section 409A of the Code under Treasury Regulation Section 1.409A-1(a)(5), or (ii) the Company is otherwise unable to continue to cover Executive under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act), then, in either case, an amount equal to each remaining Company subsidy shall thereafter be paid to Executive in substantially equal monthly installments.

**4.2. 280G Provisions.** Notwithstanding anything in this Agreement to the contrary, if any payment or distribution Executive would receive pursuant to this Agreement or otherwise (“**Payment**”) would (a) constitute a “parachute payment” within the meaning of Section 280G of the Code, and (b) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the “**Excise Tax**”), then such Payment shall either be (i) delivered in full, or (ii) delivered as to such lesser extent which would result in no portion of such Payment being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the largest payment, notwithstanding that all or some portion the Payment may be taxable under Section 4999 of the Code. The accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change in Control shall perform the foregoing calculations. The Company shall bear all expenses with respect to the determinations by such accounting firm required to be made hereunder. The accounting firm shall provide its calculations to the Company and Executive within fifteen (15) calendar days after the date on which Executive's right to a Payment is triggered (if requested at that time by the Company or Executive) or such other time as requested by the Company or Executive. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon the Company and Executive. Any reduction in payments and/or benefits pursuant to this Section 4.2 will occur in the following order: (1) reduction of cash payments; (2) cancellation of accelerated vesting of equity awards other than stock options; (3) cancellation of accelerated vesting of stock options; and (4) reduction of other benefits payable to Executive.

**4.3. Section 409A .**

(a) Notwithstanding any provision to the contrary in this Agreement, if Executive is deemed at the time of his Separation from Service to be a “specified employee” for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code which would subject Executive to a tax obligation under Section 409A of the Code, such portion of Executive's benefits shall not be provided to Executive prior to the earlier of (i) the expiration of the six- month period measured from the date of the Executive's Separation from Service or (ii) the date of Executive's death. Upon the expiration of the applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this Section 4.3(a) shall be paid in a lump sum to Executive, and any remaining payments due under the Agreement shall be paid as otherwise provided herein.

(b) Any reimbursements payable to Executive pursuant to the Agreement shall be paid to Executive no later than 30 days after Executive provides the Company with a written request for reimbursement, and to the extent that any such reimbursements are deemed to constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code (i) such amounts shall be paid or reimbursed to Executive promptly, but in no event later than December 31 of the year following the year in which the expense is incurred, (ii) the amount of any such payments eligible for reimbursement in one year shall not affect the payments or expenses that are eligible for payment or reimbursement in any other taxable year, and (iii) Executive's right to such payments or reimbursement shall not be subject to liquidation or exchange for any other benefit.

(c) For purposes of Section 409A of the Code (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Executive's right to receive installment payments under the Agreement shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment.

**4.4. Mitigation.** Executive shall not be required to mitigate damages or the amount of any payment provided under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for under this

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Agreement be reduced by any compensation earned by Executive as a result of employment by another employer or by any retirement benefits received by Executive after the date of the Covered Termination, or otherwise.

**4.5. Equity Coordination** . For the avoidance of doubt, all equity awards, including stock options, restricted stock units and other equity-based compensation granted by the Company to Executive under the Company's equity-based compensation plans shall be subject to the terms of such plans and Executive's equity award agreements with respect thereto.

## **ARTICLE V PROPRIETARY INFORMATION OBLIGATIONS**

**5.1. Agreement.** All Company Innovations shall be the sole and exclusive property of the Company without further compensation and are "works made for hire" as that term is defined under the United States copyright laws. Executive shall promptly notify the Company of any Company Innovations that Executive solely or jointly Creates. "**Company Innovations**" means all Innovations, and any associated intellectual property rights, which Executive may solely or jointly Create, during Executive's employment with the Company, which (i) relate, at the time Created, to the Company's business or actual or demonstrably anticipated research or development, or (ii) were developed on any amount of the Company's time or with the use of any of the Company's equipment, supplies, facilities or trade secret information, or (iii) resulted from any work Executive performed for the Company. Executive is notified that Company Innovations does not include any Innovation which qualifies fully under the provisions of California Labor Code Section 2870. "**Create**" means to create, conceive, reduce to practice, derive, develop or make. "**Innovations**" means processes, machines, manufactures, compositions of matter, improvements, inventions (whether or not protectable under patent laws), works of authorship, information fixed in any tangible medium of expression (whether or not protectable under copyright laws), mask works, trademarks, trade names, trade dress, trade secrets, know-how, ideas (whether or not protectable under trade secret laws), and other subject matter protectable under patent, copyright, moral rights, mask work, trademark, trade secret or other laws regarding proprietary rights, including new or useful art, combinations, discoveries, formulae, manufacturing techniques, technical developments, discoveries, artwork, software and designs. Executive hereby assigns (and will assign) to the Company all Company Innovations. Executive shall perform (at the Company's expense), during and after Executive's employment, all acts reasonably deemed necessary or desirable by the Company to assist the Company in obtaining and enforcing the full benefits, enjoyment, rights and title throughout the world in the Company Innovations. Such acts may include execution of documents and assistance or cooperation (i) in the filing, prosecution, registration, and memorialization of assignment of patent, copyright, mask work or other applications, (ii) in the enforcement of any applicable Proprietary Rights, and (iii) in other legal proceedings related to the Company's Innovations. "**Proprietary Rights**" means patents, copyrights, mask work, moral rights, trade secrets and other proprietary rights. No provision in this Agreement is intended to require Executive to assign or offer to assign any of Executive's rights in any invention for which Executive can establish that no trade secret information of the Company were used, and which was developed on Executive's own time, unless the invention relates to the Company's actual or demonstrably anticipated research or development, or the invention results from any work performed by Executive for the Company.

**5.2. Remedies.** Executive's duties under this Article V shall survive termination of Executive's employment with the Company and the termination of this Agreement. Executive acknowledges that a remedy at law for any breach or threatened breach by Executive of Article V, as well as Executive's obligations pursuant to Section 6.2 and Article VII below, would be inadequate, and Executive therefore agrees that the Company shall be entitled to seek injunctive relief in case of any such breach or threatened breach.

## **ARTICLE VI OUTSIDE ACTIVITIES**

### **6.1. Other Activities** .

(a) Except as otherwise provided in Section 6.1(b), Executive shall not, during the term of this Agreement undertake or engage in any other employment, occupation or business enterprise, other than ones in which Executive is a passive investor, unless he obtains the prior written consent of the Board.

(b) Executive may engage in civic and not-for-profit activities so long as such activities do not materially interfere with the performance of Executive's duties hereunder. In addition, subject to Executive providing prior written

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notice to the Board, Executive shall be allowed to serve as a member of the board of directors of one (1) other for-profit entity at any time during the term of this Agreement, so long as such service does not materially interfere with the performance of Executive's duties hereunder; provided, however, that the Board, in its discretion, may require that Executive resign from such director position if it determines that such resignation would be in the best interests of the Company.

**6.2. Competition/Investments.** During the term of Executive's employment by the Company and for a period of one (1) year following Executive's termination of employment for any reason, Executive shall not (except on behalf of the Company) directly or indirectly, whether as an officer, director, stockholder, partner, proprietor, associate, representative, consultant, or in any capacity whatsoever engage in, become financially interested in, be employed by or have any business connection with any other person, corporation, firm, partnership or other entity whatsoever which are known by Executive to compete directly with the Company, throughout the world, in any line of business engaged in (or planned to be engaged in) by the Company; provided, however, that anything above to the contrary notwithstanding, Executive may own, as a passive investor, securities of any competitor corporation, so long as Executive's direct holdings in any one such corporation do not, in the aggregate, constitute more than 1% of the voting stock of such corporation. The provisions of this Section 6.2 shall survive the termination of Executive's employment with the Company and shall be fully enforceable thereafter. If it is determined by a court of competent jurisdiction in any state that any restriction in this Section 6.2 is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state. Company and Executive understand that the post-employment restrictive covenants under this Section 6.2 do not apply and will not be enforced in California or other states where such restrictive covenants are not permitted.

## ARTICLE VII NONINTERFERENCE

Executive shall not during the term of Executive's employment by the Company and for a period of one (1) year following Executive's termination of employment for any reason, either on Executive's own account or jointly with or as a manager, agent, officer, employee, consultant, partner, joint venturer, owner or stockholder or otherwise on behalf of any other person, firm or corporation, directly or indirectly solicit, induce attempt to solicit any of (i) its customers or clients to terminate their relationship with the Company or to cease purchasing services or products from the Company or (ii) its officers or employees or offer employment to any person who is an officer or employee of the Company; *provided, however*, that a general advertisement to which an employee of the Company responds shall in no event be deemed to result in a breach of this Article VII.

Executive agrees not to harass or disparage the Company or its employees, clients, directors or agents, and the Company hereby agrees not to, and to instruct its officers and directors not to, harass or disparage Executive; provided, however, that nothing in this Agreement shall restrict Executive or the Company from making truthful statements (a) when required by law, subpoena, court order or the like; (b) when requested by a governmental, regulatory, or similar body or entity; (c) in confidence to a professional advisor for the purpose of securing professional advice; or (d) in the course of performing his duties during the Term.

The provisions of this Article VII shall survive the termination of Executive's employment with the Company and shall be fully enforceable thereafter. If it is determined by a court of competent jurisdiction in any state that any restriction in this Article VII is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state.

## ARTICLE VIII GENERAL PROVISIONS

**8.1. Notices.** Any notices provided hereunder must be in writing and shall be deemed effective upon the earlier of personal delivery (including personal delivery by facsimile) or the third day after mailing by first class mail, to the Company at its primary office location and to Executive at Executive's address as listed on the Company's books and records.

**8.2. Tax Withholding.** Executive acknowledges that all amounts and benefits payable under this Agreement are subject to deduction and withholding to the extent required by applicable law.

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**8.3. Severability.** Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provisions had never been contained herein.

**8.4. Waiver.** If either party should waive any breach of any provisions of this Agreement, they shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

**8.5. Complete Agreement.** This Agreement, together with the Indemnification Agreement between the Company and Executive, dated as of January 30, 2013, as amended, constitute the entire agreement between Executive and the Company and is the complete, final, and exclusive embodiment of their agreement with regard to this subject matter, and will supersede all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between the parties with respect to the subject matter hereof, including, without limitation, the Amended and Restated Senior Officer Employment Agreement by and between TRI Pointe Homes, Inc. and Executive dated November 19, 2015, any offer letter agreement or promise of change in control or severance protection. This Agreement is entered into without reliance on any promise or representation other than those expressly contained herein or therein, and cannot be modified or amended except in a writing signed by a duly-authorized officer of the Company and Executive.

**8.6. Counterparts.** This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same Agreement.

**8.7. Headings.** The headings of the sections hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

**8.8. Successors and Assigns.** This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive and the Company, and their respective successors, assigns, heirs, executors and administrators, except that Executive may not assign his rights or delegate his duties or obligations hereunder without the prior written consent of the Company.

**8.9. Arbitration.** Unless otherwise prohibited by law or specified below, all disputes, claims and causes of action, in law or equity, arising from or relating to this Agreement or its enforcement, performance, breach, or interpretation (each, a “ **Claim** ”) shall be resolved solely and exclusively by final and binding arbitration held in Orange County, California through Judicial Arbitration & Mediation Services (“ **JAMS** ”) in conformity with the then-existing JAMS employment arbitration rules and California law. The arbitrator shall: (a) provide adequate discovery for the resolution of the dispute; and (b) issue a written arbitration decision, to include the arbitrator’s essential findings and conclusions and a statement of the award. However, nothing in this section is intended to prevent either party from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. The Company shall bear the costs of any such arbitration. Executive and the Company understand that by agreement to arbitrate any Claim pursuant to this Section 8.9, they will not have the right to have any Claim decided by a jury or a court, but shall instead have any Claim decided through arbitration. Executive and the Company waive any constitutional or other right to bring claims covered by this Agreement other than in their individual capacities. Except as may be prohibited by applicable law, the foregoing waiver includes the ability to assert claims as a plaintiff or class member in any purported class or representative proceeding.

**8.10. Executive Acknowledgement.** Executive acknowledges that (a) he has consulted with or has had the opportunity to consult with independent counsel of his own choice concerning this Agreement, and has been advised to do so by the Company, and (b) that he has read and understands the Agreement, is fully aware of its legal effect, and has entered into it freely based on his own judgment.

**8.11. Choice of Law.** All questions concerning the construction, validity and interpretation of this Agreement will be governed by the law of the State of California without regard to the conflicts of law provisions thereof.

[Signature page follows]

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**In Witness Whereof**, the parties have executed this Agreement as of the date first written above.

**TRI POINTE GROUP, INC.**

By: /s/ Douglas F. Bauer  
Douglas F. Bauer  
Title: Chief Executive Officer

Accepted and Agreed:

/s/ Michael D. Grubbs  
**Michael D. Grubbs**



## SEVERANCE AND CHANGE IN CONTROL PROTECTION AGREEMENT

This SEVERANCE AND CHANGE IN CONTROL PROTECTION AGREEMENT (the “ **Agreement** ”) is entered into as of [\_\_\_\_], 20[ ] (the “ **Effective Date** ”), by and between [\_\_\_\_] (“ **Executive** ”) and TRI Pointe Group, Inc. (the “ **Company** ”).

**WHEREAS** , the Company considers the continued availability of Executive’s services, managerial skills and business experience to be in the best interest of the Company and its stockholders and desires to assure the continued services of Executive on behalf of the Company;

**WHEREAS** , Executive desired to remain in the employ of the Company upon the understanding that the Company will provide Executive with income security and health benefits in accordance with the terms and conditions contained in this Agreement.

**NOW, THEREFORE** , in consideration of the mutual promises and covenants contained herein, it is hereby agreed by and between the parties hereto as follows:

### ARTICLE I DEFINITIONS

For purposes of the Agreement, the following terms are defined as follows:

**1.1. “ Board ”** means the Board of Directors of the Company.

**1.2. “ Cause ”** means any of the following events: (i) Executive’s willful failure to follow the reasonable and lawful directions of the Board or the Chief Executive Officer; (ii) conviction of a felony (or a plea of guilty or nolo contendere by Executive to a felony); (iii) acts of fraud, dishonesty or misappropriation committed by Executive and intended to result in substantial personal enrichment at the expense of the Company; (iv) willful misconduct by Executive in the performance of Executive’s material duties required by this Agreement which is likely to materially damage the financial position or reputation of the Company; or (v) a material breach of this Agreement. The foregoing is an exclusive list of the acts or omissions that shall be considered “Cause” provided, however, with respect to the acts or omissions set forth in clauses (i), (iii), (iv) and (v) above, (x) the Board shall provide Executive with 30 days advance written notice detailing the basis for the termination of employment for Cause, (y) during the 30 day period after Executive has received such notice, Executive shall have an opportunity to cure such alleged Cause events and to present his case to the full Board (with the assistance of his own counsel) before any termination for Cause is finalized by a vote of a majority of the Board and (z) Executive shall continue to receive the compensation and benefits provided by this Agreement during the 30 day cure period; provided, further, no act or failure to act of Executive shall be willful or intentional if performed in good faith with the reasonable belief that the action or inaction was in the best interest of the Company.

**1.3. “ Change in Control ”** means (i) the acquisition, other than from the Company, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “ **Exchange Act** ”)) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either the then outstanding shares of Common Stock of the Company or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, but excluding, for this purpose, any such acquisition by the Company or any of its Subsidiaries, or any employee benefit plan (or related trust) of the Company or its Subsidiaries, or any entity

with respect to which, following such acquisition, more than 50% of, respectively, the then outstanding equity of such entity and the combined voting power of the then outstanding voting equity of such entity entitled to vote generally in the election of all or substantially all of the members of such entity's governing body is then beneficially owned, directly or indirectly, by the individuals and entities who were the beneficial owners, respectively, of the Common Stock and voting securities of the Company immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the then outstanding shares of Common Stock of the Company or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, as the case may be; or (ii) the consummation of a reorganization, merger or consolidation of the Company, in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the Common Stock and voting securities of the Company immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of Common Stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation; or (iii) a complete liquidation or dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company; or (iv) individuals who at the beginning of any two-year period constitute the Board (the "**Incumbent Board**") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual who becomes a director of the Company during such two-year period and whose election, or whose nomination for election by the Company's stockholders, to the Board was either (A) approved by a vote of at least a majority of the directors then comprising the Incumbent Board or (B) recommended by a nominating committee comprised entirely of directors who are then Incumbent Board members, shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act), other actual or threatened solicitation of proxies or consents, or an actual or threatened tender offer.

Notwithstanding the foregoing, (i) any bona fide primary or secondary public offering shall not constitute a Change in Control and (ii) if a Change in Control constitutes a payment event with respect to any payment or benefit that provides for the deferral of compensation and is subject to Section 409A, the Change in Control transaction or event with respect to such payment or benefit must also constitute a "change in control event," as defined in Treasury Regulation §1.409A-3(i)(5) to the extent required by Section 409A.

**1.4.** "**COBRA**" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

**1.5.** "**Code**" means the Internal Revenue Code of 1986, as amended.

**1.6.** "**Company**" means TRI Pointe Group, Inc. or any successor thereto.

**1.7.** "**Covered Termination**" means (a) an Involuntary Termination Without Cause or (b) a voluntary termination for Good Reason. For the avoidance of doubt, neither (i) the termination of Executive's employment as a result of Executive's death or Disability nor (ii) the expiration of this Agreement due to non-renewal pursuant to the terms of Section 2.1 of this Agreement will be deemed to be a Covered Termination.

**1.8.** "**Disability**" shall mean a termination of Executive's employment due to Executive's absence from Executive's duties with the Company on a full-time basis for at least 180 consecutive days as a result of Executive's incapacity due to physical or mental illness which is determined to be total and permanent by a physician selected by the Company or its insurers.

**1.9.** "**Good Reason**" means any of the following are undertaken without Executive's prior written consent: (a) a material diminution in Executive's title, authority, duties, or responsibilities which substantially reduces

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the nature or character of Executive's position with the Company (or the highest parent entity if the Company has one or more parent entities); (b) a reduction by the Company of Executive's base salary as in effect immediately prior to such reduction; (c) a material reduction by the Company of Executive's target annual bonus as in effect immediately prior to such reduction; (d) relocation of Executive's principal office (defined as a relocation of Executive's principal office to a location that increases Executive's one-way commute by more than fifty (50) miles), provided, that, for the avoidance of doubt, reasonable required travel by Executive on the Company's business shall not constitute a relocation; or (e) any material breach by the Company of any provision of this Agreement. Notwithstanding the foregoing, Executive's resignation shall not constitute a resignation for "Good Reason" as a result of any event described in the preceding sentence unless (A) Executive provides written notice thereof to the Company within thirty (30) days after the first occurrence of such event, (B) to the extent correctable, the Company fails to remedy such circumstance or event within thirty (30) days following the Company's receipt of such written notice and (C) the effective date of Executive's resignation for "Good Reason" is not later than ninety (90) days after the initial existence of the circumstances constituting Good Reason.

**1.10. "Involuntary Termination Without Cause"** means Executive's dismissal or discharge by the Company other than for Cause.

**1.11. "Section 409A"** means Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date.

**1.12. "Separation from Service"** means Executive's termination of employment constitutes a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h).

## **ARTICLE II TERM**

**2.1. Term.** The initial term of this Agreement shall commence on the Effective Date and shall terminate on the earlier of (i) the third anniversary of the Effective Date and (ii) the termination of Executive's employment under this Agreement. On the third anniversary of the Effective Date and each annual anniversary of such date thereafter (in either case, provided Executive's employment has not been terminated under this Agreement prior thereto), this Agreement shall automatically be extended for one additional year unless either Executive or the Company gives written notice of non-renewal to the other at least 60 days prior to the automatic extension date. If a Change in Control occurs during the initial or an extended term of this Agreement, the term of this Agreement shall, notwithstanding anything to the contrary in this Agreement, continue in effect for a period of not less than twenty-four (24) months beyond the month in which the Change in Control occurred. The period from the Effective Date until the earlier of (i) termination of Executive's employment under this Agreement and (ii) the expiration of this Agreement due to non-renewal pursuant to this Section 2.1 is referred to as the "Term."

## **ARTICLE III SEVERANCE AND CHANGE IN CONTROL BENEFITS**

**3.1. Severance Benefits.** Upon Executive's termination of employment, Executive shall receive any accrued but unpaid base salary and other accrued and unpaid compensation, including any accrued but unpaid vacation and annual cash bonus that has been earned with respect to any calendar year ending prior to Executive's termination date, but remains unpaid as of the date of the termination. If the termination is due to a Covered Termination, provided that Executive delivers an effective general release of all claims against the Company and its affiliates in a form acceptable to the Company (a "**Release of Claims**") that becomes effective and irrevocable within sixty (60) days following the Covered Termination, Executive shall be entitled to receive the severance benefits described in Section 3.1(a) or (b), as applicable. If the termination is due to Executive's

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death or Disability, provided that Executive (or Executive's beneficiaries or estate) delivers an effective Release of Claims that becomes effective and irrevocable within sixty (60) days following such termination of employment, Executive shall be entitled to receive the severance benefits described in Section 3.1(c).

**(a) Covered Termination Not Related to a Change in Control.** If Executive's employment terminates due to a Covered Termination which occurs at any time other than during the period beginning three (3) months prior to and ending twenty-four (24) months after a Change in Control, Executive shall receive the following:

(i) An amount equal to [ ] times] the sum of (i) Executive's annual base salary at the rate in effect (or required to be in effect before any diminution that is the basis of Executive's termination for Good Reason) at the time of Executive's termination of employment and (ii) the greater of (A) the average of the annual cash bonuses received by Executive for the two fiscal years ending before the date of Executive's termination of employment and (B) Executive's target annual bonus for the year in which the date of Executive's termination of employment occurs, payable in a lump sum payment, less applicable withholdings, as soon as administratively practicable following the date on which the Release of Claims becomes effective and, in any event, no later than the sixtieth (60<sup>th</sup>) day following the date of the Covered Termination.

(ii) Notwithstanding anything set forth in an award agreement or incentive plan to the contrary, a pro-rata portion of Executive's Annual Bonus for the fiscal year in which Executive's termination occurs based on actual achievement of the applicable bonus objectives and/or conditions determined by the Board or a committee of the Board for such year (determined by multiplying the amount of the Annual Bonus that would be payable for the full fiscal year by a fraction, the numerator of which shall be equal to the number of days during the fiscal year of termination that Executive is employed by, and performing services for, the Company and the denominator of which is 365 days) payable, less applicable withholdings, at the same time bonuses for such year are paid to other senior executives of the Company.

(iii) The Company shall directly pay, or reimburse Executive for: (A) the premium for Executive and Executive's covered dependents to maintain continued health coverage pursuant to the provisions of COBRA through the earlier of (i) the [ ] month anniversary of the date of Executive's termination of employment and (ii) the date Executive and Executive's covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s) and (B) the premiums for Executive to maintain Executive's life and disability insurance coverage through the [ ] month anniversary of the date of Executive's termination of employment. Notwithstanding the foregoing, (i) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Section 409A of the Code under Treasury Regulation Section 1.409A-1(a)(5), or (ii) the Company is otherwise unable to continue to cover Executive under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act), then, in either case, an amount equal to each remaining Company subsidy shall thereafter be paid to Executive in substantially equal monthly installments.

**(b) Covered Termination Related to a Change in Control.** If Executive's employment terminates due to a Covered Termination that occurs within the period beginning three (3) months prior to and ending twenty-four (24) months after a Change in Control, Executive shall receive the following:

(i) An amount equal to [ ] times] the sum of (i) Executive's annual base salary at the rate in effect (or required to be in effect before any diminution that is the basis of Executive's termination for Good Reason) at the time of Executive's termination of employment and (ii) the greater of (A) the average of the annual cash bonuses received by Executive for the two fiscal years ending before the date of Executive's termination of employment and (B) Executive's target annual bonus for the year in which the date of Executive's termination of employment occurs, payable in a lump sum payment, less applicable withholdings, as soon as

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administratively practicable following the date on which the Release of Claims becomes effective and, in any event, no later than the sixtieth (60<sup>th</sup>) day following the date of the Covered Termination.

(ii) Notwithstanding anything set forth in an award agreement or incentive plan to the contrary, a pro-rata portion of Executive's Annual Bonus for the fiscal year in which Executive's termination occurs based on actual achievement of the applicable bonus objectives and/or conditions determined by the Board or a committee of the Board for such year (determined by multiplying the amount of the Annual Bonus that would be payable for the full fiscal year by a fraction, the numerator of which shall be equal to the number of days during the fiscal year of termination that Executive is employed by, and performing services for, the Company and the denominator of which is 365 days) payable, less applicable withholdings, at the same time bonuses for such year are paid to other senior executives of the Company.

(iii) The Company shall directly pay, or reimburse Executive for: (A) the premium for Executive and Executive's covered dependents to maintain continued health coverage pursuant to the provisions of COBRA through the earlier of (i) the [ ] month anniversary of the date of Executive's termination of employment and (ii) the date Executive and Executive's covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s) and (B) the premiums for Executive to maintain Executive's life and disability insurance coverage through the [ ] month anniversary of the date of Executive's termination of employment. Notwithstanding the foregoing, (i) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Section 409A of the Code under Treasury Regulation Section 1.409A-1(a)(5), or (ii) the Company is otherwise unable to continue to cover Executive under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act), then, in either case, an amount equal to each remaining Company subsidy shall thereafter be paid to Executive in substantially equal monthly installments.

If there is a dispute as to whether grounds triggering termination with or without Cause or resignation with or without Good Reason have occurred, in each case in connection with a Change in Control, then any fees and expenses arising from the resolution of such dispute (including any reasonably incurred attorneys' fees and expenses of Executive) shall be paid by the Company or its successor, as the case may be; provided, that Executive shall reimburse the Company on a net after-tax basis to cover expenses incurred by Executive for claims brought by Executive that are judicially determined to be frivolous or advanced in bad faith.

**(c) Termination Due to Death or Disability.** In the event that Executive's employment is terminated at any time due to Executive's death or Disability, Executive (or Executive's beneficiaries or estate) shall be entitled to receive an amount equal to Executive's target annual bonus for the fiscal year in which Executive's termination occurs, payable in a lump sum payment, less applicable withholdings, as soon as administratively practicable following the date of termination (and, in any event, no later than the sixtieth (60<sup>th</sup>) day following the date of the termination). In addition, in the event that Executive's employment is terminated due to Disability, the Company shall directly pay, or reimburse Executive for: (A) the premium for Executive and Executive's covered dependents to maintain continued health coverage pursuant to the provisions of COBRA through the earlier of (i) the [ ] month anniversary of the date of Executive's termination of employment and (ii) the date Executive and Executive's covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s) and (B) the premiums for Executive to maintain Executive's life and disability insurance coverage through the [ ] month anniversary of the date of Executive's termination of employment. Notwithstanding the foregoing, (i) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Section 409A of the Code under Treasury Regulation Section 1.409A-1(a)(5), or (ii) the Company is otherwise unable to continue to cover Executive under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act), then, in

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either case, an amount equal to each remaining Company subsidy shall thereafter be paid to Executive in substantially equal monthly installments. .

**3.2. 280G Provisions.** Notwithstanding anything in this Agreement to the contrary, if any payment or distribution Executive would receive pursuant to this Agreement or otherwise (“**Payment**”) would (a) constitute a “parachute payment” within the meaning of Section 280G of the Code, and (b) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the “**Excise Tax**”), then such Payment shall either be (i) delivered in full, or (ii) delivered as to such lesser extent which would result in no portion of such Payment being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the largest payment, notwithstanding that all or some portion the Payment may be taxable under Section 4999 of the Code. The accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change in Control shall perform the foregoing calculations. The Company shall bear all expenses with respect to the determinations by such accounting firm required to be made hereunder. The accounting firm shall provide its calculations to the Company and Executive within fifteen (15) calendar days after the date on which Executive’s right to a Payment is triggered (if requested at that time by the Company or Executive) or such other time as requested by the Company or Executive. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon the Company and Executive. Any reduction in payments and/or benefits pursuant to this Section 3.2 will occur in the following order: (1) reduction of cash payments; (2) cancellation of accelerated vesting of equity awards other than stock options; (3) cancellation of accelerated vesting of stock options; and (4) reduction of other benefits payable to Executive.

**3.3. Section 409A .**

(a) Notwithstanding any provision to the contrary in this Agreement, if Executive is deemed at the time of his Separation from Service to be a “specified employee” for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code which would subject Executive to a tax obligation under Section 409A of the Code, such portion of Executive’s benefits shall not be provided to Executive prior to the earlier of (i) the expiration of the six- month period measured from the date of Executive’s Separation from Service or (ii) the date of Executive’s death. Upon the expiration of the applicable Code Section 409A(a) (2)(B)(i) period, all payments deferred pursuant to this Section 3.3(a) shall be paid in a lump sum to Executive, and any remaining payments due under the Agreement shall be paid as otherwise provided herein.

(b) Any reimbursements payable to Executive pursuant to the Agreement shall be paid to Executive no later than 30 days after Executive provides the Company with a written request for reimbursement, and to the extent that any such reimbursements are deemed to constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code (i) such amounts shall be paid or reimbursed to Executive promptly, but in no event later than December 31 of the year following the year in which the expense is incurred, (ii) the amount of any such payments eligible for reimbursement in one year shall not affect the payments or expenses that are eligible for payment or reimbursement in any other taxable year, and (iii) Executive’s right to such payments or reimbursement shall not be subject to liquidation or exchange for any other benefit.

(c) For purposes of Section 409A of the Code (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Executive’s right to receive installment payments under the Agreement shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment.

**3.4. Mitigation.** Executive shall not be required to mitigate damages or the amount of any payment provided under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided

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for under this Agreement be reduced by any compensation earned by Executive as a result of employment by another employer or by any retirement benefits received by Executive after the date of the Covered Termination, or otherwise.

**3.5. Equity Coordination .** For the avoidance of doubt, all equity awards, including stock options, restricted stock units and other equity-based compensation granted by the Company to Executive under the Company's equity-based compensation plans shall be subject to the terms of such plans and Executive's equity award agreements with respect thereto.

#### **ARTICLE IV LIMITATION ON RIGHTS**

**4.1. No Employment Contract.** This Agreement, including the recitals hereto, shall not be deemed to create a contract of employment between the Company and Executive and shall create no right in Executive to continue in the Company's employment for any specific period of time, or to create any other rights in Executive or obligations on the part of the Company, except as expressly set forth herein. Except as expressly set forth herein, this Agreement shall not restrict the right of the Company to terminate Executive's employment at any time for any reason, or restrict the right of Executive to terminate his or her employment.

**4.2. No Other Exclusions.** This Agreement shall not be construed to exclude Executive from participation in any other compensation or benefit programs in which Executive is specifically eligible to participate either prior to or following the execution of this Agreement, or any such programs that generally are available to other executive personnel of the Company, nor shall it affect the kind and amount of other compensation to which Executive is entitled; provided, however, that if amounts are payable pursuant to Section 3.1, such amounts are in lieu of any amounts payable under any severance plan or policy.

#### **ARTICLE V PROPRIETARY INFORMATION OBLIGATIONS**

**5.1. Agreement.** All Company Innovations shall be the sole and exclusive property of the Company without further compensation and are "works made for hire" as that term is defined under the United States copyright laws. Executive shall promptly notify the Company of any Company Innovations that Executive solely or jointly Creates. "**Company Innovations**" means all Innovations, and any associated intellectual property rights, which Executive may solely or jointly Create, during Executive's employment with the Company, which (i) relate, at the time Created, to the Company's business or actual or demonstrably anticipated research or development, or (ii) were developed on any amount of the Company's time or with the use of any of the Company's equipment, supplies, facilities or trade secret information, or (iii) resulted from any work Executive performed for the Company. Executive is notified that Company Innovations does not include any Innovation which qualifies fully under the provisions of California Labor Code Section 2870. "**Create**" means to create, conceive, reduce to practice, derive, develop or make. "**Innovations**" means processes, machines, manufactures, compositions of matter, improvements, inventions (whether or not protectable under patent laws), works of authorship, information fixed in any tangible medium of expression (whether or not protectable under copyright laws), mask works, trademarks, trade names, trade dress, trade secrets, know-how, ideas (whether or not protectable under trade secret laws), and other subject matter protectable under patent, copyright, moral rights, mask work, trademark, trade secret or other laws regarding proprietary rights, including new or useful art, combinations, discoveries, formulae, manufacturing techniques, technical developments, discoveries, artwork, software and designs. Executive hereby assigns (and will assign) to the Company all Company Innovations. Executive shall perform (at the Company's expense), during and after Executive's employment, all acts reasonably deemed necessary or desirable by the Company to assist the Company in obtaining and enforcing the full benefits, enjoyment, rights and title throughout the world in the Company Innovations. Such acts may include execution of documents and assistance or cooperation (i) in the filing, prosecution, registration, and

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memorialization of assignment of patent, copyright, mask work or other applications, (ii) in the enforcement of any applicable Proprietary Rights, and (iii) in other legal proceedings related to the Company's Innovations. " **Proprietary Rights** " means patents, copyrights, mask work, moral rights, trade secrets and other proprietary rights. No provision in this Agreement is intended to require Executive to assign or offer to assign any of Executive's rights in any invention for which Executive can establish that no trade secret information of the Company were used, and which was developed on Executive's own time, unless the invention relates to the Company's actual or demonstrably anticipated research or development, or the invention results from any work performed by Executive for the Company.

**5.2. Remedies.** Executive's duties under this Article V shall survive termination of Executive's employment with the Company and the termination of this Agreement. Executive acknowledges that a remedy at law for any breach or threatened breach by Executive of Article V, as well as Executive's obligations pursuant to Section 6.2 and Article VII below, would be inadequate, and Executive therefore agrees that the Company shall be entitled to seek injunctive relief in case of any such breach or threatened breach.

## **ARTICLE VI OUTSIDE ACTIVITIES**

### **6.1. Other Activities .**

(a) Except as otherwise provided in Section 6.1(b), Executive shall not, during the term of this Agreement, undertake or engage in any other employment, occupation or business enterprise, other than ones in which Executive is a passive investor, unless he obtains the prior written consent of the Board.

(b) Executive may engage in civic and not-for-profit activities so long as such activities do not materially interfere with the performance of Executive's duties hereunder. In addition, subject to Executive providing prior written notice to the Board, Executive shall be allowed to serve as a member of the board of directors of one (1) other for-profit entity at any time during the term of this Agreement, so long as such service does not materially interfere with the performance of Executive's duties hereunder; provided, however, that the Board, in its discretion, may require that Executive resign from such director position if it determines that such resignation would be in the best interests of the Company.

**6.2. Competition/Investments.** During the term of Executive's employment by the Company and for a period of one (1) year following Executive's termination of employment for any reason, Executive shall not (except on behalf of the Company) directly or indirectly, whether as an officer, director, stockholder, partner, proprietor, associate, representative, consultant, or in any capacity whatsoever engage in, become financially interested in, be employed by or have any business connection with any other person, corporation, firm, partnership or other entity whatsoever which are known by Executive to compete directly with the Company, throughout the world, in any line of business engaged in (or planned to be engaged in) by the Company; provided, however, that anything above to the contrary notwithstanding, Executive may own, as a passive investor, securities of any competitor corporation, so long as Executive's direct holdings in any one such corporation do not, in the aggregate, constitute more than 1% of the voting stock of such corporation. The provisions of this Section 6.2 shall survive the termination of Executive's employment with the Company and shall be fully enforceable thereafter. If it is determined by a court of competent jurisdiction in any state that any restriction in this Section 6.2 is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state. Company and Executive understand that the post-employment restrictive covenants under this Section 6.2 do not apply and will not be enforced in California or other states where such restrictive covenants are not permitted.

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**ARTICLE VII  
NONINTERFERENCE**

Executive shall not during the term of Executive's employment by the Company and for a period of one (1) year following Executive's termination of employment for any reason, either on Executive's own account or jointly with or as a manager, agent, officer, employee, consultant, partner, joint venturer, owner or stockholder or otherwise on behalf of any other person, firm or corporation, directly or indirectly solicit, induce attempt to solicit any of (i) its customers or clients to terminate their relationship with the Company or to cease purchasing services or products from the Company or (ii) its officers or employees or offer employment to any person who is an officer or employee of the Company; *provided, however*, that a general advertisement to which an employee of the Company responds shall in no event be deemed to result in a breach of this Article VII.

Executive agrees not to harass or disparage the Company or its employees, clients, directors or agents, and the Company hereby agrees not to, and to instruct its officers and directors not to, harass or disparage Executive; provided, however, that nothing in this Agreement shall restrict Executive or the Company from making truthful statements (a) when required by law, subpoena, court order or the like; (b) when requested by a governmental, regulatory, or similar body or entity; (c) in confidence to a professional advisor for the purpose of securing professional advice; or (d) in the course of performing his duties during the Term.

The provisions of this Article VII shall survive the termination of Executive's employment with the Company and shall be fully enforceable thereafter. If it is determined by a court of competent jurisdiction in any state that any restriction in this Article VII is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state.

**ARTICLE VIII  
GENERAL PROVISIONS**

**8.1. Notices.** Any notices provided hereunder must be in writing and shall be deemed effective upon the earlier of personal delivery (including personal delivery by facsimile) or the third day after mailing by first class mail, to the Company at its primary office location and to Executive at Executive's address as listed on the Company's books and records.

**8.2. Tax Withholding.** Executive acknowledges that all amounts and benefits payable under this Agreement are subject to deduction and withholding to the extent required by applicable law.

**8.3. Severability.** Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provisions had never been contained herein.

**8.4. Waiver.** If either party should waive any breach of any provisions of this Agreement, they shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

**8.5. Complete Agreement.** This Agreement, together with the Indemnification Agreement between the Company and Executive, dated as of [\_\_\_\_], 20[\_\_\_], as may be amended from time to time, constitute the entire agreement between Executive and the Company and is the complete, final, and exclusive embodiment of their agreement with regard to this subject matter, and will supersede all prior agreements, understandings,

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discussions, negotiations and undertakings, whether written or oral, between the parties with respect to the subject matter hereof. This Agreement is entered into without reliance on any promise or representation other than those expressly contained herein or therein, and cannot be modified or amended except in a writing signed by a duly-authorized officer of the Company and Executive.

**8.6. Counterparts.** This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same Agreement.

**8.7. Headings.** The headings of the sections hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

**8.8. Successors and Assigns.** This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive and the Company, and their respective successors, assigns, heirs, executors and administrators, except that Executive may not assign his rights or delegate his duties or obligations hereunder without the prior written consent of the Company.

**8.9. Arbitration.** Unless otherwise prohibited by law or specified below, all disputes, claims and causes of action, in law or equity, arising from or relating to this Agreement or its enforcement, performance, breach, or interpretation (each, a “ **Claim** ”) shall be resolved solely and exclusively by final and binding arbitration held in Orange County, California through Judicial Arbitration & Mediation Services (“ **JAMS** ”) in conformity with the then-existing JAMS employment arbitration rules and California law. The arbitrator shall: (a) provide adequate discovery for the resolution of the dispute; and (b) issue a written arbitration decision, to include the arbitrator’s essential findings and conclusions and a statement of the award. However, nothing in this section is intended to prevent either party from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. The Company shall bear the costs of any such arbitration. Executive and the Company understand that by agreement to arbitrate any Claim pursuant to this Section 8.9, they will not have the right to have any Claim decided by a jury or a court, but shall instead have any Claim decided through arbitration. Executive and the Company waive any constitutional or other right to bring claims covered by this Agreement other than in their individual capacities. Except as may be prohibited by applicable law, the foregoing waiver includes the ability to assert claims as a plaintiff or class member in any purported class or representative proceeding.

**8.10. Executive Acknowledgement.** Executive acknowledges that (a) he has consulted with or has had the opportunity to consult with independent counsel of his own choice concerning this Agreement, and has been advised to do so by the Company, and (b) that he has read and understands the Agreement, is fully aware of its legal effect, and has entered into it freely based on his own judgment.

**8.11. Choice of Law.** All questions concerning the construction, validity and interpretation of this Agreement will be governed by the law of the State of California without regard to the conflicts of law provisions thereof.

*[Signature page follows]*

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

**TRI POINTE GROUP, INC.,**  
a Delaware corporation

By:

\_\_\_\_\_  
Name:  
Its:

Accepted and Agreed:

\_\_\_\_\_

[ ]

## SECTION 302 CERTIFICATION

I, Douglas F. Bauer, certify that:

- (1) I have reviewed this report on Form 10-Q of TRI Pointe Group, 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:
  - a. 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;
  - b. 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;
  - c. 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
  - d. 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):
  - a. 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
  - a. 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: July 25, 2019

/s/ Douglas F. Bauer

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Douglas F. Bauer

Chief Executive Officer (Principal Executive Officer)

## SECTION 302 CERTIFICATION

I, Michael D. Grubbs, certify that:

- (1) I have reviewed this report on Form 10-Q of TRI Pointe Group, 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:
  - a. 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;
  - a. 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;
  - a. 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
  - b. 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):
  - a. 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
  - a. 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: July 25, 2019

/s/ Michael D. Grubbs

Michael D. Grubbs

Chief Financial Officer (Principal Financial Officer)

**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 Group, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2019 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: July 25, 2019

/s/ Douglas F. Bauer

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Douglas F. Bauer

Chief Executive Officer (Principal Executive Officer)

**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 Group, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2019 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: July 25, 2019

/s/ Michael D. Grubbs

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Michael D. Grubbs

Chief Financial Officer (Principal Financial Officer)