TRI Pointe Group, Inc.
Form 10-Q
July 27, 2016

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

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2016
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 1-35796

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

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer ¨

Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý
Registrant’s shares of common stock outstanding at July 18, 2016: 160,642,162

EXPLANATORY NOTE

As used in this Quarterly Report on Form 10-Q (including the consolidated financial statements and condensed notes thereto in this report), unless the context otherwise requires:

- "Exchange Act" refers to the Securities Exchange Act of 1934, as amended;
- "GAAP" refers to U.S. generally accepted accounting principles;
- "SEC" refers to the United States Securities and Exchange Commission;
- "Securities Act" refers to the Securities Act of 1933, as amended;
- "TRI Pointe Homes" refers to TRI Pointe Homes, Inc., a Delaware corporation;
- "TRI Pointe Group" refers to TRI Pointe Group, Inc., a Delaware corporation;
- "Weyerhaeuser" refers to Weyerhaeuser Company, a Washington corporation and the former parent of WRECO; and
- "WRECO" refers to Weyerhaeuser Real Estate Company, a Washington corporation, which following its acquisition by TRI Pointe on July 7, 2014, was renamed "TRI Pointe Holdings, Inc."

Additionally, references to "TRI Pointe", "the Company", "we", "us" or "our" in this Quarterly Report on Form 10-Q (includin the consolidated financial statements and condensed notes thereto in this report) have the following meanings, unless the context otherwise requires:

- For periods prior to July 7, 2015: TRI Pointe Homes and its subsidiaries; and
- For periods from and after July 7, 2015: TRI Pointe Group and its subsidiaries.

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June 30, 2016

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2016 (unaudited)	December 31, 2015
Assets		
Cash and cash equivalents	$117,509	$214,485
Receivables	34,671	43,710
Real estate inventories	2,840,213	2,519,273
Investments in unconsolidated entities	17,549	18,999
Goodwill and other intangible assets, net	161,762	162,029
Deferred tax assets, net	116,700	130,657
Other assets	47,860	48,918
Total assets	$3,336,264	$3,138,071
Liabilities		
Accounts payable	$79,818	$64,840
Accrued expenses and other liabilities	198,793	216,263
Unsecured revolving credit facility	100,000	299,392
Seller financed loans	17,758	2,434
Senior notes, net	1,165,114	868,679
Total liabilities	1,561,483	1,451,608
Commitments and contingencies (Note 14)		
Equity		
Stockholders' Equity:		
Preferred stock, $0.01 par value, 50,000,000 shares authorized; no shares issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	—	—
Common stock, $0.01 par value, 500,000,000 shares authorized; 160,865,251 and 161,813,750 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	1,609	1,618
Additional paid-in capital	901,348	911,197
Retained earnings	854,344	751,868
Total stockholders' equity	1,757,301	1,664,683
Noncontrolling interests	17,480	21,780
Total equity	1,774,781	1,686,463
Total liabilities and equity	$3,336,264	$3,138,071

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,	
	2016	2015	2016	2015
Homebuilding:				
Home sales revenue	$556,925	$427,238	$979,980	$801,503
Land and lot sales revenue	67,314	67,490	67,669	69,490
Other operations revenue	604	607	1,184	1,600
Total revenues	624,843	495,335	1,048,833	872,593
Cost of home sales	432,738	341,742	757,237	641,648
Cost of land and lot sales	14,460	11,564	15,239	13,873
Other operations expense	583	572	1,149	1,134
Sales and marketing	32,448	25,634	58,769	48,920
General and administrative	30,269	28,261	58,665	56,414
Restructuring charges	215	498	350	720
Homebuilding income from operations	114,130	87,064	157,424	109,884
Equity in income (loss) of unconsolidated entities	215	(39)	201	68
Other income (loss), net	151	(31)	266	225
Homebuilding income before income taxes	114,496	86,994	157,891	110,177
Financial Services:				
Revenues	379	182	527	182
Expenses	53	58	111	84
Equity in income (loss) of unconsolidated entities	1,284	(116)	1,999	(149)
Financial services income (loss) before income taxes	1,610	8	2,415	(51)
Income before income taxes	116,106	87,002	160,306	110,126
Provision for income taxes	(41,913)	(30,240)	(57,403)	(38,067)
Net income	74,193	56,762	102,903	72,059
Net income attributable to noncontrolling interests	(267)	(1,832)	(427)	(1,832)
Net income available to common stockholders	$73,926	$54,930	$102,476	$70,227
Earnings per share				
Basic	$0.46	$0.34	$0.63	$0.43
Diluted	$0.46	$0.34	$0.63	$0.43
Weighted average shares outstanding				
Basic	161,826,275	161,686,570	161,882,378	161,589,310
Diluted	162,259,283	162,308,099	162,245,399	162,265,155

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 (Note 1)	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2014	161,355,490	$1,614	$906,159	$546,407	$1,454,180	$18,296	$1,472,476
Net income	—	—	—	205,461	205,461	1,720	207,181
Adjustment to capital contribution by Weyerhaeuser, net	—	—	(6,747)	—	(6,747)	—	(6,747)
Shares issued under share-based awards	458,260	4	1,612	—	1,616	—	1,616
Excess tax benefit of share-based awards, net	—	—	428	—	428	—	428
Minimum tax withholding paid on behalf of employees for restricted stock units	—	—	(2,190)	—	(2,190)	—	(2,190)
Stock-based compensation expense	—	—	11,935	—	11,935	—	11,935
Distributions to noncontrolling interests, net	—	—	—	—	—	(3,833)	(3,833)
Net effect of consolidations, de-consolidations and other transactions	—	—	—	—	—	5,597	5,597
Balance at December 31, 2015	161,813,750	1,618	911,197	751,868	1,664,683	21,780	1,686,463
Net income	—	—	—	102,476	102,476	427	102,903
Shares issued under share-based awards	304,522	3	15	—	18	—	18
Excess tax deficit of share-based awards, net	—	—	(182)	—	(182)	—	(182)
Minimum tax withholding paid on behalf of employees for restricted stock units	—	—	(1,359)	—	(1,359)	—	(1,359)
Stock-based compensation expense	—	—	6,363	—	6,363	—	6,363
Share repurchases	(1,253,021)	(12)	(14,686)	—	(14,698)	—	(14,698)
Distributions to noncontrolling interests, net	—	—	—	—	—	(2,111)	(2,111)
Net effect of consolidations, de-consolidations and other	—	—	—	—	—	(2,616)	(2,616)

transactions							
Balance at June 30, 2016	160,865,251	$ 1,609	$ 901,348	$ 854,344	$ 1,757,301	$ 17,480	$ 1,774,781

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,	
	2016	2015
Cash flows from operating activities:		
Net income	$102,903	$72,059
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	1,457	3,171
Equity in (income) loss of unconsolidated entities, net	(2,200)	81
Deferred income taxes, net	13,957	9,454
Amortization of stock-based compensation	6,363	5,542
Charges for impairments and lot option abandonments	289	1,538
Excess tax deficit of share-based awards	(182)	—
Changes in assets and liabilities:		
Real estate inventories	(323,305)	(255,416)
Receivables	9,199	(14,071)
Other assets	1,599	23,483
Accounts payable	14,978	(17,851)
Accrued expenses and other liabilities	(14,871)	(5,085)
Returns on investments in unconsolidated entities, net	3,617	—
Net cash used in operating activities	(186,196)	(177,095)
Cash flows from investing activities:		
Purchases of property and equipment	(1,123)	(613)
Investments in unconsolidated entities	(32)	(1,257)
Net cash used in investing activities	(1,155)	(1,870)
Cash flows from financing activities:		
Borrowings from debt	392,758	140,000
Repayment of debt	(276,826)	(2,895)
Debt issuance costs	(5,110)	(2,688)
Net repayments of debt held by variable interest entities	(2,297)	(875)
Contributions from noncontrolling interests	1,810	2,034
Distributions to noncontrolling interests	(3,921)	(4,155)
Proceeds from issuance of common stock under share-based awards	18	660
Excess tax benefit of share-based awards	—	352
Minimum tax withholding paid on behalf of employees for share-based awards	(1,359)	(2,190)
Share repurchases	(14,698)	—
Net cash provided by financing activities	90,375	130,243
Net decrease in cash and cash equivalents	(96,976)	(48,722)
Cash and cash equivalents - beginning of period	214,485	170,629
Cash and cash equivalents - end of period	$117,509	$121,907

See accompanying condensed notes to the unaudited consolidated financial statements.

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

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

Organization

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

Formation of TRI Pointe Group

On July 7, 2015, TRI Pointe Homes reorganized its corporate structure (the “Reorganization”) whereby TRI Pointe Homes became a direct, wholly owned subsidiary of TRI Pointe Group. As a result of the Reorganization, each share of common stock, par value $0.01 per share, of TRI Pointe Homes (“Homes Common Stock”) was cancelled and converted automatically into the right to receive one validly issued, fully paid and non-assessable share of common stock, par value $0.01 per share, of TRI Pointe Group (“Group Common Stock”), each share having the same designations, rights, powers and preferences, and the qualifications, limitations and restrictions thereof as the shares of Homes Common Stock being so converted. TRI Pointe Group, as the successor issuer to TRI Pointe Homes (pursuant to Rule 12g-3(a) under the Exchange Act), began making filings under the Securities Act and the Exchange Act on July 7, 2015.

In connection with the Reorganization, TRI Pointe Group (i) became a co-issuer of TRI Pointe Homes’ 4.375% Senior Notes due 2019 (the “2019 Notes”) and TRI Pointe Homes’ 5.875% Senior Notes due 2024 (the “2024 Notes”); and (ii) replaced TRI Pointe Homes as the borrower under TRI Pointe Homes’ existing unsecured revolving credit facility.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with GAAP, as contained within the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”).

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, as well as other entities in which the Company has a controlling interest and variable interest entities (“VIEs”) in which the Company is the primary beneficiary. The noncontrolling interests as of June 30, 2016 and December 31, 2015 represent the outside owners’ interests in the Company’s consolidated entities and the net equity of the VIE owners. All significant intercompany accounts have been eliminated upon consolidation. 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.

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.

Reclassifications

Certain amounts in our consolidated financial statements for prior years have been reclassified to conform to the current period presentation.

Recently Issued Accounting Standards

In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”). The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract; and recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 supersedes the revenue-recognition requirements in ASC Topic 605, Revenue Recognition, most industry-specific guidance throughout the industry topics of the accounting standards codification, and some cost guidance related to construction-type and production-type contracts. On July 9, 2015, the FASB voted to defer the effective date of ASU No. 2014-09 by one year and it is now effective for public entities for the annual periods ending after December 15, 2017, and for annual and interim periods thereafter. Companies may use either a full retrospective or a modified retrospective approach to adopt ASU 2014-09. Early adoption is permitted, but can be no earlier than the original public entity effective date of fiscal years, and the interim periods within those years, beginning after December 15, 2016. We are currently evaluating the approach for implementation and the potential impact of adopting this guidance on our consolidated financial statements.

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

In February 2015, the FASB issued Accounting Standards Update No. 2015-02, (“ASU 2015-02”), Consolidation (Topic 810): Amendments to the Consolidation Analysis. ASU 2015-02 changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. ASU 2015-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. We adopted ASU 2015-02 on January 1, 2016 and the adoption had no impact on our current or prior year financial statements.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17, (“ASU 2015-17”), Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, which requires deferred tax liabilities and assets be classified as noncurrent in a classified statement of position. ASU 2015-17 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The adoption of ASU 2015-17 is not expected to have a material effect on our consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, (“ASU 2016-02”), Leases (Topic 842): Leases, which requires an entity to recognize assets and liabilities on the balance sheet for the rights and obligations created by leased assets and provide additional disclosures. ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, and, at that time, we will adopt the new standard using a modified retrospective approach. We are currently evaluating the impact that the adoption of ASU 2016-02 may have on our consolidated financial statements and disclosures.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, (“ASU 2016-09”), Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which changes how companies account for certain aspects of share-based payment awards to employees, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. We are currently evaluating the impact that the adoption of ASU 2016-09 may have on our consolidated financial statements and disclosures.

2. Restructuring

Restructuring charges were comprised of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Employee-related charges	$12	$23	$25	$135
Lease termination charges	203	475	325	585
Total	$215	$498	$350	$720

Employee-related charges for the three and six months ended June 30, 2016 and 2015 relate to severance-related expenses for employees terminated during the period. Lease termination charges for the three and six months ended June 30, 2016, and 2015 relate to contract terminations and the adjustment of restructuring reserves related to the estimate of sublease income.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Accrued employee-related charges, beginning of period	$74	$533	$220	$3,844
Current year charges	12	23	25	135
Payments	—	(447)	(159)	(3,870)
Accrued employee-related charges, end of period	$86	$109	$86	$109

Changes in lease termination related restructuring reserves were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Accrued lease termination charges, beginning of period	$577	$926	$767	$1,394
Current year charges	203	475	325	585
Payments	(333)	(757)	(645)	(1,335)
Accrued lease termination charges, end of period	$447	$644	$447	$644

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

3. Segment Information

We operate two principal businesses: homebuilding and financial services.

Our homebuilding operations consist of six homebuilding companies 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 the above factors, our homebuilding operations are comprised of the following six reportable segments: Maracay Homes, consisting of operations in Arizona; Pardee Homes, consisting of operations in California and Nevada; Quadrant Homes, consisting of operations in Washington; Trendmaker Homes, consisting of operations in Texas; TRI Pointe Homes, consisting of operations in California and Colorado; and Winchester Homes, consisting of operations in Maryland and Virginia.

Our financial services operation ("TRI Pointe Solutions") is a reportable segment and is comprised of mortgage financing operations ("TRI Pointe Connect") and title services operations ("TRI Pointe Assurance"). While our homebuyers may obtain financing from any mortgage provider of their choice, TRI Pointe Connect, which was formed as a joint venture with an established mortgage lender, can act as a preferred mortgage broker to our homebuyers in all of the markets in which we operate, providing mortgage financing that helps facilitate the sale and closing process as well as generate additional fee income for us. TRI Pointe Assurance provides title examinations for our homebuyers in our Trendmaker Homes and Winchester Homes brands. TRI Pointe Assurance is a wholly owned subsidiary of TRI Pointe and acts as a title agency for First American Title Insurance Company. We commenced our financial services operation in the fourth quarter of 2014.

The term "Corporate" refers to 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 as our consolidated financial statements 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,	
	2016	2015	2016	2015
Revenues				
Maracay Homes	$47,857	$33,574	$93,294	$66,051
Pardee Homes	240,230	166,065	359,163	251,723
Quadrant Homes	59,163	38,896	105,221	84,525
Trendmaker Homes	64,472	65,983	108,258	122,191
TRI Pointe Homes	152,827	130,552	284,784	237,410
Winchester Homes	60,294	60,265	98,113	110,693
Total homebuilding revenues	624,843	495,335	1,048,833	872,593
Financial services	379	182	527	182
Total	$625,222	$495,517	$1,049,360	$872,775
Income (loss) before income taxes				
Maracay Homes	$2,523	$1,093	$5,159	$2,133
Pardee Homes	96,079	67,777	128,210	81,336
Quadrant Homes	5,615	746	9,311	2,326
Trendmaker Homes	3,865	5,951	5,923	10,311
TRI Pointe Homes	12,213	14,602	22,928	25,734
Winchester Homes	3,992	6,010	4,653	6,391
Corporate	(9,791)	(9,185)	(18,293)	(18,054)
Total homebuilding income before income taxes	114,496	86,994	157,891	110,177
Financial services	1,610	8	2,415	(51)
Total	$116,106	$87,002	$160,306	$110,126

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, 2016	December 31, 2015
Real estate inventories		
Maracay Homes	$225,280	$206,912
Pardee Homes	1,110,570	1,011,982
Quadrant Homes	205,977	190,038
Trendmaker Homes	215,310	199,398
TRI Pointe Homes	821,283	659,130
Winchester Homes	261,793	251,813
Total	$2,840,213	$2,519,273
Total assets		
Maracay Homes	$245,017	$227,857
Pardee Homes	1,174,872	1,089,586
Quadrant Homes	221,675	202,024
Trendmaker Homes	232,307	213,562
TRI Pointe Homes	987,453	832,423
Winchester Homes	290,979	278,374
Corporate	179,782	292,169
Total homebuilding assets	3,332,085	3,135,995
Financial services	4,179	2,076
Total	$3,336,264	$3,138,071

4. 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,	
	2016	2015	2016	2015
Numerator:				
Net income available to common stockholders	$73,926	$ 54,930	$102,476	$ 70,227
Denominator:				
Basic weighted-average shares outstanding	161,826,275	161,686,570	161,882,378	161,589,310
Effect of dilutive shares:				
Stock options and unvested restricted stock units	433,008	621,529	363,021	675,845
Diluted weighted-average shares outstanding	162,259,283	162,308,099	162,245,399	162,265,155
Earnings per share				
Basic	$0.46	$ 0.34	$0.63	$ 0.43
Diluted	$0.46	$ 0.34	$0.63	$ 0.43
Antidilutive stock options not included in diluted earnings per share	5,929,877	2,343,905	5,123,183	2,563,137

5. Receivables

Receivables consisted of the following (in thousands):

	June 30, 2016	December 31, 2015
Escrow proceeds and other accounts receivable, net	$24,115	$ 32,917
Warranty insurance receivable (Note 14)	10,256	10,493
Notes and contracts receivable	300	300
Total receivables	$34,671	$ 43,710

6. Real Estate Inventories

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

	June 30, 2016	December 31, 2015
Real estate inventories owned:		
Homes completed or under construction	$788,672	$575,076
Land under development	1,568,273	1,443,461
Land held for future development	295,792	295,241
Model homes	145,387	140,232
Total real estate inventories owned	2,798,124	2,454,010
Real estate inventories not owned:		
Land purchase and land option deposits	24,489	39,055
Consolidated inventory held by VIEs	17,600	26,208
Total real estate inventories not owned	42,089	65,263
Total real estate inventories	$2,840,213	$2,519,273

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 8, Variable Interest Entities.

During the quarter ended June 30, 2016, our Pardee Homes reporting segment sold two parcels, totaling 102 homebuilding lots, located in the Pacific Highlands Ranch community in San Diego, California. The land sold in this sale was classified as land under development and represented $61.6 million of land and lot sales revenue in the consolidated statements of operations for the three and six months ended June 30, 2016.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Interest incurred	$16,280	$15,149	$31,429	$30,325
Interest capitalized	(16,280)	(15,149)	(31,429)	(30,325)
Interest expensed	$—	$—	$—	$—
Capitalized interest in beginning inventory	$146,630	$132,872	$140,311	$124,461
Interest capitalized as a cost of inventory	16,280	15,149	31,429	30,325
Interest previously capitalized as a cost of inventory,	(11,563)	(7,915)	(20,393)	(14,680)

included in cost of sales				
Capitalized interest in ending inventory	$151,347	$140,106	$151,347	$140,106

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

Real estate inventory impairments and land and lot option abandonments

Land and lot option abandonments and pre-acquisition charges were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Real estate inventory impairments	$—	$878	$—	$1,044
Land and lot option abandonments and pre-acquisition charges	107	300	289	494
Total	$107	$1,178	$289	$1,538

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 above. Charges for inventory impairments are expensed to cost of sales.

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

7. Investments in Unconsolidated Entities

As of June 30, 2016, we held equity investments in five 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 55%, depending on the investment, with no controlling interest held in any of these investments.

Investments Held

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

	June 30, 2016	December 31, 2015
Limited liability company interests	$14,288	$ 15,739
General partnership interests	3,261	3,260
Total	$17,549	$ 18,999

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 (loss) of unconsolidated entities.

Assets and liabilities of unconsolidated entities (in thousands):

	June 30, 2016	December 31, 2015
Assets		
Cash	$12,538	$18,641
Receivables	8,290	13,108
Real estate inventories	95,682	92,881
Other assets	1,136	1,180
Total assets	$117,646	$125,810
Liabilities and equity		
Accounts payable and other liabilities	$10,091	$14,443
Company’s equity	17,549	18,999
Outside interests' equity	90,006	92,368
Total liabilities and equity	$117,646	$125,810

Results of operations from unconsolidated entities (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net sales	$4,688	$1,377	$7,897	$1,453
Other operating expense	(3,004)	(1,805)	(5,154)	(2,541)
Other income	1	5	2	7
Net income (loss)	$1,685	$(423)	$2,745	$(1,081)
Company’s equity in income (loss) of unconsolidated entities	$1,499	$(155)	$2,200	$(81)

8. Variable Interest Entities

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

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 limited to non-refundable option deposits and any capitalized pre-acquisition costs. In some cases, we have also contracted to complete development work at a fixed cost on behalf of the land owner and budget shortfalls and savings will be borne by us.

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

	June 30, 2016			December 31, 2015		
	Deposits	Remaining Purchase Price	Consolidated Inventory Held by VIEs	Deposits	Remaining Purchase Price	Consolidated Inventory Held by VIEs
Consolidated VIEs	$863	$16,737	$ 17,600	$3,003	$23,239	$ 26,208
Unconsolidated VIEs	4,085	100,741	N/A	11,615	74,590	N/A
Other land option agreements	20,404	233,181	N/A	27,440	279,612	N/A
Total	$25,352	$350,659	$ 17,600	$42,058	$377,441	$ 26,208

Unconsolidated VIEs represent land option agreements that were not consolidated because we were not the primary beneficiary. Other land and lot 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 $4.6 million and $5.0 million as of June 30, 2016 and December 31, 2015, respectively. These pre-acquisition costs were included in real estate inventories as land under development on our consolidated balance sheets.

9. Goodwill and Other Intangible Assets
As of June 30, 2016 and December 31, 2015, $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 3, Segment Information.
We have two intangible assets recorded as of June 30, 2016, comprised of an existing trade name from the acquisition of Maracay Homes in 2006, which has a 20 years useful life, and a TRI Pointe Homes trade name resulting from the acquisition of WRECO in 2014 which has an indefinite useful life.
Goodwill and other intangible assets consisted of the following (in thousands):

	June 30, 2016			December 31, 2015		
	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	(5,521)	22,458	27,979	(5,254)	22,725
Total	$167,283	$ (5,521)	$161,762	$167,283	$ (5,254)	$162,029

The remaining useful life of our amortizing intangible asset related to the Maracay Homes trade name was 9.7 and 10.2 years as of June 30, 2016 and December 31, 2015, respectively. Amortization expense related to this intangible asset was $133,000 for each of the three month periods ended June 30, 2016 and 2015, respectively and was $267,000 for each of the six month periods ended June 30, 2016 and 2015, respectively. Amortization of this intangible asset 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 Homes for the remainder of 2016, the next four years and thereafter is (in thousands):

Remainder of 2016	$267
2017	534
2018	534
2019	534
2020	534
Thereafter	2,755
Total	$5,158

10. Other Assets

Other assets consisted of the following (in thousands):

	June 30, 2016	December 31, 2015
Prepaid expenses	$13,303	$ 14,523
Refundable fees and other deposits	17,430	17,056
Development rights, held for future use or sale	4,360	4,360
Deferred loan costs - unsecured revolving credit facility	2,536	2,179
Operating properties and equipment, net	7,531	7,643
Other	2,700	3,157
Total	$47,860	$ 48,918

11. Accrued Expenses and Other Liabilities

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

	June 30, 2016	December 31, 2015
Accrued payroll and related costs	$19,371	$28,264
Warranty reserves (Note 14)	45,272	45,948
Estimated cost for completion of real estate inventories	51,346	52,818
Customer deposits	19,139	12,132
Debt (nonrecourse) held by VIEs	145	2,442
Income tax liability to Weyerhaeuser (Note 17)	8,975	8,900
Accrued income taxes payable	7,894	19,279
Liability for uncertain tax positions (Note 17)	—	307
Accrued interest	3,646	2,417
Accrued insurance expense	2,235	1,402
Other tax liability	26,363	21,764
Other	14,407	20,590
Total	$198,793	$216,263

12. Senior Notes, Unsecured Revolving Credit Facility and Seller Financed Loans

Senior Notes

The Senior Notes consisted of the following (in thousands):

	June 30, 2016	December 31, 2015
4.375% Senior Notes due June 15, 2019	$450,000	$450,000
4.875% Senior Notes due July 1, 2021	300,000	—
5.875% Senior Notes due June 15, 2024	450,000	450,000
Discount and deferred loan costs	(34,886)	(31,321)
Total	$1,165,114	$868,679

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 $295.1 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.

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TRI Pointe Group and TRI Pointe Homes are co-issuers of the 2019 Notes and the 2024 Notes. The 2019 Notes were issued at 98.89% of their aggregate principal amount and the 2024 Notes were issued at 98.15% of their aggregate principal amount. The net proceeds from the offering were $861.3 million, after debt issuance costs and discounts. The 2019 Notes and 2024 Notes mature on June 15, 2019 and June 15, 2024, respectively. Interest is payable semiannually in arrears on June 15 and December 15.

As of June 30, 2016, no principal has been paid on the 2019 Notes, 2021 Notes and 2024 Notes (together, the "Senior Notes"), and there was $23.1 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 $3.4 million and $1.9 million as of June 30, 2016 and December 31, 2015, respectively.

Unsecured Revolving Credit Facility

Unsecured revolving credit facility consisted of the following (in thousands):

	June 30, 2016	December 31, 2015
Unsecured revolving credit facility	$100,000	$299,392

On April 28, 2016, the Company partially exercised the accordion feature under its existing unsecured revolving credit facility (the “Credit Facility”) to increase the total commitments under the Credit Facility from $550 million to $625 million. The Credit Facility matures on May 18, 2019, and contains a sublimit of $75 million for letters of credit. The Company may borrow under the Credit Facility in the ordinary course of business to fund its operations, including its land acquisition, land development and homebuilding activities. Borrowings under the Credit Facility will be governed by, among other things, a borrowing base. Interest rates on borrowings under the Credit Facility will be based on either a daily Eurocurrency base rate or a Eurocurrency rate, in either case, plus a spread ranging from 1.45% to 2.20%, depending on the Company’s leverage ratio. As of June 30, 2016, the outstanding balance under the Credit Facility was $100.0 million with an interest rate of 2.20% per annum and $520.0 million of availability after considering the borrowing base provisions and outstanding letters of credit. As of June 30, 2016 there was $2.5 million of capitalized debt financing costs, included in other assets on our consolidated balance sheet, related to the Credit Facility that will amortize over the life of the Credit Facility, maturing on May 18, 2019. Accrued interest related to the Credit Facility was $209,000 and $407,000 as of June 30, 2016 and December 31, 2015, respectively.

At June 30, 2016 we had outstanding letters of credit of $5.0 million. These letters of credit were issued to secure various financial obligations. We believe it is not probable that any outstanding letters of credit will be drawn upon.

Seller Financed Loans

Seller financed loans consisted of the following (in thousands):

	June 30, 2016	December 31, 2015
Seller financed loans	$17,758	$ 2,434

As of June 30, 2016, the Company had $17.8 million outstanding related to a seller financed loan to acquire lots for the construction of homes. Principal and interest payments on this loan are due at various maturity dates, including at the time individual homes associated with the acquired land are delivered. As of June 30, 2016, the seller financed loan accrues interest at a rate of 7.0% per annum, with interest calculated on a daily basis. A minimum principal payment of $12.1 million is due in June 2017 with any remaining unpaid balance due in June 2018. Accrued interest on the seller financed loans was $52,000 and $89,000 as of June 30, 2016 and December 31, 2015, respectively.

Interest Incurred

During the three month periods ended June 30, 2016 and 2015, the Company incurred interest of $16.3 million and $15.1 million, respectively, related to all debt during the period. All interest incurred was capitalized to inventory for the three month periods ended June 30, 2016 and 2015, respectively. Included in interest incurred was amortization of deferred financing and Senior Note discount costs of $1.6 million and $1.3 million for the three months ended June 30, 2016 and 2015, respectively. During the six month periods ended June 30, 2016 and 2015, the Company incurred interest of $31.4 million and $30.3 million, respectively, related to all debt during the period. All interest incurred was capitalized to inventory for the six month periods ended June 30, 2016 and 2015, respectively. Included in interest incurred was amortization of deferred financing and Senior Note discount costs of $2.9 million and $2.5 million for the six months ended June 30, 2016 and 2015, respectively. Accrued interest related to all outstanding debt at June 30, 2016 and December 31, 2015 was $3.6 million and $2.4 million, respectively.

Covenant Requirements

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

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

The Company was in compliance with all applicable financial covenants as of June 30, 2016 and December 31, 2015.

13. 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, 2016 and December 31, 2015, related to our financial instruments, measured at fair value on a recurring basis, is set forth below (in thousands):

		June 30, 2016		December 31, 2015	
	Hierarchy	Book Value	Fair Value	Book Value	Fair Value
Senior Notes [1]	Level 2	$1,188,199	$1,209,375	$889,054	$881,460
Unsecured revolving credit facility [2]	Level 2	$100,000	$100,102	$299,392	$299,392
Seller financed loans [3]	Level 2	$17,758	$18,173	$2,434	$2,368

(1) The book value of the Senior Notes is net of discounts, excluding deferred loan costs of $23.1 million and $20.4 million as of June 30, 2016 and December 31, 2015, respectively. The estimated fair value of the Senior Notes at June 30, 2016 and December 31, 2015 is based on quoted market prices.

(2) The estimated fair value of the Credit Facility at June 30, 2016 is based on a treasury curve analysis. We believe that the carrying value of the Credit Facility approximated fair value at December 31, 2015 due to the short term nature of the current rate amended on May 18, 2015.

(3) The estimated fair value of the seller financed loans at June 30, 2016 and December 31, 2015 is based on a treasury curve analysis.

At June 30, 2016 and December 31, 2015, the carrying value of cash and cash equivalents and receivables approximated fair value.

Fair Value of Nonfinancial Assets

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

	Six Months Ended June 30, 2016		Year Ended December 31, 2015	
	Impairment Charge	Fair Value Net of Impairment	Impairment Charge	Fair Value Net of Impairment
Real estate inventories [1]	$ —	$ —	$1,167	$ 28,540

[1] Fair value of real estate inventories, net of impairment charges represents only those assets whose carrying values were adjusted to fair value in the respective periods presented. The fair value of these real estate inventories impaired was determined based on recent offers received from outside third parties or actual contracts.

14. Commitments and Contingencies

Legal Matters

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

We record a reserve for potential legal claims and regulatory matters when they are probable of occurring and a potential loss is reasonably estimable. We accrue for these matters based on facts and circumstances specific to each matter and revise these estimates when necessary. 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, it had legal reserves of $150,000 and $450,000 as of June 30, 2016 and December 31, 2015, respectively.

Warranty

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

We maintain general liability insurance designed to protect us against a portion of our risk of loss from construction-related claims. We also generally require our subcontractors and design professionals to indemnify us for liabilities arising from their work, subject to various limitations. However, such indemnity is significantly limited with respect to certain subcontractors that are added to our general liability insurance policy. Included in our warranty reserve accrual are allowances to cover our estimated costs of self-insured retentions and deductible amounts under these policies and estimated costs for claims that may not be covered by applicable insurance or indemnities. Estimation of these accruals include consideration of our claims history, including current claims and estimates of claims incurred but not yet reported. In addition, management estimates warranty reserves and allowances necessary to cover any current or future construction-related claims based on actuarial analysis. Under this analysis, reserve amounts are estimated using our historical expense and claim data, as well as industry data. In addition, we record expected recoveries from insurance carriers when proceeds are probable and estimable. Outstanding warranty insurance receivables were $10.3 million and $10.5 million as of June 30, 2016 and December 31, 2015, respectively. Warranty insurance receivables are recorded in receivables on the accompanying consolidated balance sheet.

There can be no assurance that the terms and limitations of the limited warranty will be effective against claims made by homebuyers, that we will be able to renew our insurance coverage or renew it at reasonable rates, that we will not be liable for damages, cost of repairs, and/or the expense of litigation surrounding possible construction defects, soil subsidence or building related claims or that claims will not arise out of uninsurable events or circumstances not covered by insurance and not subject to effective indemnification agreements with certain subcontractors.
Warranty reserves consisted of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Warranty reserves, beginning of period	$45,419	$33,965	$45,948	$33,270
Warranty reserves accrued	2,971	3,354	5,044	6,226
Adjustments to pre-existing reserves	260	999	260	1,300
Warranty expenditures	(3,378)	(2,943)	(5,980)	(5,421)
Warranty reserves, end of period	$45,272	$35,375	$45,272	$35,375

Performance Bonds

We obtain surety bonds in the normal course of business to ensure completion of certain infrastructure improvements of our projects. As of June 30, 2016 and December 31, 2015, the Company had outstanding surety bonds totaling $434.2 million and $414.1 million, respectively. The beneficiaries of the bonds are various municipalities.

15. 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, common stock, restricted stock, restricted stock units and performance awards. The 2013 Incentive Plan will automatically expire on the tenth anniversary of its effective date. Our board of directors may terminate or amend the 2013 Incentive Plan at any time, subject to any requirement of stockholder approval required by applicable law, rule or regulation.

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, 2016 there were 7,599,938 shares available for future grant under the 2013 Incentive Plan.

Converted Awards

On July 16, 2014, the Company filed a registration statement on Form S-8 (Registration No. 333-197461) to register 4,105,953 shares of common stock related to converted equity awards issued in connection with the Company's acquisition of WRECO. The converted awards have the same terms and conditions as the prior equity awards except that all performance share units were surrendered in exchange for time-vesting restricted stock units without any performance-based vesting conditions or requirements and the exercise price of each converted stock option is equal to the original exercise price divided by an exchange ratio of 2.1107, rounded down to the nearest whole number of shares of common stock. There will be no future grants under the WRECO equity incentive plans.

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,	
	2016	2015	2016	2015
Total stock-based compensation	$3,758	$3,161	$6,363	$5,542

Stock-based compensation is charged to general and administrative expense on the accompanying consolidated statements of operations. As of June 30, 2016, total unrecognized stock-based compensation related to all stock-based awards was $23.6 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, 2016:

	Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Options outstanding at December 31, 2015	3,220,147	$ 13.12	5.2	$ 3,081
Granted	—	—	—	—
Exercised	(2,578)	6.88	—	—
Forfeited	(144,418)	12.33	—	—
Options outstanding at June 30, 2016	3,073,151	13.16	4.8	2,109
Options exercisable at June 30, 2016	2,704,617	12.96	4.5	2,109

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

Summary of Restricted Stock Unit Activity

The following table presents a summary of restricted stock units ("RSUs") for the six months ended June 30, 2016:

	Restricted Stock Units	Weighted Average Grant Date Fair Value Per Share	Aggregate Intrinsic Value (in thousands)
Nonvested RSUs at December 31, 2015	1,958,033	$ 12.21	$ 24,808
Granted	1,904,389	8.41	22,510
Vested	(431,758)	14.53	—
Forfeited	(15,077)	12.07	—
Nonvested RSUs at June 30, 2016	3,415,587	9.77	40,406

On March 5, 2015, the Company granted an aggregate of 440,800 time-vested RSUs to employees and officers. The RSUs granted vest in equal installments annually on the anniversary of the grant date over a three years period. The fair value of each RSU granted on March 5, 2015 was measured using a price of $14.97 per share, which was the closing stock price on the date of grant. Each award will be expensed on a straight-line basis over the vesting period.

On March 9, 2015, the Company granted 411,804, 384,351, and 274,536 performance-based RSUs to the Company's Chief Executive Officer, President, and Chief Financial Officer, respectively, with 1/3 of the performance-based RSU amounts being allocated to each of the three following separate performance goals: total shareholder return (compared to a group of peer homebuilding companies); earnings per share; and stock price. The performance-based RSUs granted will vest in each case, if at all, based on the percentage of attainment of the applicable performance goal. The performance periods for the performance-based RSUs with vesting based on total shareholder return and earnings per share are January 1, 2015 to December 31, 2017. The performance period for the performance-based RSUs with vesting based on stock price is January 1, 2016 to December 31, 2017. The fair value of the performance-based RSUs related to the total shareholder return and stock price performance goals was determined to be $7.55 and $7.90 per share, respectively, based on a Monte Carlo simulation. The fair value of the performance-based RSUs related to the earnings per share goal was measured using a price of $14.57 per share, which was the closing stock price on the date of grant. Each grant will be expensed over the requisite service period.

On August 12, 2015, the Company granted an aggregate of 69,008 RSUs to the non-employee members of its board of directors. These RSUs vested in their entirety on June 6, 2016. The fair value of each RSU granted on August 12, 2015 was measured using $14.49 per share, which was the closing price on the date of grant. Each award was expensed on a straight-line basis over the vesting period.

On March 1, 2016, the Company granted an aggregate of 1,120,677 time-vested RSUs to 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 1, 2016 was measured using a price of $10.49 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 1, 2016, the Company granted 297,426, 285,986 and 125,834 performance-based RSUs to the Company's Chief Executive Officer, President, and Chief Financial Officer, respectively. 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 percentage of these performance-based RSUs that vest will be determined by comparing the Company's total stockholder return to the total stockholder returns of a group of peer homebuilding companies. The performance period for these performance-based RSUs is January 1, 2016 to December 31, 2018. These performance-based RSUs will not vest if the Company's total stockholder return from January 1, 2016 to December 31, 2018 is not a positive number, provided that the executive will thereafter become vested in the award units, or portion thereof, that would have otherwise vested on December 31, 2018 if on any day after December 31, 2018 and on or before December 31, 2020, the Company's total stockholder return is greater than zero and the executive is employed by the Company on that date. If the performance-based RSUs have not vested on or before December 31, 2020, such performance-based RSUs shall be cancelled and forfeited for no consideration. The fair value of these performance-based RSUs was determined to be $4.76 per share based on a Monte Carlo simulation. Each award will be expensed over the requisite service period.

On June 6, 2016, the Company granted an aggregate of 74,466 RSUs to the non-employee members of its board of directors. These RSUs vest in their entirety on the day immediately prior to the Company's 2017 Annual Meeting of Stockholders. The fair value of each RSU granted on June 6, 2016 was measured using a price of $11.75 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.

As RSUs vest, 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.

16. Stock Repurchase Program

On January 27, 2016, the Company announced that the board of directors approved a stock repurchase program, authorizing the repurchase of the Company's common stock with an aggregate value of up to $100 million through January 25, 2017. Purchases of common stock 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 of the Exchange

Act. We are not obligated under the program to repurchase any specific number or amount of shares of common stock, and we may modify, suspend or discontinue the 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. As of June 30, 2016, 1,253,021 shares of our common stock had been repurchased and retired under this program at an average price of $11.73 per share for a total of cost of $14.7 million. Subsequent to June 30, 2016 and through the date of this filing, the Company repurchased and retired an additional 254,700 shares of our common stock under this program at an average price of $11.71 per share for a total cost of $3.0 million.

17. 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 $116.7 million and $130.7 million as of June 30, 2016 and December 31, 2015, respectively. We had a valuation allowance related to those net deferred tax assets of $3.3 million and $4.4 million as of June 30, 2016 and December 31, 2015, respectively. The Company will continue to evaluate both positive and negative evidence in determining the need for a valuation allowance against its deferred tax assets. Changes in positive and negative evidence, including differences between the Company's future operating results and the estimates utilized in the determination of the valuation allowance, could result in changes in the Company's estimate of the valuation allowance against its deferred tax assets. The accounting for deferred taxes is based upon estimates of future results. Differences between the anticipated and actual outcomes of these future results could have a material impact on the Company's consolidated results of operations or financial position. Also, changes in existing federal and state tax laws and tax rates could affect future tax results and the valuation allowance against the Company's deferred tax assets.

TRI Pointe has certain liabilities with Weyerhaeuser related to a tax sharing agreement.   As of June 30, 2016 and December 31, 2015, we had an income tax liability to Weyerhaeuser of $9.0 million and $8.9 million, respectively, which is recorded in accrued expenses and other liabilities on the accompanying balance sheet.

Our provision for income taxes totaled $41.9 million and $30.2 million for the three months ended June 30, 2016 and 2015, respectively. Our provision for income taxes totaled $57.4 million and $38.1 million for the six months ended June 30, 2016 and 2015, respectively. The Company classifies any interest and penalties related to income taxes assessed by jurisdiction as part of income tax expense. The Company had zero and $307,000 of liabilities for uncertain tax positions recorded as of June 30, 2016 and December 31, 2015, respectively. The Company has not been assessed interest or penalties by any major tax jurisdictions related to prior years.

18. Related Party Transactions

For the six month period ended June 30, 2016 we had no related party transactions. In January of 2015, TRI Pointe acquired 46 lots located in Castle Rock, Colorado, for a purchase price of approximately $2.8 million from an entity managed by an affiliate of the Starwood Capital Group. This acquisition was approved by TRI Pointe independent directors.

19. Supplemental Disclosure to Consolidated Statements of Cash Flow

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

	Six Months Ended June 30,	
	2016	2015
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest, net of amounts capitalized of $31,429 and $30,325 (Note 6)	$—	$—
Income taxes	$55,270	$11,354
Supplemental disclosures of noncash activities:		
Amortization of senior note discount capitalized to real estate inventory	$855	$765
Amortization of deferred loan costs capitalized to real estate inventory	$1,791	$—
Effect of net consolidation and de-consolidation of variable interest entities:		

(Decrease) increase in consolidated real estate inventory not owned	$(2,616)	$3,629
Increase in deposits on real estate under option or contract and other assets	$—	$300
Decrease (increase) in noncontrolling interests	$2,616	$(3,929)

20. Supplemental Guarantor Information

2021 Notes

On May 26, 2016, TRI Pointe Group issued the 2021 Notes. All of TRI Pointe Group's 100% owned subsidiaries that are guarantors (each a "Guarantor" and, collectively, the "Guarantors") of the Company's Credit Facility, including TRI Pointe Homes and certain other of its 100% owned subsidiaries, are party to a supplemental indenture pursuant to which they jointly and severally guarantee TRI Pointe Group's obligations with respect to the 2021 Notes. Each Guarantor of the 2021 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, 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 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; (vi) TRI Pointe Group exercises its legal defeasance or covenant defeasance options; or (vii) all obligations under the applicable supplemental indenture are discharged.

2019 Notes and 2024 Notes

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

A Guarantor of the 2019 Notes and the 2024 Notes shall be released from all of its obligations under its guarantee if (i) all of the assets of the Guarantor have been sold; (ii) all of the equity interests of the Guarantor held by TRI Pointe 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, 2016 and December 31, 2015, condensed consolidating statements of operations for the three and six months ended June 30, 2016 and 2015 and condensed consolidating statement of cash flows for the six month periods ended June 30, 2016 and 2015. 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" for all periods presented after July 7, 2015, the date of the Reorganization.

Condensed Consolidating Balance Sheet (in thousands):

	June 30, 2016			
	Issuer [1]	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
Assets				
Cash and cash equivalents	$53,368	$64,141	$—	$117,509
Receivables	8,716	25,955	—	34,671
Intercompany receivables	812,677	—	(812,677)	—
Real estate inventories	821,283	2,018,930	—	2,840,213
Investments in unconsolidated entities	—	17,549	—	17,549
Goodwill and other intangible assets, net	156,471	5,291	—	161,762
Investments in subsidiaries	1,207,283	—	(1,207,283)	—
Deferred tax assets, net	18,952	97,748	—	116,700
Other assets	9,819	38,041	—	47,860
Total Assets	$3,088,569	$2,267,655	$(2,019,960)	$3,336,264
Liabilities				
Accounts payable	$23,595	$56,223	$—	$79,818
Intercompany payables	—	812,677	(812,677)	—
Accrued expenses and other liabilities	24,801	173,992	—	198,793
Unsecured revolving credit facility	100,000	—	—	100,000
Seller financed loans	17,758	—	—	17,758
Senior notes	1,165,114	—	—	1,165,114
Total Liabilities	1,331,268	1,042,892	(812,677)	1,561,483
Equity				
Total stockholders' equity	1,757,301	1,207,283	(1,207,283)	1,757,301
Noncontrolling interests	—	17,480	—	17,480
Total Equity	1,757,301	1,224,763	(1,207,283)	1,774,781
Total Liabilities and Equity	$3,088,569	$2,267,655	$(2,019,960)	$3,336,264

(1) References to "Issuer" in this Note 20, Supplemental Guarantor Information have the following meanings:

a. for periods prior to July 7, 2015: TRI Pointe Homes only

b. for periods from and after July 7, 2015: TRI Pointe Homes and TRI Pointe Group as co-issuers of the 2019 Notes and 2024 Notes

20. Supplemental Guarantor Information (continued)

Condensed Consolidating Balance Sheet (in thousands):

	December 31, 2015			
	Issuer [(1)]	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
Assets				
Cash and cash equivalents	$147,771	$66,714	$—	$214,485
Receivables	17,358	26,352	—	43,710
Intercompany receivables	783,956	—	(783,956)	—
Real estate inventories	657,221	1,862,052	—	2,519,273
Investments in unconsolidated entities	—	18,999	—	18,999
Goodwill and other intangible assets, net	156,604	5,425	—	162,029
Investments in subsidiaries	1,093,261	—	(1,093,261)	—
Deferred tax assets, net	19,061	111,596	—	130,657
Other assets	12,219	36,699	—	48,918
Total Assets	$2,887,451	$2,127,837	$(1,877,217)	$3,138,071
Liabilities				
Accounts payable	$20,444	$44,396	$—	$64,840
Intercompany payables	—	783,956	(783,956)	—
Accrued expenses and other liabilities	32,219	184,044	—	216,263
Unsecured revolving credit facility	299,392	—	—	299,392
Seller financed loans	2,034	400	—	2,434
Senior notes	868,679	—	—	868,679
Total Liabilities	1,222,768	1,012,796	(783,956)	1,451,608
Equity				
Total stockholders' equity	1,664,683	1,093,261	(1,093,261)	1,664,683
Noncontrolling interests	—	21,780	—	21,780
Total Equity	1,664,683	1,115,041	(1,093,261)	1,686,463
Total Liabilities and Equity	$2,887,451	$2,127,837	$(1,877,217)	$3,138,071

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20. Supplemental Guarantor Information (continued)
Condensed Consolidating Statement of Operations (in thousands):

	Three Months Ended June 30, 2016			
	Issuer [(1)]	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
Homebuilding:				
Home sales revenue	$ 152,827	$ 404,098	$ —	$ 556,925
Land and lot sales revenue	—	67,314	—	67,314
Other operations revenue	—	604	—	604
Total revenues	152,827	472,016	—	624,843
Cost of home sales	128,905	303,833	—	432,738
Cost of land and lot sales	—	14,460	—	14,460
Other operations expense	—	583	—	583
Sales and marketing	7,021	25,427	—	32,448
General and administrative	14,580	15,689	—	30,269
Restructuring charges	—	215	—	215
Homebuilding income from operations	2,321	111,809	—	114,130
Equity in income of unconsolidated entities	—	215	—	215
Other income, net	145	6	—	151
Homebuilding income before income taxes	2,466	112,030	—	114,496
Financial Services:				
Revenues	—	379	—	379
Expenses	—	53	—	53
Equity in income of unconsolidated entities	—	1,284	—	1,284
Financial services income before income taxes	—	1,610	—	1,610
Income before income taxes	2,466	113,640	—	116,106
Equity of net income of subsidiaries	73,154	—	(73,154)	—
Provision for income taxes	(1,694)	(40,219)	—	(41,913)
Net income	73,926	73,421	(73,154)	74,193
Net income attributable to noncontrolling interests	—	(267)	—	(267)
Net income available to common stockholders	$ 73,926	$ 73,154	$ (73,154)	$ 73,926

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20. Supplemental Guarantor Information (continued)
Condensed Consolidating Statement of Operations (in thousands):

	Three Months Ended June 30, 2015			
	Issuer [(1)]	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
Homebuilding:				
Home sales revenue	$130,552	$296,686	$—	$427,238
Land and lot sales revenue	—	67,490	—	67,490
Other operations revenue	—	607	—	607
Total revenues	130,552	364,783	—	495,335
Cost of home sales	106,365	235,377	—	341,742
Cost of land and lot sales	—	11,564	—	11,564
Other operations expense	—	572	—	572
Sales and marketing	5,447	20,187	—	25,634
General and administrative	13,260	15,001	—	28,261
Restructuring charges	(86)	584	—	498
Homebuilding income from operations	5,566	81,498	—	87,064
Equity in loss of unconsolidated entities	—	(39)	—	(39)
Other (loss) income, net	(151)	120	—	(31)
Homebuilding income before income taxes	5,415	81,579	—	86,994
Financial Services:				
Revenues	—	182	—	182
Expenses	—	58	—	58
Equity in loss of unconsolidated entities	—	(116)	—	(116)
Financial services income before income taxes	—	8	—	8
Income before income taxes	5,415	81,587	—	87,002
Equity of net income of subsidiaries	51,903	—	(51,903)	—
Provision for income taxes	(2,388)	(27,852)	—	(30,240)
Net income	54,930	53,735	(51,903)	56,762
Net income attributable to noncontrolling interests	—	(1,832)	—	(1,832)
Net income available to common stockholders	$54,930	$51,903	$(51,903)	$54,930

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b. for periods from and after July 7, 2015: TRI Pointe Homes and TRI Pointe Group as co-issuers of the 2019 Notes and 2024 Notes

20. Supplemental Guarantor Information (continued)

Condensed Consolidating Statement of Operations (in thousands):

	Six Months Ended June 30, 2016			
	Issuer [1]	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
Homebuilding:				
Home sales revenue	$284,784	$ 695,196	$ —	$ 979,980
Land and lot sales revenue	—	67,669	—	67,669
Other operations revenue	—	1,184	—	1,184
Total revenues	284,784	764,049	—	1,048,833
Cost of home sales	239,357	517,880	—	757,237
Cost of land and lot sales	—	15,239	—	15,239
Other operations expense	—	1,149	—	1,149
Sales and marketing	13,085	45,684	—	58,769
General and administrative	27,792	30,873	—	58,665
Restructuring charges	—	350	—	350
Homebuilding income from operations	4,550	152,874	—	157,424
Equity in income of unconsolidated entities	—	201	—	201
Other income (loss), net	502	(236)	—	266
Homebuilding income before income taxes	5,052	152,839	—	157,891
Financial Services:				
Revenues	—	527	—	527
Expenses	—	111	—	111
Equity in income of unconsolidated entities	—	1,999	—	1,999
Financial services income before income taxes	—	2,415	—	2,415
Income before income taxes	5,052	155,254	—	160,306
Equity of net income of subsidiaries	100,385	—	(100,385)	—
Provision for income taxes	(2,961)	(54,442)	—	(57,403)
Net income	102,476	100,812	(100,385)	102,903
Net income attributable to noncontrolling interests	—	(427)	—	(427)
Net income available to common stockholders	$102,476	$ 100,385	$ (100,385)	$ 102,476

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20. Supplemental Guarantor Information (continued)

Condensed Consolidating Statement of Operations (in thousands):

	Six Months Ended June 30, 2015			
	Issuer [1]	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
Homebuilding:				
Home sales revenue	$237,410	$ 564,093	$ —	$ 801,503
Land and lot sales revenue	—	69,490	—	69,490
Other operations revenue	—	1,600	—	1,600
Total revenues	237,410	635,183	—	872,593
Cost of home sales	193,346	448,302	—	641,648
Cost of land and lot sales	—	13,873	—	13,873
Other operations expense	—	1,134	—	1,134
Sales and marketing	10,428	38,492	—	48,920
General and administrative	25,932	30,482	—	56,414
Restructuring charges	(86)	806	—	720
Homebuilding income from operations	7,790	102,094	—	109,884
Equity in income of unconsolidated entities	—	68	—	68
Other (loss) income, net	(112)	337	—	225
Homebuilding income before income taxes	7,678	102,499	—	110,177
Financial Services:				
Revenues	—	182	—	182
Expenses	—	84	—	84
Equity in loss of unconsolidated entities	—	(149)	—	(149)
Financial services loss before income taxes	—	(51)	—	(51)
Income before income taxes	7,678	102,448	—	110,126
Equity of net income of subsidiaries	65,764	—	(65,764)	—
Provision for income taxes	(3,215)	(34,852)	—	(38,067)
Net income	70,227	67,596	(65,764)	72,059
Net income attributable to noncontrolling interests	—	(1,832)	—	(1,832)
Net income available to common stockholders	$70,227	$ 65,764	$ (65,764)	$ 70,227

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20. Supplemental Guarantor Information (continued)
Condensed Consolidating Statement of Cash Flows (in thousands):

	Six Months Ended June 30, 2016			
	Issuer [1]	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
Cash flows from operating activities				
Net cash used in operating activities	$(149,745)	$(36,451)	$ —	$(186,196)
Cash flows from investing activities:				
Purchases of property and equipment	(372)	(751)	—	(1,123)
Investments in unconsolidated entities	—	(32)	—	(32)
Intercompany	(39,469)	—	39,469	—
Net cash (used in) provided by investing activities	(39,841)	(783)	39,469	(1,155)
Cash flows from financing activities:				
Borrowings from debt	392,758	—	—	392,758
Repayment of debt	(276,426)	(400)	—	(276,826)
Debt issuance costs	(5,110)	—	—	(5,110)
Net repayments of debt held by variable interest entities	—	(2,297)	—	(2,297)
Contributions from noncontrolling interests	—	1,810	—	1,810
Distributions to noncontrolling interests	—	(3,921)	—	(3,921)
Proceeds from issuance of common stock under share-based awards	18	—	—	18
Minimum tax withholding paid on behalf of employees for restricted stock units	(1,359)	—	—	(1,359)
Share repurchases	(14,698)	—	—	(14,698)
Intercompany	—	39,469	(39,469)	—
Net cash provided by (used in) financing activities	95,183	34,661	(39,469)	90,375
Net decrease in cash and cash equivalents	(94,403)	(2,573)	—	(96,976)
Cash and cash equivalents - beginning of period	147,771	66,714	—	214,485
Cash and cash equivalents - end of period	$53,368	$64,141	$ —	$117,509

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20. Supplemental Guarantor Information (continued)
Condensed Consolidating Statement of Cash Flows (in thousands):

	Six Months Ended June 30, 2015			
	Issuer [1]	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
Cash flows from operating activities				
Net cash used in operating activities	$(113,102)	$(63,993)	$ —	$(177,095)
Cash flows from investing activities:				
Purchases of property and equipment	(427)	(186)	—	(613)
Investments in unconsolidated entities	—	(1,257)	—	(1,257)
Intercompany	(58,117)	—	58,117	—
Net cash (used in) provided by investing activities	(58,544)	(1,443)	58,117	(1,870)
Cash flows from financing activities:				
Borrowings from notes payable	140,000	—	—	140,000
Repayment of notes payable	(2,695)	(200)	—	(2,895)
Debt issuance costs	(2,688)	—	—	(2,688)
Net proceeds of debt held by variable interest entities	—	(875)	—	(875)
Contributions from noncontrolling interests	—	2,034	—	2,034
Distributions to noncontrolling interests	—	(4,155)	—	(4,155)
Proceeds from issuance of common stock under share-based awards	660	—	—	660
Excess tax benefit of share-based awards	—	352	—	352
Minimum tax withholding paid on behalf of employees for restricted stock units	(2,190)	—	—	(2,190)
Intercompany	—	58,117	(58,117)	—
Net cash provided by (used in) financing activities	133,087	55,273	(58,117)	130,243
Net decrease increase in cash and cash equivalents	(38,559)	(10,163)	—	(48,722)
Cash and cash equivalents - beginning of period	105,888	64,741	—	170,629
Cash and cash equivalents - end of period	$67,329	$54,578	$ —	$121,907

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[1] References to “Issuer” in this Note 20, Supplemental Guarantor Information have the following meanings:
a. for periods prior to July 7, 2015: TRI Pointe Homes only
b. for periods from and after July 7, 2015: TRI Pointe Homes and TRI Pointe Group as co-issuers of the 2019 Notes and 2024 Notes

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

CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

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

These statements:

- use forward-looking terminology;
- are based on various assumptions made by TRI Pointe; 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 of what effect it will have on our operations, financial condition or share price.

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

Forward-Looking Statements

These forward-looking statements are generally accompanied by words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “goal,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “will,” “would,” or other words that conv uncertainty of future events or outcomes. These forward-looking statements include, but are not limited to, statements regarding our anticipated future financial and operating performance and results, including our estimates for growth.

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

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

Risks, Uncertainties and Assumptions

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

- the effect of general economic conditions, including employment rates, housing starts, interest rate levels, availability of financing for home mortgages and the 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 prices;
- oil and other energy prices;

- the effect of weather, including the continuing drought in California;
- the risk of loss from earthquakes, volcanoes, fires, floods, droughts, windstorms, hurricanes, pest infestations and other natural disasters;
- transportation costs;
- federal and state tax policies;
- the effect of land use, environment and other governmental regulations;
- legal proceedings;
- risks relating to any unforeseen changes to or effects on liabilities, future capital expenditures, revenues, expenses, earnings, synergies, indebtedness, financial condition, losses and future prospects;
- change in accounting principles;
- risks related to unauthorized access to our computer systems, theft of our customers' confidential information or other forms of cyber-attack; and
- other factors described in "Risk Factors."

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 carefully review and consider 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, 2015 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.

Formation of TRI Pointe Group

On July 7, 2015, TRI Pointe Homes reorganized its corporate structure (the "Reorganization") whereby TRI Pointe Homes became a direct, wholly owned subsidiary of TRI Pointe Group. As a result of the Reorganization, each share of common stock, par value $0.01 per share, of TRI Pointe Homes ("Homes Common Stock") was cancelled and converted automatically into the right to receive one validly issued, fully paid and non-assessable share of common stock, par value $0.01 per share, of TRI Pointe Group ("Group Common Stock"), each share having the same designations, rights, powers and preferences, and the qualifications, limitations and restrictions thereof as the shares of Homes Common Stock being so converted. TRI Pointe Group, as the successor issuer to TRI Pointe Homes (pursuant to Rule 12g-3(a) under the Exchange Act), began making filings under the Securities Act and the Exchange Act on July 7, 2015.

In connection with the Reorganization, TRI Pointe Group (i) became a co-issuer of TRI Pointe Homes' 4.375% Senior Notes due 2019 and TRI Pointe Homes' 5.875% Senior Notes due 2024; and (ii) replaced TRI Pointe Homes as the borrower under TRI Pointe Homes' existing unsecured revolving credit facility.

The business, executive officers and directors of TRI Pointe Group, and the rights and limitations of the holders of Group Common Stock immediately following the Reorganization were identical to the business, executive officers and directors of TRI Pointe Homes, and the rights and limitations of holders of Homes Common Stock immediately prior to the Reorganization.

Overview and Outlook

We continue to be encouraged by the strength of the overall U.S. new-home market, which continues to improve on a slow, sustainable growth trajectory, supported by stronger general economic conditions, low unemployment levels, modest wage gains, low interest rates, and increasing consumer confidence combined with a limited supply of new homes. During the second quarter of 2016, new-home demand and home prices across a majority of the markets in which we operate improved, although we continued to see variability from market to market with demand generally driven by general economic conditions in each market. We believe demand will continue to be strong across the U.S. in general and in a majority of the markets in which we operate over the next several years. Homebuilding activity in many markets, however, continues to be constrained by land and labor availability, as well as fee increases and delays imposed by local municipalities, which we expect will continue to constrict supply. We expect these demand and supply trends will result in a continued slow and steady recovery in the homebuilding market. See "Cautionary Note Concerning Forward-Looking Statements".

Our second quarter 2016 results reflect this continued market recovery as we experienced a 35% increase in net income available to common stockholders of $73.9 million compared to $54.9 million in the same period in 2015. The increase was primarily driven by a 230 basis point increase in homebuilding gross margin percentage to 22.3% compared to 20.0% for the second quarter of 2015 and a 25% increase in new home deliveries to 994 homes compared to 798 homes in the prior year period.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Homebuilding:				
Home sales revenue	$556,925	$427,238	$979,980	$801,503
Land and lot sales revenue	67,314	67,490	67,669	69,490
Other operations revenue	604	607	1,184	1,600
Total revenues	624,843	495,335	1,048,833	872,593
Cost of home sales	432,738	341,742	757,237	641,648
Cost of land and lot sales	14,460	11,564	15,239	13,873
Other operations expense	583	572	1,149	1,134
Sales and marketing	32,448	25,634	58,769	48,920
General and administrative	30,269	28,261	58,665	56,414
Restructuring charges	215	498	350	720
Homebuilding income from operations	114,130	87,064	157,424	109,884
Equity in income (loss) of unconsolidated entities	215	(39)	201	68
Other income (loss), net	151	(31)	266	225
Homebuilding income before income taxes	114,496	86,994	157,891	110,177
Financial Services:				
Revenues	379	182	527	182
Expenses	53	58	111	84
Equity in income (loss) of unconsolidated entities	1,284	(116)	1,999	(149)
Financial services income (loss) before income taxes	1,610	8	2,415	(51)
Income before income taxes	116,106	87,002	160,306	110,126
Provision for income taxes	(41,913)	(30,240)	(57,403)	(38,067)
Net income	74,193	56,762	102,903	72,059
Net income attributable to noncontrolling interests	(267)	(1,832)	(427)	(1,832)
Net income available to common stockholders	$73,926	$54,930	$102,476	$70,227
Earnings per share				
Basic	$0.46	$0.34	$0.63	$0.43

Diluted	$0.46	$0.34	$0.63	$0.43

Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015
Net New Home Orders, Average Selling Communities and Monthly Absorption Rates by Segment

	Three Months Ended June 30, 2016			Three Months Ended June 30, 2015			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 Homes	191	18.5	3.4	184	18.0	3.4	4 %	3 %	0 %
Pardee Homes	340	22.3	5.1	355	23.5	5.0	(4)%	(5)%	2 %
Quadrant Homes	92	9.0	3.4	116	10.8	3.6	(21)%	(17)%	(6)%
Trendmaker Homes	133	28.0	1.6	124	26.5	1.6	7 %	6 %	0 %
TRI Pointe Homes	379	28.2	4.5	365	26.5	4.6	4 %	6 %	(2)%
Winchester Homes	123	13.5	3.0	94	14.3	2.2	31 %	(6)%	36 %
Total	1,258	119.5	3.5	1,238	119.5	3.5	2 %	0 %	0 %

Net new home orders for the three months ended June 30, 2016 increased by 20 units or 2% to 1,258, compared to 1,238 during the prior year period. Average selling communities remained flat at 119.5 for each of the three month periods ended June 30, 2016 and 2015. The 31% increase in net new home orders at Winchester was primarily due to better market conditions and product offerings resulting in a 36% increase in absorption pace. The increase in net new home orders at Maracay Homes, Trendmaker Homes and TRI Pointe Homes was mainly due to an increase in average selling communities. The decrease in net new home orders at Quadrant Homes and Pardee Homes was largely the result of lower average selling communities.

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

	As of June 30, 2016			As of June 30, 2015			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 Homes	360	$153,107	$ 425	274	$106,347	$ 388	31 %	44 %	10 %
Pardee Homes	401	236,903	591	471	296,298	629	(15)%	(20)%	(6)%
Quadrant Homes	171	99,366	581	199	87,233	438	(14)%	14 %	33 %
Trendmaker Homes	177	94,850	536	243	128,645	529	(27)%	(26)%	1 %
TRI Pointe Homes	516	330,262	640	631	449,080	712	(18)%	(26)%	(10)%
Winchester Homes	173	111,731	646	180	132,244	735	(4)%	(16)%	(12)%
Total	1,798	$1,026,219	$ 571	1,998	$1,199,847	$ 601	(10)%	(14)%	(5)%

Backlog units reflect the number of homes, net of actual cancellations experienced during the period, for which we have entered into sales contracts with customers but for which we have not yet delivered the homes. Homes in backlog are generally delivered within three to nine months, although we may experience cancellations of sales contracts prior to delivery. Our cancellation rate of buyers who contracted to buy a home but did not close escrow (as a percentage of overall orders) was 13% for the three months ended June 30, 2016 compared to 16% for the same prior year period. The dollar value of backlog was $1.0 billion as of June 30, 2016, a decrease of $173.6 million, or 14%, compared to $1.2 billion as of June 30, 2015. The decrease in dollar value of backlog was due to a decline in backlog units to 1,798 as of June 30, 2016 from 1,998 as of June 30, 2015, representing $120.1 million of the decline. Additionally, a 5% decrease in the average sales price of homes in backlog to $571,000 as of June 30, 2016 from $601,000 as of June 30, 2015, impacted the decrease in dollar value of backlog by $53.9 million.

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

	Three Months Ended June 30, 2016			Three Months Ended June 30, 2015			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 Homes	120	$47,857	$ 399	91	$33,574	$ 369	32%	43 %	8 %
Pardee Homes	318	178,602	562	242	110,231	456	31%	62 %	23 %
Quadrant Homes	105	54,708	521	87	35,689	410	21%	53 %	27 %
Trendmaker Homes	126	63,230	502	123	64,652	526	2 %	(2)%	(5)%
TRI Pointe Homes	217	152,827	704	174	130,553	750	25%	17 %	(6)%
Winchester Homes	108	59,701	553	81	52,539	649	33%	14 %	(15)%
Total	994	$556,925	$ 560	798	$427,238	$ 535	25%	30 %	5 %

Home sales revenue increased $129.7 million, or 30%, to $556.9 million for the three months ended June 30, 2016 from $427.2 million for the prior year period. The increase was comprised of: (i) $104.9 million related to a 25% increase in homes delivered to 994 for the three months ended June 30, 2016 from 798 in the prior year period; and (ii) $24.8 million due to an increase in average sales price of $25,000 per home to $560,000 for the three months ended June 30, 2016 from $535,000 in the prior year period.

Homebuilding Gross Margins (dollars in thousands)

	Three Months Ended June 30,			
	2016	%	2015	%
Home sales revenue	$556,925	100.0%	$427,238	100.0%
Cost of home sales	432,738	77.7 %	341,742	80.0 %
Homebuilding gross margin	124,187	22.3 %	85,496	20.0 %
Add: interest in cost of home sales	11,438	2.1 %	7,640	1.8 %
Add: impairments and lot option abandonments	107	0.0 %	882	0.2 %
Adjusted homebuilding gross margin[(1)]	$135,732	24.4 %	$94,018	22.0 %
Homebuilding gross margin percentage	22.3 %		20.0 %	
Adjusted homebuilding gross margin percentage[(1)]	24.4 %		22.0 %	

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(1) Non-GAAP financial measure (as discussed below).

Our homebuilding gross margin percentage increased to 22.3% for the three months ended June 30, 2016 as compared to 20.0% for the prior year period. The increase in gross margin was primarily due to the 31% increase in deliveries from Pardee Homes, which carries a lower land basis in some of its longer-term land holdings. Excluding interest and impairment and lot option abandonments in cost of home sales, adjusted homebuilding gross margin percentage was 24.4% for the three months ended June 30, 2016, compared to 22.0% for the prior year period. The increase in the adjusted homebuilding gross margin was consistent with the change in homebuilding gross margin.

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

Land and Lot Gross Margins (dollars in thousands)

	Three Months Ended June 30,			
	2016	%	2015	%
Land and lot sales revenue	$67,314	100.0%	$67,490	100.0%
Cost of land and lot sales	14,460	21.5 %	11,564	17.1 %
Land and lot gross margin	$52,854	78.5 %	$55,926	82.9 %

During the quarter ended June 30, 2016, our Pardee Homes reporting segment sold two parcels, totaling 102 homebuilding lots, located in the Pacific Highlands Ranch community in San Diego, California. Pardee Homes received $61.6 million in cash proceeds from the sale. During the quarter ended June 30, 2015, our Pardee Homes reporting segment sold a commercial site in the Pacific Highlands Ranch community for $53.0 million in cash proceeds. Both transactions involving the Pacific Highlands Ranch community included significant gross margins due to the low land basis of the community which was acquired in 1981.

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

	Three Months Ended June 30,		As a Percentage of Home Sales Revenue	
	2016	2015	2016	2015
Sales and marketing	$32,448	$25,634	5.8 %	6.0 %
General and administrative (G&A)	30,269	28,261	5.4 %	6.6 %
Total sales and marketing and G&A	$62,717	$53,895	11.3%	12.6%

Sales and marketing expense as a percentage of home sales revenue decreased to 5.8% for the three month period ended June 30, 2016 compared to 6.0% for the prior year period. The decrease was the result of higher operating leverage on the fixed components of sales and marketing expenses as a result of the 30% increase in homes sales revenue. Total sales and marketing expense increased by $6.8 million to $32.4 million for the three months ended June 30, 2016 compared to $25.6 million in the same prior year period, and is primarily attributable to direct selling costs related to the 25% increase in new home deliveries.

General and administrative expenses as a percentage of home sales revenue decreased to 5.4% of home sales revenue for the three months ended June 30, 2016 compared to 6.6% for the prior year period. The decrease is due primarily to higher operating leverage resulting from the 30% increase in home sales revenue. General and administrative expenses increased to $30.3 million for the three months ended June 30, 2016 compared to $28.3 million in the same prior year period as a result of additional headcount to support future growth.

Total sales and marketing and G&A (“SG&A”) as a percentage of home sales revenue decreased to 11.3% for the three month period ended June 30, 2016 compared to 12.6% in the prior year period. Total SG&A expense increased $8.8 million, or 16.3%, to $62.7 million for the three months ended June 30, 2016 from $53.9 million in the prior year period.

Restructuring Charges

Restructuring charges decreased to $215,000 for the three months ended June 30, 2016 compared to $498,000 in the same period in the prior year. The decrease was mainly due to lower lease termination costs in 2016.

Interest

Interest, which was incurred principally to finance land acquisitions, land development and home construction, totaled $16.3 million and $15.1 million for the three months ended June 30, 2016 and 2015, respectively. All interest incurred in both periods was capitalized. The increase in interest incurred during the three months ended June 30, 2016 as compared to the prior year period was primarily attributable to an increase in our weighted average interest rate as a result of the issuance of our 2021 Notes in May of 2016.

Income Tax

For the three months ended June 30, 2016, we recorded a tax provision of $41.9 million based on an effective tax rate of 36.1%. For the three months ended June 30, 2015, we recorded a tax provision of $30.2 million based on an effective tax rate of 34.8%. The increase in provision for income taxes is due to an increase in income before income taxes of $29.1 million to $116.1 million for the three months ended June 30, 2016 compared to $87.0 million for the prior year period.

Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

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

	Six Months Ended June 30, 2016			Six Months Ended June 30, 2015			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 Homes	392	18.3	3.6	345	17.4	3.3	14 %	5 %	9 %
Pardee Homes	653	22.7	4.8	663	22.0	5.0	(2)%	3 %	(4)%
Quadrant Homes	225	9.0	4.2	266	10.4	4.3	(15)%	(13)%	(2)%
Trendmaker Homes	255	25.7	1.7	256	26.4	1.6	— %	(3)%	6 %
TRI Pointe Homes	644	26.8	4.0	701	26.3	4.4	(8)%	2 %	(9)%
Winchester Homes	238	13.4	3.0	201	13.6	2.5	18 %	(1)%	20 %
Total	2,407	115.9	3.5	2,432	116.1	3.5	(1)%	— %	— %

Net new home orders for the six months ended June 30, 2016 decreased by 25 units or 1% to 2,407, compared to 2,432 during the prior year period. The decrease in net new home orders at Quadrant Homes was largely due to a decrease in average selling communities. The decrease in net new home orders at TRI Pointe Homes and Pardee Homes was mainly the result of decreased absorption rates. While absorption rates decreased year over year, they still remained very strong at 4.0 and 4.8 at TRI Pointe Homes and Pardee Homes respectively for the six months ended June 30, 2016. The increase in net new home orders at Maracay Homes was due to a 5% increase in average selling communities and a 9% increase in absorption rates due to better market conditions compared to the prior year and successful community openings. The increase in net new home orders at Winchester Homes was primarily due to an increase in absorption rates as a result of improved market conditions compared to the prior year period and new product offerings.

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

	Six Months Ended June 30, 2016			Six Months Ended June 30, 2015			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 Homes	235	$93,294	$ 397	176	$66,051	$ 375	34 %	41 %	6 %
Pardee Homes	526	297,535	566	410	195,889	478	28 %	52 %	18 %
Quadrant Homes	197	100,186	509	180	79,025	439	9 %	27 %	16 %
Trendmaker Homes	214	107,015	500	231	120,860	523	(7)%	(11)%	(4)%
TRI Pointe Homes	418	284,784	681	313	237,411	759	34 %	20 %	(10)%
Winchester Homes	175	97,165	555	156	102,267	656	12 %	(5)%	(15)%
Total	1,765	$979,979	$ 555	1,466	$801,503	$ 547	20 %	22 %	1 %

Home sales revenue increased $178.5 million, or 22%, to $980.0 million for the six months ended June 30, 2016 from $801.5 million for the prior year period. The increase was comprised of: (i) $163.6 million related to a 20% increase in homes delivered to 1,765 for the six months ended June 30, 2016 from 1,466 in the prior year period; and (ii) $14.1 million due to an increase in average sales price of $8,000 per home to $555,000 for the six months ended June 30, 2016 from $547,000 in the prior year period.

Homebuilding Gross Margins (dollars in thousands)

	Six Months Ended June 30,			
	2016	%	2015	%
Home sales revenue	$979,980	100.0%	$801,503	100.0%
Cost of home sales	757,237	77.3 %	641,648	80.1 %
Homebuilding gross margin	222,743	22.7 %	159,855	19.9 %
Add: interest in cost of home sales	20,268	2.1 %	14,351	1.8 %
Add: impairments and lot option abandonments	289	0.0 %	1,227	0.2 %
Adjusted homebuilding gross margin[1]	$243,300	24.8 %	$175,433	21.9 %
Homebuilding gross margin percentage	22.7 %		19.9 %	
Adjusted homebuilding gross margin percentage[1]	24.8 %		21.9 %	

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[1] Non-GAAP financial measure (as discussed below).

Our homebuilding gross margin percentage increased to 22.7% for the six months ended June 30, 2016 as compared to 19.9% for the prior year period. The increase in gross margin was primarily due to the 28% increase in deliveries from Pardee Homes, which carries a lower land basis in some of its longer-term land holdings. Excluding interest and impairment and lot option abandonments in cost of home sales, adjusted homebuilding gross margin percentage was 24.8% for the six months ended June 30, 2016, compared to 21.9% for the prior year period. The increase in the adjusted homebuilding gross margin was consistent with the change in homebuilding gross margin.

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

Land and Lot Gross Margins (dollars in thousands)

	Six Months Ended June 30,			
	2016	%	2015	%
Land and lot sales revenue	$67,669	100.0%	$69,490	100.0%
Cost of land and lot sales	15,239	22.5 %	13,873	20.0 %
Land and lot gross margin	$52,430	77.5 %	$55,617	80.0 %

During the six months ended June 30, 2016, our Pardee Homes reporting segment sold two parcels, totaling 102 homebuilding lots, located in the Pacific Highlands Ranch community in San Diego, California. Pardee Homes received $61.6 million in cash proceeds from the sale. During the six months ended June 30, 2015, our Pardee Homes reporting segment sold a commercial site in the Pacific Highlands Ranch community for $53.0 million in cash proceeds. Both transactions involving the Pacific Highlands Ranch community included significant gross margins due to the low land basis of the community which was acquired in 1981.

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

	Six Months Ended June 30,		As a Percentage of Home Sales Revenue	
	2016	2015	2016	2015
Sales and marketing	$58,769	$48,920	6.0 %	6.1 %
General and administrative (G&A)	58,665	56,414	6.0 %	7.0 %
Total sales and marketing and G&A	$117,434	$105,334	12.0%	13.1%

Sales and marketing expense as a percentage of home sales revenue decreased to 6.0% for the six months ended June 30, 2016 compared to 6.1% for the prior year period. The decrease was mainly due to higher operating leverage on the fixed components of sales and marketing expenses as a result of the 22% increase in homes sales revenue. Total sales and marketing expense increased by $9.9 million to $58.8 million for the six months ended June 30, 2016 compared to $48.9 million in the same prior year period, and is primarily attributable to direct selling costs related to the 20% increase in new home deliveries.

General and administrative expenses as a percentage of home sales revenue decreased to 6.0% for the six months ended June 30, 2016 compared to 7.0% for the prior year period. The decrease is due primarily to higher operating leverage resulting from the 22% increase in home sales revenue. General and administrative expenses increased to $58.7 million for the six months ended June 30, 2016 compared to $56.4 million in the same prior year period.

Total sales and marketing and G&A (“SG&A”) as a percentage of home sales revenue decreased to 12.0% for the six month period ended June 30, 2016 compared to 13.1% in the prior year period. Total SG&A expense increased $12.1 million, or 11.5%, to $117.4 million for the six months ended June 30, 2016 from $105.3 million in the prior year period.

Restructuring Charges

Restructuring charges decreased to $350,000 for the six months ended June 30, 2016 compared to $720,000 in the same period in the prior year. The decrease was due to lower lease termination and severance costs in 2016.

Interest

Interest, which was incurred principally to finance land acquisitions, land development and home construction, totaled $31.4 million and $30.3 million for the six months ended June 30, 2016 and 2015, respectively. All interest incurred in both periods was capitalized. The increase in interest incurred during the six months ended June 30, 2016 as compared to the prior year period was primarily attributable to an increase in our weighted average interest rate as a result of the issuance of our 2021 Notes in May of 2016.

Income Tax

For the six months ended June 30, 2016, we recorded a tax provision of $57.4 million based on an effective tax rate of 35.8%. For the six months ended June 30, 2015, we recorded a tax provision of $38.1 million based on an effective tax rate of 34.6%. The increase in provision for income taxes is due to an increase in income before income taxes of $50.2 million to $160.3 million for the six months ended June 30, 2016 compared to $110.1 million for the prior year period.

Lots Owned or Controlled by Segment

Excluded from owned and controlled lots are those related to Note 7, Investments in Unconsolidated Entities. The table below summarizes our lots owned or controlled by segment as of the dates presented:

	June 30, 2016	June 30, 2015	Increase (Decrease) Amount	Increase (Decrease) %
Lots Owned				
Maracay Homes	1,491	1,485	6	— %
Pardee Homes	16,154	17,022	(868)	(5)%
Quadrant Homes	1,008	995	13	1 %
Trendmaker Homes	1,321	837	484	58 %
TRI Pointe Homes	3,007	2,920	87	3 %
Winchester Homes	1,916	2,284	(368)	(16)%
Total	24,897	25,543	(646)	(3)%
Lots Controlled(1)				
Maracay Homes	738	327	411	126 %
Pardee Homes	172	173	(1)	(1)%
Quadrant Homes	408	421	(13)	(3)%
Trendmaker Homes	462	1,274	(812)	(64)%
TRI Pointe Homes	723	735	(12)	(2)%
Winchester Homes	280	448	(168)	(38)%
Total	2,783	3,378	(595)	(18)%
Total Lots Owned or Controlled(1)	27,680	28,921	(1,241)	(4)%

(1) As of June 30, 2016 and 2015 lots controlled included lots that were under land or lot option contracts or purchase contracts.

Liquidity and Capital Resources

Overview

Our principal uses of capital for the three and six months ended June 30, 2016 were operating expenses, land purchases, land development and home construction. We used funds generated by our operations and available borrowings to meet our short-term working capital requirements. We remain focused on generating positive margins in our homebuilding operations and acquiring desirable land positions in order to maintain a strong balance sheet and keep us poised for growth. As of June 30, 2016, we had $117.5 million of cash and cash equivalents. We believe we have sufficient cash and sources of financing to fund operations for at least the next twelve months.

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

Senior Notes

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 was $295.1 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 TRI Pointe Homes are co-issuers of $450 million aggregate principal amount of 4.375% Senior Notes due 2019 (“2019 Notes”) and $450 million aggregate principal amount of 5.875% Senior Notes due 2024 (“2024 Notes”). The 2019 Notes were issued at 98.89% of their aggregate principal amount and the 2024 Notes were issued at 98.15% of their aggregate principal amount. The net proceeds from the offering were $861.3 million, after debt issuance costs and discounts. The 2019 Notes and 2024 Notes mature on June 15, 2019 and June 15, 2024. Interest is payable semiannually in arrears on June 15 and December 15.

As of June 30, 2016, no principal has been paid on the 2019 Notes, 2021 Notes and 2024 Notes (together, the "Senior Notes"), and there was $23.1 million of capitalized debt financing costs, included in senior notes 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 $3.4 million and $1.9 million as of June 30, 2016 and December 31, 2015, respectively.

Unsecured Revolving Credit Facility

On April 28 2016, the Company partially exercised the accordion feature under its existing unsecured revolving credit facility (the “Credit Facility”) to increase the total commitments under the Credit Facility from $550 million to $625 million. The Credit Facility matures on May 18, 2019, and contains a sublimit of $75 million for letters of credit. The Company may borrow under the Credit Facility in the ordinary course of business to fund its operations, including its land development and homebuilding activities. Borrowings under the Credit Facility will be governed by, among other things, a borrowing base. The Credit Facility contains customary affirmative and negative covenants, including financial covenants relating to consolidated tangible net worth, leverage, and liquidity or interest coverage. Interest rates on borrowings will be based on either a daily Eurocurrency base rate or a Eurocurrency rate, in either case, plus a spread ranging from 1.45% to 2.20% depending on the Company’s leverage ratio. As of June 30, 2016, the outstanding balance under the Credit Facility was $100.0 million with an interest rate 2.20% per annum and $520.0 million of availability after considering the borrowing base provisions and outstanding letters of credit. At June 30, 2016, we had outstanding letters of credit of $5.0 million. These letters of credit were issued to secure various financial obligations. We believe it is not probable that any outstanding letters of credit will be drawn upon.

Seller Financed Loan

As of June 30, 2016, the Company had $17.8 million outstanding related to a seller financed loan to acquire lots for the construction of homes. Principal and interest payments on this loan are due at various maturity dates, including at the time individual homes associated with the acquired land are delivered. The seller financed loan accrues interest at a rate of 7.0% per annum, with interest calculated on a daily basis. A minimum principal payment of $12.1 million is due in June 2017 with any remaining unpaid balance due in June 2018.

Stock Repurchase Program

On January 27, 2016, we announced that our board of directors approved a stock repurchase program, authorizing the repurchase of our common stock with an aggregate value of up to $100 million through January 25, 2017. Purchases of common stock 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 of the Exchange Act. We are not obligated under the program to repurchase any specific number or amount of shares of common stock, and we may modify, suspend or discontinue the 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. As of June 30, 2016, 1,253,021 shares have been repurchased under this program at an average price of $11.73 per share for a total cost of $14.7 million. Subsequent to June 30, 2016 and through the date of this filing, the Company has purchased an additional 254,700 shares at an average price of $11.71 per share for a total cost of $3.0 million.

Covenant Compliance

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

Financial Covenants	Actual at June 30, 2016	Covenant Requirement at June 30, 2016
Consolidated Tangible Net Worth	$1,595,539	$ 1,022,205
(Not less than $875.9 million plus 50% of net income and 50% of the net proceeds from equity offerings after March 31, 2015)		
Leverage Test	42.8 %	<55%
(Not to exceed 55%)		
Interest Coverage Test	7.1	>1.5
(Not less than 1.5:1.0)		

As of June 30, 2016, we were in compliance with all of these financial covenants.

Leverage Ratios

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

	June 30, 2016	December 31, 2015
Unsecured revolving credit facility	$100,000	$299,392
Seller financed loans	17,758	2,434
Senior Notes	1,165,114	868,679
Total debt	1,282,872	1,170,505
Stockholders' equity	1,757,301	1,664,683
Total capital	$3,040,173	$2,835,188
Ratio of debt-to-capital[(1)]	42.2 %	41.3 %
Total debt	$1,282,872	$1,170,505
Less: Cash and cash equivalents	(117,509)	(214,485)
Net debt	1,165,363	956,020
Stockholders' equity	1,757,301	1,664,683
Total capital	$2,922,664	$2,620,703
Ratio of net debt-to-capital[(2)]	39.9 %	36.5 %

(1) The ratio of debt-to-capital is computed as the quotient obtained by dividing debt by the sum of total debt plus equity.

(2) The ratio of net debt-to-capital is a non-GAAP measure and is computed as the quotient obtained by dividing net debt (which is debt less cash and cash equivalents) by the sum of net debt plus equity. The most directly comparable GAAP financial measure is the ratio of debt-to-capital. We believe the ratio of net debt-to-capital is a relevant financial measure for investors to understand the leverage employed in our operations and as an indicator of our ability to obtain financing. See the table above reconciling this non-GAAP financial measure to the ratio of debt-to-capital. Because the ratio of net debt-to-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, 2016 Compared to Six Months Ended June 30, 2015

For the six months ended June 30, 2016 as compared to the six months ended June 30, 2015, the comparison of cash flows is as follows:

- Net cash used in operating activities increased by $9.1 million to $186.2 million for the six months ended June 30, 2016 from $177.1 million for the six months ended June 30, 2015. The change was comprised of offsetting activity, including (i) an increase in real estate inventories of $323.3 million in 2016 compared to an increase of $255.4 million in 2015 to support our future community count growth and (ii) other offsetting activity included changes in other assets, accounts payable, accrued expenses, and net income.
- Net cash used in investing activities was $1.2 million for the six months ended June 30, 2016 compared to $1.9 million for the same prior year period in 2015. The decrease in cash used in investing activities was due mainly due to lower investments in unconsolidated entities.
- Net cash provided by financing activities decreased to $90.4 million for the six months ending June 30, 2016 from $130.2 million for the same period in the prior year. The change was primarily a result of lower net borrowings from debt during the current period and an increase in spending related to the share repurchase program.

As of June 30, 2016, our cash and cash equivalents balance was $117.5 million.

Off-Balance Sheet Arrangements and Contractual Obligations

In the ordinary course of business, we enter into land and lot option contracts in order to procure lots for the construction of our homes. We are subject to customary obligations associated with entering into contracts for the purchase of land and improved lots. These purchase contracts typically require a cash deposit and the purchase of properties under these contracts is generally contingent upon satisfaction of certain requirements by the sellers, including obtaining applicable property and development entitlements. We also utilize option contracts with land sellers as a method of acquiring land in staged takedowns, to help us manage the financial and market risk associated with land holdings, and to reduce the use of funds from our corporate financing sources. Option contracts generally require a non-refundable deposit for the right to acquire 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. As of June 30, 2016, we had $25.4 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 $350.7 million (net of deposits).

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

As of June 30, 2016, we had $520.0 million of availability under our Credit Facility after considering the borrowing base provisions and outstanding letters of credit.

Inflation

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

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 seco