

TaylorMorrison®
Annual Report
2021



Timberline | Denver, CO

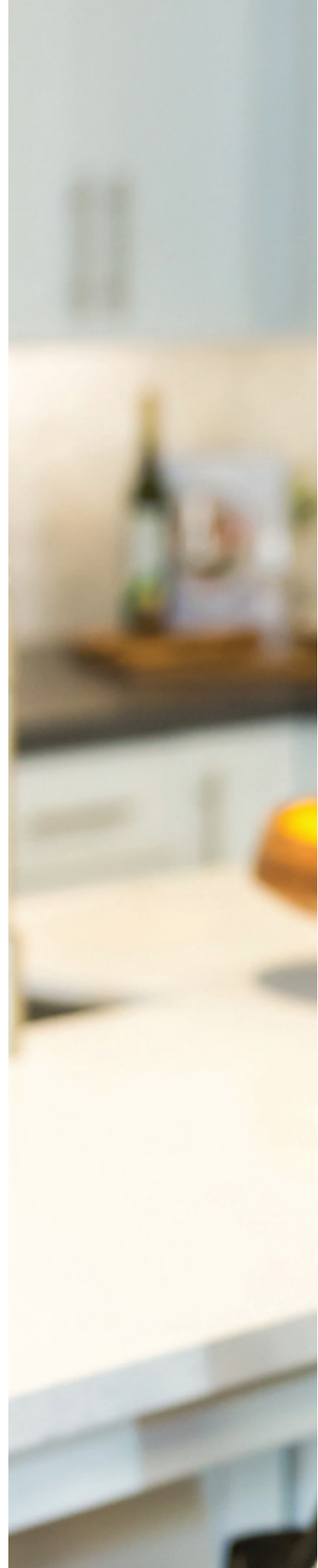
Dear fellow shareholders,

Every year has proven to be more monumental than the one before it, but 2021 was a year of never-before-seen transformation for Taylor Morrison. The culmination of our highly intentional, multi-year strategic journey planned for years ago. One that would give us the right breadth and depth in the nation's top housing markets, one that would affirm our reputation as one of the nation's largest, most trusted homebuilders, and one no other homebuilder has set out on before.

And the timing couldn't have been more apropos, as we navigate one of the most difficult markets the homebuilding industry has ever seen. The first year of COVID-19 irrevocably changing the way we as a society operate felt like a dress rehearsal for year two of the pandemic, where demand for new homes continued

to increase and where a strained global supply-chain struggled to keep pace. Yet, backed by the foundation of our long-term strategy, these external forces—while some of the toughest we've ever experienced—couldn't hinder our progress.

To achieve our historically best financial performance and begin pulling through the fruits of our labor amid the most unusual operating conditions is a powerful testament to what a sound strategy and talented team can accomplish. And as I pen this letter today, I can proudly say we did it. I'm in awe of our success during a year that challenged us in more ways than ever before, and by the conclusion of my letter, I think you'll appreciate the next phase of our journey, too.



"To achieve our historically best financial performance and begin pulling through the fruits of our labor amid the most unusual operating conditions is a powerful testament to what a sound strategy and talented team can accomplish."

SHERYL D. PALMER
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER



The Benefits of Scale

On the surface 2021 may have looked like a quiet year in our journey for Smart Growth—intentionally so. In the years following Taylor Morrison’s IPO in 2013 we looked to acquisitions of private, regional homebuilders as a method of entry into new markets, expanding our footprint to important geographies for the long term. Four private deals later, we underwent our first acquisition of a publicly traded homebuilder, AV Homes, in 2018, only to double down on the institutional muscle we built up for M&A with our purchase of one of the largest publicly traded homebuilders in the Western U.S., William Lyon Homes, in February 2020—mere weeks before COVID-19 shuddered the world to a close.

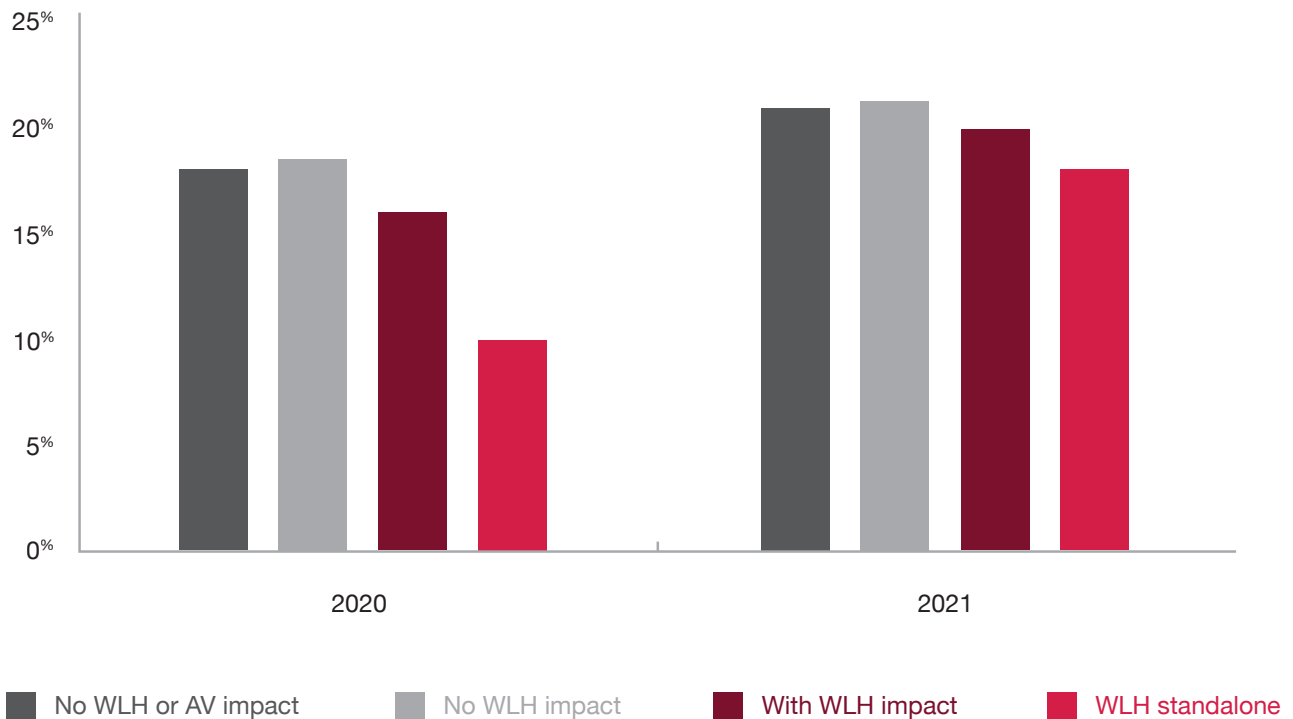
Six mergers and acquisitions over the course of seven years—the largest of which was completed during a pandemic. Our journey for smart,

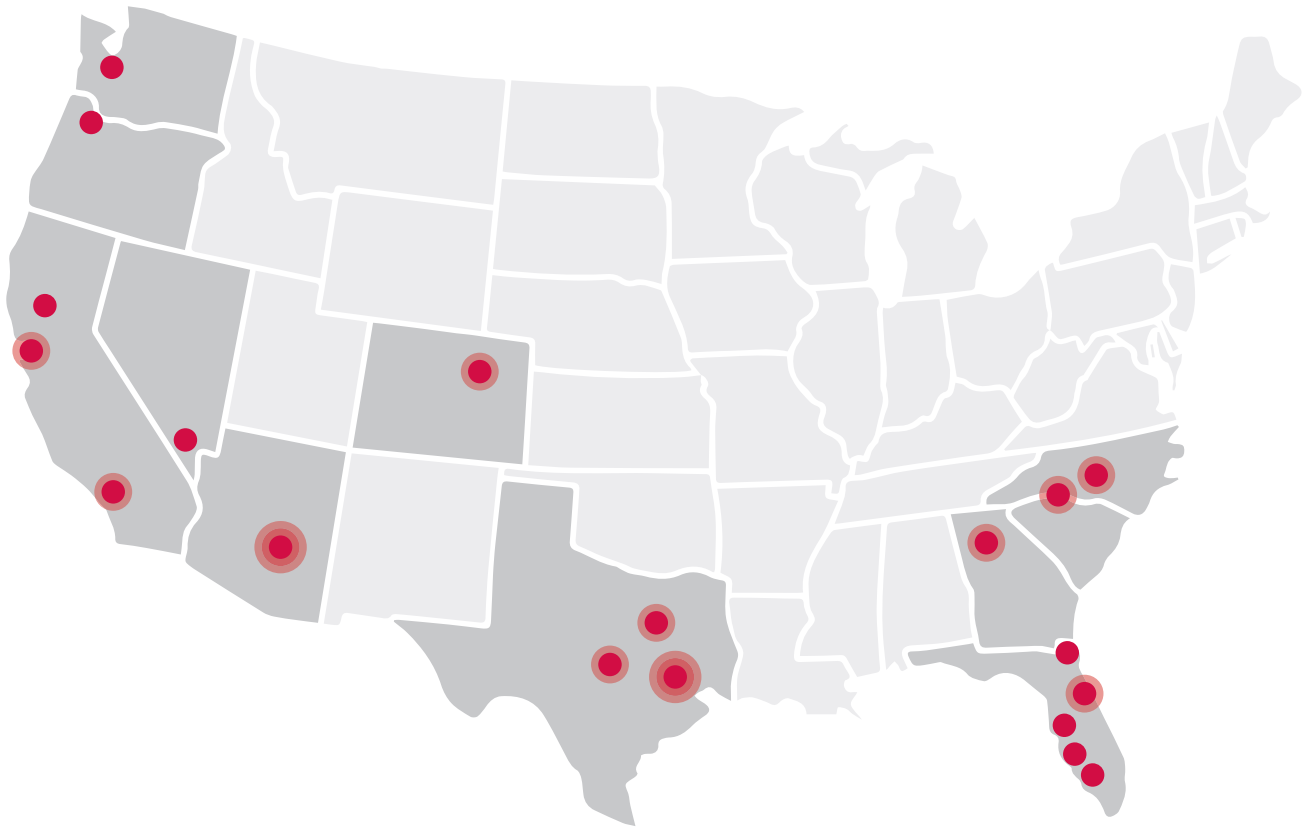
meaningful growth wasn’t for the faint of heart. In fact, it’s one no other homebuilder has undertaken.

We’ve been so committed to our Smart Growth journey—which has not only entered us into the nation’s most prominent markets but has also given us the scale and reputation to flourish in them—we’re now at a place and a size where we turn to giving our teams the opportunity to pull through these benefits of scale, which is what 2021 was largely dedicated to.

Better yet, we are now seeing our scale and growth shine through in our financial results. As seen in the chart below, the average home closings gross margin gap between our markets without any M&A activity in recent years and our markets that have been through the intensity of an integration is shrinking, as the latter completes the necessary operational work.

AVERAGE HOME CLOSINGS GROSS MARGIN OF DIVISIONS IMPACTED BY RECENT ACQUISITIONS





An added benefit of having undergone six acquisitions is the quality and quantity of land that has been added to our portfolio with every transaction. Our land bank is well positioned with the majority of our land owned or controlled pre-pandemic, and before we saw the significant run up in land prices. On average our builder peers added more than 30 percent of new land to their portfolio in 2021, while we selectively chose to grow our land portfolio by only 10 percent. Given the industry's race to replenish land banks after having sold through so much of it during this era of high housing demand, and recognizing the inflationary land prices in the market today, our Smart Growth journey has

afforded us a land bank that allows us to be hugely selective in land purchases, preserving our investment dollars for the deals we believe to be highly accretive to the business.

Our land philosophy and strategy has been strengthened by our relationship with **Värde Partners**, an investment firm with nearly 30 years of real estate investment experience. Through the partnership, Värde acts as our capital partner in acquiring lots and land, and Taylor Morrison develops and manages the homebuilding assets. This meaningful evolution of our existing portfolio strategies is expected to help us achieve our goal of increasing our controlled land

position to approximately 45 percent in 2022.

It's often said and expected that with any M&A activity, a company takes one step back to achieve two steps forward, because integrations are that challenging. With the integrations behind us, our sights are squarely set on doubling down on our operations and improving our competitive position, unburdened by the integration activity experienced in prior years. We believe 2022 will mark our highly anticipated step forward with the financial returns expected of a builder of our caliber.



Committed to Operational Excellence



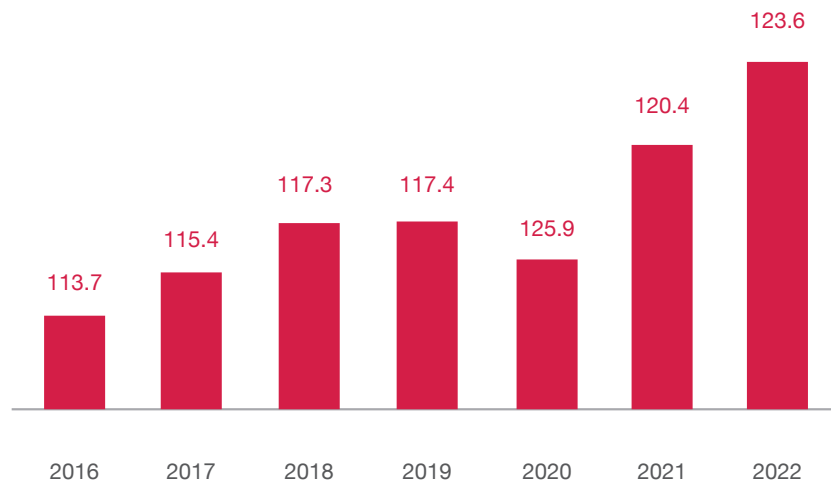
Perhaps the best validation of Taylor Morrison's commitment to operating excellently lies in earning the distinction of **America's Most Trusted® Home Builder** by Lifestory Research for the unprecedented seventh year in a row. And while last year's operating environment of limited home supply and constantly evolving supply-chain constraints would have made it easier than ever for consumers to lose trust, we saw quite the opposite. In fact, in 2021, Taylor Morrison captured its highest trust index score yet, which was double the industry average. To do so is a true validation of our customer-centric approach of Loving the Customer being key to our organizational success, and

a differentiator for us in this challenging operating environment and beyond.

To rally our team members around the benefits of operating with more rigor and sophistication than ever before, we refreshed our culture of TMLiving—which is comprised of tenets designed to uphold and enhance the employee and customer experience—to include an additional tenet centered around Operational Excellence. This next evolution of **TMLiving** captures the operational sentiments that are important standards for how we do business, and connects our team members to the influence they have in contributing to the organization's success.

TRENDLINE OF TRUST INDEX

While consumer trust in the homebuilding industry rose 1.3 percent year over year, consumer trust in Taylor Morrison rose 2.6, doubling the industry's average.



OUR COVID-19 RESPONSE

An equally important standard of our operation was centered around our response to COVID-19. The pandemic had a way of constantly changing on us, but through it all, the health, safety and wellbeing of our team members and customers remained our top priority—which is why our COVID-19 protocols were often more cautious than the guidelines set by the Centers for Disease Control (CDC) and our markets' local ordinances.

This conservative approach to operating our business has ensured a minimal infection rate among our team members and customers since the onset of the pandemic. In addition to allocating paid time-off for team members to receive the COVID-19 vaccine and booster, five added sick days and, most recently, dedicated Caregiver Leave for anyone needing to stay home to care for a loved one—we are committed to continuing to evolve as the pandemic does.

SIMPLIFYING OUR BUSINESS

With so many acquisitions and integrations behind us, we again turn to the point in our journey where we have the time and resources to focus on reducing unnecessary complexities and operating a more simplified business. We began by **evaluating our floorplans and option offerings** for value engineering, cost rationalization and overall consumer appeal, selecting the best of the best and scaling down the vast amount of options consumers do not prefer. By concentrating solely on the choices that bring the most benefit to our customers and Taylor Morrison, we're on-track to reduce our floorplan offerings by 50 percent and our major suppliers of SKUs by 50 percent. Offering better, fewer options has allowed us to improve our procurement processes, control costs, and manage the incredibly

challenging construction timelines and material shortages we're experiencing—ultimately affording us the best opportunity for predictability in a largely unpredictable market.

A similar area of operational refinement lies in the success of **Canvas**, our standardized design packages, which have gained swift traction among customers across all our divisions. These curated option palettes offer a more consumer-friendly design experience that removes the time and complexity of the design studio. Since 2021, Canvas has allowed construction to begin approximately 30–50 days sooner for customers and has yielded a higher margin percentage for our business than the traditional design studio experience.



Canvas Distinct Overture Collection



BUILD-TO-RENT

Since first announcing our entry into the **Build-to-Rent** (BTR) market in 2019 by way of a strategic relationship with our brand partner, Christopher Todd Communities, the long-term opportunity to serve both the renter-by-choice demographic and those impacted by rising home prices has only strengthened further.

In addition to the compelling demand opportunity, these innovative, gated rental communities—which generally offer one-to-two bedroom, detached single-family homes with private backyards and lifestyle programming similar to our traditional communities—provides a unique pathway for us to convert the ‘missing middle’ segment of renters in our Christopher Todd Communities into buyers of a Taylor Morrison home.

As one of the industry's earliest adopters of build-to-rent and with nearly three years of experience operating in this space, we now have a build-to-rent offering in nine of our 19 markets of operation, with even more markets being evaluated for entry in 2022. Our flagship build-to-rent community began in the Phoenix Division, which began leasing its first community at the end of last year and expects to divest of it before the end of 2022.

At the end of 2021, we had approximately 4,000 BTR lots owned or controlled and expect to see that double in 2022. The runway of success for this business model only grows greater as we expect to have several additional communities fully leased and ready for disposition in 2023, followed by strong growth in 2024 and beyond.

Strength of our Portfolio

A characteristic of 2021 was the historically high demand for new homes impacted by extreme material delays and low labor availability, which added considerable complexity, lengthened construction timelines and pressured costs throughout the year. Yet we remain undeterred by these challenges—years of well-timed strategic planning have positioned us to tactfully navigate an evolving business climate and seamlessly incorporate new systems to help us preserve our valued customer experience, protect our business and maintain strong financial performance. The proof is rooted in our 2021 financial results.

Despite the challenges the year presented, we achieved several quarters


of historically strong performance. In 2021, we delivered 13,699 homes, up nine percent year over year, and generated total revenue of \$7.5 billion, a 22 percent increase. Our average sales pace was 3.6 net sales orders per community. We ended the year with a company-record backlog of 9,114 sold homes and approximately 77,000 owned and controlled lots and are well positioned heading into 2022 to realize another year of significant growth in revenue and profitability.

To protect our business and ensure our home shoppers convert to homebuyers, our in-house mortgage lender, **Taylor Morrison Home Funding**, plays a critical role in our organizational success.

TOTAL REVENUE


2019

\$4.7
billion



2020

\$6.1
billion

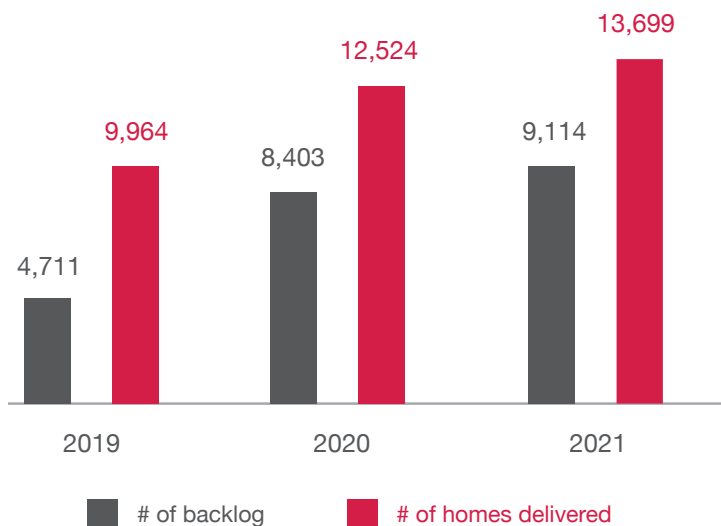


2021

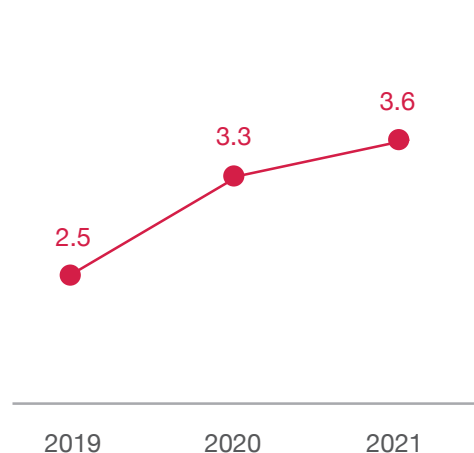
\$7.5
billion



HOMES DELIVERED & IN BACKLOG



SALES PACE PER COMMUNITY



In addition to leveraging finance as a sales tool, Taylor Morrison Home Funding ensures our customers' financial adeptness by pre-qualifying all customers prior to contract and at a rate above the current market.

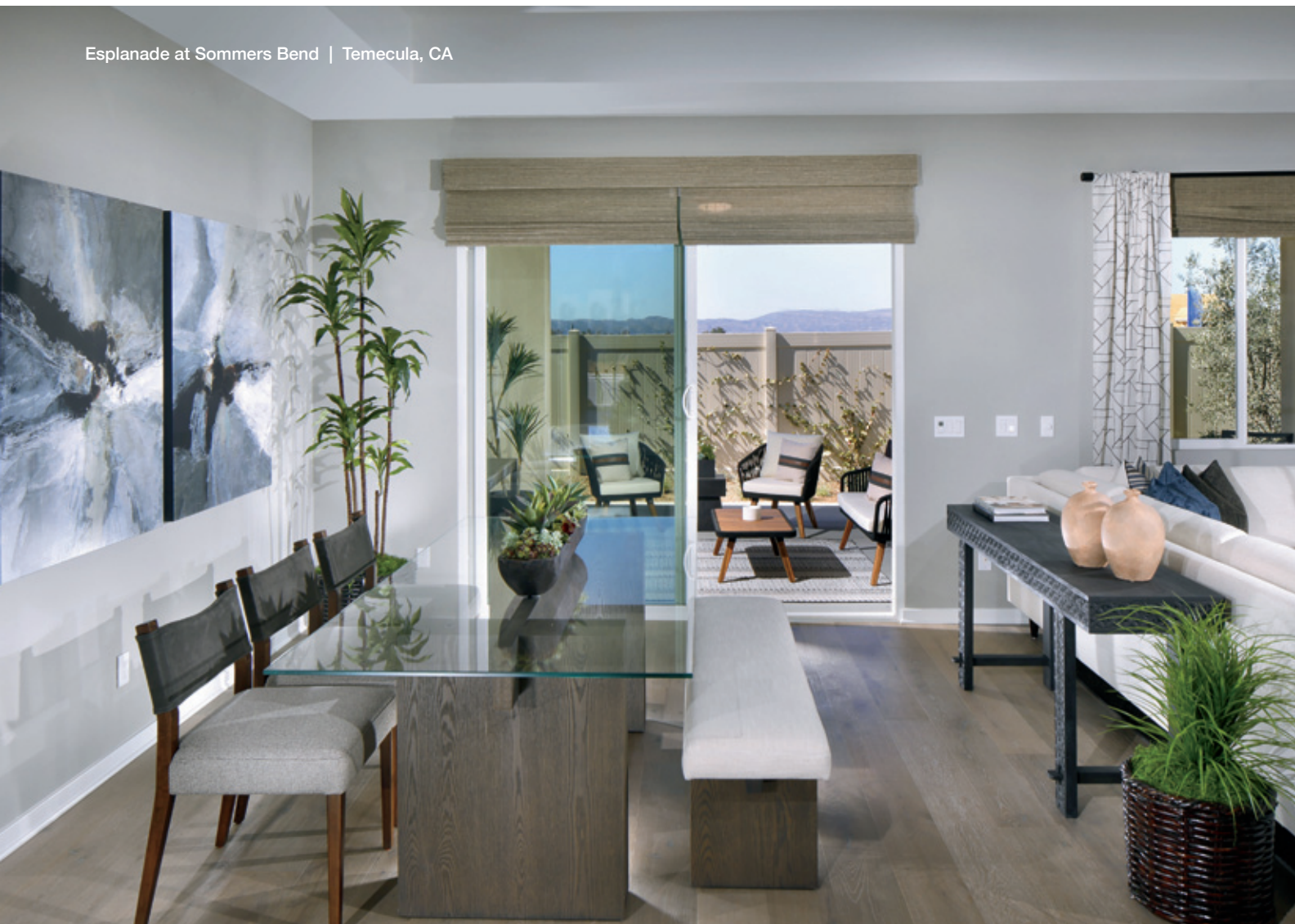
While the Federal Reserve has announced plans for a series of interest rate increases throughout 2022, they are projected to remain low by historical standards. Furthermore, data from our home shopper surveys suggest the majority of our home shoppers would modify their home search plans—through strategies like reducing the square footage of their desired home or utilizing a larger down payment—rather than stop their home search altogether as interest

rates rise. Additionally, Taylor Morrison Home Funding regularly conducts deep dives of our backlog to understand how rate increases may impact their ability to afford their mortgage, providing visibility to our homebuilding teams and confidence to our customers throughout the construction process.

The strength of our diversified portfolio and our sophistication in understanding our consumers is critical to our company's strategy. While the broader Taylor Morrison portfolio is heavily concentrated on double-income, professional first-time buyers and first-time move-up buyers, our signature, resort-style 55+ communities, **Esplanade**, help us attract a different demographic of consumers.

After a decade of success perfecting our more than 20 Esplanade communities up and down the Florida coastline, we began bringing this highly sought-after product and lifestyle community, with its upscale amenities and concierge services, to more markets—and it's already exceeding expectations. Our Esplanade brand first headed west in 2020 with two new communities opening in Temecula and Sacramento, California, followed by another community in Charlotte, North Carolina, where sales at Esplanade at Northgate just recently began.

Esplanade at Sommers Bend | Temecula, CA



The Leader in Building a Home Online

In recent years, Taylor Morrison has certainly earned a reputation of being the industry leader when it comes to digital innovation. And rightfully so. We were first-to-market with a suite of online tools, and as early adopters, we had the luxury of time and experience to learn from ourselves and uncover additional methods to refine our technology in profound ways throughout 2021.

Whether it was our direct-to-consumer online appointment scheduler, self-guided tour technology, or the recent enhancements to our revolutionary online home reservation system—which allows home shoppers to choose their lot, floorplan and home's exterior entirely online—we continue empowering consumers to take control of their homebuying experience with thoughtful digital touchpoints at every turn.

The self-service option to reserve a home online coupled with today's historically high demand made the success and consumer adoption of our online reservation system great, but in many instances, too great. So, we began requiring customers to submit a \$100 deposit to reserve and hold their desired home. Since going live, we are seeing the intended result of truer reservations sought out by serious buyers with a vested interest in the reservation. The reservation deposit represents a ceremonious first step to being the first homebuilder to take the entire homebuilding and homebuying process online.

Our digital innovation continues through to the financing of a home by transforming the often daunting and complex mortgage process into a streamlined, transparent path. Our curated online mortgage platform thoughtfully designed for new-home construction gives customers virtual options from pre-qualification through loan closing, while still allowing for the personal touch and strategic counseling our customers value. In 2021, we extended our digital mortgage platform to allow for a remote online notary, ultimately creating a fully digital closing experience.

With a suite of virtual tools created, we decided to bring all our digital touchpoints together under one roof in our new **Venture by Taylor Morrison** brand. Venture communities are entirely unique to our industry and offer home shoppers a digital homebuying experience from start to finish. This self-service method of buying a new home allows consumers who desire more autonomy in their purchasing decisions to do so.

Taylor Morrison has never been more committed to the future of our industry—evidenced by our continued investment in the homebuying journey and the steps we've taken to lead the way in digital innovation. With the state of the market today, this kind of revolutionary technology certainly isn't needed to sell homes, nor is it a response to the challenges of doing business amidst COVID-19. It's simply the way a vast and growing number of consumers prefer to shop and engage with brands in today's evolving world of eCommerce.

"Taylor Morrison's online reservation tool was very easy to navigate, and it was nice knowing I was able to reserve a home that no one else could step in before I was able to speak to the community sales manager."

LAURA,
ONLINE HOMEBUYER



VIRTUAL SELLING TIMELINE

Results as of March 22, 2022





Brand Marketing Team



2022 WM Phoenix Open

Building a More Inclusive Future

One of our proudest accomplishments from 2021 was the significant progress we made as a company in terms of prioritizing diversity, equity and inclusion (DEI). In the years prior, we were merely laying the groundwork for all we wished to accomplish and outlining the different paths for how we could get there—but this year, we put many of those ideas and plans into action.

From standing up regional, employee-led DEI Subcommittees, to publishing a robust list of DEI commitments dedicated to improving in areas such as: unconscious bias training for all team members and hiring managers; ensuring our advertising is representative of our diverse customers and the language in our internal and external messaging is inclusive; and enhancing our recruitment efforts to cast a wider net of candidates through partnerships like WayUp, which helps us recruit college students, and Voyager, which transitions veterans to

positions in the private sector. We were also delighted to expand the breadth of experience and diversity on our board by adding real estate tech investor, Christopher Yip. With his appointment, a majority of our board is now diverse by gender and ethnicity, demonstrating our long-held dedication to board diversity and furthering my belief that we are well on our way to becoming the truly representative organization we aspire to be.

We know that creating an inclusive workplace where team members feel uniquely valued and safe allows us all to thrive, which is why doubling down on these initiatives has become so very important to us at Taylor Morrison. As the only female CEO of a major homebuilder, I hope my presence has paved the way for more representation in our industry, and I feel personally charged to be part of the solution in solving for greater diversity overall—not just gender diversity—in construction.

"I am so proud to be part of an organization that supports, encourages and takes action toward becoming a diverse and inclusive workplace."

ASA MONCADA
DENVER VICE PRESIDENT OF
SALES & MARKETING





Explore our 2021 ESG report at investors.taylormorrison.com/esg

Our commitment to representation and transparency has earned us a spot on **Bloomberg's Gender-Equality Index** since 2019, and year after year, we're thrilled to see the number of women in construction-based roles at Taylor Morrison grow—demonstrated by a 21 percent increase from last year and a 45 percent increase in the last two years. In addition to our public transparency when it comes to gender reporting, we also proudly take bold actions within our own walls. Just recently, we conducted an internal pay-equity study comparing salaries among men and women who hold equal years of experience to identify and correct any inconsistencies.

With so much potential for meaningful, lasting change in our organization and beyond, we are humbled by every opportunity to do something greater than ourselves. These strongly held values and our dedication to being a responsible

steward in all aspects of our business are highlighted in our fourth annual **Environment, Social and Governance (ESG) Report**.

From deepening our commitments and relationships with longstanding partners like the National Wildlife Federation, HomeAid America and the Building Talent Foundation; our recent inclusion as the **Hearthstone Humanitarian Builder of the Year**, an award celebrating Taylor Morrison's dedication to philanthropy; to exciting new ventures like our five-year presenting sponsorship of the **WM Phoenix Open golf tournament**, which, since its inception, has contributed more than \$165 million to local nonprofits; all the way to our approach to governance remaining focused on strong and strategic oversight of our business and key risks, our 2021 ESG Report outlines our commitment to integrating sustainable values into all aspects of our business.






PRESENTED BY
 taylor
morrison.

A Look Ahead

In 2022, we expect to reap the financial rewards of a strategic plan that's been years in the making. Having worked through years of integrations, we are positioned to perform at new highs, at an operational and financial level expected of one of America's largest homebuilders. We expect to see our enhanced scale and synergies pull through at all levels of the business, to improve efficiency and increase profit. And it's all thanks to you, our valued shareholders and passionate team members.

I offer my most heartfelt gratitude for your belief in our vision, and for your support as we navigate uncharted waters. 2021 was only the beginning—2022 is sure to be a breakout year across every aspect of our business, you'll see.



Sheryl D. Palmer
Chairman and Chief Executive Officer



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

Form 10-K

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

For the fiscal year ended December 31, 2021

or

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

For the transition period from _____ to _____.
Commission File No. 001-35873

TAYLOR MORRISON HOME CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

83-2026677
(I.R.S. Employer
Identification No.)

4900 N. Scottsdale Road, Suite 2000, Scottsdale, Arizona 85251
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (480) 840-8100
Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.00001 par value	TMHC	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of voting stock held by non-affiliates of the registrant on June 30, 2021, the last business day of the registrant's most recently completed second fiscal quarter was \$3,284,625,470, based on the closing sales price per share as reported by the New York Stock Exchange on such date.

The number of shares outstanding of the issuer's common stock, as of February 23, 2022:

<u>Class</u>	<u>Outstanding</u>
Common Stock, \$0.00001 par value	121,291,630

Documents Incorporated by Reference

Portions of Part III of this Form 10-K are incorporated by reference from the registrant's definitive proxy statement for its 2022 annual meeting of shareholders to be filed with the Securities and Exchange Commission no later than 120 days after the end of the registrant's fiscal year.

TAYLOR MORRISON HOME CORPORATION
FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2021

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Available Information

Information about our company and communities is provided on our website at www.taylormorrison.com (the “Taylor Morrison website”). The information contained on or accessible through the Taylor Morrison website is not considered part of this Annual Report on Form 10-K (“Annual Report”). Our periodic and current reports, including any amendments, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), are available, free of charge, on our Taylor Morrison website as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission (“SEC”). In addition to our SEC filings, our corporate governance documents, including our Code of Conduct and Ethics and Corporate Governance Guidelines are available on the “Investor Relations” page of our Taylor Morrison website under “Corporate Governance.” To the extent required by the SEC’s rules and regulations, we intend to post amendments to or waivers from, if any, provisions of our Code of Conduct (to the extent applicable to our directors, principal executive officer, principal financial officer and principal accounting officer) at this location on the Taylor Morrison website. Our stockholders may also obtain these documents in paper format free of charge upon request made to our Investor Relations department.

We were incorporated in Delaware in November 2012. Our principal executive offices are located at 4900 N. Scottsdale Road, Suite 2000, Scottsdale, Arizona 85251 and our telephone number is (480) 840-8100.

Forward-Looking Statements

Certain information included in this Annual Report or in other materials we have filed or will file with the SEC (as well as information included in oral statements or other written statements made or to be made by us) contains or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Exchange Act. You can identify these statements by the fact that they do not relate to matters of strictly historical or factual nature and generally discuss or relate to estimates or other expectations regarding future events. They contain words such as, but not limited to, “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “may,” “will,” “can,” “could,” “might,” “should” and other words or phrases of similar meaning in connection with any discussion of our strategy or future operating or financial performance. Forward-looking statements speak only as of the date they are made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995, and all of our forward-looking statements are expressly qualified in their entirety by the cautionary statements contained or referenced in this Annual Report on Form 10-K, including those described below and under the heading “Risk Factors” in Part I, Item 1A and below under the heading “Summary of Material Risks”.

Summary of Material Risks

As you read this Annual Report and other reports or public statements, you should understand that statements made herein are not guarantees of performance or results. They are subject to known and unknown risks, uncertainties and assumptions including those described under the heading “Risk Factors” in Part I, Item 1A and elsewhere in this Annual Report. Although we believe that our forward-looking statements are based upon reasonable assumptions, you should be aware that many factors, including those described under the heading “Risk Factors” in Part I, Item 1A, and elsewhere in this Annual Report, could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements. Such risks and uncertainties include, but are not limited to, the following:

- the scale and scope of the ongoing novel coronavirus (“COVID-19”) global pandemic;
- changes in general and local economic conditions;
- slowdowns or severe downturns in the housing market;
- homebuyers’ ability to obtain suitable financing;
- increases in interest rates, taxes or government fees;
- shortages in, disruptions of and cost of labor;

- higher cancellation rates of existing home sales contracts;
- competition in our industries;
- any increase in unemployment or underemployment;
- inflation or deflation;
- the seasonality of our business;
- the physical impacts of climate change and the increased focus by third-parties on sustainability issues;
- our ability to obtain additional performance, payment and completion surety bonds and letters of credit;
- significant home warranty and construction defect claims;
- our reliance on subcontractors;
- failure to manage land acquisitions, inventory and development and construction processes;
- availability of land and lots at competitive prices;
- decreases in the market value of our land inventory;
- our ability to use deferred tax assets;
- raw materials and building supply shortages and price fluctuations;
- our concentration of significant operations in certain geographic areas;
- risks associated with our unconsolidated joint venture arrangements;
- information technology failures and data security breaches;
- costs to engage in and the success of future growth or expansion of our operations or acquisitions or disposals of businesses;
- damages associated with any major health and safety incident;
- our ownership, leasing or occupation of land and the use of hazardous materials, and any related liabilities;
- negative publicity or poor relations with the residents of our communities;
- new or changing government regulations and legal challenges;
- our compliance with environmental laws and regulations regarding climate change;
- existing or future litigation, arbitration or other claims;
- utility and resource shortages or rate fluctuations;
- our ability to sell mortgages we originate and claims on mortgages sold to third parties;
- governmental regulation applicable to our financial services and title services business;
- the loss of any of our important commercial lender relationships;
- constriction of the capital markets;
- risks related to our substantial debt and the agreements governing such debt, including restrictive covenants contained in such agreements;
- provisions in our charter, bylaws and Delaware Law that may delay or prevent an acquisition by a third party;
and
- provision in our charter that provides that the Court of Chancery of the State of Delaware will be the exclusive forum for certain legal actions between us and our stockholders.

PART I

ITEM 1. BUSINESS

General Overview

Taylor Morrison Home Corporation (“TMHC”) is one of the largest public homebuilders in the United States and has been named America’s Most Trusted Homebuilder® for seven consecutive years (as awarded by Lifestory Research). We are also a land developer, with a portfolio of lifestyle and master-planned communities. We provide an assortment of homes across a wide range of price points to appeal to an array of consumer groups. We design, build and sell single and multi-family detached and attached homes in traditionally high growth markets for entry level, move-up, and 55-plus active lifestyle (formerly referred to as active adult) buyers. We operate under various brand names including Taylor Morrison, Darling Homes Collection by Taylor Morrison, and Esplanade. We have grown organically and through multiple builder acquisitions. We completed five acquisitions within a five year period from 2015 through 2020. These acquisitions marked our initial entrance into several markets from the Southeastern part of the United States to the Pacific Northwest. Such markets included Atlanta, Charlotte, Raleigh, Las Vegas, Seattle and Portland.

We leverage our core homebuilding and land acquisition expertise in alternative ways by operating strategic real estate related businesses.

- We provide financial services to customers through our wholly owned mortgage subsidiary, Taylor Morrison Home Funding, Inc. (“TMHF”), title insurance and closing settlement services through our title company, Inspired Title Services, LLC (“Inspired Title”), and homeowner’s insurance policies through our insurance agency, Taylor Morrison Insurance Services, LLC (“TMIS”).
- Through a wholly-owned subsidiary, we also develop and construct multi-use properties consisting of commercial space, retail, and multi-family properties under the Urban Form brand name,
- We have an exclusive partnership with Christopher Todd Communities, a growing Phoenix-based developer of innovative, luxury rental communities to operate a “Build-to-Rent” homebuilding business. We serve as a land acquirer, developer, and homebuilder while Christopher Todd Communities provides community design and property management consultation. We are in multiple markets including Austin, Charlotte, Dallas, Houston, Orlando, Phoenix, Tampa, and Sarasota. We plan to expand into additional markets during 2022. We began accepting leases in the Phoenix market in 2021, with move in dates in 2022. We also anticipate homes in additional markets will be available for rent during 2022, and once the communities reach stabilized rental levels, we will evaluate potential exit/hold for investment strategies.

We have operations in eleven states, and our business is organized into multiple homebuilding operating components and a financial services component, which are managed as multiple reportable segments, as follows:

East	Atlanta, Charlotte, Jacksonville, Naples, Orlando, Raleigh, Sarasota, and Tampa
Central	Austin, Dallas, Denver, and Houston
West	Bay Area, Las Vegas, Phoenix, Portland, Sacramento, Seattle, and Southern California
Financial Services	Taylor Morrison Home Funding, Inspired Title Services and Taylor Morrison Insurance Services

2021 Highlights and Recent Developments

Our financial and operational highlights for the year ended December 31, 2021 are summarized below:

- We generated \$7.5 billion in total revenue and \$7.2 billion in home closings revenue for the year ended December 31, 2021, increases of 22.4% and 22.3%, respectively, compared to the prior year’s total revenue and home closings revenue.
- We closed nearly 13,700 homes, an increase of 9.4% from the prior year, with a home closings gross margin of 20.3% and average selling price of \$524,000 for the year ended December 31, 2021, compared to 16.6% gross margin and \$468,000 average selling price, respectively, for the year ended December 31, 2020.

- Net income and diluted earnings per share for the year ended December 31, 2021 were \$663.0 million and \$5.18, respectively, compared to \$243.4 million and \$1.88, for the year ended December 31, 2020, respectively.
- Net sales orders value for the year ended December 31, 2021 was \$8.7 billion, an increase of 19.0% compared to the prior year.
- We ended 2021 with \$5.8 billion in sales order backlog, an increase of 36.2% compared to the prior year.
- At December 31, 2021, we owned and controlled approximately 77,000 homebuilding lots.
- We repurchased 9.9 million TMHC shares for \$281.4 million during the year ended December 31, 2021.
- For the last seven consecutive years, we were awarded America's Most Trusted Home Builder® by Lifestory Research.
- For the fourth year in a row, we were honored by Bloomberg's Gender-Equality Index.
- We are ranked #452 on the Fortune 500 List.
- Our CEO was recognized with the Hearthstone BUILDER Humanitarian Award.

Business Strategy

We have short and long-term priorities and strategies which are built on the following pillars:

Short-term priorities

- streamlining our processes to build operational effectiveness;
- continue to employ strategic land initiatives to improve capital position;
- product optimization, innovation, simplification and standardization;
- continuing to enhance the customer experience; and
- expanding our Build-to-Rent operations.

Long-term strategies

- opportunistic land acquisition of prime assets in core locations;
- building distinctive communities driven by consumer preferences;
- maintaining a cost-efficient culture; and
- appropriately balancing price with pace in the sale of our homes.

Our short-term priorities were established to enhance and refine our current operations. As a result of our acquisitions over the years, we have focused on integrating multiple companies, and now we believe we are well positioned to implement processes and procedures throughout our organization which will enhance efficiency and ultimately, operational effectiveness.

Land infrastructure has always been a long-term strategy for our business, and we believe we have been successful in locating and purchasing land in desirable locations which offer strong returns. In addition, we have and will continue to take advantage of joint venture and land banking opportunities as they arise in order to secure prime assets, share risk and maximize returns.

We have focused on identifying key locations and markets to successfully launch our operations of Build-to-Rent. We accepted leases in the Phoenix market during 2021, with move in dates in 2022. We also anticipate homes in additional markets will be available for rent during 2022. We are evaluating the initial results to allow for us to make any necessary changes or enhancements as we launch in other markets.

Our long-term strategies continue to serve us well. We maintain our commitment to building authentic homes and communities that inspire and enhance the lives of our customers. Delivering on this commitment requires thoughtful design and research to accommodate the needs of our various customers and the surrounding community. The Taylor Morrison difference begins by providing our customers with homes that are both conducive to their lifestyles and built to last, prioritizing our commitment for the long-term satisfaction of our homeowners. Our communities are generally “lifestyle” communities in core locations, which have various distinguishing attributes, including proximity to job centers, attractive school systems and a variety of local amenities in well-regarded submarkets.

Our dedication to service defines our customer experience and acknowledges homeowners’ suggestions to incorporate style, quality and sustainability into every community we develop. We offer a range of award-winning and innovative designs with a number of features such as single-story, multi-story, multi-family, higher density living, ranch style living, split bedroom plans and first floor master bedroom suites to appeal to diverse buyer needs. We engage architectural firms and internal architectural resources to develop and augment existing plans in order to ensure that our homes reflect current and local consumer tastes. We engineer our homes for energy-efficiency and cost savings to reduce the impact on the environment. Our TM LiveWell program provides homeowners with a robust suite of healthy home features and technologies focused on providing healthier air, cleaner water, and safer paint.

We acquire our land assets in core locations, focusing on the preferences of our buyers, building desirable communities, continually evaluating and analyzing overhead efficiency and optimizing profit by managing volume. In addition, we seek to maximize long-term shareholder value and operate our business to capitalize on market dynamics and mitigate risks from economic downturns as we recognize the cyclical nature of the housing industry. We regularly assess our capital allocation strategy to drive shareholder return. This strategy is built on several primary pillars—

- reinvest in core homebuilding operations,
- seek additional growth opportunities through mergers, acquisitions, other land investment and joint venture strategies,
- optimize debt leverage,
- reinvest in ancillary business opportunities within the industry, and
- the repurchase of our common stock.

We believe our land positioning and pipeline have positioned us for strategic growth. We execute this strategy by:

- Optimizing our existing land supply through enhanced product offerings;
- Combining land acquisition and development expertise with homebuilding operations;
- Focusing product offerings on specific consumer segments;
- Building quality homes for our customers and focusing on superior customer service;
- Maintaining an efficient capital structure;
- Selectively pursuing acquisitions; and
- Employing and retaining a highly experienced management team with a strong operating track record.

Land and Development Strategies

Community development includes the acquisition and development of land, which may include obtaining significant planning and entitlement approvals and completing construction of off-site and on-site utilities and infrastructure. We generally operate as community developers, but in some communities we operate solely as merchant builders, in which case we acquire fully entitled and developed lots.

In order to maximize our risk-adjusted return, the allocation of capital for land investment is performed at the corporate level with a disciplined approach to overall portfolio management. Our portfolio investment committee of senior executives meets on a regular basis. Annually, our operating divisions prepare a strategic plan for their respective geographies. Macro and micro indices, including but not limited to employment, housing starts, new home sales, re-sales

and foreclosures, along with market related shifts in competition, land availability and consumer preferences, are carefully analyzed to determine our land and homebuilding strategy. Supply and demand are analyzed on a consumer segment and submarket basis to ensure land investment is targeted appropriately. Our long-term plan is compared on an ongoing basis to current conditions in the marketplace as they evolve and is adjusted to the extent necessary. Strategic decisions regarding community positioning are included in the decision making and underwriting process and are made in consultation with senior executives of our management team.

We are party to various land banking arrangements which allow us to acquire land in staged takedowns, while limiting risk and retaining cash. These third-party entities use equity contributions from their owners and/or incur debt to finance the acquisition and development of the land. Such lots are included in our controlled lots for the year ended December 31, 2021.

Our land portfolio as of December 31, 2021 and 2020 is summarized below:

	As of December 31, 2021							Owned and Controlled Lots
	Owned Lots					Controlled Lots	Total	
	Raw	Partially Developed	Finished	Long- Term Strategic Assets	Other Assets ⁽¹⁾			
East	1,036	9,126	6,495	—	5,298	21,955	8,909	30,864
Central	817	7,625	5,493	—	—	13,935	10,167	24,102
West	2,164	7,885	7,372	—	—	17,421	9,686	27,107
Total	<u>4,017</u>	<u>24,636</u>	<u>19,360</u>	<u>—</u>	<u>5,298</u>	<u>53,311</u>	<u>28,762</u>	<u>82,073</u>

⁽¹⁾ Other assets are owned lots, but not considered in our total homebuilding owned lots.

	As of December 31, 2020							Owned and Controlled Lots
	Owned Lots					Controlled Lots	Total	
	Raw	Partially Developed	Finished	Long- Term Strategic Assets	Other Assets ⁽¹⁾			
East	602	10,223	6,822	158	5,298	23,103	3,937	27,040
Central	3,162	4,658	5,734	—	—	13,554	9,650	23,204
West	3,268	4,614	8,840	—	—	16,722	8,318	25,040
Total	<u>7,032</u>	<u>19,495</u>	<u>21,396</u>	<u>158</u>	<u>5,298</u>	<u>53,379</u>	<u>21,905</u>	<u>75,284</u>

⁽¹⁾ Other assets are owned lots, but not considered in our total homebuilding owned lots.

Raw land represents property that has not been developed and remains in its natural state. Partially developed represents land where the grading and horizontal development process has begun. Finished lots represent those lots which we have purchased from third parties in addition to lots for which we have completed the horizontal development process and are ready for the vertical or homebuilding construction. Long-term strategic assets are those lots where we are currently not performing any development. Controlled lots represent lots in which we have a contractual right, generally through an option contract or land banking arrangement, to an underlying real estate asset. Other assets include a combination of commercial parcels and residential lots.

In the land purchasing and/or consideration of joint ventures, specific projects of interest are typically identified and placed under contract by the local teams. Such teams carry out a robust due diligence and feasibility process evaluating key factors which include, but are not limited to, environmental concerns, estimated budgets for development and home construction, anticipated product segmentation, competitive environment, ownership structure, and financial returns. Findings are summarized and presented to our portfolio investment committee for review. Certain portfolio opportunities

will often be sourced centrally and managed at the corporate level. We also determine whether continued spending on currently owned and controlled land is a well-timed and appropriate use of capital. Our portfolio investment strategy emphasizes expected profitability to reflect the risk and timing of returns, and the level of sales volume in new and existing markets.

The following is a summary of the book value of our land positions:

(Dollars in thousands)

Development Status	As of December 31, 2021		As of December 31, 2020	
	Owned Lots	Book Value of Land and Development	Owned Lots	Book Value of Land and Development
Raw	4,017	\$ 178,952	7,032	\$ 239,554
Partially developed	24,636	1,568,967	19,495	1,215,419
Finished	19,360	2,119,128	21,396	2,388,177
Long-term strategic assets	—	—	158	13,462
Total homebuilding owned lots	48,013	3,867,047	48,081	3,856,612
Other assets ⁽¹⁾	5,298	98,939	5,298	117,127
Total owned lots	53,311	\$3,965,986	53,379	\$3,973,739

⁽¹⁾ The decrease in book value of land and development relates to the sale of parcels of commercial assets which are excluded from the owned lots presented in the table.

As of December 31, 2021 and 2020, the allocation of lots held in our land portfolio, by year acquired, was as follows:

Allocation of Lots in Land Portfolio, by Year Acquired	As of December 31, 2021	As of December 31, 2020
Acquired in 2021	25%	—%
Acquired in 2020	30%	39%
Acquired in 2019	13%	17%
Acquired in 2018	28%	34%
Acquired in 2017 and prior	4%	10%
Total	100%	100%

Homes in Inventory

We manage our inventory of homes under construction by selectively commencing construction to capture new home demand, while monitoring the number and aging of unsold homes.

The following is a summary of units in inventory by homebuilding reporting segment as of December 31, 2021 and December 31, 2020:

	As of December 31, 2021				As of December 31, 2020			
	Sold Homes in Backlog ⁽¹⁾	Models	Showcase Homes ⁽²⁾	Total	Sold Homes in Backlog	Models	Showcase Homes ⁽²⁾	Total
East	3,219	26	801	4,046	2,835	230	473	3,538
Central	2,787	39	420	3,246	2,398	160	134	2,692
West	3,108	132	807	4,047	3,170	378	406	3,954
Total	9,114	197	2,028	11,339	8,403	768	1,013	10,184

⁽¹⁾ Sold homes in backlog represents homes under contract including homes sold but not yet started. We expect that by the end of 2022 we will deliver substantially all sold homes in backlog at December 31, 2021.

⁽²⁾ Previously referred to as speculative homes.

Community Development

We create a complete development concept for each community, beginning with an overall community layout and then determine the size, style and price range of the homes, the layout of the streets and positioning of the individual home sites. After necessary governmental and other approvals have been obtained, we improve the land by clearing and grading, installing roads, underground utility lines, staking out individual home sites and, in certain communities, building distinctive entrance structures and recreational amenities.

Each community has employees who perform construction management, sales and customer service functions, in conjunction with a local management team to manage the overall project.

The life cycle of a community generally ranges from two to five years, commencing with the acquisition of land, continuing through the land development phase, and concluding with the sale, construction, and delivery of homes. Actual life cycle will vary based on the size of the community, the sales absorption rate, and whether we purchased the property as raw land or as developed lots.

The construction time for our homes varies from project to project depending on geographic region, the time of year, the size and complexity of construction, the governmental approval processes, local labor availability, availability of materials and supplies, weather, and other factors. On average, we complete the construction of a typical home in approximately six months.

Sources and Availability of Raw Materials

Based on local market practices, we either directly, or indirectly through our subcontractors, purchase drywall, cement, steel, lumber, insulation and the other building materials necessary to construct a home. While these materials are generally widely available from a variety of sources, from time to time we experience material shortages on a localized basis which can substantially increase the price for such materials and our construction process can be slowed. We experienced numerous, generally widespread, supply chain disruptions caused by labor and material shortages throughout 2021 with the second half of the year being the most heavily impacted. These shortages resulted in significant cost inflation and negatively impacted the timing of our closings.

Trade Labor

Our construction, land and purchasing teams coordinate subcontracting services and supervise all aspects of construction work and quality control. We are a general contractor for all of our homebuilding projects. Subcontractors perform all home construction and land development, generally under fixed-price contracts. The availability of labor, specifically as it relates to qualified tradespeople, at reasonable prices can be challenging in some markets as a result of the uneven industry growth and recent economic factors such as supply chain disruptions. Since the onset of the COVID-19 pandemic, we have also been challenged by limitations on the number of tradespeople permitted at construction sites as a result of social distancing measures.

Procurement and Construction

We have a comprehensive procurement program that leverages our size and national presence to achieve efficiencies and cost savings. Our procurement objective is to maximize cost and process efficiencies on local, regional and national levels and to ensure consistent utilization of established contractual arrangements.

The regional and national vendor programs currently involve over 60 vendors and include highly reputable and well-established companies that supply us with lumber, appliances, HVAC systems, insulation, roofing, paint and lighting, among other materials. Through these relationships, we are able to realize savings on the costs of essential materials. Contracts are typically structured to include a blend of attractive upfront pricing and rebates and, in some cases, advantageous retroactive pricing in instances of contract renewals. In addition to cost advantages, these arrangements also help minimize the risk of construction delays during supply shortages, as we are often able to leverage our size to obtain our full allocation of required materials.

Warranty Program

Our homebuilding operations generally offer a one-year limited warranty to cover various defects in workmanship or materials, a two-year limited warranty on certain systems (such as electrical or cooling systems), and a ten-year limited warranty on structural defects. In addition, we honor any outstanding warranties related to our acquired companies. Any covered item will be repaired or replaced to conform to approximately the original quality standards of the home at the time of closing. We also currently provide third-party warranty coverage on homes where required by Federal Housing Administration (“FHA”) or Veterans Administration (“VA”) regulations. From time to time, we evaluate our warranty offerings, including third-party warranty coverage, taking into account market changes and regulatory requirements.

Sales and Marketing

We are committed to continuously enhancing our customer experience, including how we target and attract our consumers. Our marketing program calls for a balanced approach of corporate support and local expertise to attract potential homebuyers in a focused, efficient and cost-effective manner. Our corporate sales and marketing team provides a centralized marketing framework across our regional operations as well as operational sales strategy and training among our local teams. Our divisional marketing teams utilize corporate supplied messaging that is localized for relevance to our consumer groups in each market. Our advertising and digital media strategy is managed centrally but allows for division variance by size of division, cost of media, inventory count, number of community openings, seasonality, and a variety of other factors.

Our goal is to identify the preferences of our customers and demographic groups and offer them innovative, well-designed homes that are efficient and profitable to build. We strive to maintain product and price level differentiation through continual market and customer research. We also use key indicators of market specific supply and demand characteristics to determine preferences of our customer base and to perform an optimal matching of consumer groups, product and community design, and specific location.

The central element of our marketing platform is our web presence at www.taylormorrison.com (none of the information on or accessible through this website is a part of this Annual Report). In 2021, we continued to evolve our full suite of online tools to further enhance our online customer experience. While many of these new online products were already contemplated in our digital roadmap, the global pandemic and spread of COVID-19 accelerated our implementation in 2020. In 2021, experiential e-commerce became essential to all companies that are selling online. We enhanced our interactive, experiential and highly tailored pathways to buy a home completely online and we believe our customers are adapting well to this new way of home shopping. In 2021, we conducted two rounds of qualitative and quantitative consumer research with a third-party research firm to further refine our tools. These tools include 1) a state-of-the-art customized chatbot to help provide information, engage the shopper and capture the lead; 2) online appointments to help customers schedule an appointment with ease and speed; 3) self-guided tours to allow customers to tour our homes privately, safely and outside of normal business hours; and 4) online home reservations that allow shoppers to reserve a home online. In 2021, we debuted our Venture communities where shoppers seamlessly continue their online shopping experience by visiting one of our model homes via a self-guided, in-person tour. These tools have proved to be instrumental to our online/virtual sales success in 2021 and beyond. Customers may also use the website to make inquiries and to receive a prompt response from one of our “Internet Home Consultants.” This platform was centralized in recent years, providing coverage for all divisions seven days a week—improving our customers’ experience and developing consistency across the country. The website is fully integrated with our customer relationship management (“CRM”) and lead scoring system. By analyzing the content of the CRM, we are able to focus our lead generation programs to deliver high-quality sales leads. With these leads we are better able to increase sale conversion rates and lower marketing costs. We believe the digital marketing strategy for our websites, which is continually reviewed and refined, provides high return on our investments. The synergies and enhanced performance realized from our Internet Sales Program throughout 2021 have positioned us to move to the next phase of our online sales strategy integrating our suite of online sales tools and resources allowing us to offer our customers a complete online sales solution.

We selectively utilize traditional advertising such as print, directional marketing, newspapers, billboards and radio at the local level. We also directly notify local real estate agents and firms of new community openings in order to benefit from existing real estate agent/broker channels in each market. Pricing for our homes is evaluated weekly based on an analysis of market conditions, competitive environment and supply and demand characteristics.

We use furnished model homes as a marketing tool to demonstrate the advantages of the designs, features and functionality of our homes and to enhance visitor experience. Depending upon the number of homes to be built in the project and the product lines to be offered, we generally build between one and three model homes for each active selling community. In 2021, we launched a national model home program standard known as Portrait, aligned with a select group of design firms. These firms will implement our Taylor Morrison standards based on a defined blueprint implementing national programs, such as Canvas, into our model homes with defined costs, pricing, predictable delivery time frames, integrated marketing programs and a model store front that conveys the customer preferences we have identified. Our Canvas design package program was launched nationally 2021. This includes our curated design packages which are created based on consumer preference, take rate analytics and product procurement availability. This standardized approach not only allows us to create more predictable results, but also time synergies, cost benefits and support of our digital online sales strategy. Furthermore, the debut of our new Venture communities brings together our online tools along with our Portrait and Canvas programs providing a next-level digital home buying platform that offers the customer real-person guidance, when needed, and independence in the home shopping experience. Customers can experience our communities and model homes at their convenience without being physically accompanied by a sales person, with support through integrated technology throughout the model home experience. From a sales operations perspective, our focus on business simplification is paramount engaging data to refine our strategic selling strategy. Operational efficiencies have included standardized processes, disciplined strategic activities and also execution of national programs.

Our homes are sold by our commissioned team members who work from sales offices generally located within our model homes. Our goal is to ensure our sales force has extensive knowledge of our homes, including our energy efficient features, sales strategies, mortgage options and community dynamics. To achieve this goal, we have on-going training for our sales team and conduct regular meetings to keep them abreast of the latest promotions, options and sales techniques and geographic competition. Our sales team members are licensed real estate agents where required by law and assist our customers in adding design features to their homes, which we believe appeal to local consumer preferences. Third-party brokers who sell our homes are generally paid a sales commission based on the price of the home. In some of our divisions, we contract with third-party design studios that specialize in assisting our homebuyers with options and upgrades to personalize their homes. Utilizing these third-party design studios allows us to manage our overhead and costs more efficiently. We may also offer various sales incentives, including price concessions, assistance with closing costs, and landscaping or interior upgrades. The use, types and amount of incentives depends largely on existing economic and local competitive market conditions. The consumer demand for online sales tools and the evolution of the digital homebuying experiences has engaged synergies among our internal and external commission programs.

Competition

We operate in a very competitive environment with competition from a number of other homebuilders in each of our markets. We compete with large national and regional homebuilding companies and with smaller local homebuilders for land, financing and related services, raw materials, skilled management, volume discounts and local realtor and labor resources. We also compete with the resale, or “previously owned,” home market, as well as other housing alternatives such as the rental housing market.

In order to maximize our sales volumes, profitability and product strategy, we strive to understand our competition and their pricing, product and sales volume strategies and results. Competition among residential homebuilders of all sizes is based on a number of interrelated factors, including location, reputation, amenities, floor plans, design, quality and price. We believe that we compare favorably to other homebuilders in the markets in which we operate.

Seasonality

Our business is seasonal. We have historically experienced, and expect to continue to experience, variability in our results on a quarterly basis. We may have a varying amount of homes under construction, home closings, revenues and operating income from quarter to quarter. Our results may fluctuate significantly on a quarterly basis, and we must maintain sufficient liquidity to meet short-term operating requirements. Factors expected to contribute to these fluctuations include, but are not limited to:

- the timing of the introduction and start of construction of new projects;

- the timing of sales;
- the timing of closings of homes, lots and parcels;
- the timing of receipt of regulatory approvals for development and construction;
- the condition of the real estate market and general economic conditions in the areas in which we operate;
- mix of homes closed;
- construction timetables;
- the cost and availability of materials and labor; and
- weather conditions in the markets in which we build.

As a result of seasonal activity, our quarterly results of operations and financial position are not necessarily representative of a full fiscal year. To illustrate the seasonality in net homes sold, homes closed and home closings revenue, a summary of the quarterly financial data follows:

	Three Months Ended,							
	2021				2020			
	March 31	June 30	September 30	December 31	March 31	June 30	September 30	December 31
Net homes sold	31%	24%	23%	22%	23%	23%	29%	25%
Home closings revenue	19%	23%	25%	33%	22%	25%	28%	25%
Income before income taxes ⁽¹⁾	15%	19%	26%	40%	(9)%	26%	46%	37%
Net income ⁽¹⁾	15%	19%	25%	41%	(12)%	27%	46%	39%

⁽¹⁾ 2020 includes the impacts of one-time costs relating to the acquisition of William Lyon Homes (“WLH”). The three months ended March 31, 2020 was materially impacted by such costs as the acquisition was completed during that quarter.

Financial Services

TMHF provides a number of finance-related services to our customers through our mortgage lending operations. The strategic purpose of TMHF is:

- to utilize mortgage finance as a sales tool in the home sale process to ensure a consistent customer experience and assist in maintaining home production efficiency; and
- to control and analyze our sales order backlog quality and to manage projected home closing and delivery dates for our customers.

TMHF operates as an independent mortgage banker and conducts its business as a FHA Full Eagle lender. TMHF funds mortgage loans utilizing warehouse credit facilities. Revenue is earned through origination and processing fees combined with service release premiums earned in the secondary market once the loans are sold to investors. Typically, loans are sold and servicing is released within 15-20 business days.

TMHF competes with other mortgage lenders, including national, regional and local mortgage bankers and other financial institutions. TMHF utilizes a multi-investor correspondent platform which gives us increased flexibility when placing loans to meet our customers’ needs. TMHF has continued to expand and strengthen our correspondent relationships. This has created stability and consistency in our origination process and delivery.

Inspired Title operates as a title insurance agent providing title and escrow services. Inspired Title searches and examines land title records, prepares title commitments and policies for acquired land and homebuyers in our Florida, Georgia, North Carolina, South Carolina, Arizona, Nevada, Colorado and Texas markets, contracting with agents in other markets where title insurance underwriters and attorneys perform the escrow closing functions. Inspired Title competes against other title underwriters and title/escrow agents that provide similar services.

TMIS operates as an insurance agency utilizing third-party carriers that specialize in homeowner's insurance for new homes and offers other insurance products such as auto, flood and universal for homebuyers in all of our markets. TMIS competes against other insurance agencies that provide similar services.

Regulation, Environmental, Health and Safety Matters

Regulatory

We are subject to various local, state and federal statutes, ordinances, rules and regulations concerning zoning, building design, construction and similar matters, including local regulations that impose restrictive zoning and density requirements in order to limit the number of homes that can eventually be built within the boundaries of a particular property or locality. In a number of our markets, there has been an increase in state and local legislation requiring the dedication of land as natural space. In addition, we are subject to various licensing, registration and filing requirements in connection with the construction, advertisement and sale of homes in our communities. The impact of these laws has increased our overall costs, and may delay the opening of communities or cause us to conclude that development of particular communities would not be economically feasible, even if any or all necessary governmental approvals are obtained. We also may be subject to periodic delays or may be precluded entirely from developing communities due to building moratoriums in one or more of the areas in which we operate. Generally, such moratoriums relate to insufficient water, power, drainage or sewage facilities or inadequate road capacity.

In order to secure certain approvals in some areas, we may be required to provide affordable housing at below market sales prices. In addition, local and state governments have broad discretion regarding the imposition of development fees for projects under their jurisdictions, as well as requiring concessions or that the builder construct certain improvements to public places such as parks and streets or fund schools. The impact of these requirements on us depends on how the various state and local governments in the areas in which we engage, or intend to engage, in development implement their programs. To date, these restrictions have not had a material impact on us.

TMHF is subject to various state and federal statutes, rules and regulations, including those that relate to licensing, lending operations and other areas of mortgage origination and financing. The impact of those statutes, rules and regulations can increase our homebuyers' cost of financing, increase our cost of doing business, as well as restrict our homebuyers' access to some types of loans. The title and settlement services provided by Inspired Title are subject to various regulations, including regulation by state banking and insurance regulators.

In order for our homebuyers to finance their home purchases with FHA-insured, VA-guaranteed or U.S. Department of Agriculture-guaranteed mortgages, we are required to build such homes in accordance with the regulatory requirements of those agencies.

Some states have statutory disclosure requirements or other pre-approval requirements or limitations governing the marketing and sale of new homes. These requirements vary widely from state to state. Some states require us to be registered as a licensed contractor, a licensed real estate broker and in some markets our sales agents are additionally required to be registered as licensed real estate agents.

Environmental

We also are subject to a variety of local, state and federal statutes, ordinances, rules and regulations concerning protection of public health and the environment (collectively, "environmental laws"). For example, environmental laws may affect: how we manage stormwater runoff, wastewater discharges, and dust; how we develop or operate on properties on or affecting resources such as wetlands, endangered species, cultural resources, or areas subject to preservation laws; and how we address contamination. The particular environmental laws that apply to any given community vary greatly according to the location and environmental characteristics of the site and its present and former uses. Complying with these environmental laws may result in delays, may cause us to incur substantial compliance and other costs, and/or may prohibit or severely restrict development in certain environmentally sensitive regions or areas. Noncompliance with environmental laws could result in fines and penalties, obligations to remediate, permit revocation, and other sanctions; and contamination or other environmental conditions at or in the vicinity of our developments could result in claims against us for personal injury, property damage, or other losses.

We manage compliance with environmental laws at the division level with assistance from the corporate and regional legal departments. As part of the land acquisition due diligence process, we utilize environmental assessments to identify environmental conditions that may exist on potential acquisition properties. To date, environmental site assessments conducted at our properties have not revealed any environmental liability or compliance concerns that we believe would have a material adverse effect on our business, liquidity or results of operations, nor are we aware of any material environmental liability or concerns.

In addition, we believe we have the responsibility of creating communities and neighborhoods which will have long-lasting, positive impacts on their environments and the people who live in them. As such, we are committed to integrating sustainable values into all aspects of our business. This commitment to sustainability, our communities and our team is highlighted in our latest Environmental, Social and Governance (ESG) Report available on our website.

Health and Safety

We are committed to maintaining high standards in health and safety at all of our sites. We have a health and safety audit system that includes comprehensive twice-yearly independent third-party inspections of selected sites covering all aspects of health and safety. Key areas of focus are on site conditions meeting exacting health and safety standards, and on subcontractor performance throughout our operating areas meeting or exceeding expectations. All of our team members must complete an assigned curriculum of online safety courses each year. These courses vary according to job responsibility. In addition, groups such as construction and field personnel are required to attend additional health and safety related training programs. As a result of the COVID-19 virus, we have taken additional health and safety precautions which are described below in *Human Capital Resources*.

Information Technology

We have a centralized information technology organization with its core team located at our corporate headquarters in Scottsdale, Arizona, augmented with field support technicians in key locations across the U.S. Our approach to information technology is to continuously simplify our information technology platform and consolidate and standardize applications. We believe a common application platform enables the sharing of ideas and rapid implementation of process improvements and best practices across the entire company. Our back-office operations use a fully integrated, industry recognized enterprise resource planning package. Marketing and field sales utilize a leading CRM solution that tracks leads and prospects from all sources and manages the customer communication process from lead creation through the buying process and beyond the post-warranty period. Field operations teams collaborate with our supply chain management to schedule and manage development and construction projects with a set of standard and widely used homebuilding industry solutions.

Intellectual Property

We own certain logos and trademarks that are important to our overall branding and sales strategy. Our consumer logos are designed to draw on our recognized homebuilding heritage while emphasizing a customer-centric focus.

Human Capital

As of December 31, 2021, we employed approximately 3,000 full-time equivalent persons. Of these, approximately 2,500 were engaged in corporate and homebuilding operations, and the remaining approximately 500 were engaged in financial services. As of December 31, 2021, none of our employees were covered by collective bargaining agreements. We act solely as a general contractor, and all construction operations are supervised by our project managers and field superintendents who manage third party subcontractors. We use independent consultants and contractors for some architectural, engineering, advertising and legal services, and we strive to maintain good relationships with our subcontractors and independent consultants and contractors.

The people who work for our company are our most valuable resources and are critical to our continued success and execution of our strategies. Our People Services team focuses on attracting, promoting and retaining qualified employees with the expertise needed to manage and support our operations. Our top division and regional leaders average over

seven years of tenure with us. In addition, our executive leadership who are responsible for setting our overall strategy average approximately 14 years with us, and many of them have worked their entire careers in the homebuilding industry.

To attract and retain top talent in our industry, we offer our employees a broad range of company-paid benefits and highly competitive compensation packages. Our employees are eligible for medical, dental and vision insurance, a savings/retirement plan, life and disability insurance, various wellness programs and tuition reimbursement, along with other optional benefits designed to meet individual needs. We engage third party compensation and benefits consulting firms to evaluate our programs and benchmark them against our peers. We believe it is essential to provide opportunities for growth and development to recruit top talent in the labor environment. We offer over 5,000 online courses through our learning system, as well as various leadership programs designed for those in different stages of their leadership journey.

We believe in recognizing and promoting future leaders from within our organization and making diversity, equity, and inclusion (“DEI”) an ongoing important priority. We provide courses which focus on adherence to company policies on DEI, and our leadership team hosts town hall meetings within the organization to ensure employees have a voice, awareness, and commitment to DEI. In addition, we have established subcommittees consisting of diverse team members who meet quarterly to help inform our National DEI Committee’s agenda, as well as our overall DEI strategy. Our leadership team is committed to creating a collaborative and inclusive work environment and continues to develop initiatives, policies and procedures to foster greater DEI. At December 31, 2021, our workforce consisted of approximately 46% females and of these 19% were in managerial roles. The Company has and will continue to demonstrate that there is an open door and a path to leadership for all team members at any level of our company. Accordingly, we are proud to have been included for the fourth consecutive year as one of only 418 companies, and the only U.S. homebuilder, on the 2022 Bloomberg Gender-Equality Index (GEI), fostering greater transparency and an inclusive work environment in a traditionally male-dominated industry.

The safety of our employees, customers, and third party vendors is one of management’s top priorities. Since the onset of the COVID-19 pandemic, our leadership team has utilized a COVID Task Force which continues to meet regularly to discuss, among other things, recent infection and related trends and the latest Center for Disease Control recommendations. The Task Force determines the appropriate protocols and procedures to maintain health and safety within the organization and with our customers and trade partners. We continue to review and adjust our protocols and procedures to ensure the safety of all parties as well as to ensure all of our locations are operating within applicable local, state, and national guidelines and mandates.

ITEM 1A. RISK FACTORS

Risks related to the ongoing COVID-19 pandemic

The ongoing COVID-19 global pandemic could adversely affect our business, operating results, cash flows and financial conditions to an extent that is difficult to predict.

The ongoing COVID-19 pandemic continues to adversely impact global commercial activity and has contributed to significant economic, financial, and other disruptions. The pandemic has also exacerbated many of the other risks discussed in this “Risk Factors” section.

In 2021, the global economy, with certain setbacks, began reopening, and wider distribution of vaccines has encouraged greater economic activity. However, wide disparities in vaccination rates and continued vaccine hesitancy, combined with the emergence of COVID-19 variants and surges in COVID-19 cases, could trigger the reinstatement of restrictions, including mandatory business shut-downs, travel restrictions, reduced business operations and social distancing requirements, which could dampen or delay any economic recovery and could materially and adversely affect our results and financial condition. In addition, the COVID-19 pandemic continues to disrupt global supply chains, has caused labor shortages and has added broad inflationary pressures.

The ongoing COVID-19 pandemic has adversely affected economies and financial markets across the globe. Although our operations were strong during fiscal 2021, the extent to which the COVID-19 pandemic will affect our business, financial condition, results of operations, liquidity and prospects in the future remains uncertain and will depend on future developments, including the duration and intensity of the pandemic, the emergence of new variants of the virus, the acceptance of vaccines, the duration of government measures to mitigate the pandemic and how quickly and to what extent normal economic and operating conditions can resume, all of which are uncertain and difficult to predict. The scale and scope of the ongoing pandemic could heighten the potential adverse effects of the risk factors discussed in this section, including the following factors:

- A decrease in consumer confidence generally and the confidence of potential homebuyers in particular,
- Unfavorable general and local economic conditions for our customers, the markets in which we operate and the homebuilding industry generally, including a slowdown or severe downturn in the housing market,
- Potential delays in home closings or higher rates of cancellations,
- A disruption to our financial services businesses, including our ability to sell and service the mortgages that we originate, as a result of evolving government regulation, liquidity concerns or otherwise,
- Increased costs associated with compliance with substantial government regulation, including new laws or regulations or changes in existing laws or regulations, such as the classification of residential construction as “essential” business in the markets in which we operate and any changes to such classification, which laws or regulations may vary significantly by jurisdiction,
- Economic and market conditions affecting the value of our land inventory or our option contracts or our investments in unconsolidated entities,
- An increase in unemployment levels leading to a potential decrease in demand for our homes and/or an increase in the number of loan delinquencies and property repossessions,
- Increase in the cost or availability of building materials, particularly lumber, or the availability of subcontractors, vendors or other third parties,
- Demand from foreign buyers for our homes, particularly due to the widespread impact of the COVID-19 pandemic,
- Fluctuations in equity market prices, interest rates and credit spreads limiting our ability to raise or deploy capital and affecting our overall liquidity, and
- Cyberattacks or other privacy or data security incidents due to the increased use of remote work environments and virtual platforms.

Additionally, we may encounter delays in responsiveness by governments, municipalities, and other third parties in other matters arising in the ordinary course of business due to their prioritization of matters relating to COVID-19 and potential staffing shortages, including but not limited to the timely issuance of building permits, inspections, and entitlement approvals.

Risks related to our industry, business and economic conditions

Our business is cyclical and is significantly affected by changes in general and local economic conditions.

Our business can be substantially affected by adverse changes in general economic or business conditions that are outside of our control, including changes in:

- short- and long-term interest rates;
- inflation;
- housing affordability;
- the availability and cost of financing for homebuyers;
- federal and state income and real estate tax laws, including limitations on, or the elimination of, the deduction of mortgage interest or property tax payments;
- employment levels, job and personal income growth and household debt-to-income levels;
- consumer confidence generally and the confidence of potential homebuyers in particular;
- the ability of homeowners to sell their existing homes at acceptable prices;
- the U.S. and global financial systems and credit markets, including stock market and credit market volatility;
- inclement weather and natural disasters, including risks associated with global climate change, such as increased frequency or intensity of adverse weather events;
- civil unrest, acts of terrorism, other acts of violence, threats to national security or a public health issue such as COVID-19 or other major epidemic or pandemic;
- mortgage financing programs and regulation of lending practices;
- housing demand from population growth, household formations and demographic changes (including immigration levels and trends or other costs of home ownership in urban and suburban migration);
- demand from foreign buyers for our homes;
- the supply of available new or existing homes and other housing alternatives;
- increase in the cost or availability of building materials or the availability of subcontractors, vendors or other third parties,
- energy prices; and
- the supply of developable land in our markets and in the United States generally.

Adverse changes in these conditions may affect our business nationally or may be more prevalent or concentrated in particular regions or localities in which we operate, which effects may be magnified where we have significant operations. Additionally, governmental action and legislation related to economic stimulus, taxation, tariffs, spending levels and borrowing limits, immigration, as well as political debate, conflicts and compromises related to such actions, may negatively impact the financial markets and consumer confidence and spending, which could adversely impact the U.S. economy and the housing market. Any deterioration or significant uncertainty in economic or political conditions could have a material adverse effect on our business.

These adverse changes in economic and other conditions can cause demand and prices for our homes to diminish or cause us to take longer to build our homes and make it more costly for us to do so. We may not be able to recover these increased costs by raising prices because of weak market conditions and because the price of each home we sell is

usually set several months before the home is delivered, as many customers sign their home purchase contracts before construction begins. The potential difficulties described above could impact our customers' ability to obtain suitable financing and cause some homebuyers to cancel or refuse to honor their home purchase contracts altogether.

A slowdown or severe downturn in the housing market could have additional adverse effects on our operating results and financial condition.

During periods of industry downturn, housing markets across the United States may experience an oversupply of both new and resale home inventory, an increase in foreclosures, reduced levels of consumer demand for new homes, increased cancellation rates, aggressive price competition among homebuilders and increased incentives for home sales. The most recent significant industry downturn that began in 2008 materially and adversely impacted those in the homebuilding industry, including us. In the event of a significant downturn, we may experience a material reduction in revenues, margins, and cash flow. We cannot predict the trajectory of the U.S. housing market. Some housing markets and submarkets have been stronger than others, and there continue to be macroeconomic fluctuations and variability in operating trends, which may be significant and unfavorable.

If homebuyers are not able to obtain suitable financing, our sales may decline.

A substantial majority of our homebuyers finance their home purchases through lenders that provide mortgage financing. The availability of mortgage credit may fluctuate due to various factors, including regulatory changes, that may cause a more conservative risk tolerance by lenders resulting in increased levels of scrutiny of a borrower's ability to repay. This includes those mortgages meeting the requirements of the Qualified Mortgage Definition under the Truth-In-Lending Act (Regulation Z). Investors are generally more affected by the availability of financing than other potential homebuyers. A limited availability of home mortgage financing may adversely affect the volume of our home sales and the sales prices we achieve. It could also prevent or limit our ability to attract new customers or our existing customers' ability to resell their homes. While we typically do not write contracts to purchase contingent upon a customer's sale of their existing home, our sales contracts do include a financing contingency that permits the customer to terminate their contract in the event they have applied for financing with the Affiliated Lender (builder's approved lender) in accordance with the terms of the purchase agreement and are unable to qualify.

The liquidity provided by government sponsored entities, such as Fannie Mae and Freddie Mac, as well as Ginnie Mae, the FHA and the VA, to the mortgage industry has been very important to the housing market. If Fannie Mae and Freddie Mac were dissolved, or if the federal government tightened their borrowing standards or determined to stop providing liquidity support to the mortgage market (including due to any failure of lawmakers to agree on a budget or appropriation legislation to fund relevant programs or operations), there would be a reduction in the availability of the financing provided by these institutions. Any such reduction would likely have an adverse effect on interest rates, mortgage availability and our sales of new homes.

FHA-insured mortgage loans generally have lower down-payment requirements and qualification standards compared to conventional guidelines and, as a result, the FHA continues to be a particularly important source for financing the sale of our homes. Lenders have taken and may continue to take a more conservative view of FHA guidelines causing significant tightening of borrower eligibility for approval. Under President Trump, FHA-insured loans did not receive a previously scheduled 0.25% reduction on mortgage insurance premiums initiated by the Obama Administration.

In each of our markets, decreases in the availability of credit and increases in the cost of credit adversely affect the ability of homebuyers to obtain or service mortgage debt. Even if potential homebuyers do not themselves need mortgage financing (e.g., potential homebuyers financing their home purchase via a sale of their existing home), increases in mortgage costs, lack of availability of mortgages and/or regulatory changes could prevent the buyers of our potential homebuyers' existing homes from obtaining a mortgage, which would result in our potential homebuyers' inability to buy a new home from us. Similar risks apply to those buyers who are awaiting delivery of their homes and are currently in backlog. If our customers (or potential buyers of our customers' existing homes) cannot obtain financing, our sales and results of operations could be adversely affected.

Increases in interest rates, taxes (or changes in deductibility) or government fees could prevent potential customers from buying our homes and adversely affect our business or financial results.

Increases in interest rates as a result of changes to monetary policy could significantly increase the costs of owning a home or result in existing homeowners with low interest rates choosing to remain in their current homes rather than purchase a new home in a higher interest rate environment. This, in turn, could adversely impact demand for, and sales prices of, homes and the ability of potential customers to obtain financing and adversely affect our business, financial condition and operating results. Interest rates have been at historic lows for the last several years, which has made the homes we sell more affordable. During 2020 and 2021, the Federal Reserve took several steps to protect the economy from the impact of COVID-19, including reducing interest rates to new historic lows. However, in early 2022, in light of increasing signs of inflation, the Federal Reserve indicated that it foresees up to a three quarter-percentage point increase in its benchmark interest rate in 2022, beginning as early as March 2022, and any such increases could adversely affect our business.

Significant expenses of owning a home, including mortgage interest and real estate taxes, have historically been deductible expenses for an individual's U.S. federal and, in some cases, state income taxes, subject to various limitations. The Tax Cuts and Jobs Act (the "Tax Act"), which was enacted in December 2017, imposed significant limitations with respect to these historical income tax deductions. The impact of the Tax Act or further loss or reduction of these homeowner tax deductions without any offsetting legislation may result in an increase in the total after-tax cost of home ownership and make the purchase of a home less attractive to buyers. This could adversely impact demand for and sales prices of new homes, including ours, particularly in states with higher state income taxes or home prices, such as California.

Additionally, increases in property tax rates by local governmental authorities can adversely affect the ability of potential customers to obtain financing or their desire to purchase new homes. Fees imposed on developers to fund schools, open spaces, road improvements and/or provide low and moderate income housing, could increase our costs and have an adverse effect on our operations. In addition, increases in sales taxes could adversely affect our potential customers who may consider those costs in determining whether or not to make a new home purchase, potentially reducing our customer base and reducing sales revenue.

If we experience shortages in labor supply, increased labor costs or labor disruptions, there could be delays or increased costs in developing our communities or building homes, which could adversely affect our operating results.

We require a qualified labor force to develop our communities and build our homes. Access to qualified labor may be affected by circumstances beyond our control, including work stoppages, changes in laws relating to union organizing activity and increases in subcontractor and professional services costs.

Labor shortages can be further exacerbated as demand for housing increases. Any of these circumstances could give rise to delays and increased costs developing one or more of our communities and building homes. In addition, the vast majority of our work carried out on site is performed by subcontractors. In the past, reduced levels of homebuilding in the United States has led to some skilled tradesmen leaving the industry to take jobs in other sectors. For example, during 2021 we experienced numerous, generally widespread, supply chain disruptions, including labor shortages. If subcontractors are not able to recruit sufficient numbers of skilled employees, including as a result of employee illness, quarantine, unwillingness to return to work or vaccine and/or testing mandates related to the ongoing COVID-19 pandemic, our development and construction activities may suffer from delays and quality issues, which would also lead to reduced levels of customer satisfaction. Further, the cost of labor may also be adversely affected by inflation and changes in immigration laws and trends in labor migration. We may not be able to recover increased costs by raising our home prices because the price for each home is typically set months prior to its delivery pursuant to sales contracts with our homebuyers. In such circumstances, our operating results could be adversely affected. Additionally, market and competitive forces may also limit our ability to raise the sales prices of our homes.

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

Our backlog represents sales contracts with our homebuyers for homes that have not yet been delivered. We have received a deposit from a homebuyer for each home reflected in our backlog and, generally, we have the right, subject to

certain exceptions, to retain the deposit if the homebuyer fails to comply with his or her obligations under the sales contract, including as a result of state and local law, the homebuyer's inability to sell his or her current home or the homebuyer's inability to make additional deposits required prior to the closing date. In some situations, however, a homebuyer may cancel the agreement of sale and receive a complete or partial refund of the deposit.

If, for example, prices for new homes decline, competitors increase their use of sales incentives, interest rates increase, the availability of mortgage financing diminishes, current homeowners find it difficult to sell their current homes, homebuyers are concerned about rising inflation, or there is a downturn in local or regional economies or in the national economy, U.S. homebuyers may choose to terminate their existing home purchase contracts with us in order to negotiate for a lower price or because they cannot, or will not, complete the purchase and our remedies generally do not extend beyond the retention of deposits as our liquidated damages.

In cases of cancellation, we remarket the home and retain any deposits we are permitted to retain. Nevertheless, the deposits may not cover the additional costs involved in remarketing the home, replacing or modifying installed options, reducing the sales price or increasing incentives on the completed home for greater marketability and carrying higher inventory. Further, depending on the stage of cancellation, a contract that is cancelled at the end of a phase may cause additional costs for the out of sequence construction or modification of the particular home. Significant numbers of cancellations could adversely affect our business, financial condition and results of operations.

The homebuilding and mortgage and title services industries are highly competitive and if our competitors are more successful or offer better value to our customers, our business could decline.

We operate in a very competitive environment with competition from a number of other homebuilders in each of our markets. We compete with large national and regional homebuilding companies and with smaller local homebuilders for land, financing and related services, raw materials, skilled management, volume discounts, local realtor and labor resources. We also compete with the resale, or "previously owned," home market, as well as other housing alternatives such as the rental housing market. Additionally, some of our competitors have longstanding relationships with subcontractors and suppliers in markets in which we operate and others may have greater financial resources or lower costs than us. Competitive conditions in the homebuilding industry could make it difficult for us to acquire suitable land at acceptable prices, cause us to increase selling incentives, reduce prices and/or result in an oversupply of homes for sale. These factors have adversely affected demand for our homes and our results of our operations in the past and could do so again in the future.

Additionally, our mortgage and title services businesses compete with other mortgage lenders and title companies, including national, regional and local mortgage banks and other financial institutions, some of which may be subject to fewer government regulations or, in the case of mortgage lenders, may have a greater range of products, greater access to or a lower cost of capital or different lending criteria and may be able to offer more attractive financing to potential customers.

If we are unable to compete effectively in our homebuilding and mortgage and title services markets, our business could decline disproportionately to our competitors, and our results of operations and financial condition could be adversely affected.

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

According to the U.S. Bureau of Labor Statistics ("BLS"), the U.S. unemployment rate was 3.9% as of December 2021, and the labor force participation rate was 61.9% which is 1.5 percentage points lower than in February 2020. While the recent drop in unemployment rate is an encouraging sign, the labor force participation statistics potentially reflect the continuing impact of the COVID-19 pandemic as some workers leave the labor force entirely. In addition, a substantial portion of new jobs created have been relatively low-wage jobs or part-time jobs. People who are not employed, are underemployed, who have left the labor force or are concerned about low wages or the loss of their jobs are less likely to purchase new homes, may be forced to try to sell the homes they own and may face difficulties in making required mortgage payments or qualifying for new mortgage financing. Therefore, any increase in unemployment or underemployment may lead to an increase in the number of loan delinquencies and property repossessions and have an adverse impact on us both by reducing demand for the homes we build and by increasing the supply of homes for sale.

Inflation or deflation could adversely affect our business and financial results.

Inflation can adversely affect us by increasing costs of land, materials and labor. In addition, inflation is often accompanied by higher interest rates, which historically has had a negative impact on housing demand, as well as increasing the interest rates we may need to pay for our own capital financing. In such an environment, we may not be able to raise home prices sufficiently to keep up with the rate of inflation, and our margins could decrease. An oversupply of homes relative to demand and home prices being set several months before homes are delivered may make any price increase difficult or impossible. Efforts by the government to stimulate the economy may increase the risk of significant inflation and its adverse impact on our business or financial results.

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

Furthermore, a material decline in oil and gas prices may increase the risk of significant deflation and its adverse impact on our business or financial results, as the economies of some of the markets in which we operate are impacted by the health of the energy industry.

Our quarterly operating results may fluctuate because of the seasonal nature of our business and other factors.

Our quarterly operating results generally fluctuate by season as a result of a variety of factors such as the timing of home deliveries and land sales, the changing composition and mix of our asset portfolio, and weather-related issues.

Weather-related problems, typically in the fall, late winter and early spring, may delay starts or closings and increase costs and thus reduce profitability. In some cases, we may not be able to recapture increased costs by raising prices. In addition, deliveries may be staggered over different periods of the year and may be concentrated in particular quarters. Our quarterly operating results may fluctuate because of these factors. See Item 1—Business—Seasonality.

Physical impacts of climate change as well as the increased focus by investors and other stakeholders on sustainability issues, could increase our costs, damage our reputation and/or otherwise adversely impact our operations or stock price.

Some of our business is in areas that are particularly vulnerable to the physical impacts of climate change, such as from the increased frequency and severity of storms, flooding, sustained rainfall, wildfires, and drought. For example, winter storms and unseasonably cold weather in Texas, last year left millions in the state without electricity and significantly impacted utility prices in the area. Such severe weather events can delay home construction, increase costs by damaging inventories, reduce the availability of building materials, and negatively impact the demand for new homes in affected areas, as well as slow down or otherwise impair the ability of utilities and local governmental authorities to provide approvals and service to new housing communities. Furthermore, if our insurance does not fully cover our costs and other losses from these events, including those arising out of related business interruptions, our earnings, liquidity, or capital resources could be adversely affected.

Additionally, increasing governmental and societal attention to ESG matters, including expanding mandatory and voluntary reporting, diligence, and disclosure on topics such as climate change, human capital, labor and risk oversight, could expand the nature, scope, and complexity of matters that we are required to control, assess, monitor and report. These factors may alter the environment in which we do business and may increase our ongoing costs of compliance and adversely impact our results of operations, cash flows, and stock price. If we are unable to adequately address such ESG matters or we or our subcontractors fail to comply with all related laws, regulations, policies and expectations, it could negatively impact our reputation and our business results.

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

We are often required to provide performance, payment and completion and warranty/maintenance surety bonds or letters of credit to secure the completion of our construction contracts, development agreements and other arrangements.

We believe we have obtained credit facilities to provide the required volume of such surety bonds and letters of credit for our expected growth in the medium term. However, unexpected growth may require additional facilities. We may also be required to renew or amend our existing facilities. Our ability to obtain additional performance, payment and completion and warranty/maintenance surety bonds and letters of credit primarily depends on our credit rating, capitalization, working capital, past performance, management expertise and certain external factors, including the fluidity of the markets for such bonds. Performance, payment and completion and warranty/maintenance surety bond and letter of credit providers consider these factors in addition to our performance and claims record and provider-specific underwriting standards, which may change from time to time.

If our performance record or our providers' requirements or policies change, if we cannot obtain the necessary renewals or amendments from our lenders, or if the market's capacity to provide performance, payment and completion or warranty/maintenance bonds or letters of credit is not sufficient for any unexpected growth, we could be unable to obtain such bonds or letters of credit from other sources when required, which could have a material adverse effect on our business, financial condition and results of operations.

Homebuilding is subject to home warranty and construction defect claims in the ordinary course of business that can lead to significant costs for us.

As a homebuilder, we are subject to home warranty and construction defect claims arising in the ordinary course of business. Construction defects may occur on projects and developments and may arise a significant period of time after completion. Unexpected expenditures attributable to defects or previously unknown sub-surface conditions arising on a development project may have a material adverse effect on our business, financial condition and operating results.

We maintain products and completed operations excess liability insurance, obtain indemnities and certificates of insurance from subcontractors generally covering claims related to damages resulting from faulty workmanship and materials and maintain warranty and other reserves for the homes we sell based on historical experience in our markets and our judgment of the risks associated with the types of homes built. Although we actively monitor our insurance reserves and coverage, because of the uncertainties inherent to these matters, we cannot provide assurance that our insurance coverage, our subcontractor's indemnity and warranty arrangements and our reserves together will be adequate to address all of our warranty and construction defect claims in the future. We record changes in estimates to pre-existing reserves as needed. For example, we recorded a reserve for construction defect remediation isolated to one specific community in the Central region for the year ended December 31, 2019 and have since adjusted this reserve as necessary. The reserve estimate is based on assumptions, including but not limited to, the number of homes affected, the costs associated with each repair, and the effectiveness of the repairs. Due to the degree of judgment required in making these estimates and the inherent uncertainty in potential outcomes, it is reasonably possible that actual costs could differ from those recorded and such differences could be material, resulting in a change in future estimated reserves. In addition, contractual indemnities with our subcontractors can be difficult to enforce. We may also be responsible for applicable self-insured retentions and some types of claims may not be covered by insurance or may exceed applicable coverage limits. Additionally, the coverage offered by and the availability of products and completed operations excess liability insurance for construction defects is currently limited and costly. This coverage may be further restricted or become more costly in the future.

In California we operate under an Owner Controlled Insurance Plan ("OCIP") for general liability exposures of most subcontractors (excluding consultants), as a result of the inability of subcontractors to procure acceptable insurance coverage to meet our requirements. Under the OCIP, subcontractors are effectively insured by us. We have assigned risk retentions and bid deductions to our subcontractors based on their risk category. These deductions are used to fund future liabilities. The cost of the future liabilities as they are realized could exceed the value of the deductions, which could increase our costs leading to a material adverse effect on our operating results.

Our reliance on subcontractors can expose us to various liability risks.

We rely on subcontractors in order to perform the construction of our homes and, in many cases, to select and obtain raw materials. We are exposed to various risks as a result of our reliance on these subcontractors and their suppliers. The subcontractors we rely on to perform the actual construction of our homes are also subject to a significant and evolving

number of local, state and federal laws and regulations, including laws involving matters that are not within our control. If these subcontractors who construct our homes fail to comply with all applicable laws, we can suffer reputational damage and may be exposed to liability.

These subcontractors are independent from us under normal homebuilding industry practices. We do not have the ability to control what these independent subcontractors pay or the work rules they impose on their employees. However, various federal and state governmental agencies have sought, and may in the future seek, to hold contracting parties like us responsible for our subcontractors' violations of wage and hour laws, or workers' compensation, collective bargaining and/or other employment-related obligations related to subcontractors' workforces. Governmental agency determinations or attempts by others to make us responsible for our subcontractors' labor practices or obligations could create substantial adverse exposure for us in situations that are not within our control and could be material to our business, financial condition and results of operations.

Failure to manage land acquisitions, inventory and development and construction processes could result in significant cost overruns or errors in valuing sites.

We own and purchase a large number of sites each year and are therefore dependent on our ability to process a very large number of transactions and make a number of budgetary assumptions which include, among other things, evaluating the site purchase, designing the layout of the development, sourcing materials and subcontractors and managing contractual commitments efficiently and accurately. If we do not manage this process efficiently or our estimates for development costs are not accurate, it could result in the community not generating the returns we expected when underwriting the project and acquiring the property.

In addition, we incur many costs even before we begin to build homes in a community. Depending on the stage of development of a land parcel when we acquire it, these may include: costs of preparing land, finishing and entitling lots, installing roads, sewers, water systems and other utilities, taxes and other costs related to ownership of the land on which we plan to build homes; constructing model homes; and promotional and marketing expenses to prepare for the opening of a new home community for sales. Moreover, local municipalities may impose development-related requirements resulting in additional costs. If the rate at which we sell and deliver homes slows or falls, or if our opening of new home communities for sale is delayed, we may incur additional costs, which would adversely affect our gross profit margins and will lead to a longer period of time for us to recover our costs, including those we incurred in acquiring and developing land.

In certain circumstances, a grant of entitlements or development agreement with respect to a particular parcel of land may include restrictions on the transfer of such entitlements to a buyer of such land, which may increase our exposure to decreases in the price of such entitled land by restricting our ability to sell it for its full entitled value. In addition, inventory carrying costs can be significant and can result in reduced margins or losses in a poorly performing community or market. Further, if we were required to record a significant inventory impairment, it could negatively affect our reported earnings per share and negatively impact the market perception of our business.

If land and lots are not available at competitive prices, our sales and results of operations could be adversely affected.

Our long-term profitability depends in large part on the price at which we are able to obtain suitable land and lots for the development of our communities. Increases in the price (or decreases in the availability) of suitable land and lots could adversely affect our profitability. Moreover, changes in the general availability of desirable land, geographical or topographical constraints, competition for available land and lots, limited availability of financing to acquire land and lots, zoning regulations that limit housing density, environmental requirements and other market conditions may hurt our ability to obtain land and lots for new communities at prices that will allow us to be profitable. If the supply of land and lots that are appropriate for development of our communities becomes more limited because of these or any other reason, the cost of land and lots could increase and the number of homes that we are able to build and sell could be reduced, which could adversely affect our results of operations and financial condition.

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

The market value of our land and housing inventories depends on market conditions. We acquire land for expansion into new markets and for replacement of land inventory and expansion within our current markets, and there is often a significant lag time between when we acquire land for development and when we sell homes in our communities. This risk is exacerbated particularly with undeveloped and/or unentitled land.

There is an inherent risk that the value of the land owned by us may decline after purchase. The valuation of property is inherently subjective and based on the individual characteristics of each property. We may have acquired options on or bought and developed land at a cost we will not be able to recover fully or on which we cannot build and sell homes profitably. In addition, our deposits for lots controlled under option or similar contracts may be put at risk, and depressed land values may cause us to abandon and forfeit deposits on land option contracts and other similar contracts if we cannot satisfactorily renegotiate the purchase price of the subject land. Moreover, all valuations are made on the basis of assumptions that may not prove to reflect economic or demographic reality. If housing demand decreases below what we anticipated when we acquired our inventory, our profitability may be adversely affected and we may not be able to recover our costs when we build and sell houses. In addition, we may incur charges against our earnings for inventory impairments if the value of our owned inventory, including land we decide to sell, is reduced or for land option contract abandonments if we choose not to exercise land option contracts or other similar contracts, and these charges may be substantial.

We may not be able to use certain deferred tax assets, which may result in our having to pay substantial taxes.

We have significant deferred tax assets, including net operating losses that could be used to offset earnings and reduce the amount of taxes we are required to pay. Our ability to use our net operating losses is dependent on a number of factors, including applicable rules relating to the permitted carry back period for offsetting certain net operating losses against prior period earnings and the timing and amount of future taxable income. If we are unable to use our net operating losses, we may have to record charges to reduce our deferred tax assets, which could have an adverse effect on our results of operations.

Raw materials and building supply shortages and price fluctuations could delay or increase the cost of home construction and adversely affect our operating results.

The homebuilding industry has, from time to time, experienced raw material shortages and been adversely affected by volatility in global commodity prices. During 2021, we experienced numerous, generally widespread, supply chain disruptions, including labor shortages. These shortages and interruptions resulted in significant cost inflation and negatively impacted the timing of our closings and the pace of our sales as we intentionally metered sales to better manage these supply chain disruptions and challenges. In particular, shortages and fluctuations in the price of concrete, drywall, lumber or other important raw materials could result in delays in the start or completion of, or increase the cost of, developing one or more of our residential communities. Our lumber needs are particularly sensitive to shortages and related cost increases. In addition, the cost of petroleum products, which are used both to deliver our materials and to transport workers to our job sites, fluctuates and may be subject to increased volatility as a result of geopolitical events, catastrophic storms, other severe weather or significant environmental accidents. Environmental laws and regulations may also have a negative impact on the availability and price of certain raw materials such as lumber and concrete. Additionally, pricing for raw materials may be affected by various other national, regional and local economic and political factors. For example, in recent years the federal government has imposed new or increased tariffs or duties on an array of imported materials and goods that are used in connection with the construction and delivery of our homes, including steel, aluminum and lumber, raising our costs for these items (or products made with them). Such government imposed tariffs and trade regulations on imported building supplies may in the future have significant impacts on the cost to construct our homes, including by causing disruptions or shortages in our supply chain and/or negatively impacting the U.S. regional or local economies. Additionally, we may be unable to pass increases in construction costs on to our customers who may have already entered into purchase contracts.

We have significant operations in certain geographic areas, which subjects us to an increased risk of lost revenue or decreases in the market value of our land and homes in these regions from factors which may affect any of these regions.

We currently operate in several states with a concentration in the Western United States and a significant presence in California. Negative factors affecting one or a number of the geographic regions at the same time could result in a relatively greater impact on our results of operations than they might have on other companies that have a more diversified portfolio of operations. To the extent that regions in which our business is concentrated are impacted by an adverse event, we could be disproportionately affected compared to companies whose operations are less geographically concentrated.

We participate in certain unconsolidated joint ventures, including those in which we do not have a controlling interest, where we may be adversely impacted by the failure of the unconsolidated joint venture or the other partners in the unconsolidated joint venture to fulfill their obligations.

We have investments in and commitments to certain unconsolidated joint ventures with related and unrelated strategic partners to acquire and develop land and, in some cases, build and deliver homes. To finance these activities, our unconsolidated joint ventures often obtain loans from third-party lenders that are secured by the unconsolidated joint venture's assets. To the extent any of our joint ventures default on obligations secured by the assets of such joint venture, the assets could be forfeited to third-party lenders.

We have provided non-recourse carve-out guarantees to certain third-party lenders to our unconsolidated joint ventures (i.e., guarantees of losses suffered by the lender in the event that the borrowing entity or its equity owners engage in certain conduct, such as fraud, misappropriation of funds, unauthorized transfers of the collateral or equity interests in the borrowing entity, or the borrowing entity commences a voluntary bankruptcy case, or the borrowing entity violates environmental law, or hazardous materials are located on the property, or under other circumstances provided for in such guarantee or indemnity). In the future, we may provide other guarantees and indemnities to such lenders, including secured guarantees, in which case we may have increased liability in the event that a joint venture defaults on its obligations to a third party.

If the other partners in our unconsolidated joint ventures do not cooperate or fulfill their contractual obligations due to their financial condition, strategic business interests (which may be contrary to ours), or otherwise, we may be required to spend additional resources (including payments under the guarantees we have provided to the unconsolidated joint ventures' lenders) or suffer losses, each of which could be significant. Moreover, our ability to recoup such expenditures and losses by exercising remedies against such partners may be limited due to the contractual terms of the joint venture agreement, potential legal defenses they may have, their respective financial condition and other circumstances. Furthermore, because we lack a controlling interest in our unconsolidated joint ventures we cannot exercise sole decision-making authority, which could create the potential risk of impasses on decisions and prevent the joint venture from taking, or not taking, actions that we believe may be in our best interests. In addition, as our relationships with our partners are contractual in nature and may be terminated or dissolved under the terms of the applicable joint venture agreements, including buy-sell provisions, we may not continue to own or operate the interests or assets underlying such relationship or may need to purchase additional interests or assets in the venture to continue ownership. In the event a joint venture is terminated or dissolved, we could also be exposed to lawsuits and legal costs.

Information technology failures and data security breaches could harm our business.

We use information technology and other computer resources to carry out important operational and marketing activities as well as maintain our business records, including information provided by our customers. Many of these resources are provided to us and/or maintained on our behalf by third-party service providers pursuant to agreements that specify certain security and service level standards. Our ability to conduct our business may be impaired if these resources are compromised, degraded, damaged or fail, whether due to a virus or other harmful circumstance, intentional penetration or disruption of our information technology resources by a third party, natural disaster, hardware or software corruption, failure or error (including a failure of security controls incorporated into or applied to such hardware or software), telecommunications system failure, service provider error or failure, intentional or unintentional personnel actions (including the failure to follow our security protocols), or lost connectivity to our networked resources. A significant and

extended disruption in the functioning of these resources could impair our operations, damage our reputation, expose us to significant costs to restore these networked resources and cause us to lose customers, sales and revenue.

Privacy, security, and compliance concerns have continued to increase as technology has evolved. Further, there has been a surge in widespread cyber-attacks during the COVID-19 pandemic. The increase in the frequency and scope of cyber-attacks during the pandemic exacerbates data security risks. As part of our normal business activities, we collect and store certain confidential information, including personal information of homebuyers/borrowers and information about employees, vendors and suppliers. While we have implemented systems and processes intended to secure our information technology systems and prevent unauthorized access to or loss of sensitive, confidential and personal data, including through the use of encryption and authentication technologies, and have increased our monitoring capabilities to enhance early detection and rapid response to potential security anomalies, and, to date, have not had a significant cybersecurity breach or attack that had a material impact on our business or results of operations, our security measures may not be sufficient for all possible occurrences and may be vulnerable to hacking, employee error, malfeasance, system error, faulty password management or other irregularities. Further, development and maintenance of these measures are costly and may increase and require ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly sophisticated. If we fail to maintain the security of the data we are required to protect, or if we were to be subject to a material successful cyber intrusion, such occurrences could result in business disruption, damage to our reputation, financial obligations to third parties, fines, penalties, regulatory proceedings and private litigation with potentially large costs, and also in deterioration in customers' confidence in us and other competitive disadvantages, and thus could have a material adverse effect on our business, financial condition and operating results.

Additionally, state governments, most notably California, Nevada, and Colorado, have enacted or enhanced their data privacy regulations, and other governments are considering establishing similar or stronger protections. These regulations impose certain obligations for securing, and potentially removing, specified personal information in our systems, and for apprising individuals of the information we have collected about them. We have incurred costs in an effort to comply with these data privacy risks and requirements, and our costs may increase significantly as such risks become increasingly complex or if new or changing requirements are enacted, and ultimately based on how individuals choose to exercise their rights. For example, in November 2020, California voters approved Proposition 24 (Consumer Personal Information Law and Agency Initiative), which will increase data privacy requirements for our business when its provisions take effect in 2023. Despite our efforts, any noncompliance could result in our incurring substantial penalties and reputational damage.

We may incur a variety of costs to engage in future growth or expansion of our operations or acquisitions of businesses, and the anticipated benefits may never be realized.

As a part of our business strategy, we may make acquisitions, or significant investments in, businesses. Any future acquisitions, investments and/or disposals are accompanied by risks such as:

- difficulties in assimilating the operations and personnel of acquired companies or businesses;
- diversion of our management's attention from ongoing business concerns;
- our potential inability to maximize our financial and strategic position through the successful incorporation or disposition of operations;
- significant liabilities may not be identified in due diligence or may come to light after the expiry of warranty or indemnity periods;
- implementation of uniform standards, controls, procedures and policies; and
- impairment of existing relationships with employees, contractors, suppliers and customers as a result of the integration of new management personnel and cost-saving initiatives.

Acquisitions can result in dilution to existing stockholders if we issue our Common Stock as consideration, or reduce our liquidity if we fund them with cash. In addition, acquisitions can expose us to valuation risks, including the risk of writing off goodwill or impairing inventory and other assets related to such acquisitions. The risk of goodwill and asset impairments will increase during a cyclical housing downturn when our profitability may decline.

Dispositions have their own risks associated with the separation of operations and personnel, the potential provision of transition services and the allocation of management resources. Dispositions may also result in lost synergies that could negatively impact our balance sheet, income statement and cash flows. Additionally, while we would seek to limit our ongoing exposure, for example, through liability caps and time limits on warranties and indemnities, some warranties and indemnities may give rise to unexpected and significant liabilities. Any claims arising in the future may adversely affect our business, financial condition and operating results. We may not be able to manage the risks associated with these transactions and the effects of such transactions, which may materially and adversely affect our business, financial condition and operating results.

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

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

Ownership or occupation of land and the use of hazardous materials carries potential environmental risks and liabilities.

We are subject to a variety of local, state and federal statutes, rules and regulations concerning land use and the protection of health and the environment, including those governing the discharge of pollutants to water and air, stormwater run-off, the presence of and exposure to asbestos, the handling of hazardous materials and the cleanup of contaminated structures and properties. Further, some environmental laws (including many addressing releases of hazardous substances) impose strict liability, which means that we may be held liable for environmental conditions on property we own, or previously owned, which we did not create or know about, or which resulted from conduct that was lawful. Contamination or other environmental conditions at or in the vicinity of our developments could also result in claims against us for personal injury, property damage or other losses. Such liabilities, and the costs of defending against such claims, may be substantial, and insurance coverage may be limited or non-existent. The presence of such substances at or in the vicinity of our properties, or the failure to remediate such substances properly, may also adversely affect our ability to sell the affected land or to borrow using it as security. Environmental impacts from historical activities have been identified at some of the projects we have developed in the past and additional projects may be located on land that may have been contaminated by previous use.

Negative publicity or poor relations with the residents of our communities could negatively impact sales, which could cause our revenues or results of operations to decline.

Unfavorable media or investor and analyst reports related to our industry, company, brands, marketing, personnel, operations, business performance, or prospects may affect our stock price and the performance of our business, regardless of its accuracy or inaccuracy. Our success in maintaining, extending and expanding our brand image depends on our ability to adapt to a rapidly changing media environment. Adverse publicity or negative commentary on social media outlets, such as blogs, websites or newsletters, could hurt operating results, as consumers might avoid or protest brands that receive bad press or negative reviews. Customers and other interested parties could act on such information without further investigation and without regard to its accuracy. Accordingly, we could suffer immediate harm without affording us an opportunity for redress or correction.

In addition, we can be affected by poor relations with the residents of communities we develop because these residents sometimes look to us to resolve issues or disputes that may arise in connection with the operation or development of their communities. Efforts made by us to resolve these issues or disputes could be deemed unsatisfactory by the affected residents and subsequent actions by these residents could disrupt sales or adversely affect our reputation. In addition, we could decide or be required to make material expenditures related to the settlement of such issues or disputes or to modify our community development plans, which could adversely affect our results of operations.

Legal and regulatory risks.

New or changing government regulations and legal challenges may delay the start or completion of our communities, increase our expenses or limit our homebuilding or other activities, which could have a negative impact on our results of operations.

The approval of numerous governmental authorities must be obtained in connection with our development and construction activities, and these governmental authorities often have broad discretion in exercising their approval authority. We incur substantial costs related to compliance with legal and regulatory requirements. Any increase in legal and regulatory requirements may cause us to incur substantial additional costs, or in some cases cause us to determine that a property is not feasible for development. Various local, state and federal statutes, ordinances, rules and regulations concerning building, health and safety, site and building design, environment, zoning, subcontracting, sales and similar matters apply to and/or affect the housing industry. In addition, our ability to obtain or renew permits or approvals and the continued effectiveness of permits already granted or approvals already obtained depends on factors beyond our control, such as changes in federal, state and local policies, rules and regulations and their interpretations and application. Furthermore, we are also subject to various fees and charges of government authorities designed to defray the cost of providing certain governmental services and improvements. For example, local and state governments have broad discretion regarding the imposition of development fees for projects under their jurisdictions, as well as requiring concessions or that the builder construct certain improvements to public places such as parks and streets or fund schools.

Further, government agencies routinely initiate audits, reviews or investigations of our business practices to ensure compliance with applicable laws and regulations, which can cause us to incur costs or create other disruptions in our business that can be significant. Further, we may experience delays and increased expenses as a result of legal challenges to our proposed communities, whether brought by governmental authorities or private parties.

Regulations regarding environmental matters and climate change may affect us by substantially increasing our costs and exposing us to potential liability.

We are subject to various environmental laws and regulations, which may affect aspects of our operations such as how we manage stormwater runoff, wastewater discharges and dust; how we develop or operate on properties on or affecting resources such as wetlands, endangered species, cultural resources, or areas subject to preservation laws; and how we address contamination.

Developers and homebuilders may become subject to more stringent requirements under such laws. In addition, some of these requirements that significantly affect how certain properties may be developed are contentious, attract intense political attention, and may be subject to significant changes over time. For example, regulations governing wetlands permitting under the federal Clean Water Act have been the subject of extensive rulemakings for many years, resulting in several major joint rulemakings by the EPA and the U.S. Army Corps of Engineers that have expanded and contracted the scope of wetlands subject to regulation; and such rulemakings have been the subject of many legal challenges, some of which remain pending. It is unclear how these and related developments, including at the state or local level, ultimately may affect the scope of regulated wetlands where we operate. Although we cannot reliably predict the extent of any effect these developments regarding wetlands, or any other environmental requirements that may take effect may have on us, they could result in time-consuming and expensive compliance programs and in substantial expenditures, which could cause delays and increase our cost of operations. Our noncompliance with environmental laws could result in fines and penalties, obligations to remediate, permit revocations and other sanctions.

In addition, there is a growing concern from advocacy groups and the general public that the emission of greenhouse gases and other human activities are causing significant changes in weather patterns and temperatures and the frequency and severity of weather events and natural disasters. There is a variety of legislation and other regulation being implemented or considered, at the federal, state and local level relating to energy and climate change. This legislation and these regulations involve matters including carbon dioxide emissions control and building codes that impose energy efficiency standards, as well as standards to improve the resiliency of buildings to climate-related impacts such as flooding, storm surges, severe winds, wildfires and other extreme weather-related stress on buildings. Such requirements could significantly increase our cost to construct homes. Energy-related initiatives affect a wide variety of companies throughout the United States and the world and, because our operations are heavily dependent on significant amounts of

raw materials, such as lumber, steel and concrete, they could also have an indirect adverse impact on our operations and profitability to the extent the manufacturers and suppliers of our materials are burdened with expensive cap and trade and similar energy related taxes and regulations.

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

We are involved in various litigation and legal claims in the normal course of our business operations, including actions brought on behalf of various classes of claimants. We establish liabilities for legal claims and regulatory matters when such matters are both probable of occurring and any potential loss is reasonably estimable. We accrue for such matters based on the facts and circumstances specific to each matter and revise these estimates as the matters evolve. In such cases, there may exist an exposure to loss in excess of any amounts currently accrued. In view of the inherent difficulty of predicting the outcome of these legal and regulatory matters, we generally cannot predict the ultimate resolution, the related timing or any eventual loss. To the extent the liability arising from the ultimate resolution of any matter exceeds the estimates reflected in the recorded reserves relating to such matter, we could incur additional charges that could be significant. Unfavorable litigation, arbitration or claims could also generate negative publicity in various media outlets that could be detrimental to our reputation.

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

Several of the markets in which we operate have historically been subject to utility and resource shortages, including significant changes to the availability of electricity and water. Shortages of utility resources and natural resources in our markets, particularly of water, may make it more difficult for us to obtain regulatory approval of new developments and have other adverse implications.

For example, certain areas in which we operate, particularly the Western United States, have experienced and continue to experience severe drought conditions. In response to these conditions, government officials often take a number of steps to preserve potable water supplies. To address the state's mandate and their own available potable water supplies, local water agencies/suppliers could potentially: restrict, delay the issuance of, or proscribe new water connection permits for homes; increase the costs for securing such permits, either directly or by requiring participation in impact mitigation programs; adopt higher efficiency requirements for water-using appliances or fixtures; limit or ban the use of water for construction activities; impose requirements as to the types of allowed plant material or irrigation for outdoor landscaping that are more strict than state standards and less desired by consumers; and/or impose fines and penalties for noncompliance with any such measures. These local water agencies/suppliers could also increase rates and charges to residential users for the water they use, potentially increasing the cost of homeownership.

Any of the foregoing, individually or collectively, could adversely affect the regional economies in which we operate, which may limit, impair or delay our ability to acquire and develop land and/or build and deliver homes, increase our production costs or reduce demand for our homes, thereby negatively affecting our business and results of operations.

Risks related to our financial services business.

Our financial services businesses are subject to risks, including risks associated with our ability to sell mortgages we originate and to claims on loans sold to third parties.

While we intend for the loans originated by TMHF, our financial services business, to be sold on the secondary market, if TMHF is unable to sell loans into the secondary mortgage market or directly to large secondary market loan purchasers such as Fannie Mae and Freddie Mac, TMHF would bear the risk of being a long-term investor in these originated loans. Being required to hold loans on a long-term basis would subject us to credit risks associated with the borrowers to whom the loans are extended, would negatively affect our liquidity and could require us to use additional capital resources to finance the loans that TMHF is extending. In addition, although mortgage lenders under the mortgage warehouse facilities TMHF currently uses to finance our lending operations normally purchase our mortgages within approximately 20-30 days of origination, if such mortgage lenders default under these warehouse facilities TMHF would be required to fund the mortgages then in the pipeline.

In such case, amounts available under our Revolving Credit Facility and cash from operations may not be sufficient to allow TMHF to provide financing required by our business during these times, and our ability to originate and sell mortgage loans at competitive prices could be limited, which could negatively affect our business. Further, an obligation to commit our own funds to long-term investments in mortgage loans could, among other things, delay the time when we recognize revenues from home sales on our statements of operations.

Our financial services businesses may also be responsible for losses associated with mortgage loans originated and sold to investors (including loans originated by companies we have acquired) in the event of errors or omissions relating to certain representations and warranties made to secondary market purchasers that the loans sold meet certain requirements, including representations as to underwriting standards, the type of collateral, the existence of primary mortgage insurance and the validity of certain borrower representations in connection with the loan. Accordingly, mortgage investors could seek to have us buy back loans or compensate them for losses incurred on mortgages sold based on claims that we breached our limited representations or warranties. If, due to higher costs, reduced liquidity, residential consumer loan putback demands or internal or external reviews of its residential consumer mortgage loan foreclosure processes, or other factors or business decisions, TMHF is unable to make loan products available to our homebuyers, our home sales and financial services results of operations may be adversely affected.

We enter into interest rate lock commitments (“IRLCs”) to originate residential mortgage loans held for sale, at specified interest rates and within a specified period of time (generally between 30 and 60 days), with customers who have applied for a loan and meet certain credit and underwriting criteria. These commitments expose us to market risk if interest rates change and the underlying loan is not economically hedged or committed to an investor. We also have exposure to credit loss in the event of contractual non-performance by our trading counterparties in derivative instruments that we use in our rate risk management activities. We aim to manage this credit risk by selecting only counterparties that we believe to be financially strong, spreading the risk among multiple counterparties, by placing contractual limits on the amount of unsecured credit extended to any single counterparty, and by entering into netting agreements with counterparties, as appropriate.

Our financial services and title services businesses may be adversely affected by changes in governmental regulation.

Changes in governmental regulation with respect to mortgage lenders and title service providers could adversely affect the financial results of this portion of our business. Our financial services businesses are subject to numerous federal, state and local laws and regulations, which, among other things: prohibit discrimination and establish underwriting guidelines; provide for audits and inspections; require appraisals and/or credit reports on prospective borrowers and disclosure of certain information concerning credit and settlement costs; establish maximum loan amounts; prohibit predatory lending practices; and regulate the referral of business to affiliated entities. In addition, our title insurance operations are also subject to applicable insurance and banking laws and regulations as well as government audits, examinations and investigations, all of which may limit our ability to provide title services to potential purchasers.

The regulatory environment for mortgage lending is complex and ever changing and has led to an increase in the number of audits, examinations and investigations in the industry. The 2008 housing downturn resulted in numerous changes in the regulatory framework of the financial services industry. More recently, in response to the COVID-19 pandemic, federal agencies, state governments and private lenders are proactively providing relief to borrowers in the housing market by, subject to requirements, suspending home foreclosures and granting payment forbearance, among other things. These relief measures are temporary, but these changes and others could become incorporated into the current regulatory framework. Any changes or new enactments could result in more stringent compliance standards, which could adversely affect our financial condition and results of operations and the market perception of our business. Additionally, if we are unable to originate mortgages for any reason going forward, our customers may experience significant mortgage loan funding issues, which could have a material impact on our homebuilding business and our consolidated financial statements.

The prices of our mortgages could be adversely affected if we lose any of our important commercial relationships.

We have longstanding relationships with members of the lender community from which our borrowers benefit. TMHF plans to continue with these relationships and use the correspondent lender platform as a part of its operational plan.

While we believe that our current commercial relationships are strong, if our relationship with any one or more of those banks deteriorates or if one or more of those banks decide to renegotiate or terminate existing agreements or otherwise exit the market, TMHF may be required to increase the price of our products, or modify the range of products TMHF offers, which could cause us to lose customers who may choose other providers based solely on price or fees, which could adversely affect our financial condition and results of operations.

Risks related to our indebtedness

Constriction of the capital markets could limit our ability to access capital and increase our costs of capital.

We fund our operations with cash from operations, capital markets financings and borrowings under our Revolving Credit Facility and other loan facilities. The expansion and development of our business may require significant capital, which we may be unable to obtain. Further, our capital requirements may vary materially from those currently planned if, for example, our revenues do not reach, or our costs exceed, expected levels or we have to incur unforeseen capital expenditures to maintain our competitive position. If this is the case, we may require additional financing sooner than anticipated or we may have to delay or abandon some or all of our development and expansion plans or otherwise forego market opportunities. Volatile economic conditions and the constriction of the capital markets could reduce the sources of liquidity available to us and increase our costs of capital. If the size or availability of our banking facilities is reduced in the future, or if we are unable to obtain new, or renew existing, facilities in the future on favorable terms or otherwise access the loan or capital markets, it would have an adverse effect on our liquidity and operations.

Our substantial debt could adversely affect our business, financial condition or results of operations and prevent us from fulfilling our debt-related obligations.

We have a substantial amount of debt. As of December 31, 2021, the total principal amount of our debt (including \$413.9 million of indebtedness of TMHF) was \$3.3 billion. Our substantial debt could have important consequences for the holders of our Common Stock, including:

- making it more difficult for us to satisfy our obligations with respect to our debt or to our trade or other creditors;
- increasing our vulnerability to adverse economic or industry conditions;
- limiting our ability to obtain additional financing to fund capital expenditures and land acquisitions, particularly when the availability of financing in the capital markets is limited;
- requiring us to pay higher interest rates upon refinancing or on our variable rate indebtedness if interest rates rise;
- requiring a substantial portion of our cash flows from operations and the proceeds of any capital markets offerings or loan borrowings for the payment of interest on our debt thus reducing our ability to use our cash flows to fund working capital, capital expenditures, land acquisitions and general corporate requirements;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- placing us at a competitive disadvantage to less leveraged competitors.

We cannot ensure that our business will generate sufficient cash flow from operations or that future borrowings will be available to us through capital markets financings or under our Revolving Credit Facility or otherwise in an amount sufficient to enable us to pay our indebtedness, or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness, on or before its maturity. We cannot ensure that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all. In addition, we may incur additional indebtedness in order to finance our operations, to fund acquisitions, or to repay existing indebtedness. If we cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional debt or equity or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances. We cannot ensure that any such actions, if necessary, could be effected on commercially reasonable terms or at all.

Restrictive covenants in the agreements governing our Revolving Credit Facility and other indebtedness may restrict our ability to pursue our business strategies.

The agreement governing our Revolving Credit Facility limits our ability, and the terms of any future indebtedness may prohibit or limit our ability, among other things, to:

- incur or guarantee additional indebtedness;
- make certain investments;
- repurchase equity or subordinated indebtedness;
- pay dividends or make distributions on our capital stock;
- sell assets, including capital stock of restricted subsidiaries;
- agree to restrictions on distributions, transfers or dividends affecting our restricted subsidiaries;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into transactions with our affiliates;
- incur liens; and
- designate any of our subsidiaries as unrestricted subsidiaries.

In addition, the indentures governing our Senior Notes contain covenants that, among other things, restrict our ability to incur certain liens securing indebtedness without equally and ratably securing the Senior Notes and enter into certain sale and leaseback transactions, subject to certain exceptions and qualifications.

The agreement governing our new Revolving Credit Facility contains certain “springing” financial covenants that, if triggered, require Taylor Morrison Home III Corporation, a Delaware corporation and our indirect wholly owned subsidiary, and its subsidiaries to comply with a maximum capitalization ratio and a minimum consolidated tangible net worth test.

The restrictions contained in the indentures governing all of our Senior Notes and the agreement governing our Revolving Credit Facility could also limit our ability to plan for or react to market conditions, meet capital needs or make acquisitions or otherwise restrict our activities or business plans.

A breach of any of the restrictive covenants under the agreements governing our Revolving Credit Facility or any of our Senior Notes could allow for the acceleration of both the Revolving Credit Facility and all Senior Notes. If the indebtedness under our Revolving Credit Facility or the Senior Notes were to be accelerated, we cannot assure you that our assets would be sufficient to repay in full that indebtedness and our other indebtedness.

Risks related to our organization and structure

Provisions in our charter and by-laws and provisions of Delaware law may delay or prevent our acquisition by a third party, which might diminish the value of our Common Stock. Provisions in our debt agreements may also require an acquirer to refinance our outstanding indebtedness if a change of control occurs.

Our amended and restated certificate of incorporation and our amended and restated by-laws contain certain provisions that may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable, including the following:

- the sole ability of the board of directors to fill a vacancy created by the expansion of the board of directors;
- advance notice requirements for stockholder proposals and director nominations;
- limitations on the ability of stockholders to call special meetings and to take action by written consent;
- in certain cases, the approval of holders of at least three-fourths of the shares entitled to vote generally on the making, alteration, amendment or repeal of our certificate of incorporation or by-laws will be required to adopt, amend or repeal our bylaws, or amend or repeal certain provisions of our certificate of incorporation;

- the required approval of holders of at least three-fourths of the shares entitled to vote at an election of the directors to remove directors, which removal may only be for cause; and
- the ability of our board of directors to designate the terms of and issue new series of preferred stock without stockholder approval, which could be used, among other things, to institute a rights plan that would have the effect of significantly diluting the stock ownership of a potential hostile acquirer, likely preventing acquisitions that have not been approved by our board of directors.

Section 203 of the Delaware General Corporation Law may affect the ability of an “interested stockholder” to engage in certain business combinations for a period of three years following the time that the stockholder becomes an “interested stockholder.” We have elected in our amended and restated certificate of incorporation not to be subject to Section 203 of the Delaware General Corporation Law. Nevertheless, our amended and restated certificate of incorporation contains provisions that have the same effect as Section 203 of the Delaware General Corporation Law.

The existence of the foregoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our Common Stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your Common Stock in an acquisition.

Under our Revolving Credit Facility, a change of control would be an event of default, which would therefore require a third-party acquirer to obtain a facility to refinance any outstanding indebtedness under the Revolving Credit Facility. Under the indentures governing our Senior Notes, if a change of control were to occur, we would be required to make offers to repurchase the Senior Notes at prices equal to 101% of their respective principal amounts. These change of control provisions in our existing debt agreements may also delay or diminish the value of an acquisition by a third party.

Our charter provides to the fullest extent permitted by law that the Court of Chancery of the State of Delaware will be the exclusive forum for certain legal actions between us and our stockholders, which could increase costs to bring a claim, discourage claims or limit the ability of our stockholders to bring a claim in a judicial forum viewed by stockholders as more favorable for disputes with us or our directors, officers or other employees.

Our charter provides to the fullest extent permitted by law that unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any (i) derivative action or proceeding brought on behalf of the Company, (ii) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or stockholders, (iii) any action or proceeding asserting a claim arising pursuant to any provision of the General Corporation Law of the State of Delaware, as amended from time to time, or (iv) any action or proceeding asserting a claim governed by the internal affairs doctrine. The choice of forum provision may increase costs to bring a claim, discourage claims or limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us or our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our charter to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions. The exclusive forum provision in our charter will not preclude or contract the scope of exclusive federal or concurrent jurisdiction for actions brought under the federal securities laws including the Exchange Act or the Securities Act or the respective rules and regulations promulgated thereunder.

Any of the above risks could have a material adverse effect on your investment in our Common Stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease office facilities for our homebuilding and financial services operations. We lease our corporate headquarters, which is located in Scottsdale, Arizona. At December 31, 2021, the lease on this facility covered a space of approximately 25,000 square feet and expires in December 2027. We have approximately 46 other leases for our other division offices and design centers. For information on land owned and controlled by us for use in our homebuilding activities, please refer to *Item 1 — Business — Business Strategy — Land and Development Strategies*.

ITEM 3. LEGAL PROCEEDINGS

The information required with respect to this item can be found under Note 14—Commitments and Contingencies — Legal Proceedings in the Notes to the Consolidated Financial Statements included in this annual report.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

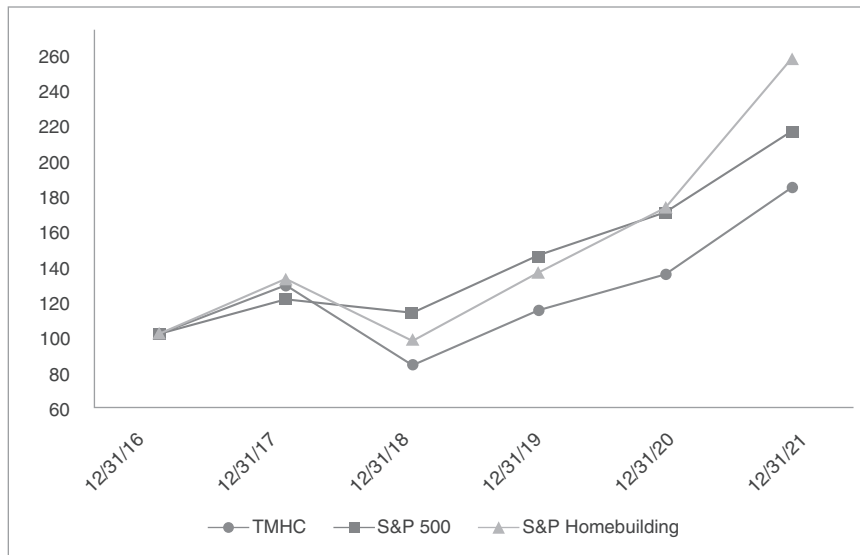
The Company lists its Common Stock on the New York Stock Exchange (NYSE) under the symbol “TMHC”. On February 23, 2022, the Company had 654 holders of record of our Common Stock. This does not include the number of stockholders who hold shares in TMHC through banks, brokers, and other financial institutions.

Stock Performance Graph

The following shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or incorporated by reference into any of our other filings under the Exchange Act or the Securities Act, except to the extent we specifically incorporate it by reference into such filing.

This chart compares the cumulative total return on our Common Stock with that of the Standard & Poor’s 500 Composite Stock Index (the “S&P 500”) and the Standard & Poor’s Homebuilding Index (the “S&P Homebuilding Index”). The chart assumes \$100.00 was invested at the close of market on December 31, 2016, in the Common Stock of Taylor Morrison Home Corporation, the S&P 500 Index and the S&P Homebuilding Index, and assumes the reinvestment of any dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

Comparison of Cumulative Total Return Among TMHC, the S&P 500 and the S&P Homebuilding Index from December 31, 2016 to December 31, 2021



	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>	<u>12/31/2021</u>
TMHC	\$100.00	\$127.05	\$ 82.55	\$113.50	\$133.18	\$181.52
S&P 500	100.00	119.42	111.97	144.31	167.77	212.89
S&P Homebuilding Index	100.00	130.75	96.07	134.45	170.28	253.41

Dividends

We currently intend to use our future earnings to develop our business and for working capital needs and general corporate purposes, to fund our growth, to repay debt and possibly to repurchase shares of our common stock, and do not

anticipate paying any cash dividends in the foreseeable future. See *Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations*. We have not previously declared or paid any cash dividends on our Common Stock.

Issuer Purchases of Equity Securities

The Company’s stock repurchase program, established on November 5, 2014, allows for repurchases of the Company’s Common Stock in open market purchases, privately negotiated transactions or other transactions. The stock repurchase program is subject to prevailing market conditions and other considerations, including our liquidity, the terms of our debt instruments, statutory requirements, planned land investment and development spending, acquisition and other investment opportunities and ongoing capital requirements. Our Board of Directors can increase the amount available for repurchase under the program or extend the program. During the years ended December 31, 2021 and 2020, there were an aggregate of 9,918,104 and 5,941,324 shares of Common Stock repurchased, respectively.

Subsequent to December 31, 2021, we repurchased and settled approximately 731,000 shares of our Common Stock for approximately \$22.3 million under our share repurchase program. As of February 23, 2022, we have \$208.1 million of availability to repurchase shares under the program.

The table below represents our share repurchase activity for the quarter ended December 31, 2021:

	<u>Total number of shares purchased</u>	<u>Average price paid per share</u>	<u>Total number of shares purchased as part of a publicly announced plan or program</u>	<u>Approximate dollar value of shares that may yet be purchased under the plan or program</u> <i>(in thousands)</i>
October 1 to October 31, 2021 . . .	—	—	—	\$100,000
November 1 to November 30, 2021	484,000	33.07	484,000	83,995
December 1 to December 31, 2021 ⁽¹⁾	<u>868,171</u>	32.92	868,171	\$230,413
Total	<u><u>1,352,171</u></u>			

⁽¹⁾ On December 13, 2021, we announced that our Board of Directors authorized a \$250.0 million renewal of our stock repurchase program until June 30, 2024. This authorization replaced the Company’s prior \$250 million repurchase authorization scheduled to expire on December 31, 2022.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General Overview

Our principal business is residential homebuilding and the development of lifestyle communities with operations across 11 states. We provide an assortment of homes across a wide range of price points to appeal to an array of consumer groups. We design, build and sell single and multi-family detached and attached homes in traditionally high growth markets for entry level, move-up, and 55-plus active lifestyle (formerly referred to as active adult) buyers. We operate under various brand names including Taylor Morrison, Darling Homes Collection by Taylor Morrison, and Esplanade. We also have an exclusive partnership with Christopher Todd Communities in our “Build-to-Rent” business. (Refer to *Item 1. Business* for additional discussion regarding Build-to-Rent.) In addition, we develop and construct multi-use properties consisting of commercial space, retail, and multi-family properties under the Urban Form brand name. We also have operations which provide financial services to customers through our wholly owned mortgage subsidiary, Taylor Morrison Home Funding, Inc. (“TMHF”), title services through our wholly owned title services subsidiary, Inspired Title Services, LLC (“Inspired Title”), and homeowner’s insurance policies through our insurance agency, Taylor Morrison Insurance Services, LLC (“TMIS”). Our business is organized into multiple homebuilding operating components, and a financial services component, all of which are managed as four reportable segments: East, Central, West and Financial Services, as follows:

East	Atlanta, Charlotte, Jacksonville, Naples, Orlando, Raleigh, Sarasota, and Tampa
Central	Austin, Dallas, Denver, and Houston
West	Bay Area, Las Vegas, Phoenix, Portland, Sacramento, Seattle, and Southern California
Financial Services	Taylor Morrison Home Funding, Inspired Title Services and Taylor Morrison Insurance

Annual Overview and Business Strategy

The COVID-19 pandemic continues to impact the national economy, our industry, and various areas within our operations; however, the demand for housing during 2021 remained strong. We believe strong demand is, in part, attributable to an increase in families working and learning from home as well as other economic factors such as low interest rates. There has been an increase in the need for indoor space and outdoor living. Furthermore, we have noted people have left several major cities throughout the United States in search for homes in more suburban areas on the outskirts of cities, which are areas in which we typically build. We experienced price appreciation in our markets and utilized price increases to meter our net sales orders pace. Interest rates have remained low and our buyer profile has remained strong, driving demand even further.

We are still impacted by various economic challenges, such as lingering underemployment concerns, stagnation in real wages and real or perceived personal wealth, inflation, national and global economic uncertainty and uncertainty around the interest rate environment. As it relates to COVID-19, we are also challenged by shortages in the labor supply and supply chain delays. The United States continues to struggle with rolling outbreaks of the virus and its variants and the effects of COVID-19 could continue to impact our financial condition and results of operations. Due to uncertainty surrounding this ongoing public health crisis and its continued impact on the U.S. economy, we cannot fully predict either the near-term or long-term effects that the pandemic will have on our business. Although we experienced strong financial and operational performance during 2021, the duration and magnitude of the impact of the COVID-19 pandemic remains unknown, and could adversely affect our business in future periods.

We continue to allocate capital and manage our land portfolio to acquire assets that have attractive characteristics, including good access to schools, shopping, recreation and transportation facilities. In connection with our overall land inventory management and investment process, our management team reviews these considerations, as well as other financial metrics, in order to decide the highest and best use of our capital.

We intend to maintain a consistent approach to land positioning within our regions, markets and communities in the foreseeable future in an effort to concentrate a greater amount of our land inventory in attractive areas. We also intend to

continue to combine our land development expertise with our homebuilding operations to increase the flexibility of our business and to optimize our margin performance. From time to time, we may sell land in our communities if we believe it is best for our overall strategy and operations. We do not expect such sales to have a significant effect on our overall results, but they may impact our overall gross margins.

Factors Affecting Comparability of Results

For the year ended December 31, 2020, and 2019, we recognized \$127.2 million and \$10.7 million of Transaction Expenses, respectively, on the Consolidated Statement of Operations. Transaction expenses relating to the acquisition of WLH were incurred in both 2020 and 2019, while transaction expenses relating to our acquisition of AV Homes, Inc. (“AV Homes”) were only incurred in 2019. For the year ended December 31, 2021, we did not incur such costs.

For the years ended December 31, 2020 and 2019, we recognized \$10.2 million and \$5.8 million of expense relating to losses on extinguishment of debt, respectively. For the year ended December 31, 2021, we did not incur a loss on extinguishment of debt.

For the years ended December 31, 2020 and 2019, we recognized \$9.6 million and \$8.9 million in inventory impairment charges. Impairment charges are recorded to Cost of home closings or Cost of land closings on the Consolidated Statement of Operations. For the year ended December 31, 2021, no such impairment charges were incurred.

As of December 31, 2019, our assets in Chicago were held for sale and as a result we adjusted the fair value of the assets within this division to the lower of fair value (less costs to sell) or net book value. In addition, we wrote off other components of the operations in accordance with the guidance set forth in Accounting Standards Codification (“ASC”) Topic 360, *Property, Plant, and Equipment*. For the year ended December 31, 2019, total impacts to the Consolidated Statement of Operations include the following: Cost of home closings impact of \$0.7 million, Cost of land closings impact of \$9.9 million, Sales, commissions and other marketing costs impact of \$0.4 million, General and administrative expenses impact of \$1.1 million and Other expense, net impact of \$1.2 million. For the years ended December 31, 2021 and 2020, we did not have material fair value adjustments relating to assets reclassified as held for sale.

For the year ended December 31, 2019, we recognized an incremental \$43.1 million of warranty charges and \$6.8 million of legal costs related to warranty charges in our Central region, due to a construction defect issue which was isolated to one specific community. Although we believe we have identified substantially all homes impacted by the issue, it is reasonably possible that the estimated liability will change as a result of our evaluation of potential changes in the estimated repair costs and the number of homes impacted. For the years ended December 31, 2021 and 2020, we did not incur or recognize any incremental warranty or legal charges relating to this or other defect issues.

Critical Accounting Policies and Estimates

General

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”). The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions, impacting our reported results of operations and financial condition.

Certain accounting policies involve significant judgments and assumptions by management, which have a material impact on the carrying value of assets and liabilities and the recognition of income and expenses. The estimates and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. The significant accounting policies that management believes are the most critical to aid in fully understanding and evaluating our reported financial results are critical accounting policies and are described below.

Revenue Recognition

Revenue is recognized in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. The standard's core principle requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

Home and land closings revenue

Under ASC 606, the following steps are applied to determine the proper home closings revenue and land closings revenue recognition: (1) identify the contract(s) with our customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) we satisfy the performance obligation. For our home sales transactions, we have one contract, with one performance obligation, with each customer to build and deliver a home. Based on the application of the five steps, the following summarizes the timing and manner of home and land sales revenue:

- Revenue from closings of residential real estate is recognized when closings have occurred, the buyer has made the required minimum down payment, obtained necessary financing, the risks and rewards of ownership are transferred to the buyer, and we have no continuing involvement with the property, which is generally upon the close of escrow. Revenue is reported net of any discounts and incentives.
- Revenue from land sales is recognized when a significant down payment is received, title passes and collectability of the receivable is reasonably assured, and we have no continuing involvement with the property, which is generally upon the close of escrow.

Amenity and other revenue

We own and operate certain amenities such as golf courses, club houses, and fitness centers, which require us to provide club members with access to the facilities in exchange for the payment of club dues. We collect club dues and other fees from the club members, which are invoiced on a monthly basis. Revenue from our golf club operations is also included in amenity and other revenue. Amenity and other revenue also includes revenue from the sale of assets which include multi-use properties as part of our Urban Form operations.

Financial services revenue

Mortgage operations and hedging activity related to financial services are not within the scope of Topic 606 and are recognized at the time the related real estate transactions are completed, usually upon the close of escrow. All of the loans TMHF originates are sold to third party investors within a short period of time, on a non-recourse basis. Gains and losses from the sale of mortgages are recognized in accordance with ASC Topic 860-20, *Sales of Financial Assets*. TMHF generally does not have continuing involvement with the transferred assets; therefore, we derecognize the mortgage loans at time of sale, based on the difference between the selling price and carrying value of the related loans upon sale, recording a gain/loss on sale in the period of sale. Also included in financial services revenue/expenses is the realized and unrealized gains and losses from hedging instruments, which is not material to the consolidated financial results.

Real Estate Inventory Valuation and Costing

Inventory consists of raw land, land under development, homes under construction, completed homes, and model homes, all of which are stated at cost. In addition to direct carrying costs, we also capitalize interest, real estate taxes, and related development costs that benefit the entire community, such as field construction supervision and related direct overhead. Home vertical construction costs are accumulated and charged to cost of sales at the time of home closing using the specific identification method. Land acquisition, development, interest, and real estate taxes are allocated to homes and units generally using the relative sales value method. Generally, all overhead costs relating to our materials procurement process, the vertical construction of a home, and construction utilities are considered overhead costs and are allocated on a per unit basis. These costs are capitalized to inventory from the point development begins to the point construction is completed. Changes in estimated costs to be incurred in a community are generally allocated to the remaining lots on a

prospective basis. For those communities that have been temporarily closed or development has been discontinued, we do not allocate interest or other costs to the community's inventory until activity resumes. Such costs are expensed as incurred.

The life cycle of the community generally ranges from two to five years, commencing with the acquisition of unentitled or entitled land, continuing through the land development phase and concluding with the sale, construction and delivery of homes. Actual community lives will vary based on the size of the community, the sales absorption rate and whether we purchased the property as raw land or as finished lots.

We capitalize qualifying interest costs to inventory during the development and construction periods. Capitalized interest is charged to cost of sales when the related inventory is charged to cost of sales.

We assess the recoverability of our inventory in accordance with the provisions of ASC Topic 360, *Property, Plant, and Equipment*. We review our real estate inventory for indicators of impairment on a community-level basis during each reporting period. If indicators of impairment are present for a community, we first prepare an undiscounted cash flow analysis to determine if the carrying value of the assets in that community exceeds the undiscounted cash flows. Generally, if the carrying value of the assets exceeds their estimated undiscounted cash flows, the assets are deemed to be impaired and are recorded at fair value as of the assessment date. Our determination of fair value is primarily based on a discounted cash flow model which includes projections and estimates relating to sales prices, construction costs, sales pace, and other factors. However, fair value can be determined through other methods, such as appraisals, contractual purchase offers, and other third party opinions of value. Changes in these expectations may lead to a change in the outcome of our impairment analysis, and actual results may also differ from our assumptions.

In certain cases, we may elect to cease development and/or marketing of an existing community if we believe the economic performance of the community would be maximized by deferring development for a period of time to allow for market conditions to improve. We refer to such communities as long-term strategic assets. The decision may be based on financial and/or operational metrics as determined by us. If we decide to cease development, we will evaluate the project for impairment and then cease future development and marketing activity until such a time when we believe that market conditions have improved and economic performance can be maximized. Our assessment of the carrying value of our long-term strategic assets typically includes subjective estimates of future performance, including the timing of when development will recommence, the type of product to be offered, and the margin to be realized. In the future, some of these inactive communities may be re-opened while others may be sold.

In the ordinary course of business, we enter into various specific performance agreements to acquire lots. Real estate not owned under these agreements is reflected in Consolidated real estate not owned with a corresponding liability in Liabilities attributable to consolidated real estate not owned in the Consolidated Balance Sheets. As a method of acquiring land in staged takedowns, while limiting risk and minimizing the use of funds from our available cash or other financing sources, we may transfer our right under certain specific performance agreements to entities owned by third parties ("land banking arrangements"). These entities use equity contributions from their owners and/or incur debt to finance the acquisition and development of the land. The entities grant us an option to acquire lots in staged takedowns in return for a cash deposit. We are not legally obligated to purchase the balance of the lots, but would forfeit any existing deposits and could be subject to financial and other penalties if the lots are not purchased. We do not have an ownership interest in these entities or title to their assets and do not guarantee their liabilities. These land banking arrangements help us manage the financial and market risk associated with land holdings.

In some locations where we act as a developer, we occasionally purchase land that includes commercially zoned parcels or areas designated for school or government use, which we typically sell to commercial developers or municipalities, as applicable. We also sell residential lots or land parcels to manage our land and lot supply on larger tracts of land. Land is considered held for sale once we intend to actively sell a parcel or the parcel is under contract to sell. Land held for sale is recorded at the lower of cost or fair value less costs to sell. In determining the value of land held for sale, we consider recent offers received, prices for land in recent comparable sales transactions, and other factors. We record fair value adjustments for land held for sale within Cost of land closings on the Consolidated Statement of Operations.

Insurance Costs, Self-Insurance Reserves and Warranty Reserves

We have certain deductible limits for each of our policies under our workers' compensation, automobile, and general liability insurance policies, and we record warranty expense and liabilities for the estimated costs of potential claims for construction defects. The excess liability limits are aggregated annually and applied in excess of automobile liability, employer's liability under workers compensation and general liability policies. We also generally require our subcontractors and design professionals to indemnify us and provide evidence of insurance for liabilities arising from their work, subject to certain limitations. We are the parent of Beneva Indemnity Company ("Beneva"), which provides insurance coverage for construction defects discovered up to ten years following the close of a home, coverage for premise operations risk, and from time to time, property damage. We accrue for the expected costs associated with the deductibles and self-insured amounts under our various insurance policies based on historical claims, estimates for claims incurred but not reported, and potential for recovery of costs from insurance and other sources. The estimates are subject to significant variability due to factors, such as claim settlement patterns, litigation trends, and the extended period of time in which a construction defect claim might be made after the closing of a home.

We offer a one-year limited warranty to cover various defects in workmanship or materials, a two-year limited warranty on certain systems (such as electrical or cooling systems), and a ten-year limited warranty on structural defects. In addition, any outstanding warranties which were offered by our acquired companies are also honored. Warranty reserves are established as homes close in an amount estimated to be adequate to cover expected costs of materials and outside labor during warranty periods. Our warranty is not considered a separate deliverable in the sales arrangement since it is not priced apart from the home; therefore, it is accounted for in accordance with ASC Topic 450, *Contingencies*, which states that warranties that are not separately priced are generally accounted for by accruing the estimated costs to fulfill the warranty obligation. The amount of revenue related to the product is recognized in full upon the delivery of the home if all other criteria for revenue recognition have been met. As a result, we accrue the estimated costs to fulfill the warranty obligation at the time a home closes, as a component of Cost of home closings on the Consolidated Statements of Operations.

Our loss reserves for self-insured claims covered under Beneva are based on factors that include an actuarial study for structural, historical and anticipated claims, trends related to similar product types, number of home closings, and geographical areas. We also provide third-party warranty coverage on homes where required by Federal Housing Administration or Veterans Administration lenders. We regularly review the reasonableness and adequacy of our reserves and make adjustments to the balance of the preexisting reserves to reflect changes in trends and historical data as information becomes available. Self-insurance and warranty reserves are included in Accrued expenses and other liabilities in the Consolidated Balance Sheets.

We have not made any material changes in our methodology or significant assumptions used to establish our warranty reserves during these periods. In the event of a specific claim such as a construction defect for a community, we adjust our reserves accordingly, taking into consideration items such as the number of homes affected, the costs associated with each repair and the effectiveness of the repairs. Due to the degree of judgment required in making these estimates and the inherent uncertainty in potential outcomes, it is reasonably possible that actual costs could differ from those recorded and such differences could be material, resulting in a change in future estimated reserves.

Investments in Unconsolidated Entities and Variable Interest Entities (VIEs)

We are involved in joint ventures with independent third parties for real estate development, homebuilding and mortgage lending activities. We use the equity method of accounting for entities over which we exercise significant influence but do not have a controlling interest over the operating and financial policies of the investee. For unconsolidated entities in which we function as the managing member, we have evaluated the rights held by our joint venture partners and determined that they have substantive participating rights that preclude the presumption of control. For these unconsolidated joint ventures, our share of net earnings or losses is included in Equity in income of unconsolidated entities when earned and distributions are credited against our investment in the joint venture when received. These joint ventures are recorded in Investments in unconsolidated entities on the Consolidated Balance Sheets.

We evaluate our investments in unconsolidated joint ventures for indicators of impairment. A series of operating losses of an investee or other factors may indicate that a decrease in value of our investment in the unconsolidated entity has

occurred which is other-than-temporary. The amount of impairment recognized, if any, is the excess of the investment's carrying amount over its estimated fair value. Additionally, we consider various qualitative factors to determine if a decrease in the value of the investment is other-than-temporary. These factors include age of the venture, stage in its life cycle, our intent and ability to recover our investment in the unconsolidated entity, financial condition and long-term prospects of the unconsolidated entity, short-term liquidity needs of the unconsolidated entity, trends in the general economic environment of the land, entitlement status of the land held by the unconsolidated entity, overall projected returns on investment, defaults under contracts with third parties (including bank debt), recoverability of the investment through future cash flows and relationships with the other partners. If we believe that the decline in the fair value of the investment is temporary, then no impairment is recorded.

In the ordinary course of business, we enter into land and lot option purchase contracts in order to procure land or lots for the construction of homes. Lot option contracts enable us to control significant lot positions with a minimal initial capital investment and substantially reduce the risks associated with land ownership and development. In accordance with ASC Topic 810, *Consolidation*, we have concluded that when we enter into an option or purchase agreement to acquire land or lots and pay a non-refundable deposit, a VIE may be created because we are deemed to have provided subordinated financial support that will absorb some or all of an entity's expected losses if they occur. If we are the primary beneficiary of the VIE, we will consolidate the VIE in our Consolidated Financial Statements and reflect such assets and liabilities as real estate not owned under option agreements within our inventory balance in the Consolidated Balance Sheets.

Valuation of Deferred Tax Assets

We account for income taxes using the asset and liability method, which requires that deferred tax assets and liabilities be recognized based on future tax consequences of both temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period when the changes are enacted. Changes in existing federal and state tax laws and corporate income tax rates could affect future tax results and the realization of deferred tax assets over time.

In accordance with ASC Topic 740-10, *Income Taxes*, we evaluate our deferred tax assets by tax jurisdiction, including the benefit from net operating loss ("NOL") carryforwards by tax jurisdiction, to determine if a valuation allowance is required. Companies must assess, using significant judgments, whether a valuation allowance should be established based on the consideration of all available evidence using a "more likely than not" standard with significant weight being given to evidence that can be objectively verified. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the length of statutory carryforward periods, experience with operating losses and experience of utilizing tax credit carryforwards and tax planning alternatives. We have not made any material changes in our methodology used to establish our valuation allowance during these periods. If a specific event or transaction were to occur that impacts our valuation allowance, we would reassess the evidence and adjust the allowance accordingly. Although management believes our valuation allowance is reasonable, no assurance can be given that the final tax outcome of these matters will not be different from our current valuation of our deferred tax assets and it is reasonably possible that such differences could be material, resulting in a change in future valuations.

Results of Operations

The following table sets forth our results of operations for the periods presented:

	Year Ended December 31,		
	2021	2020	2019
<i>(Dollars in thousands, except per share information)</i>			
Statements of Operations Data:			
Home closings revenue, net	\$7,171,433	\$5,863,652	\$4,623,484
Land closings revenue	99,444	65,269	27,081
Financial services revenue	164,615	155,827	92,815
Amenity and other revenue	65,773	44,572	18,679
Total revenue	\$7,501,265	\$6,129,320	\$4,762,059
Cost of home closings	5,713,905	4,887,757	3,836,857
Cost of land closings	83,853	64,432	32,871
Financial services expenses	101,848	88,910	51,086
Amenity and other expenses	53,778	44,002	17,155
Total cost of revenues	\$5,953,384	\$5,085,101	\$3,937,969
Gross margin	1,547,881	1,044,219	824,090
Sales, commissions and other marketing costs	400,376	377,496	320,420
General and administrative expenses	267,966	194,879	169,851
Equity in income of unconsolidated entities	(11,130)	(11,176)	(9,509)
Interest expense/(income), net	3,792	(1,606)	(2,673)
Other expense, net	23,769	23,092	7,226
Transaction expenses	—	127,170	10,697
Loss on extinguishment of debt, net	—	10,247	5,806
Income before income taxes	\$ 863,108	\$ 324,117	\$ 322,272
Income tax provision	180,741	74,590	67,358
Net income before allocation to non-controlling interests	\$ 682,367	\$ 249,527	\$ 254,914
Net income attributable to non-controlling interests – joint ventures	(19,341)	(6,088)	(262)
Net income available to Taylor Morrison Home Corporation	\$ 663,026	\$ 243,439	\$ 254,652
Home closings gross margin	20.3 %	16.6 %	17.0 %
Average sales price per home closed	\$ 524	\$ 468	\$ 464
Sales, commissions and other marketing costs as a percentage of home closings revenue, net	5.6 %	6.4 %	6.9 %
General and administrative expenses as a percentage of home closings revenue, net	3.7 %	3.3 %	3.7 %
Effective income tax rate	20.9 %	23.0 %	20.9 %
Earnings per common share -			
Basic	\$ 5.26	\$ 1.90	\$ 2.38
Diluted	\$ 5.18	\$ 1.88	\$ 2.35

Non-GAAP Measures

In addition to the results reported in accordance with GAAP, we have provided information in this annual report relating to: (i) adjusted income before income taxes and related margin, (ii) adjusted net income and adjusted earnings per share, (iii) net homebuilding debt to capitalization ratio, (iv) adjusted home closings gross margin, and (v) EBITDA and adjusted EBITDA.

Adjusted income before income taxes (and related margin) is a non-GAAP financial measure that reflects our income before income taxes excluding the impact of inventory impairment charges, transaction expenses and loss on extinguishment of debt, net. Adjusted net income and adjusted earnings per share are non-GAAP financial measures that reflect the net income available to the Company excluding the impact of inventory impairment charges, transaction expenses, loss on extinguishment of debt, net and the tax impact due to such adjustments. Net homebuilding debt to

capitalization ratio is a non-GAAP financial measure we calculate by dividing (i) total debt, before unamortized debt issuance premiums/discounts, net, and mortgage warehouse borrowings, net of unrestricted cash and cash equivalents, by (ii) total capitalization (the sum of net homebuilding debt and total stockholders' equity). Adjusted home closings gross margin is a non-GAAP financial measure based on GAAP home closings gross margin (which is inclusive of capitalized interest), excluding inventory impairment charges. EBITDA and Adjusted EBITDA are non-GAAP financial measures that measure performance by adjusting net income before allocation to non-controlling interests to exclude interest expense/(income), net, amortization of capitalized interest, income taxes, depreciation and amortization (EBITDA), non-cash compensation expense, transaction expenses, inventory impairment charges, and loss on extinguishment of debt, if any. Beginning with the third quarter of fiscal 2021, we are no longer excluding purchase accounting adjustments from these non-GAAP financial measures, and prior period measures have been recast to remove this adjustment.

Management uses these non-GAAP financial measures to evaluate our performance on a consolidated basis, as well as the performance of our regions, and to set targets for performance-based compensation. We also use the ratio of net homebuilding debt to total capitalization as an indicator of overall leverage and to evaluate our performance against other companies in the homebuilding industry. In the future, we may include additional adjustments in the above-described non-GAAP financial measures to the extent we deem them appropriate and useful to management and investors.

We believe that adjusted income before income taxes and related margin, adjusted net income and adjusted earnings per share, as well as EBITDA and adjusted EBITDA, are useful for investors in order to allow them to evaluate our operations without the effects of various items we do not believe are characteristic of our ongoing operations or performance and also because such metrics assist both investors and management in analyzing and benchmarking the performance and value of our business. Because we use the ratio of net homebuilding debt to total capitalization to evaluate our performance against other companies in the homebuilding industry, we believe this measure is also relevant and useful to investors for that reason. We believe that adjusted home closings gross margin is useful to investors because it allows investors to evaluate the performance of our homebuilding operations without the varying effects of items or transactions we do not believe are characteristic of our ongoing operations or performance. EBITDA and Adjusted EBITDA provide an indicator of general economic performance that is not affected by fluctuations in interest expense or effective tax rates, levels of depreciation or amortization, or unusual items.

These non-GAAP financial measures should be considered in addition to, rather than as a substitute for, the comparable U.S. GAAP financial measures of our operating performance or liquidity. Although other companies in the homebuilding industry may report similar information, their definitions may differ. We urge investors to understand the methods used by other companies to calculate similarly-titled non-GAAP financial measures before comparing their measures to ours.

Adjusted Net Income and Adjusted Earnings Per Share

	Year Ended December 31,	
	2021	2020
<i>(Dollars in thousands, except per share data)</i>		
Net income available to TMHC	\$663,026	\$243,439
Inventory impairment charges	—	9,611
Transaction expenses	—	127,170
Loss on extinguishment of debt, net	—	10,247
Tax impact due to above non-GAAP reconciling items	—	(27,980)
Adjusted net income – Basic	<u>\$663,026</u>	<u>\$362,487</u>
Basic weighted average shares	126,077	127,812
Adjusted earnings per common share – Basic	\$ 5.26	\$ 2.84
Diluted weighted average shares	128,019	129,170
Adjusted earnings per common share – Diluted	\$ 5.18	\$ 2.81

Adjusted Income Before Income Taxes and Related Margin

	Year Ended December 31,	
	2021	2020
<i>(Dollars in thousands)</i>		
Income before income taxes	\$ 863,108	\$ 324,117
Inventory impairment charges	—	9,611
Transaction expenses	—	127,170
Loss on extinguishment of debt, net	—	10,247
Adjusted income before income taxes	\$ 863,108	\$ 471,145
Total revenues	\$7,501,265	\$6,129,320
Income before income taxes margin	11.5%	5.3%
Adjusted income before income taxes margin	11.5%	7.7%

EBITDA and Adjusted EBITDA Reconciliation

	Twelve Months Ended December 31,	
	2021	2020
<i>(Dollars in thousands)</i>		
Net income before allocation to non-controlling interests	\$ 682,367	\$ 249,527
Interest expense/(income), net	3,792	(1,606)
Amortization of capitalized interest	149,733	115,898
Income tax provision/(benefit)	180,741	74,590
Depreciation and amortization	8,138	7,152
EBITDA	\$ 1,024,771	\$ 445,561
Non-cash compensation expense	19,943	27,023
Inventory impairment charges	—	9,611
Transaction expenses	—	127,170
Loss on extinguishment of debt, net	—	10,247
Adjusted EBITDA	\$ 1,044,714	\$ 619,612
Total revenues	\$ 7,501,266	\$6,129,320
EBITDA as a percentage of total revenues	13.7%	7.3%
Adjusted EBITDA as a percentage of total revenues	13.9%	10.1%

Adjusted Home Closings Gross Margin

	Twelve Months Ended December 31,	
	2021	2020
Home closings revenue	\$ 7,171,433	\$5,863,652
Cost of home closings	\$ 5,713,905	\$4,887,757
Home closings gross margin	\$ 1,457,528	\$ 975,895
Inventory impairment charges	—	9,611
Adjusted home closings gross margin	\$ 1,457,528	\$ 985,506
Home closings gross margin as a percentage of home closings revenue	20.3 %	16.6 %
Adjusted home closings gross margin as a percentage of home closings revenue	20.3 %	16.8 %

Net Homebuilding Debt to Capitalization Ratio

<i>(Dollars in thousands)</i>	<u>As of December 31, 2021</u>	<u>As of December 31, 2020</u>
Total debt	\$ 3,302,124	\$2,928,395
Less unamortized debt issuance premium, net	2,322	2,365
Less mortgage warehouse borrowings	413,887	127,289
Total homebuilding debt	\$ 2,885,915	\$2,798,741
Less cash and cash equivalents	\$ 832,821	\$ 532,843
Net homebuilding debt	\$ 2,053,094	\$2,265,898
Total equity	3,970,982	3,593,750
Total capitalization	\$ 6,024,076	\$5,859,648
Net homebuilding debt to capitalization ratio	34.1 %	38.7 %

The following tables and related discussion set forth key operating and financial data for our operations as of and for the fiscal years ended December 31, 2021 and 2020. For similar operating and financial data and discussion of our fiscal 2020 results compared to our fiscal 2019 results, refer to Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under Part II of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, which was filed with the SEC on February 24, 2021, and is incorporated herein by reference.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

The results for the years ended December 31, 2021 and 2020 were impacted by various macro economic conditions. During the second half of 2020, demand for housing increased at a nationwide level as uncertainty of the impact of COVID-19 abated. In addition, interest rates declined, offering greater affordability, which added to the increased demand. Throughout 2021, we experienced market-wide supply chain disruptions, trade labor shortages, and increasing costs related to materials. The strong demand for housing has allowed us to put into place pricing strategies that partially mitigated cost increases. The average selling price for net sales orders, backlog, and homes closed increased for the year ended December 31, 2021 compared to the same period in the prior year. However, the supply chain delays and labor shortages have extended our build cycle times. Additional information for each metric is provided below.

Average Active Selling Communities⁽¹⁾

	<u>Year Ended December 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>Change</u>
East	129	145	(11.0)%
Central	100	124	(19.4)
West	105	117	(10.3)
Total	334	386	(13.5)%

⁽¹⁾ Beginning in the first quarter of 2022, we will provide ending active selling communities in lieu of average active selling communities. We believe the revised presentation is better aligned with management of the business and market conditions.

Average active selling communities for the year ended December 31, 2021 decreased by 13.5% when compared to the same period in the prior year. The decrease was primarily attributable to early community close outs resulting from the strong housing demand experienced throughout 2021 compared to 2020 causing active selling communities to sell out.

Net Sales Orders

(Dollars in thousands)	Year Ended December 31,								
	Net Sales Orders ⁽¹⁾			Sales Value ⁽¹⁾			Average Selling Price		
	2021	2020	Change	2021	2020	Change	2021	2020	Change
East	5,395	5,469	(1.4)%	\$ 2,940,724	\$2,385,530	23.3%	\$545	\$436	25.0%
Central	3,800	3,866	(1.7)	2,277,842	1,828,183	24.6	599	473	26.6
West	5,215	5,733	(9.0)	3,482,557	3,098,862	12.4	668	541	23.5
Total	14,410	15,068	(4.4)%	\$ 8,701,123	\$7,312,575	19.0%	\$604	\$485	24.4%

⁽¹⁾ Net sales orders and sales value represent the number and dollar value, respectively, of new sales contracts executed with customers, net of cancellations.

The number of net sales orders decreased by 4.4% while net sales value increased by 19.0% for the year ended December 31, 2021, compared to the same period in the prior year. The decrease in net sales orders was primarily a result of decreases in average active selling community count and strategically limiting sales releases to better optimize profitability amid significant supply chain constraints which have extended build cycle times. An increase in average selling price of 24.4% to reflect market appreciation and partially offset rising costs was the primary driver for the increase in sales value.

Sales Order Cancellations

	Year Ended December 31,	
	Cancellation Rate ⁽¹⁾	
	2021	2020
East	5.6%	10.8%
Central	7.2%	15.1%
West	6.9%	12.1%
Total Company	6.5%	12.4%

⁽¹⁾ Cancellation rate represents the number of canceled sales orders divided by gross sales orders.

The total company cancellation rate decreased to 6.5% from 12.4% for the year ended December 31, 2021, compared to the prior year. The decrease in cancellations was due to steady demand to secure housing as a result of low inventory levels, low interest rates and price appreciation.

Sales Order Backlog

(Dollars in thousands)	As of December 31,								
	Sold Homes in Backlog ⁽¹⁾			Sales Value			Average Selling Price		
	2021	2020	Change	2021	2020	Change	2021	2020	Change
East	3,219	2,835	13.5%	\$1,902,318	\$1,320,436	44.1%	\$591	\$466	26.8%
Central	2,787	2,398	16.2	1,747,834	1,200,149	45.6	627	500	25.4
West	3,108	3,170	(2.0)	2,106,984	1,706,861	23.4	678	538	26.0
Total	9,114	8,403	8.5%	\$5,757,136	\$4,227,446	36.2%	\$632	\$503	25.6%

⁽¹⁾ Sales order backlog represents homes under contract for which revenue has not yet been recognized at the end of the period (including homes sold but not yet started). Some of the contracts in our sales order backlog are subject to contingencies including mortgage loan approval and buyers selling their existing homes, which can result in future cancellations.

Total backlog units and total sales value increased by 8.5% and 36.2% at December 31, 2021, respectively, compared to December 31, 2020. The increase in backlog units was primarily due to extended build cycle times as a result of

significant supply chain constraints and labor shortages throughout 2021. In addition, a steady demand environment combined with a 25.6% increase in average selling price led to the increase in total sales value.

Home Closings Revenue

(Dollars in thousands)	Year Ended December 31,								
	Homes Closed			Home Closings Revenue, Net			Average Selling Price		
	2021	2020	Change	2021	2020	Change	2021	2020	Change
East	5,011	4,450	12.6%	\$2,358,842	\$1,856,580	27.1%	\$471	\$417	12.9%
Central	3,411	3,548	(3.9)	1,730,157	1,618,978	6.9	507	456	11.2
West	5,277	4,526	16.6	3,082,434	2,388,094	29.1	584	528	10.6
Total	<u>13,699</u>	<u>12,524</u>	9.4%	<u>\$7,171,433</u>	<u>\$5,863,652</u>	22.3%	\$524	\$468	12.0%

The number of homes closed and home closings revenue, net increased by 9.4% and 22.3%, respectively, for the year ended December 31, 2021, compared to the prior year. The increase in homes closed was primarily due to steady demand for housing in the latter half of 2020 and throughout 2021. In addition, supply chain delays and trade labor shortages during this timeframe extended build cycle times pushing expected fourth quarter 2020 closings into early 2021 and some anticipated fourth quarter 2021 closings into early 2022. Geographical and product mix along with rising sales prices led to an increase in homes closings revenue, net for the year ended December 31, 2021 compared to the prior year.

Land Closings Revenue

(Dollars in thousands)	Year Ended December 31,		
	2021	2020	Change
East	\$45,080	\$44,719	\$ 361
Central	11,532	14,450	(2,918)
West	42,832	6,100	36,732
Total	<u>\$99,444</u>	<u>\$65,269</u>	<u>\$34,175</u>

We generally purchase land and lots with the intent to build and sell homes. However, in some locations where we act as a developer, we occasionally purchase land that includes commercially zoned parcels or areas designated for school or government use, which we typically sell to commercial developers or municipalities, as applicable. We also sell residential lots or land parcels to manage our land and lot supply on larger tracts of land or if we determine certain properties no longer fit our strategic plans. Land and lot sales occur at various intervals and varying degrees of profitability. Therefore, the revenue and gross margin from land closings will fluctuate from period to period, depending on market conditions and opportunities. Land closings revenue was \$99.4 million and \$65.3 million, respectively, for the years ended December 31, 2021 and 2020. The increase in land closings revenue in the West for the year ended December 31, 2021, compared to the same period in the prior year was due to the sale of certain projects in our Oregon, Washington and Arizona markets.

Amenity and Other Revenue

(Dollars in thousands)	Year Ended December 31,		
	2021	2020	Change
East	\$20,026	\$17,948	\$ 2,078
Central	—	—	—
West	1,355	1,907	(552)
Corporate	44,392	24,717	19,675
Total	<u>\$65,773</u>	<u>\$44,572</u>	<u>\$21,201</u>

Several of our communities operate amenities such as golf courses, club houses, and fitness centers. We provide club members access to the amenity facilities and other services in exchange for club dues and fees. Our Corporate region includes the activity relating to our Urban Form operations which primarily develops and constructs multi-use properties consisting of commercial space, retail, and multi-family units. During the year ended December 31, 2021, Urban Form sold a property in our Oregon market which resulted in the increase in amenity and other revenue for our Corporate region.

Segment Home Closings Gross Margins and Adjusted Gross Margins

The following table sets forth a reconciliation of adjusted home closings gross margin to GAAP home closings gross margin on a segment basis (see “Non-GAAP Measures” above for additional information about our use of non-GAAP measures).

	For the Year Ended December 31,							
	East		Central		West		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<i>(Dollars in thousands)</i>								
Home closings								
revenue, net	\$2,358,842	\$1,856,580	\$1,730,157	\$1,618,978	\$3,082,434	\$2,388,094	\$7,171,433	\$5,863,652
Cost of home								
closings	1,852,186	1,537,677	1,391,488	1,313,448	2,470,231	2,036,632	5,713,905	4,887,757
Home closings								
gross margin	\$ 506,656	\$ 318,903	\$ 338,669	\$ 305,530	\$ 612,203	\$ 351,462	\$1,457,528	\$ 975,895
Inventory								
impairment								
charges	—	9,611	—	—	—	—	—	9,611
Adjusted home								
closings gross								
margin	\$ 506,656	\$ 328,514	\$ 338,669	\$ 305,530	\$ 612,203	\$ 351,462	\$1,457,528	\$ 985,506
Home closings gross								
margin as a								
percentage of								
home closings								
revenue	21.5%	17.2%	19.6%	18.9%	19.9%	14.7%	20.3%	16.6%
Adjusted home								
closings gross								
margin as a								
percentage of								
home closings								
revenue	21.5%	17.7%	19.6%	18.9%	19.9%	14.7%	20.3%	16.8%

Home closings gross margin increased 370 basis points to 20.3% for the year ended December 31, 2021, compared to 16.6% in the prior year. The increase is a reflection of operational enhancements, acquisition synergies and pricing power in excess of inflationary cost pressure. Consumer confidence, low inventory levels, and low interest rates, as well as market appreciation of resale homes, led to the ability to increase average selling prices amid the large cost increases experienced in 2021. We also strategically metered our sales to maximize profits and create margin protection as build cycle times extended due to supply chain disruptions and trade labor shortages.

Financial Services

Our Financial Services segment provides mortgage lending through our subsidiary, TMHF, title services through our subsidiary, Inspired Title, and homeowner's insurance policies through our insurance agency, TMIS. The following is a summary for the periods presented of financial services income before income taxes as well as supplemental data:

<i>(In thousands, except the number of loan originations)</i>	Year Ended December 31,		
	2021	2020	Change
Financial services revenue	\$ 131,305	\$ 131,266	—%
Title services revenue	27,840	20,216	37.7%
Financial services revenue—Other	5,470	4,345	25.9%
Total financial services revenue	164,615	155,827	5.6%
Financial services equity in income of unconsolidated entities	8,644	10,470	(17.4)%
Total income	173,259	166,297	4.2%
Financial services expenses	101,848	88,910	14.6%
Financial services transaction expenses	—	8,970	(100.0)%
Financial services income before income taxes	\$ 71,411	\$ 68,417	4.4%
Total originations:			
Loans	9,464	8,412	12.5%
Principal	\$3,766,675	\$2,950,302	27.7%
Supplemental data:			
Average FICO score	751	751	
Funded origination breakdown:			
Government (FHA, VA, USDA)	17%	17%	
Other agency	80%	79%	
Total agency	97%	96%	
Non-agency	3%	4%	
Total funded originations	100%	100%	

Total financial services revenue increased by 5.6% for the year ended December 31, 2021, compared to the prior year. The increase in financial services revenue was primarily due to increased home closings and an increase in the capture rate compared to the prior year.

Sales, Commissions and Other Marketing Costs

Sales, commissions and other marketing costs, as a percentage of home closings revenue, net, decreased to 5.6% from 6.4% for the year ended December 31, 2021, compared to the prior year. The decrease was primarily driven by leverage from an increase in home closings revenue, net as well as sustained leverage in our sales and marketing functions.

General and Administrative Expenses

General and administrative expenses as a percentage of home closings revenue, net, increased to 3.7% from 3.3% for the year ended December 31, 2021, compared to the prior year. The increase was primarily due to the normalization in spend in the current year as employees returned to the office, resumed travel, and incurred various expenses that had been reduced in 2020 in response to the COVID-19 pandemic.

Equity in Income of Unconsolidated Entities

Equity in income of unconsolidated entities was consistent for the years ended December 31, 2021 and 2020, respectively.

Interest Expense/(Income), net

Interest expense/(income), net was \$3.8 million in expense and \$1.6 million in income for the years ended December 31, 2021 and 2020, respectively. Interest expense/(income), net includes interest earned on cash balances offset by interest incurred but not capitalized on our long-term debt and other borrowings, such as the Land Banking transactions entered into in 2021.

Other Expense, net

Other expense, net for the year ended December 31, 2021 and 2020 was \$23.8 million and \$23.1 million, respectively. In the prior year, this mainly consisted of pre-acquisition costs on projects we are no longer pursuing. In the current year, this mainly consisted of Insurance Loss Expense.

Transaction expenses

We had no transaction expenses for the year ended December 31, 2021, while transaction expenses were \$127.2 million for the year ended December 31, 2020. Transaction expenses for the prior year consisted of acquisition related costs from the acquisition of WLH, which included investment banking fees, severance, compensation, legal fees, expenses relating to credit facility paydowns and terminations, and other various integration costs.

Loss on Extinguishment of Debt, Net

We had no losses on extinguishment of debt for the year ended December 31, 2021, while loss on extinguishment of debt was \$10.2 million for the year ended December 31, 2020. During the year ended December 31, 2020, we redeemed the entire principal amount of the 2023 6.00% Senior Notes as well as the 2025 5.875% Senior Notes, and as a result of the early redemption, we recorded a total net loss of \$10.2 million.

Income Tax Provision

Our effective tax rate was 20.9% and 23.0% for the years ended December 31, 2021 and December 31, 2020, respectively. Our effective rate for both years was affected by a number of factors including state income taxes, energy tax credits relating to homebuilding activities, and tax benefits from the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") which contains a number of economic relief provisions in response to the COVID-19 pandemic. The effective tax rate for the year ended December 31, 2021 was favorably impacted by income attributable to non-controlling interests. The effective tax rate for the year ended December 31, 2020 was unfavorably impacted by certain expenses related to the acquisition of WLH which were not deductible for tax purposes.

Net Income

Net income before allocation to non-controlling interests and diluted earnings per share for the year ended December 31, 2021 were \$682.4 million and \$5.18, respectively. Net income before allocation to non-controlling interests and diluted earnings per share for the year ended December 31, 2020 were \$249.5 million and \$1.88, respectively. The increases in net income and diluted earnings per share in the current year compared to the prior year was primarily attributable to higher home closings revenues, net, and higher gross margin dollars. In addition, 2020 included loss on the extinguishment of debt and transaction expenses related to the acquisition of WLH which negatively impacted net income and earnings per share.

Liquidity and Capital Resources

Liquidity

We finance our operations through the following:

- Cash generated from operations;
- Borrowings under our Revolving Credit Facilities;

- Our various series of Senior Notes;
- Mortgage warehouse facilities;
- Project-level real estate financing (including non-recourse loans, land banking, and joint ventures); and
- Performance, payment and completion surety bonds, and letters of credit.

Cash flows for each of our communities depend on the status of the development cycle, and can differ substantially from reported earnings. Early stages of development or expansion require significant cash expenditures for land acquisitions, on and off-site development, construction of model homes, general landscaping and other amenities. Because these costs are a component of our inventory and are not recognized in our statement of operations until a home closes, we incur significant cash outflows prior to recognition of earnings.

The table below summarizes our total cash and liquidity as of the dates indicated (in thousands):

(Dollars in thousands)	As of December 31,	
	2021	2020
Total cash, excluding restricted cash	\$ 832,821	\$ 532,843
\$800 Million Revolving Credit Facility	800,000	800,000
\$100 Million Revolving Credit Facility	100,000	—
Letters of credit outstanding	(58,738)	(64,274)
\$100 Million Revolving Credit Facility borrowings outstanding	(31,529)	—
Revolving Credit Facility availability	809,733	735,726
Total liquidity	<u>\$1,642,554</u>	<u>\$1,268,569</u>

We believe we have adequate capital resources from cash generated from operations and sufficient access to external financing sources from borrowings under our Revolving Credit Facilities to conduct our operations for the next twelve months. Beyond the next twelve months, our primary demand for funds will be for payments of our long-term debt as it becomes due, land purchases, lot development, home and amenity construction, long-term capital investments, investments in our joint ventures, and repurchases of common stock. We believe we will generate sufficient cash from our operations to meet the demands for such payments, however we may also access the capital markets to obtain additional liquidity through debt and equity

offerings or refinance debt to secure capital for such long-term demands.

Material Cash Requirements

We have various contractual obligations with commitments to pay third parties, including but not limited to our debt facilities, land purchase and land banking contracts, and leases. These obligations impact our liquidity and capital resource needs and are presented in the table below. Our short-term demands are cash requirements for the next twelve months and long-term demands are cash requirements beyond twelve months.

(Dollars in thousands)	Cash Requirements		
	Totals	Short-Term Demands	Long-Term Demands
Lease obligations	\$ 352,803	\$ 28,178	\$ 324,625
Land purchase contracts and lot options and land banking arrangements	1,256,974	353,363	903,611
Revolving credit facilities	31,529	31,529	—
Senior notes	2,450,000	—	2,450,000
Other debt outstanding	818,273	620,343	197,930
Estimated interest expense ⁽¹⁾	735,978	154,645	581,333
Totals	<u>\$5,645,557</u>	<u>\$1,188,058</u>	<u>\$4,457,499</u>

⁽¹⁾ Estimated interest expense amounts for debt outstanding at the respective contractual interest rates, the weighted average of which was 4.9% as of December 31, 2021.

In addition to our contractual obligations, we also have forecasted operational cash outlays on items such as future land purchases or common stock repurchases, to maintain our strategic growth and returns to our investors. Management expects to invest over \$2.0 billion in land acquisition and development during the next twelve months. As of December 31, 2021 we had approximately \$230.4 million remaining on our share repurchase authorization, which expires on June 30, 2024.

Cash Flow Activities

Operating Cash Flow Activities

Our net cash provided by operating activities was \$0.4 billion for the year ended December 31, 2021 compared to \$1.1 billion for the year ended December 31, 2020. The decrease in cash provided by operating activities was primarily attributable an increase in real estate inventory and land deposits, mortgages held for sale, prepaid expenses and other assets, which was partially offset by an increase in net income due to additional homes closed and the increase in the accounts payable and accrued expenses for the year ended December 31, 2021 compared to 2020.

Investing Cash Flow Activities

Net cash used in investing activities was \$74.3 million for the year ended December 31, 2021 compared to \$312.8 million for the year ended December 31, 2020. The decrease in cash used in investing activities for the year ended December 31, 2021 reflects the acquisition of WLH which occurred in 2020.

Financing Cash Flow Activities

Net cash used in financing activities was \$0.2 million for the year ended December 31, 2021 compared to \$604.9 million for the year ended December 31, 2020. The decrease in cash used in financing activities was primarily due to our repayments of the 2023 6.00% Senior Notes and 2025 5.875% Senior Notes for the year ended December 31, 2020. In addition, our net borrowings on mortgage warehouse increased for the year ended December 31, 2021 compared to the year ended December 31, 2020.

Debt Instruments

For information regarding our debt instruments, including the terms governing our Senior Notes and our Revolving Credit Facilities, see *Note 8—Debt* in the Notes to the Consolidated Financial Statements included in this annual report.

Financial Guarantees

The following table summarizes our letters of credit and surety bonds as of the dates indicated:

(Dollars in thousands)	As of December 31,	
	2021	2020
Letters of credit (1)	\$ 58,738	\$ 64,274
Surety bonds	1,122,602	917,548
Total outstanding letters of credit and surety bonds	<u>\$1,181,340</u>	<u>\$981,822</u>

(1) As of December 31, 2021 and 2020, there was \$200.0 million total capacity of letters of credit available under our Revolving Credit Facility.

Off-Balance Sheet Arrangements as of December 31, 2021

Investments in Land Development and Homebuilding Joint Ventures or Unconsolidated Entities

We participate in strategic land development and homebuilding joint ventures with related and unrelated third parties. The use of these entities, in some instances, enables us to acquire land to which we could not otherwise obtain access, or

could not obtain access on terms that are as favorable. Our partners in these joint ventures historically have been land owners/ developers, other homebuilders and financial or strategic partners. Joint ventures with land owners/developers have given us access to sites owned or controlled by our partners. Joint ventures with other homebuilders have provided us with the ability to bid jointly with our partners for large or expensive land parcels. Joint ventures with financial partners have allowed us to combine our homebuilding expertise with access to our partners' capital.

In certain of our unconsolidated joint ventures, we enter into loan agreements, whereby one of our subsidiaries will provide the lenders with customary guarantees, including completion, indemnity and environmental guarantees subject to usual non- recourse terms.

For the years ended December 31, 2021 and 2020, total cash contributed to unconsolidated joint ventures was \$75.0 million and \$36.1 million, respectively.

The following is a summary of investments in unconsolidated joint ventures:

(Dollars in thousands)	As of December 31,	
	2021	2020
Central	87,600	58,052
West	79,531	65,395
Financial Services	4,275	4,508
Total	<u>\$171,406</u>	<u>\$127,955</u>

Land Option Contracts and Land Banking Agreements

We are subject to the usual obligations associated with entering into contracts (including land option contracts and land banking arrangements) for the purchase, development, and sale of real estate in our routine business. We have a number of land purchase option contracts and land banking agreements, generally through cash deposits, for the right to purchase land or lots at a future point in time with predetermined terms. We do not have title to the property and the creditors generally have no recourse. Our obligations with respect to such contracts are generally limited to the forfeiture of the related non-refundable cash deposits and/or letters of credit provided to obtain the options. At December 31, 2021 and 2020, the aggregate purchase price of these contracts was \$1.3 billion and \$0.8 billion, respectively.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our operations are interest rate sensitive. We monitor our exposure to changes in interest rates and incur both fixed rate and variable rate debt. At December 31, 2021, 86.5% of our debt was fixed rate and 13.5% was variable rate. None of our market sensitive instruments were entered into for trading purposes. For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. Conversely, for variable rate debt, changes in interest rates generally do not impact the fair value of the debt instrument but may affect our future earnings and cash flows, and may also impact our variable rate borrowing costs, which principally relate to any borrowings under our Revolving Credit Facilities and to any borrowings by TMHF under its various warehouse facilities. As of December 31, 2021, we had \$31.5 million outstanding borrowings under our \$100 Million Revolving Credit Facility. We had \$809.7 million of additional availability for borrowings under the Revolving Credit Facilities including \$141.3 million of additional availability for letters of credit under our \$800 Million Revolving Credit Facility as of December 31, 2021 (giving effect to \$58.7 million of letters of credit outstanding as of such date). We are required to offer to purchase substantially all of our outstanding senior unsecured notes, as described in Note 8, *Debt*, at 101% of their aggregate principal amount upon the occurrence of specified change of control events. Other than in those circumstances, we do not have an obligation to prepay fixed rate debt prior to maturity and, as a result, we would not expect interest rate risk and changes in fair value to have a significant impact on our cash flows related to our fixed rate debt until such time as we are required to refinance, repurchase or repay such debt.

The following table sets forth principal payments by scheduled maturity and effective weighted average interest rates and estimated fair value of our debt obligations as of December 31, 2021. The interest rate for our variable rate debt includes the interest rate on our mortgage warehouse facilities. Because the mortgage warehouse facilities are secured by certain mortgage loans held for sale which are typically sold within approximately 20-30 days, its outstanding balance is included as a variable rate maturity in the most current period presented.

(Dollars in millions)	Expected Maturity Date					Thereafter	Total	Fair Value
	2022	2023	2024	2025	2026			
Fixed Rate Debt	\$206.5	\$471.1	\$380.4	\$19.2	\$20.8	\$1,756.4	\$2,854.4	\$3,071.7
Weighted average interest rate ⁽¹⁾	3.2%	5.1%	5.6%	3.2%	3.2%	5.7%	5.4%	— %
Variable rate debt ⁽²⁾	\$445.4	—	—	—	—	—	\$ 445.4	\$ 445.4
Average interest rate	1.6%	— %	— %	— %	— %	— %	1.6%	— %

⁽¹⁾ Represents the coupon rate of interest on the full principal amount of the debt.

⁽²⁾ Based upon the amount of variable rate debt at December 31, 2021, and holding the variable rate debt balance constant, each 1% increase in interest rates would increase the interest incurred by us by approximately \$4.5 million per year.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

TAYLOR MORRISON HOME CORPORATION

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Separate combined financial statements of our unconsolidated joint venture investments have been omitted because, if considered in the aggregate, they would not constitute a significant subsidiary as defined by Rule 3-09 of Regulation S-X.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Taylor Morrison Home Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Taylor Morrison Home Corporation and subsidiaries (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income, stockholders’ equity, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2022, expressed an unqualified opinion on the Company’s internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Real Estate Inventory Valuation- Refer to Notes 2 and 4 to the financial statements

Critical Audit Matter Description

Inventory consists of land, land under development, homes under construction, completed homes and model homes, all of which are stated at cost. Management evaluates its real estate inventory for indicators of impairment by community during each reporting period. If indicators of impairment are present for a community, management first performs an undiscounted cash flow analysis to determine if a fair value analysis is required to be performed. The Company’s undiscounted cash flow analysis includes projections and estimates relating to sales prices, construction costs, sales pace, and other factors. Changes in these expectations may lead to a change in the outcome of the Company’s impairment analysis, and actual results may also differ from management’s assumptions.

Given the subjectivity in determining whether further impairment analysis is required for a community, management exercises significant judgment when reviewing the indicators of impairment and the undiscounted cash flow analyses, as applicable. Accordingly, auditing management's judgments regarding the identification of impairment indicators and the key assumptions used in the undiscounted cash flow analyses involved especially subjective auditor judgment.

How the Critical Audit Matter Was Addressed in the Audit

We tested the operating effectiveness of controls over management's impairment indicator analysis, including controls over key inputs into the analysis such as management's forecast, and controls over management's review of any undiscounted cash flows analyses for communities identified with impairment indicators.

We evaluated the reasonableness of management's impairment indicator analysis by evaluating management's process for identifying impairment indicators, including thresholds used for investigation, and whether management appropriately considered all potential indicators. We also conducted an independent analysis to determine whether additional factors were present during the period, that may indicate that a fair value analysis is required to be performed. Additionally, to test management's ability to develop estimates, we compared actual results for homes closed in the current year to prior projections for these same homes before closing and investigated variances.

If applicable, we evaluated the reasonableness of the key projections and estimates used in management's undiscounted cash flow analyses by comparing the assumptions to historical information. For any communities without historical information available, we compared management's estimates to historical estimates for similar communities, taking into consideration factors such as location, size, and type of community. We also inquired with management regarding trends and changing market conditions that were incorporated into management's undiscounted cash flow projections in addition to consulting third-party analyst reports and projections that could identify factors that could affect a community's recoverability.

/s/ DELOITTE & TOUCHE LLP

Phoenix, Arizona
February 23, 2022

We have served as the Company's auditor since 2011.

TAYLOR MORRISON HOME CORPORATION
CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

	December 31,	
	2021	2020
Assets		
Cash and cash equivalents	\$ 832,821	\$ 532,843
Restricted cash	3,519	1,266
Total cash, cash equivalents, and restricted cash	836,340	534,109
Real estate inventory:		
Owned inventory	5,444,207	5,209,653
Consolidated real estate not owned	55,314	122,773
Total real estate inventory	5,499,521	5,332,426
Land deposits	229,535	125,625
Mortgage loans held for sale	467,534	201,177
Derivative assets	2,110	5,294
Lease right of use assets	85,863	73,222
Prepaid expenses and other assets, net	314,986	242,744
Other receivables, net	150,864	96,241
Investments in unconsolidated entities	171,406	127,955
Deferred tax assets, net	151,240	238,078
Property and equipment, net	155,181	97,927
Goodwill	663,197	663,197
Total assets	\$8,727,777	\$7,737,995
Liabilities		
Accounts payable	\$ 253,348	\$ 215,047
Accrued expenses and other liabilities	525,209	430,067
Lease liabilities	96,172	83,240
Income taxes payable	—	12,841
Customer deposits	485,705	311,257
Estimated development liabilities	38,923	40,625
Senior notes, net	2,452,322	2,452,365
Loans payable and other borrowings	404,386	348,741
Revolving credit facility borrowings	31,529	—
Mortgage warehouse borrowings	413,887	127,289
Liabilities attributable to consolidated real estate not owned	55,314	122,773
Total liabilities	4,756,795	4,144,245
COMMITMENTS AND CONTINGENCIES (Note 14)		
Stockholders' Equity		
Common stock, \$0.00001 par value, 400,000,000 shares authorized, 158,662,208 and 155,361,670 shares issued, 121,833,649 and 129,476,914 shares outstanding as of December 31, 2021 and December 31, 2020, respectively	1	1
Additional paid-in capital	2,997,211	2,926,773
Treasury stock at cost, 36,828,559 and 25,884,756 shares as of December 31, 2021 and December 31, 2020, respectively	(760,863)	(446,856)
Retained Earnings	1,688,815	1,025,789
Accumulated other comprehensive income/(loss)	689	(1,166)
Total stockholders' equity attributable to TMHC	3,925,853	3,504,541
Non-controlling interests — joint ventures	45,129	89,209
Total stockholders' equity	3,970,982	3,593,750
Total liabilities and stockholders' equity	\$8,727,777	\$7,737,995

See accompanying Notes to the Consolidated Financial Statements

TAYLOR MORRISON HOME CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	<u>Year Ended December 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Home closings revenue, net	\$7,171,433	\$5,863,652	\$4,623,484
Land closings revenue	99,444	65,269	27,081
Financial services revenue	164,615	155,827	92,815
Amenity and other revenue	65,773	44,572	18,679
Total revenue	<u>7,501,265</u>	<u>6,129,320</u>	<u>4,762,059</u>
Cost of home closings	5,713,905	4,887,757	3,836,857
Cost of land closings	83,853	64,432	32,871
Financial services expenses	101,848	88,910	51,086
Amenity and other expenses	53,778	44,002	17,155
Total cost of revenues	<u>5,953,384</u>	<u>5,085,101</u>	<u>3,937,969</u>
Gross margin	1,547,881	1,044,219	824,090
Sales, commissions and other marketing costs	400,376	377,496	320,420
General and administrative expenses	267,966	194,879	169,851
Equity in income of unconsolidated entities	(11,130)	(11,176)	(9,509)
Interest expense/(income), net	3,792	(1,606)	(2,673)
Other expense, net	23,769	23,092	7,226
Transaction expenses	—	127,170	10,697
Loss on extinguishment of debt, net	—	10,247	5,806
Income before income taxes	<u>863,108</u>	<u>324,117</u>	<u>322,272</u>
Income tax provision	<u>180,741</u>	<u>74,590</u>	<u>67,358</u>
Net income before allocation to non-controlling interests	682,367	249,527	254,914
Net income attributable to non-controlling interests — joint ventures	<u>(19,341)</u>	<u>(6,088)</u>	<u>(262)</u>
Net income available to Taylor Morrison Home Corporation	<u>\$ 663,026</u>	<u>\$ 243,439</u>	<u>\$ 254,652</u>
Earnings per common share			
Basic	\$ 5.26	\$ 1.90	\$ 2.38
Diluted	\$ 5.18	\$ 1.88	\$ 2.35
Weighted average number of shares of common stock:			
Basic	126,077	127,812	106,997
Diluted	128,019	129,170	108,289

See accompanying Notes to the Consolidated Financial Statements

TAYLOR MORRISON HOME CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Year Ended December 31,		
	2021	2020	2019
Income before non-controlling interests, net of tax	\$682,367	\$249,527	\$254,914
Post-retirement benefits adjustments, net of tax	1,855	(2,050)	(1,117)
Comprehensive income	684,222	247,477	253,797
Comprehensive income attributable to non-controlling interests — joint ventures . . .	(19,341)	(6,088)	(262)
Comprehensive income available to Taylor Morrison Home Corporation	\$664,881	\$241,389	\$253,535

See accompanying Notes to the Consolidated Financial Statements

**TAYLOR MORRISON HOME CORPORATION CONSOLIDATED
STATEMENTS OF STOCKHOLDERS' EQUITY**

(In thousands, except share data)

	Common Stock		Additional Paid-in Capital	Treasury Stock		Stockholders' Equity			
	Shares	Amount	Amount	Shares	Amount	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Non- controlling Interest - Joint Venture	Total Stockholders' Equity
Balance — December 31, 2018	112,965,856	\$ 1	\$2,071,579	11,554,084	\$(186,087)	\$ 527,698	\$ 2,001	\$ 3,543	\$2,418,735
Net income	—	—	—	—	—	254,652	—	262	254,914
Other comprehensive loss	—	—	—	—	—	—	(1,117)	—	(1,117)
Exercise of stock options	765,781	—	13,238	—	—	—	—	—	13,238
Issuance of restricted stock units, net of shares withheld for tax ⁽¹⁾	508,996	—	(1,585)	—	—	—	—	—	(1,585)
Repurchase of common stock	(8,389,348)	—	—	8,389,348	(157,437)	—	—	—	(157,437)
Stock compensation expense	—	—	14,763	—	—	—	—	—	14,763
Contributions from non-controlling interests of consolidated joint ventures	—	—	—	—	—	—	—	2,196	2,196
Changes in non-controlling interests of consolidated joint ventures	—	—	—	—	—	—	—	2,005	2,005
Balance — December 31, 2019	105,851,285	\$ 1	\$2,097,995	19,943,432	\$(343,524)	\$ 782,350	\$ 884	\$ 8,006	\$2,545,712
Net income	—	—	—	—	—	243,439	—	6,088	249,527
Other comprehensive loss	—	—	—	—	—	—	(2,050)	—	(2,050)
Exercise of stock options	551,845	—	9,579	—	—	—	—	—	9,579
Issuance of restricted stock units, net of shares withheld for tax ⁽¹⁾	687,818	—	(9,228)	—	—	—	—	—	(9,228)
Issuance of equity in connection with business combinations	28,327,290	—	787,877	—	—	—	—	—	787,877
Repurchase of common stock	(5,941,324)	—	—	5,941,324	(103,332)	—	—	—	(103,332)
Stock compensation expense	—	—	27,023	—	—	—	—	—	27,023
Stock compensation expense related to WLH acquisition	—	—	5,106	—	—	—	—	—	5,106
WLH equity award accelerations due to change in control	—	—	8,421	—	—	—	—	—	8,421
Distributions to non-controlling interests of consolidated joint ventures	—	—	—	—	—	—	—	(46,938)	(46,938)
Changes in non-controlling interests of consolidated joint ventures	—	—	—	—	—	—	—	122,053	122,053
Balance — December 31, 2020	129,476,914	\$ 1	\$2,926,773	25,884,756	\$(446,856)	\$1,025,789	\$(1,166)	\$ 89,209	\$3,593,750
Net income	—	—	—	—	—	663,026	—	19,341	682,367
Other comprehensive income	—	—	—	—	—	—	1,855	—	1,855
Exercise of stock options	1,204,283	—	23,331	—	—	—	—	—	23,331
Issuance of restricted stock units, net of shares withheld for tax ⁽¹⁾	392,050	—	(5,420)	—	—	—	—	—	(5,420)
Warrant exercises	1,704,205	—	32,584	—	—	—	—	—	32,584
Repurchase of common stock	(9,918,104)	—	—	9,918,104	(281,420)	—	—	—	(281,420)
Common stock surrendered in connection with warrant exercise	(1,025,699)	—	—	1,025,699	(32,587)	—	—	—	(32,587)
Stock compensation expense	—	—	19,943	—	—	—	—	—	19,943
Distributions to non-controlling interests of consolidated joint ventures	—	—	—	—	—	—	—	(62,734)	(62,734)
Changes in non-controlling interests of consolidated joint ventures	—	—	—	—	—	—	—	(687)	(687)
Balance — December 31, 2021	121,833,649	\$ 1	\$2,997,211	36,828,559	\$(760,863)	\$1,688,815	\$ 689	\$ 45,129	\$3,970,982

(1) Dollar amount represents the value of shares withheld for taxes

See accompanying Notes to the Consolidated Financial Statements

TAYLOR MORRISON HOME CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	For the Year ended December 31,		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income before allocation to non-controlling interests	\$ 682,367	\$ 249,527	\$ 254,914
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in income of unconsolidated entities	(11,130)	(11,176)	(9,509)
Stock compensation expense	19,943	32,129	14,763
Distributions of earnings from unconsolidated entities	10,740	11,564	10,473
Loss on extinguishment of debt	—	10,247	5,806
Depreciation and amortization	39,980	37,336	31,424
Lease expense	17,885	16,785	9,087
Debt issuance costs/(premium) amortization	539	(1,852)	1,173
Deferred income taxes	86,838	50,582	2,655
Inventory impairment charges	—	9,611	9,384
Land held for sale impairments	4,663	4,347	—
Chicago assets held for sale valuation adjustments	—	—	9,942
Change in Urban Form assets due to sale	20,440	—	—
Changes in operating assets and liabilities:			
Real estate inventory and land deposits	(343,127)	535,238	990
Mortgages held for sale, prepaid expenses and other assets	(511,220)	(35,878)	(26,614)
Customer deposits	174,448	132,446	1,896
Accounts payable, estimated development liability, and accrued expenses and other liabilities	197,121	62,329	73,113
Income taxes payable	(12,841)	20,047	3,719
Net cash provided by operating activities	<u>376,646</u>	<u>1,123,282</u>	<u>393,216</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(21,199)	(37,760)	(30,118)
Payments for business acquisitions, net of cash acquired	—	(279,048)	—
Distributions of capital from unconsolidated entities	31,915	40,062	23,584
Investments of capital into unconsolidated entities	(74,976)	(36,058)	(12,766)
Payments to acquire investments and securities	(10,000)	—	—
Net cash used in investing activities	<u>(74,260)</u>	<u>(312,804)</u>	<u>(19,300)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in loans payable and other borrowings	130,493	93,440	26,740
Repayments of loans payable and other borrowings	(124,786)	(141,103)	(30,383)
Borrowings on revolving credit facility	131,529	830,000	315,000
Payments on revolving credit facility	(100,000)	(830,000)	(515,000)
Borrowings on mortgage warehouse	3,327,954	2,448,980	1,145,799
Repayment on mortgage warehouse	(3,041,356)	(2,489,867)	(1,152,919)
Proceeds from issuance of senior notes	—	500,000	950,000
Repayments on senior notes	—	(861,775)	(963,252)
Payment of deferred financing costs	—	(6,351)	(11,603)
Proceeds from stock option exercises	23,331	9,579	13,238
Payment of principle portion of finance lease	(1,345)	(1,325)	—
Repurchase of common stock, net	(281,420)	(103,332)	(157,439)
Payment of taxes related to net share settlement of equity awards	(5,420)	(9,228)	(1,585)
(Distributions)/Contributions (to) from non-controlling interests of consolidated joint ventures, net	(59,135)	(8,291)	4,201
Payment to acquire non-controlling interests	—	(35,668)	—
Net cash used in financing activities	<u>(155)</u>	<u>(604,941)</u>	<u>(377,203)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>\$ 302,231</u>	<u>\$ 205,537</u>	<u>\$ (3,287)</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH — Beginning of period	534,109	328,572	331,859
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH — End of period	<u>\$ 836,340</u>	<u>\$ 534,109</u>	<u>\$ 328,572</u>
SUPPLEMENTAL CASH FLOW INFORMATION:			
Income taxes paid, net	\$ (146,171)	\$ (3,357)	\$ (20,129)
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Change in loans payable issued to sellers in connection with land purchase contracts	\$ 279,646	\$ 193,308	\$ 94,186
Change in inventory not owned	\$ (67,459)	\$ (86,393)	\$ 3,926
Change in Operating lease right of use assets due to adoption of ASU 2016-02	\$ —	\$ —	\$ 27,384
Change in Operating lease right of use liabilities due to adoption of ASU 2016-02	\$ —	\$ —	\$ 30,331
Issuance of common stock in connection with business acquisition	\$ —	\$ 797,970	\$ —
Net non-cash (distributions)/contributions (to)/from unconsolidated entities	\$ (3,599)	\$ 5,002	\$ —
Non-cash portion of loss on debt extinguishment	\$ —	\$ 1,723	\$ —
Common stock surrendered in connection with warrant exercise	\$ 32,587	\$ —	\$ —
Common stock issued in connection with warrant exercise	\$ (32,584)	\$ —	\$ —

See accompanying Notes to the Consolidated Financial Statements

TAYLOR MORRISON HOME CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS

Description of the Business — Taylor Morrison Home Corporation (“TMHC”), through its subsidiaries (together with TMHC referred to herein as “we,” “our,” “the Company” and “us”), owns and operates a residential homebuilding business and is a developer of lifestyle communities. We operate in the states of Arizona, California, Colorado, Florida, Georgia, Nevada, North and South Carolina, Oregon, Texas, and Washington. We provide an assortment of homes across a wide range of price points to appeal to an array of consumer groups. We design, build and sell single and multi-family detached and attached homes in traditionally high growth markets for entry level, move-up, and 55-plus active lifestyle (formerly referred to as active adult) buyers. We are the general contractors for all real estate projects and retain subcontractors for home construction and land development. Our homebuilding segments operate under our Taylor Morrison, Darling Homes Collection by Taylor Morrison, and Esplanade. We also have an exclusive partnership with Christopher Todd Communities, a growing Phoenix-based developer of innovative, luxury rental communities to operate a “Build-to-Rent” homebuilding business. We serve as a land acquirer, developer, and homebuilder while Christopher Todd Communities provides community design and property management consultation. In addition, we develop and construct multi-use properties consisting of commercial space, retail, and multi-family properties under the “Urban Form” brand. We also have operations which provide financial services to customers through our wholly owned mortgage subsidiary, Taylor Morrison Home Funding, INC (“TMHF”), title services through our wholly owned title services subsidiary, Inspired Title Services, LLC (“Inspired Title”), and homeowner’s insurance policies through our insurance agency, Taylor Morrison Insurance Services, LLC (“TMIS”). Our business is organized into multiple homebuilding operating components, and a financial services component, all of which are managed as four reportable segments: East, Central, West, and Financial Services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation — The accompanying Consolidated Financial Statements have been prepared in accordance with GAAP, include the accounts of TMHC and its consolidated subsidiaries, other entities where we have a controlling financial interest, and certain consolidated variable interest entities. Intercompany balances and transactions have been eliminated in consolidation.

We consolidate certain joint ventures in accordance with Accounting Standards Codification (“ASC”) Topic 810, *Consolidation*. The income from the percentage of the joint venture not owned by us is presented as “Net income attributable to non-controlling interests—joint ventures” on the Consolidated Statements of Operations. The assets, liabilities and equity from the percentage of the joint venture not owned by us is presented as “Non-controlling interests—joint ventures” on the Consolidated Balance Sheets and Consolidated Statements of Stockholders’ Equity.

Business Combinations — Acquisitions are accounted for in accordance with ASC Topic 805-10, *Business Combinations*. In connection with our 2020 acquisition of William Lyon Homes, Inc. (“WLH”), we determined we obtained control of a business and inputs, processes and outputs in exchange for cash and equity consideration. All material assets and liabilities were measured and recognized at fair value as of the date of the acquisition to reflect the purchase price paid, which resulted in goodwill. Refer to Note 16 — *Business Combinations* for further information regarding the purchase price allocation and related acquisition accounting.

Use of Estimates — The preparation of financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates include real estate development costs to complete, valuation of real estate, valuation of acquired assets, valuation of goodwill, valuation of development liabilities, valuation of equity awards, valuation allowance on deferred tax assets and reserves for warranty and self-insured risks. Actual results could differ from those estimates.

Concentration of Credit Risk — Financial instruments that potentially subject us to concentrations of credit risk are primarily cash and cash equivalents and mortgage receivables. Cash and cash equivalents include amounts on deposit with financial institutions in the U.S. that are in excess of the Federal Deposit Insurance Corporation federally insured limits of up to \$250,000. Of the different types of mortgage receivables, there was no concentration of mortgage receivables with any one customer for the year ended December 31, 2021. No losses have been experienced to date.

In addition, the Company is exposed to credit risk to the extent that borrowers may fail to meet their contractual obligations. This risk is mitigated by collateralizing the property sold to the buyer with a mortgage, and entering into forward commitments to sell our mortgage loans held for sale, generally within 30 days of origination.

Cash and Cash Equivalents — Cash and cash equivalents consist of cash on hand, demand deposits with financial institutions, and investments with original maturities of 90 days or less. At December 31, 2021, the majority of our cash and cash equivalents were invested in both highly liquid and high-quality money market funds or on deposit with major financial institutions.

Restricted Cash — For the years ended December 31, 2021 and 2020 restricted cash consisted of cash pledged to collateralize mortgage credit lines and cash held in escrow deposits.

Leases — We recognize leases in accordance with ASC Topic 842, *Leases*. Our operating leases primarily consist of office space, construction trailers, model home leasebacks, and equipment or storage units. Certain of our leases offer the option to renew or to increase rental square footage. The execution of such options are at our discretion and may result in a lease modification. Operating and finance leases are recorded in Lease right of use asset and Lease liabilities on the Consolidated Balance Sheets.

A summary of our leases is shown below:

(Dollars in millions)	Operating Leases As of December 31,			Finance Leases As of December 31,		
	2021	2020	2019	2021	2020	2019
Weighted average discount rate	5.9%	6.1%	5.8%	7.3%	7.3%	5.8%
Weighted average remaining lease term (in years)	4.1	5.2	6.0	86.9	87.9	2.0
Payments on lease liabilities	\$20.7	\$16.8	\$9.4	\$ 1.3	\$ 1.3	\$—
Recorded lease expense	\$15.9	\$14.8	\$9.1	\$ 2.0	\$ 2.0	\$—

The future minimum lease payments required under our leases as of December 31, 2021 are as follows (dollars in thousands):

Years Ending December 31,	Operating Lease Payments	Finance Lease Payments	Total Lease Payments
2022	\$26,834	\$ 1,344	\$ 28,178
2023	20,096	1,341	21,437
2024	13,751	1,334	15,085
2025	9,423	1,325	10,748
2026	5,904	1,325	7,229
Thereafter ⁽¹⁾	5,141	264,985	270,126
Total lease payments	\$81,149	\$271,654	\$352,803
Less: Interest	\$ 8,931	\$247,700	\$256,631
Present value of lease liabilities	<u>\$72,218</u>	<u>\$ 23,954</u>	<u>\$ 96,172</u>

⁽¹⁾ Includes a 90 year land lease.

Real Estate Inventory — Inventory consists of raw land, land under development, homes under construction, completed homes, and model homes, all of which are stated at cost. In addition to direct carrying costs, we also capitalize interest, real estate taxes, and related development costs that benefit the entire community, such as field construction supervision and related direct overhead. Home vertical construction costs are accumulated and charged to cost of sales at the time of home closing using the specific identification method. Land acquisition, development, interest, and real estate taxes are allocated to homes and units generally using the relative sales value method. Generally, all overhead costs relating to purchasing, vertical construction of a home, and construction utilities are considered overhead costs and allocated on a per unit basis. These costs are capitalized to inventory from the point development begins to the point construction is completed. Changes in estimated costs to be incurred in a community are generally allocated to the remaining lots on a prospective basis. For those communities that have been temporarily closed or development has been discontinued, we do not allocate interest or other costs to the community's inventory until activity resumes. Such costs are expensed as incurred.

The life cycle of a typical community generally ranges from two to five years, commencing with the acquisition of unentitled or entitled land, continuing through the land development phase and concluding with the sale, construction and delivery of homes.

Actual community duration will vary based on the size of the community, the sales absorption rate and whether we purchased the property as raw land or as finished lots.

We capitalize qualifying interest costs to inventory during the development and construction periods. Capitalized interest is charged to cost of sales when the related inventory is charged to cost of sales.

We assess the recoverability of our inventory in accordance with the provisions of ASC Topic 360, *Property, Plant, and Equipment*. We review our real estate inventory for indicators of impairment on a community-level basis during each reporting period. If indicators of impairment are present for a community, an undiscounted cash flow analysis is usually prepared in order to determine if the carrying value of the assets in that community exceeds the undiscounted cash flows. Generally, if the carrying value of the assets exceeds their estimated undiscounted cash flows, the assets are potentially impaired, requiring a fair value analysis. Our determination of fair value is primarily based on a discounted cash flow model which includes projections and estimates relating to sales prices, construction costs, sales pace, and other factors. However, fair value can be determined through other methods, such as appraisals, contractual purchase offers, and other third party opinions of value. Changes in these expectations may lead to a change in the outcome of our impairment analysis, and actual results may also differ from our assumptions. For the year ended December 31, 2021, we recorded no impairment charges. For the year ended December 31, 2020, we recorded \$9.6 million of impairment charges, all of which related to our East reporting segment. For the year ended December 31, 2019, we recorded \$8.9 million of impairment charges, of which \$2.0 million and \$6.9 million related to our East and Central reporting segments, respectively. Impairment charges are recorded to Cost of home closings or Cost of land closings on the Consolidated Statement of Operations.

In certain cases, we may elect to cease development and/or marketing of an existing community if we believe the economic performance of the community would be maximized by deferring development for a period of time to allow for market conditions to improve. We refer to such communities as long-term strategic assets. The decision may be based on financial and/ or operational metrics as determined by us. If we decide to cease development, we will evaluate the project for impairment and then cease future development and marketing activity until such a time when we believe that market conditions have improved and economic performance can be maximized. Our assessment of the carrying value of our long-term strategic assets typically includes subjective estimates of future performance, including the timing of when development will recommence, the type of product to be offered, and the margin to be realized. In the future, some of these inactive communities may be re-opened while others may be sold. For the year ended December 31, 2021 we had no inactive projects. We had one inactive project in our East region with a carrying value of \$13.5 million for the year ended December 31, 2020 and no inactive projects for the year ended December 31, 2019.

Land held for sale — In some locations where we act as a developer, we occasionally purchase land that includes commercially zoned parcels or areas designated for school or government use, which we typically sell to commercial developers or municipalities, as applicable. We also sell residential lots or land parcels to manage our land and lot

supply on larger tracts of land. Land is considered held for sale once management intends to actively sell a parcel within the next 12 months or the parcel is under contract to sell. Land held for sale is recorded at the lower of cost or fair value less costs to sell. In determining the value of land held for sale, we consider recent offers received, prices for land in recent comparable sales transactions, and other factors. We record fair value adjustments for land held for sale within Cost of land closings on the Consolidated Statement of Operations.

Land banking arrangements — We have land purchase agreements with various land sellers. As a method of acquiring land in staged takedowns, while limiting risk and minimizing the use of funds from our available cash or other financing sources, we may transfer our right under certain specific performance agreements to entities owned by third parties (“land banking arrangements”). These entities use equity contributions from their owners and/or incur debt to finance the acquisition and development of the land. The entities grant us an option to acquire lots in staged takedowns. In consideration for this option, we make a non-refundable deposit. We are not legally obligated to purchase the balance of the lots, but would forfeit any existing deposits and could be subject to financial and other penalties if the lots were not purchased. We do not have ownership interest in these entities or title to assets and do not guarantee their liabilities. These land banking arrangements help us manage the financial and market risk associated with land holdings.

Land Deposits — We make deposits related to land option contracts, land banking, and land purchase contracts. Non-refundable deposits are recorded as real estate inventory in the accompanying Consolidated Balance Sheets at the time the deposit is applied to the acquisition price of the land based on the terms of the underlying agreements. To the extent the deposits are non-refundable, they are charged to other expense if the land acquisition process is terminated or no longer determined probable.

Mortgage Loans Held for Sale — Mortgage loans held for sale consist of mortgages due from buyers of Taylor Morrison homes that are financed through our mortgage finance subsidiary, TMHF. Mortgage loans held for sale are carried at fair value, which is calculated using observable market information, including pricing from actual market transactions, investor commitment prices, or broker quotations. The fair value for mortgage loans held for sale covered by investor commitments is generally based on commitment prices. The fair value for mortgage loans held for sale not committed to be purchased by an investor is generally based on current delivery prices using best execution pricing.

Derivative Assets — We are exposed to interest rate risk for interest rate lock commitments (“IRLCs”) and originated mortgage loans held for sale until those loans are sold in the secondary market. The price risk related to changes in the fair value of IRLCs and mortgage loans held for sale not committed to be purchased by investors are subject to change primarily due to changes in market interest rates. We manage the interest rate and price risk associated with our outstanding IRLCs and mortgage loans held for sale not committed to be purchased by investors by entering into hedging instruments such as forward loan sales commitments and mandatory delivery commitments. We expect these instruments will experience changes in fair value inverse to changes in the fair value of the IRLCs and mortgage loans held for sale not committed to investors, thereby reducing earnings volatility. Best effort sale commitments are also executed for certain loans at the time the IRLC is locked with the borrower. The fair value of the best effort IRLC and mortgages receivable are valued using the commitment price to the investor. We take into account various factors and strategies in determining what portion of the IRLCs and mortgage loans held for sale to economically hedge. ASC Topic 815-25, *Derivatives and Hedging*, requires that all hedging instruments be recognized as assets or liabilities on the balance sheet at their fair value. We do not meet the criteria for hedge accounting; therefore, we account for these instruments as free-standing derivatives, with changes in fair value recognized in Financial services revenue/expenses on the statement of operations in the period in which they occur.

Prepaid Expenses and Other Assets, net — Prepaid expenses and other assets, net consist of the following:

(Dollars in thousands)	As of December 31,	
	2021	2020
Prepaid expenses	\$ 40,114	\$ 50,368
Other assets ⁽¹⁾	118,697	68,502
Build-to-Rent assets ⁽²⁾	93,538	16,137
Urban Form assets ⁽³⁾	62,637	107,737
Total prepaid expenses and other assets, net	<u>\$314,986</u>	<u>\$242,744</u>

Prepaid expenses consist primarily of sales commissions, prepaid rent, impact fees and the unamortized issuance costs for the Revolving Credit Facilities. Prepaid sales commissions are recorded on pre-closing sales activities, which are recognized on the ultimate closing of the units to which they relate. Other assets consist primarily of various operating and escrow deposits, pre-acquisition costs, rebate receivables, income tax receivable, and other deferred costs. Build-to-rent and Urban Form assets consist primarily of land and development costs relating to projects under construction.

Other Receivables, net — Other receivables primarily consist of amounts expected to be recovered from various community development, municipality, and utility districts and utility deposits. Allowances are maintained for potential losses based on historical experience, present economic conditions, and other factors considered relevant. Allowances are recorded in other expense, net, when it becomes likely that some amount will not be collectible. Other receivables are written off when it is determined that collection efforts will no longer be pursued. Allowances at December 31, 2021 and 2020 were immaterial.

Investments in Consolidated and Unconsolidated Entities

Consolidated Entities — In the ordinary course of business, we enter into land purchase contracts, lot option contracts and land banking arrangements in order to procure land or lots for the construction of homes. Such contracts enable us to control significant lot positions with a minimal initial capital investment and substantially reduces the risk associated with land ownership and development. In accordance with ASC Topic 810, *Consolidation*, we have concluded that when we enter into these agreements to acquire land or lots and pay a non-refundable deposit, a Variable Interest Entity (“VIE”) may be created because we are deemed to have provided subordinated financial support that will absorb some or all of an entity’s expected losses if they occur. If we are the primary beneficiary of the VIE, we consolidate the VIE and reflect such assets and liabilities as Consolidated real estate not owned within our real estate inventory balance in the Consolidated Balance Sheets.

Unconsolidated Joint Ventures — We use the equity method of accounting for entities over which we exercise significant influence but do not have a controlling interest over the operating and financial policies of the investee. For unconsolidated entities in which we function as the managing member, we have evaluated the rights held by our joint venture partners and determined that the partners have substantive participating rights that preclude the presumption of control. Our share of net earnings or losses is included in Equity in income of unconsolidated entities when earned and distributions are credited against our investment in the joint venture when received. These joint ventures are recorded in Investments in unconsolidated entities on the Consolidated Balance Sheets.

We evaluate our investments in unconsolidated entities for indicators of impairment semi-annually. A series of operating losses of an investee or other factors may indicate that a decrease in value of our investment in the unconsolidated entity has occurred which is other-than-temporary. The amount of impairment recognized, if any, is the excess of the investment’s carrying amount over its estimated fair value. Additionally, we consider various qualitative factors to determine if a decrease in the value of the investment is other-than-temporary. These factors include age of the venture, stage in its life cycle, intent and ability for us to recover our investment in the entity, financial condition and long-term prospects of the entity, short-term liquidity needs of the unconsolidated entity, trends in the general economic environment of the land, entitlement status of the land held by the unconsolidated entity, overall projected returns on investment, defaults under contracts with third parties (including bank debt), recoverability of the investment through

future cash flows and relationships with the other partners. If we believe that the decline in the fair value of the investment is temporary, then no impairment is recorded. We recorded no impairment charges related to investments in unconsolidated entities for the years ended December 31, 2021, 2020 or 2019.

Income Taxes — We account for income taxes in accordance with ASC Topic 740, *Income Taxes*. Deferred tax assets and liabilities are recorded based on future tax consequences of temporary differences between the amounts reported for financial reporting purposes and the amounts deductible for income tax purposes, and are measured using enacted tax rates expected to apply in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period when the changes are enacted.

We periodically assess our deferred tax assets, including the benefit from net operating losses, to determine if a valuation allowance is required. A valuation allowance is established when, based upon available evidence, it is more likely than not that all or a portion of the deferred tax assets will not be realized. Realization of the deferred tax assets is dependent upon, among other matters, taxable income in prior years available for carryback, estimates of future income, tax planning strategies, and reversal of existing temporary differences.

Property and Equipment, net — Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is generally computed using the straight-line basis over the estimated useful lives of the assets as follows:

Buildings: 20 – 40 years

Building and leasehold improvements: 10 years or remaining life of building/lease term if less than 10 years

Information systems: over the term of the license

Furniture, fixtures and computer and equipment: 5 – 7 years

Model and sales office improvements: lesser of 3 years or the life of the community

Maintenance and repair costs are expensed as incurred.

Depreciation expense was \$7.5 million, \$6.3 million, and \$4.8 million, respectively, for the years ended December 31, 2021, 2020, and 2019. Depreciation expense is recorded in General and administrative expenses in the Consolidated Statements of Operations.

Goodwill — The excess of the purchase price of a business acquisition over the net fair value of assets acquired and liabilities assumed is capitalized as goodwill in accordance with ASC Topic 350, *Intangibles — Goodwill and Other*. ASC 350 requires that goodwill and intangible assets that do not have finite lives not be amortized, but rather assessed for impairment at least annually or more frequently if certain impairment indicators are present. We perform our annual impairment test during the fourth quarter or whenever impairment indicators are present. For the years ended December 31, 2021, 2020 and 2019 there was no impairment of goodwill. For the year ended December 31, 2020, there was an addition to goodwill of \$513.8 million related to the WLH acquisition.

Insurance Costs, Self-Insurance Reserves and Warranty Reserves — We have certain deductible limits for each of our policies under our workers' compensation, automobile, and general liability insurance policies, and we record warranty expense and liabilities for the estimated costs of potential claims for construction defects. The excess liability is aggregated annually and applied in excess of automobile liability, employer's liability under workers compensation and general liability policies. We also generally require our subcontractors and design professionals to indemnify us and provide evidence of insurance for liabilities arising from their work, subject to certain limitations. We are the parent of Beneva Indemnity Company ("Beneva"), which provides insurance coverage for construction defects discovered up to ten years following the close of a home, coverage for premise operations risk, and property damage. We accrue for the expected costs associated with the deductibles and self-insured amounts under our various insurance policies based on historical claims, estimates for claims incurred but not reported, and potential for recovery of costs from insurance and other sources. The estimates are subject to significant variability due to factors, such as claim settlement patterns, litigation trends, and the extended period of time in which a construction defect claim might be made after the closing of a home.

We offer a one year limited warranty to cover various defects in workmanship or materials, two year limited warranty on certain systems (such as electrical or cooling systems), and a ten year limited warranty on structural defects. Warranty reserves are established as homes close in an amount estimated to be adequate to cover expected costs of materials and outside labor during warranty periods. Our warranty is not considered a separate deliverable in the sales arrangement since it is not priced apart from the home, therefore, it is accounted for in accordance with ASC Topic 450, *Contingencies*, which states that warranties that are not separately priced are generally accounted for by accruing the estimated costs to fulfill the warranty obligation. The amount of revenue related to the product is recognized in full upon the delivery of the home if all other criteria for revenue recognition have been met. As a result, we accrue the estimated costs to fulfill the warranty obligation at the time a home closes, as a component of Cost of home closings on the Consolidated Statements of Operations.

Our loss reserves for structural defects (maintained by Beneva) are based on factors that include an actuarial study for structural, historical and anticipated claims, trends related to similar product types, number of home closings, and geographical areas. We also provide third-party warranty coverage on homes where required by Federal Housing Administration or Veterans Administration lenders. We regularly review the reasonableness and adequacy of our reserves and make adjustments to the balance of the preexisting reserves to reflect changes in trends and historical data as information becomes available. Self- insurance and warranty reserves are included in Accrued expenses and other liabilities in the Consolidated Balance Sheets.

Stock Based Compensation — We have stock options, performance-based restricted stock units and non-performance-based restricted stock units, which we account for in accordance with ASC Topic 718-10, *Compensation — Stock Compensation*. The fair value for stock options is measured and estimated on the date of grant using the Black-Scholes option pricing model and recognized evenly over the vesting period of the options. Performance-based restricted stock units are measured using the closing price on the date of grant and expensed using a probability of attainment calculation which determines the likelihood of achieving the performance targets. Non-performance-based restricted stock units are time-based awards and measured using the closing price on the date of grant and are expensed ratably over the vesting period.

Employee Benefit Plans — We maintain a defined contribution plan pursuant to Section 401(k) of the IRC (“401(k) Plan”). Each eligible employee may elect to make before-tax contributions up to the current tax limits. We match 100% of employees’ voluntary contributions up to 3% of eligible compensation, and 50% for each dollar contributed between 3% and 5% of eligible compensation. We contributed \$11.3 million, \$4.7 million, and \$10.7 million to the 401(k) Plan for the twelve months ended December 31, 2021, 2020, and 2019, respectively. During the year ended December 31, 2020, the employee match portion of the plan was paused for one quarter as part of our efforts to reduce spending during the early onset of the COVID-19 pandemic.

Treasury Stock — We account for treasury stock in accordance with ASC Topic 505-30, *Equity—Treasury Stock*. Repurchased shares are reflected as a reduction in stockholders’ equity and subsequent sale of repurchased shares are recognized as a change in equity. When factored into our weighted average calculations for purposes of earnings per share, the number of repurchased shares is based on the settlement date. To date, we have not sold any treasury stock.

Revenue Recognition — Revenue is recognized in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. The standard’s core principle requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

Home and land closings revenue

Under Topic 606, the following steps are applied to determine the proper home closings revenue and land closings revenue recognition: (1) identify the contract(s) with our customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) we satisfy the performance obligation. For our home sales transactions, we have one

contract, with one performance obligation, with each customer to build and deliver the home purchased. Based on the application of the five steps, the following summarizes the timing and manner of home and land sales revenue:

- Revenue from closings of residential real estate is recognized when closings have occurred, the buyer has made the required minimum down payment, obtained necessary financing, the risks and rewards of ownership are transferred to the buyer, and we have no continuing involvement with the property, which is generally upon the close of escrow. Revenue is reported net of any discounts and incentives.
- Revenue from land sales is recognized when a significant down payment is received, title passes and collectability of the receivable is reasonably assured, and we have no continuing involvement with the property, which is generally upon the close of escrow.

Amenity and other revenue

We own and operate certain amenities such as golf courses, club houses, and fitness centers, which require us to provide club members with access to the facilities in exchange for the payment of club dues. We collect club dues and other fees from club members, which are invoiced on a monthly basis. Revenue from our golf club operations is included in amenity and other revenue. Amenity and other revenue also includes revenue from the sale of assets which include multi-use properties as part of our Urban Form operations.

Financial services revenue

Mortgage operations and hedging activity related to financial services are not within the scope of Topic 606. Loan origination fees (including title fees, points, and closing costs) are recognized at the time the related real estate transactions are completed, which is usually upon the close of escrow. All of the loans TMHF originates are sold to third party investors within a short period of time, on a non-recourse basis. Gains and losses from the sale of mortgages are recognized in accordance with ASC Topic 860-20, *Sales of Financial Assets*. TMHF does not have continuing involvement with the transferred assets; therefore, we derecognize the mortgage loans at time of sale, based on the difference between the selling price and carrying value of the related loans upon sale, recording a gain/loss on sale in the period of sale. Also included in Financial services revenue/expenses is the realized and unrealized gains and losses from hedging instruments.

Advertising Costs — We expense advertising costs as incurred. For the years ended December 31, 2021, 2020, and 2019, advertising costs were \$30.4 million, \$31.9 million, and \$32.0 million, respectively. Such costs are included in General and administrative expenses on the Consolidated Statements of Operations.

Recently Issued Accounting Pronouncements — In March 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional expedients for applying U.S. GAAP to contracts affected by the discontinuation of the London Interbank Offered Rate (“LIBOR”) or by another reference rate expected to be discontinued. The guidance was effective beginning March 12, 2020 and entities may elect to apply the amendments prospectively through December 31, 2022. We are currently evaluating the effect of adopting the new guidance on our consolidated financial statements and related disclosures.

In December 2019, FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. We adopted ASU 2019-12 as of January 1, 2021, but this pronouncement did not have a material impact on our consolidated financial statements and disclosures.

3. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income available to TMHC by the weighted average number of shares of Common Stock outstanding during the period. Diluted earnings per share gives effect to the potential dilution that could occur if all outstanding dilutive equity awards to issue shares of Common Stock were exercised or settled.

The following is a summary of the components of basic and diluted earnings per share:

(Dollars in thousands except per share data)	Year Ended December 31,		
	2021	2020	2019
<u>Numerator:</u>			
Net income available to TMHC— basic	\$663,026	\$243,439	\$254,652
<u>Denominator:</u>			
Weighted average shares — basic	126,077	127,812	106,997
Restricted stock units	920	865	983
Stock options	771	319	309
Warrants	251	174	—
Weighted average shares — diluted	128,019	129,170	108,289
Earnings per common share — basic:			
Net income available to Taylor Morrison Home Corporation	\$ 5.26	\$ 1.90	\$ 2.38
Earnings per common share — diluted:			
Net income available to Taylor Morrison Home Corporation	\$ 5.18	\$ 1.88	\$ 2.35

The above calculations of weighted average shares exclude 1,030,282, 2,335,006, and 2,394,703 outstanding anti-dilutive stock options and unvested performance and non-performance restricted stock units for the years ended December 31, 2021, 2020, and 2019, respectively.

4. REAL ESTATE INVENTORY AND LAND DEPOSITS

Inventory consists of the following:

(Dollars in thousands)	As of December 31,	
	2021	2020
Real estate developed or under development	\$3,895,681	\$3,862,785
Real estate held for development or held for sale ⁽¹⁾	70,305	110,954
Operating communities ⁽²⁾	1,309,551	1,072,134
Capitalized interest	168,670	163,780
Total owned inventory	5,444,207	5,209,653
Consolidated real estate not owned	55,314	122,773
Total real estate inventory	<u>\$5,499,521</u>	<u>\$5,332,426</u>

(1) Real estate held for development or held for sale includes properties which are not in active production. This includes raw land recently purchased or awaiting entitlement, and, if applicable, long-term strategic assets.

(2) Operating communities consist of all vertical construction costs relating to homes in progress and completed homes for all active inventory.

The development status of our land inventory is as follows:

(Dollars in thousands)	As of December 31,			
	2021		2020	
	Owned Lots	Book Value of Land and Development	Owned Lots	Book Value of Land and Development
Raw	4,017	\$ 178,952	7,032	\$ 239,554
Partially developed	24,636	1,568,967	19,495	1,215,419
Finished	19,360	2,119,128	21,396	2,388,177
Long-term strategic assets	—	—	158	13,462
Total homebuilding owned lots	48,013	3,867,047	48,081	3,856,612
Other assets ⁽¹⁾	5,298	98,939	5,298	117,127
Total owned lots	53,311	\$3,965,986	53,379	\$3,973,739

⁽¹⁾ The decrease in book value of land and development relates to the sale of parcels of commercial assets which are excluded from the owned lots presented in the table.

Land Deposits — We provide deposits related to land option contracts and land purchase contracts, which are capitalized when paid and classified as Land deposits.

As of December 31, 2021 and 2020, we had the right to purchase approximately 8,360 and 7,449 lots under option purchase contracts, respectively, for an aggregate purchase price of \$507.2 million and \$485.4 million, respectively. We do not have title to these properties, and the creditors generally have no recourse against us. As of December 31, 2021 and 2020, our exposure to loss related to option contracts with third parties and unconsolidated entities consisted of non-refundable deposits totaling \$97.6 million and \$65.3 million, respectively.

As of December 31, 2021 and 2020, we had the right to purchase 5,731 and 2,426 lots under land banking arrangements for an aggregate purchase price of \$749.8 million and \$275.0 million, respectively. We are not legally obligated to purchase the balance of the lots. As of December 31, 2021 and 2020, our exposure to loss related to non-refundable deposits on land banking arrangements totaled \$117.7 million and \$60.3 million, respectively.

Capitalized Interest — Interest capitalized, incurred and amortized is as follows:

(Dollars in thousands)	Year Ended December 31,		
	2021	2020	2019
Interest capitalized — beginning of period	\$ 163,780	\$ 115,593	\$ 96,031
Interest incurred	154,623	164,085	113,301
Interest amortized to cost of home closings	(149,733)	(115,898)	(93,739)
Interest capitalized — end of period	\$ 168,670	\$ 163,780	\$ 115,593

5. INVESTMENTS IN CONSOLIDATED AND UNCONSOLIDATED ENTITIES

Unconsolidated Entities — We have investments in a number of joint ventures with third parties. These entities are generally involved in real estate development, homebuilding and/or mortgage lending activities. These real estate development joint ventures primary activity is development and sale of lots to joint venture partners and/or unrelated builders. Our share of the joint venture profit relating to lots we purchase from the joint ventures is deferred until homes are delivered by us and title passes to a homebuyer.

Summarized, unaudited combined financial information of unconsolidated entities that are accounted for by the equity method is as follows (in thousands):

(Dollars in thousands)	As of December 31,	
	2021	2020
Assets:		
Real estate inventory	\$414,687	\$342,451
Other assets	118,990	133,903
Total assets	<u>\$533,677</u>	<u>\$476,354</u>
Liabilities and owners' equity:		
Debt	\$167,842	\$183,911
Other liabilities	16,245	21,215
Total liabilities	<u>\$184,087</u>	<u>\$205,126</u>
Owners' equity:		
TMHC	\$171,406	\$127,955
Others	178,184	143,273
Total owners' equity	<u>\$349,590</u>	<u>\$271,228</u>
Total liabilities and owners' equity	<u>\$533,677</u>	<u>\$476,354</u>

(Dollars in thousands)	Year Ended December 31,		
	2021	2020	2019
Revenues	\$130,640	\$ 161,888	\$ 277,263
Costs and expenses	(97,596)	(129,764)	(242,044)
Income of unconsolidated entities	<u>\$ 33,044</u>	<u>\$ 32,124</u>	<u>\$ 35,219</u>
TMHC's share in income of unconsolidated entities	<u>\$ 11,130</u>	<u>\$ 11,176</u>	<u>\$ 9,509</u>
Distributions from unconsolidated entities	<u>\$ 42,655</u>	<u>\$ 51,626</u>	<u>\$ 34,057</u>

Consolidated Entities — We have several joint ventures for the purpose of real estate development and homebuilding activities, which we have determined to be VIEs. As the managing member, we oversee the daily operations and have the power to direct the activities of the VIEs, or joint ventures. For this specific subset of joint ventures, based upon the allocation of income and loss per the applicable joint venture agreements and certain performance guarantees, we have potentially significant exposure to the risks and rewards of the joint ventures. Therefore, we are the primary beneficiary of these VIEs and the entities are consolidated.

As of December 31, 2021, the assets of the consolidated joint ventures totaled \$291.8 million, of which \$22.3 million was cash and cash equivalents and \$147.6 million was owned inventory. As of December 31, 2020, the assets of the consolidated joint ventures totaled \$389.2 million, of which \$25.8 million was cash and cash equivalents and \$320.4 million was owned inventory. The liabilities of the consolidated joint ventures totaled \$165.1 million and \$216.4 million as of December 31, 2021 and December 31, 2020, respectively, and were primarily comprised of notes payable, accounts payable and accrued liabilities.

6. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

(Dollars in thousands)	As of December 31,	
	2021	2020
Real estate development costs to complete	\$ 49,833	\$ 38,935
Compensation and employee benefits	166,272	113,896
Self-insurance and warranty reserves	141,839	118,116
Interest payable	48,551	45,917
Property and sales taxes payable	29,384	28,523
Other accruals	89,330	84,680
Total accrued expenses and other liabilities	<u>\$525,209</u>	<u>\$430,067</u>

Self-Insurance and Warranty Reserves — We accrue for the expected costs associated with our limited warranty and self-insured amounts under our various insurance policies within Beneva, a wholly owned subsidiary. A summary of the changes in our reserves are as follows:

(Dollars in thousands)	Year Ended December 31,		
	2021	2020	2019
Reserve — beginning of period	\$118,116	\$120,048	\$ 93,790
Net additions to reserves due to WLH acquisition	—	9,984	—
Additions to reserves	77,827	62,722	44,093
Costs and claims incurred	(67,704)	(82,137)	(67,554)
Change in estimates to pre-existing reserves ⁽¹⁾	13,600	7,499	49,719
Reserve — end of period	<u>\$141,839</u>	<u>\$118,116</u>	<u>\$120,048</u>

- ⁽¹⁾ Changes in estimates to pre-existing reserves for the year ended December 31, 2019 included a \$43.1 million adjustment for a construction defect reserve related to warranty remediation isolated to one specific community in the Central region. The reserve estimate is based on assumptions, including but not limited to the number of homes affected, the costs associated with each repair, and the effectiveness of the repairs. Due to the degree of judgement required in making these estimates and the inherent uncertainty in potential outcomes, it is reasonably possible that actual costs could differ from those recorded and such differences could be material, resulting in a change in future estimated reserves.

7. ESTIMATED DEVELOPMENT LIABILITIES

Estimated development liabilities consists primarily of estimated future utilities improvements in Poinciana, Florida and Rio Rico, Arizona for home sites previously sold, in most cases prior to 1980. The estimated development liability is reduced by actual expenditures and is evaluated and adjusted, as appropriate, to reflect management's estimate of potential completion costs. At December 31, 2021 and 2020, these liabilities are based on third-party engineer cost estimate reports which reflect the estimated completion costs. Future increases or decreases of costs for construction, material and labor, as well as other land development and utilities infrastructure costs, may have a significant effect on the estimated development liability.

8. DEBT

Total debt consists of the following:

(Dollars in thousands)	As of December 31,					
	2021			2020		
	Principal	Unamortized Debt Issuance (Costs) / Premium	Carrying Value	Principal	Unamortized Debt Issuance (Costs) / Premium	Carrying Value
5.875% Senior Notes due 2023	350,000	(733)	349,267	350,000	(1,300)	348,700
5.625% Senior Notes due 2024	350,000	(1,166)	348,834	350,000	(1,705)	348,295
5.875% Senior Notes due 2027	500,000	(4,243)	495,757	500,000	(5,026)	494,974
6.625% Senior Notes due 2027 ⁽¹⁾	300,000	17,718	317,718	300,000	20,915	320,915
5.750% Senior Notes due 2028	450,000	(3,814)	446,186	450,000	(4,445)	445,555
5.125% Senior Notes due 2030	500,000	(5,440)	494,560	500,000	(6,074)	493,926
Senior Notes subtotal	<u>2,450,000</u>	<u>2,322</u>	<u>2,452,322</u>	<u>2,450,000</u>	<u>2,365</u>	<u>2,452,365</u>
Loans payable and other borrowings	404,386	—	404,386	348,741	—	348,741
\$800 Million Revolving Credit Facility ⁽²⁾	—	—	—	—	—	—
\$100 Million Revolving Credit Facility ⁽²⁾⁽³⁾	31,529	—	31,529	—	—	—
Mortgage warehouse borrowings	413,887	—	413,887	127,289	—	127,289
Total debt	<u>\$3,299,802</u>	<u>\$ 2,322</u>	<u>\$3,302,124</u>	<u>\$2,926,030</u>	<u>\$ 2,365</u>	<u>\$2,928,395</u>

- (1) Unamortized Debt Issuance (Cost)/Premium for such notes is reflective of fair value adjustments as a result of purchase accounting estimates.
- (2) Unamortized debt issuance costs are included in the Prepaid expenses and other assets, net on the Consolidated Balance Sheets.
- (3) The \$100 Million Revolving Credit Facility was entered into during the third quarter of 2021 and relates to our Build-to-Rent operations.

Senior Notes

All of our senior notes (the “Senior Notes”) described below and the related guarantees are senior unsecured obligations and are not subject to registration rights. The indentures governing our senior notes (except for the remaining 2027 6.625% WLH Notes, as described below) contain covenants that limit our ability to incur debt secured by liens and enter into certain sale and leaseback transactions and contain customary events of default. None of the indentures for the senior notes have financial maintenance covenants. As of December 31, 2021, we were in compliance with all of the covenants under the Senior Notes.

5.875% Senior Notes due 2023

On April 16, 2015, Taylor Morrison Communities, Inc (“TM Communities”) issued \$350.0 million aggregate principal amount of 5.875% Senior Notes due 2023 (the “2023 5.875% Senior Notes”), which mature on April 15, 2023. The 2023 5.875% Senior Notes are guaranteed by Taylor Morrison Home III Corporation, Taylor Morrison Holdings, Inc. and their homebuilding subsidiaries (collectively, the “Guarantors”). We are required to offer to repurchase the 2023 5.875% Senior Notes at a price equal to 101% of their aggregate principal amount (plus accrued and unpaid interest) upon certain change of control events where there is a credit rating downgrade that occurs in connection with the change of control.

Prior to January 15, 2023, the 2023 5.875% Senior Notes are redeemable at a price equal to 100% plus a “make-whole” premium for payments through January 15, 2023 (plus accrued and unpaid interest). Beginning January 15, 2023, the 2023 5.875% Senior Notes are redeemable at par (plus accrued and unpaid interest).

5.625% Senior Notes due 2024

On March 5, 2014, TM Communities issued \$350.0 million aggregate principal amount of 5.625% Senior Notes due 2024 (the “2024 Senior Notes”), which mature on March 1, 2024. The 2024 Senior Notes are guaranteed by the Guarantors. The change of control provisions in the indenture governing the 2024 Senior Notes are similar to those contained in the indentures governing our other Senior Notes.

Prior to December 1, 2023, the 2024 Senior Notes are redeemable at a price equal to 100% plus a “make-whole” premium for payments through December 1, 2023 (plus accrued and unpaid interest). Beginning on December 1, 2023, the 2024 Senior Notes are redeemable at par (plus accrued and unpaid interest).

5.875% Senior Notes due 2027

On June 5, 2019, TM Communities issued \$500.0 million aggregate principal amount of 5.875% Senior Notes due 2027 (the “2027 5.875% Senior Notes”), which mature on June 15, 2027. The 2027 5.875% Senior Notes are guaranteed by the Guarantors. The change of control provisions in the indenture governing the 2027 5.875% Senior Notes are similar to those contained in the indentures governing our other Senior Notes.

Prior to March 15, 2027, the 2027 5.875% Senior Notes are redeemable at a price equal to 100% plus a “make-whole” premium for payments through March 15, 2027 (plus accrued and unpaid interest). Beginning on March 15, 2027, the 2027 5.875% Senior Notes are redeemable at par (plus accrued and unpaid interest).

6.625% Senior Notes due 2027

Following our exchange offer in the first quarter of 2020, whereby TM Communities offered to exchange any and all outstanding senior notes issued by WLH, we had \$290.4 million aggregate principal amount of 6.625% Senior Notes due 2027 issued by TM Communities (the “2027 6.625% TM Communities Notes”) and \$9.6 million aggregate principal amount of 6.625% Senior Notes due 2027 issued by WLH (the “2027 6.625% WLH Notes” and together with the 2027 6.625% TM Communities Notes, the “2027 6.625% Senior Notes”) (the Exchange Offer). The 2027 6.625% TM Communities Notes are obligations of TM Communities and are guaranteed by the Guarantors. The change of control provisions in the indenture governing the 2027 6.625% TM Communities Notes are similar to those contained in the indentures governing our other Senior Notes. In connection with the consummation of the exchange offer, WLH entered into a supplemental indenture to eliminate substantially all of the covenants in the indenture governing the 2027 6.625% WLH Notes, including the requirements to offer to purchase such notes upon a change of control, and to eliminate certain other restrictive provisions and events that constitute an “Event of Default” in such indenture.

The 2027 6.625% Senior Notes mature on July 15, 2027. Prior to July 15, 2022, the 2027 6.625% Senior Notes may be redeemed in whole or in part at a redemption price equal to 100% of the principal amount plus a “make-whole” premium, and accrued and unpaid interest, if any, to, but not including, the redemption date. On or after July 15, 2022, the 2027 6.625% Senior Notes are redeemable at a price equal to 103.313% of principal (plus accrued and unpaid interest). On or after July 15, 2023, the 2027 6.625% Senior Notes are redeemable at a price equal to 102.208% of principal (plus accrued and unpaid interest). On or after July 31, 2024, the 2027 6.625% Senior Notes are redeemable at a price equal to 101.104% of principal (plus accrued and unpaid interest). On or after July 15, 2025, the 2027 6.625% Senior Notes are redeemable at a price equal to 100% of principal (plus accrued and unpaid interest).

In addition, at any time prior to July 15, 2022, we may at the option on one or more occasions, redeem the 2027 6.625% Senior Notes (including any additional notes that may be issued in the future under the 2027 6.625% Senior Notes Indenture) in an aggregate principal amount not to exceed 40% of the aggregate principal amount of the 2027 6.625% Senior Notes at a redemption price (expressed as a percentage of principal amount) of 106.625%, plus accrued and unpaid interest, if any, to, but not including, the redemption date, with an amount equal to the net cash proceeds from one or more equity offerings.

5.75% Senior Notes due 2028

On August 1, 2019, TM Communities issued \$450.0 million aggregate principal amount of 5.75% Senior Notes due 2028 (the “2028 Senior Notes”), which mature on January 15, 2028. The 2028 Senior Notes are guaranteed by the same Guarantors that guarantee our other Senior Notes. The change of control provisions in the indenture governing the 2028 Senior Notes are similar to those contained in the indentures governing our other Senior Notes.

Prior to October 15, 2027, the 2028 Senior Notes are redeemable at a price equal to 100% plus a “make-whole” premium for payments through October 15, 2027 (plus accrued and unpaid interest). Beginning on October 15, 2027, the 2028 Senior Notes are redeemable at par (plus accrued and unpaid interest).

5.125% Senior Notes due 2030 and Redemption of the 2023 6.00% Senior Notes and Redemption of the 2025 Senior Notes

In July, 2020, we partially redeemed \$266.9 million of our 6.00% Senior Notes due 2023 (the “2023 6.00% Senior Notes”) and \$333.1 million of our 5.875% Senior Notes due 2025 (the “2025 Senior Notes”) using the net proceeds from the issuance of \$500.0 million aggregate principal amount of 5.125% Senior Notes due 2030 (the “2030 Senior Notes”). In September 2020, we redeemed the remaining \$83.1 million and \$103.8 million of 2023 6.00% Senior Notes and 2025 Senior Notes, respectively, using cash on hand. For the 2023 6.00% Senior Notes, the redemption price was equal to 100% of the principal amount, plus a make-whole premium of 0.11% plus 50 basis points, plus accrued and unpaid interest to, but excluding the redemption date. For the 2025 Senior Notes, the redemption price was equal to 102.938% of the principal amount, plus accrued and unpaid interest to, but excluding the redemption date. As a result of the early redemption of the 2023 and 2025 Senior Notes, we recorded a total net loss on extinguishment of debt of approximately \$10.2 million in Loss on extinguishment of debt, net in the Consolidated Statement of Operations for the year ended December 31, 2020.

The 2030 Senior Notes mature on August 1, 2030. The Senior Notes are guaranteed by the same Guarantors that guarantee our other Senior Notes. The change of control provisions in the indenture governing the 2030 Senior Notes are similar to those contained in the indentures governing our other Senior Notes.

Prior to February 1, 2030, the 2030 Senior Notes are redeemable at a price equal to 100.0% plus a “make-whole” premium for payments through February 1, 2030 (plus accrued and unpaid interest). Beginning on February 1, 2030, the 2030 Senior Notes are redeemable at par (plus accrued and unpaid interest).

\$800 Million Revolving Credit Facility

Our \$800 Million Revolving Credit Facility matures on February 6, 2024 and is guaranteed by the Guarantors.

As of December 31, 2021, our \$800 Million Revolving Credit Facility included \$1.1 million of unamortized debt issuance costs and \$58.7 million of utilized letters of credit, resulting in \$741.3 million availability. As of December 31, 2020, our \$800 Million Revolving Credit Facility included \$1.6 million of unamortized debt issuance costs and \$64.3 million of utilized letters of credit, resulting in \$735.7 million of availability. Unamortized debt issuance costs are included in Prepaid expenses and other assets, net on the Consolidated Balance Sheets.

The \$800 Million Revolving Credit Facility contains certain “springing” financial covenants, requiring us and our subsidiaries to comply with a maximum debt to capitalization ratio of not more than 0.60 to 1.00 and a minimum consolidated tangible net worth level of at least \$2.4 billion. The financial covenants would be in effect for any fiscal quarter during which any (a) loans under the \$800 Million Revolving Credit Facility are outstanding during the last day of such fiscal quarter or on more than five separate days during such fiscal quarter or (b) undrawn letters of credit (except to the extent cash collateralized) issued under the \$800 Million Revolving Credit Facility in an aggregate amount greater than \$40.0 million or unreimbursed letters of credit issued under the \$800 Million Revolving Credit Facility are outstanding on the last day of such fiscal quarter or for more than five consecutive days during such fiscal quarter. For purposes of determining compliance with the financial covenants for any fiscal quarter, the \$800 Million Revolving Credit Facility provides that we may exercise an equity cure by issuing certain permitted securities for cash or otherwise recording cash contributions to our capital that will, upon the contribution of such cash to the borrower, be included in

the calculation of consolidated tangible net worth and consolidated total capitalization. The equity cure right is exercisable up to twice in any period of four consecutive fiscal quarters and up to five times overall.

The \$800 Million Revolving Credit Facility contains certain restrictive covenants including limitations on incurrence of liens, dividends and other distributions, asset dispositions and investments in entities that are not guarantors, limitations on prepayment of subordinated indebtedness and limitations on fundamental changes. The \$800 Million Revolving Credit Facility contains customary events of default, subject to applicable grace periods, including for nonpayment of principal, interest or other amounts, violation of covenants (including financial covenants, subject to the exercise of an equity cure), incorrectness of representations and warranties in any material respect, cross default and cross acceleration, bankruptcy, material monetary judgments, ERISA events with material adverse effect, actual or asserted invalidity of material guarantees and change of control.

As of December 31, 2021, we were in compliance with all of the covenants under the \$800 Million Revolving Credit Facility.

\$100 Million Revolving Credit Facility

This facility is specific to our Build-to-Rent operations. On September 17, 2021, we entered into a \$100 Million Revolving Credit Facility, which matures on September 17, 2024 and is guaranteed by the Guarantors (the \$100 Million Revolving Credit Agreement together with the \$800 Million Revolving Credit Agreement, the “Revolving Credit Facilities”).

As of December 31, 2021, we had \$0.7 million of unamortized debt issuance costs relating to our \$100 Million Revolving Credit Facility, which are included in Prepaid expenses and other assets, net, on the Consolidated Balance Sheets. As of December 31, 2021 we had no utilized letters of credit, resulting in \$68.5 million of availability under the \$100 Million Revolving Credit Facility.

The \$100 Million Revolving Credit Facility contains certain “springing” financial covenants, requiring us and our subsidiaries to comply with a maximum debt to capitalization ratio of not more than 0.60 to 1.00 and a minimum consolidated tangible net worth level of at least \$2.4 billion. The financial covenants would be in effect for any fiscal quarter during which any (a) loans under the \$100 Million Revolving Credit Facility are outstanding during the last day of such fiscal quarter or on more than five separate days during such fiscal quarter or (b) undrawn letters of credit (except to the extent cash collateralized) issued under the \$100 Million Revolving Credit Facility in an aggregate amount greater than \$40.0 million or unreimbursed letters of credit issued under the \$100 Million Revolving Credit Facility are outstanding on the last day of such fiscal quarter or for more than five consecutive days during such fiscal quarter. For purposes of determining compliance with the financial covenants for any fiscal quarter, the \$100 Million Revolving Credit Facility provides that we may exercise an equity cure by issuing certain permitted securities for cash or otherwise recording cash contributions to our capital that will, upon the contribution of such cash to the borrower, be included in the calculation of consolidated tangible net worth and consolidated total capitalization. The equity cure right is exercisable up to twice in any period of four consecutive fiscal quarters and up to five times overall.

The \$100 Million Revolving Credit Facility includes the same restrictive covenants as are included in the \$800 Million Revolving Credit Facility, described above. As of December 31, 2021, we were in compliance with all of the covenants under the \$100 Million Revolving Credit Facility

Mortgage Warehouse Borrowings

The following is a summary of our mortgage subsidiary warehouse borrowings:

(Dollars in thousands)

December 31, 2021					
Facility	Amount Drawn	Facility Amount	Interest Rate ⁽¹⁾	Expiration Date	Collateral ⁽²⁾
Warehouse A	\$ 12	\$ 10,000	LIBOR + 1.75%	On Demand	Mortgage Loans
Warehouse B	86,409	150,000	LIBOR + 1.75%	On Demand	Mortgage Loans
Warehouse C	116,601	250,000	LIBOR + 2.05%	On Demand	Mortgage Loans and Restricted Cash
Warehouse D	105,065	150,000	LIBOR + 1.65%	November 20, 2022	Mortgage Loans
Warehouse E	105,800	200,000	LIBOR + 1.50%	On Demand	Mortgage Loans
Total	<u>\$413,887</u>	<u>\$760,000</u>			

December 31, 2020					
Facility	Amount Drawn	Facility Amount	Interest Rate ⁽¹⁾	Expiration Date	Collateral ⁽²⁾
Warehouse A	\$ 40,958	\$ 55,000	LIBOR + 1.75%	On Demand	Mortgage Loans
Warehouse B	19,457	85,000	LIBOR + 1.75%	On Demand	Mortgage Loans
Warehouse C	43,148	75,000	LIBOR + 2.05%	On Demand	Mortgage Loans and Restricted Cash
Warehouse D	23,726	80,000	LIBOR + 1.65%	November 15, 2021	Mortgage Loans
Total	<u>\$127,289</u>	<u>\$295,000</u>			

(1) Subject to certain interest rate floors.

(2) The mortgage warehouse borrowings outstanding as of December 31, 2021 and 2020, are collateralized by \$467.5 million and \$201.2 million, respectively, of mortgage loans held for sale, which comprise the balance of mortgage receivables, and \$3.5 million and \$1.3 million, respectively, of cash, which is included in restricted cash on our Consolidated Balance Sheet.

Loans Payable and Other Borrowings

Loans payable and other borrowings as of December 31, 2021 and 2020 consist of project-level debt due to various land sellers and financial institutions for specific communities. Project-level debt is generally secured by the land that was acquired and the principal payments generally coincide with corresponding project lot closings or a principal reduction schedule. These borrowings bear interest at rates that ranged from 0% to 8% at each of December 31, 2021 and 2020.

Future Minimum Principal Payments on Total Debt

Principal maturities of total debt for the year ended December 31, 2021 are as follows (in thousands):

(Dollars in thousands)	Year Ended December 31,
2022	\$ 651,872
2023	471,053
2024	380,440
2025	19,151
2026	20,795
Thereafter	<u>1,756,491</u>
Total debt	<u>\$3,299,802</u>

9. FAIR VALUE DISCLOSURES

We have adopted ASC Topic 820, *Fair Value Measurements*, for valuation of financial instruments. ASC 820 provides a framework for measuring fair value under GAAP, expands disclosures about fair value measurements, and establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of the fair value hierarchy are summarized as follows:

Level 1 — Fair value is based on quoted prices for identical assets or liabilities in active markets.

Level 2 — Fair value is determined using quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active or are directly or indirectly observable.

Level 3 — Fair value is determined using one or more significant inputs that are unobservable in active markets at the measurement date, such as a pricing model, discounted cash flow, or similar technique.

The fair value of our mortgage loans held for sale is derived from negotiated rates with partner lending institutions. The fair value of derivative assets and liabilities includes IRLCs and mortgage backed securities (“MBS”). The fair value of IRLCs is based on the value of the underlying mortgage loan, quoted MBS prices and the probability that the mortgage loan will fund within the terms of the IRLCs. We estimate the fair value of the forward sales commitments based on quoted MBS prices. The fair value of our mortgage warehouse borrowings, loans payable and other borrowings, and the borrowings under our Revolving Credit Facilities approximate carrying value due to their short term nature and variable interest rate terms. The fair value of our Senior Notes is derived from quoted market prices by independent dealers in markets that are not active. The fair value of our Equity Security Investment in a public company is based upon quoted prices for identical assets in an active market. There were no changes to or transfers between the levels of the fair value hierarchy for any of our financial instruments as of December 31, 2021, when compared to December 31, 2020.

The carrying value and fair value of our financial instruments are as follows:

	Level in Fair Value Hierarchy	As of December 31, 2021		As of December 31, 2020	
		Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
<i>(Dollars in thousands)</i>					
<u>Description:</u>					
Mortgage loans held for sale	2	\$467,534	\$467,534	\$201,177	\$201,177
IRLCs	3	2,110	2,110	5,294	5,294
MBSs	2	(449)	(449)	(1,847)	(1,847)
Mortgage warehouse borrowings	2	413,887	413,887	127,289	127,289
Loans payable and other borrowings	2	404,386	404,386	348,741	348,741
5.875% Senior Notes due 2023 ⁽¹⁾	2	349,267	365,890	348,700	371,000
5.625% Senior Notes due 2024 ⁽¹⁾	2	348,834	372,750	348,295	375,830
5.875% Senior Notes due 2027 ⁽¹⁾	2	495,757	560,000	494,974	566,650
6.625% Senior Notes due 2027 ⁽¹⁾	2	317,718	315,750	320,915	324,240
5.750% Senior Notes due 2028 ⁽¹⁾	2	446,186	502,875	445,555	509,625
5.125% Senior Notes due 2030 ⁽¹⁾	2	494,560	550,000	493,926	560,000
\$800 Million Revolving Credit Facility	2	—	—	—	—
\$100 Million Revolving Credit Facility	2	31,529	31,529	—	—
Equity Security Investment	1	6,400	6,400	—	—

⁽¹⁾ Carrying value for Senior Notes, as presented, includes unamortized debt issuance costs or bond premium. Debt issuance costs are not factored into the fair value calculation for the Senior Notes.

Fair value measurements are used for inventories on a nonrecurring basis when events and circumstances indicate that their carrying value is not recoverable. The following table presents the fair value for our inventories measured at fair value on a nonrecurring basis:

(Dollars in thousands)		<u>As of December 31,</u>
<u>Description:</u>	<u>Level in Fair Value Hierarchy</u>	<u>2020</u>
Inventories	3	22,556

We did not have any inventories impaired for the year ended December 31, 2021.

10. INCOME TAXES

The provision for income taxes for the years ended December 31, 2021, 2020 and 2019 consisted of the following:

(Dollars in thousands)	<u>Year Ended December 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current:			
Federal	\$ 73,087	\$11,621	\$54,372
State	23,493	11,733	9,839
Current tax provision	<u>\$ 96,580</u>	<u>\$23,354</u>	<u>\$64,211</u>
Deferred:			
Federal	\$ 75,044	\$45,594	\$ (1,811)
State	9,117	5,642	4,958
Deferred tax provision	<u>\$ 84,161</u>	<u>\$51,236</u>	<u>\$ 3,147</u>
Total income tax provision	<u>\$180,741</u>	<u>\$74,590</u>	<u>\$67,358</u>

A reconciliation of the provision for income taxes and the amount computed by applying the federal statutory income tax rate of 21% to income before provision for income taxes is as follows:

	<u>Year Ended December 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Tax at federal statutory rate	21.0%	21.0%	21.0%
State income taxes (net of federal benefit)	3.8	4.6	3.9
Non-controlling interest	(0.6)	—	—
Uncertain tax positions	(0.2)	(0.1)	(0.2)
Deferred tax adjustments	—	—	0.2
Energy tax credits	(1.4)	(2.9)	(4.6)
Disallowed compensation expense	0.2	0.9	0.3
Disallowed M&A expenses	—	2.1	—
Impact of CARES Act	(1.3)	(2.2)	—
Other	<u>(0.6)</u>	<u>(0.4)</u>	<u>0.3</u>
Effective Rate	<u>20.9%</u>	<u>23.0%</u>	<u>20.9%</u>

Our effective tax rate was 20.9% and 23.0% for the years ended December 31, 2021 and December 31, 2020, respectively. Our effective rate for both years was affected by a number of factors including state income taxes, energy tax credits relating to homebuilding activities, and tax benefits from the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) which contains a number of economic relief provisions in response to the COVID-19 pandemic. The effective tax rate for the year ended December 31, 2021 was favorably impacted by income attributable to minority interest. The effective tax rate for the year ended December 31, 2020 was unfavorably impacted by certain expenses related to the acquisition of WLH which were not deductible for tax purposes.

We have certain tax attributes available to offset the impact of future income taxes. The components of net deferred tax assets and liabilities at December 31, 2021 and 2020, consisted of timing differences related to real estate inventory impairments, expense accruals and reserves, provisions for liabilities, and net operating loss carryforwards. A summary of these components for the years ending December 31, 2021 and 2020 is as follows:

(Dollars in thousands)	Year Ended December 31,	
	2021	2020
Deferred tax assets:		
Real estate inventory	\$ 18,300	\$ 91,499
Accruals and reserves	56,244	47,536
Other	11,739	22,914
Net operating losses ⁽¹⁾	76,119	87,940
Capital loss carryforward	36,054	36,054
Total deferred tax assets	\$198,456	\$285,943
Deferred tax liabilities:		
Real estate inventory, intangibles, other	(11,162)	(11,811)
Valuation allowance	(36,054)	(36,054)
Total net deferred tax assets	\$151,240	\$238,078

⁽¹⁾ A portion of our net operating losses is limited by Section 382 of the Internal Revenue Code, stemming from three acquisitions: 1) the 2011 acquisition of the Company by our former principal equityholders, 2) the 2018 acquisition of AV Homes and 3) the 2020 acquisition of WLH. All three acquisitions were deemed to be a change in control as defined by Section 382.

On both December 31, 2021 and 2020, we had a valuation allowance of \$36.1 million against net deferred tax assets. The valuation allowance is the result of the 2018 corporate reorganization which triggered a capital loss carryforward which is not expected to be realized. We have approximately \$228.0 million in available gross federal NOL carryforwards. Federal NOL carryforwards generated prior to January 1, 2018 may be used to offset future taxable income for a period of 20 years and begin to expire in 2029. State NOL carryforwards may be used to offset future taxable income for a period of 20 years and begin to expire in 2026. On an ongoing basis, we will continue to review all available evidence to determine if we expect to realize our deferred tax assets and federal and state NOL carryovers or if a valuation allowance is necessary.

We account for uncertain tax positions in accordance with ASC 740. ASC 740 requires a company to recognize the financial statement effect of a tax position when it is more likely than not based on the technical merits of the position that the position will be sustained upon examination. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to be recognized in the financial statements based upon the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Our inability to determine that a tax position meets the more-likely-than-not recognition threshold does not mean that the Internal Revenue Service (“IRS”) or any other taxing authority will disagree with the position that we have taken.

The following is a reconciliation of the total amounts of unrecognized tax benefits:

(Dollars in thousands)	Year Ending December 31,		
	2021	2020	2019
Beginning of the period	\$ 5,762	\$6,158	\$7,391
Increases from current year acquisitions	—	—	—
Increases of prior year items	—	—	15
Settlement with tax authorities	—	—	(977)
Decreased for tax positions of prior years	(4,140)	—	(76)
Decreased due to statute of limitations	(1,622)	(396)	(195)
End of the period	\$ —	\$5,762	\$6,158

The decrease in unrecognized tax benefits for the year ending December 31, 2021 was primarily the result of management’s determination regarding the realizability of certain carryforward loss positions and the lapse in the statute of limitations on other positions. As of December 31, 2021 there are no unrecognized tax benefits.

We recognized potential penalties and interest expense on our uncertain tax positions of \$0.0 million, \$0.5 million, and \$0.6 million for the years ended December 31, 2021, 2020, and 2019 respectively, which are included in income tax provision in the Consolidated Statements of Operations and income taxes payable in the Consolidated Balance Sheets.

We are currently under examination by the IRS for tax years 2017 and 2018 and anticipate finalizing this examination within the next twelve months. The outcome of this examination is not currently determinable. The statute of limitations for our major taxing jurisdictions remains open for examination for tax years 2017 through 2021.

11. STOCKHOLDERS’ EQUITY

Capital Stock

The Company’s authorized capital stock consists of 400,000,000 shares of common stock, par value \$0.00001 per share (the “Common Stock”), and 50,000,000 shares of preferred stock, par value \$0.00001 per share.

Warrants

In connection with our acquisition of WLH, we issued 1,704,205 warrants to purchase shares of TMHC Common Stock at an exercise price of \$19.12 per share. These warrants were exercised on April 30, 2021 through settlement of approximately

1.0 million surrendered TMHC shares. The exercise was recognized in accordance with ASC 718, *Compensation – Stock Compensation*, and has been reflected in Additional paid-in capital and Treasury stock on our Consolidated Statements of Stockholders’ Equity. As of December 31, 2021, there were no outstanding warrants to purchase shares of our common stock.

Stock Repurchase Program

On December 13, 2021, we announced that our Board of Directors authorized a \$250.0 million renewal of our stock repurchase program, which expires on June 30, 2024. Repurchases of our Common Stock under the program will be effected, if at all, through open market purchases, privately negotiated transactions or other transactions.

The following table summarizes share repurchase activity for the program for the years ended December 31, 2021 and 2020:

(Dollars in thousands)	<u>2021</u>	<u>2020</u>
Amount available for repurchase — beginning of period ⁽¹⁾	\$ 86,831	\$ —
Additional amount authorized for repurchase ⁽²⁾	500,000	200,000
Unused amount as part of authorization renewal ⁽³⁾	(74,998)	—
Amount repurchased at cost, 9,918,104 and 5,941,324 shares as of December 31, 2021 and December 31, 2020, respectively	<u>(281,420)</u>	<u>(103,332)</u>
Amount available for repurchase — end of period	<u>\$ 230,413</u>	<u>\$ 96,668</u>

⁽¹⁾ Represents the amount available for repurchase as of January 1 for the years provided, adjusted for previously expired share repurchase authorizations.

⁽²⁾ Amount includes a \$250.0 million renewal announced on each June 1, 2021 and December 13, 2021.

⁽³⁾ Amount represents the unused value of the repurchase authorization from June 1, 2021, which was cancelled when the December 13, 2021 authorization was announced.

Subsequent to December 31, 2021, we repurchased and settled approximately 731,000 shares of our Common Stock for approximately \$22.3 million under our share repurchase program. As of February 23, 2022, we had \$208.1 million of availability to repurchase shares under the program.

12. STOCK BASED COMPENSATION

Equity-Based Compensation

In April 2013, we adopted the Taylor Morrison Home Corporation 2013 Omnibus Equity Award Plan (the “Plan”). The Plan was most recently amended and restated in May 2017. The Plan provides for the grant of stock options, restricted stock units (“RSUs”), performance-based restricted stock units (“PRSUs”), and other equity-based awards deliverable in shares of our Common Stock. As of December 31, 2021, we had an aggregate of 5,404,025 shares of Common Stock available for future grants under the Plan.

The following table provides information regarding the amount and components of stock-based compensation expense, which is included in general and administrative expenses in the Consolidated Statements of Operations:

(Dollars in thousands)	Year Ended December 31,		
	2021	2020	2019
Restricted stock units ^{(1) (2)}	\$15,856	\$19,938	\$10,989
Stock options	4,087	7,085	3,774
Total stock compensation	<u>\$19,943</u>	<u>\$27,023</u>	<u>\$14,763</u>

⁽¹⁾ Includes compensation expense related to time-based RSUs and PRSUs.

⁽²⁾ Stock-based compensation expense in 2021 and 2020 includes expense recognized for equity awards associated with the acquisition of WLH, which were converted from WLH to TMHC equity awards. An additional \$5.1 million of stock based compensation expense relating to the accelerations of awards from the WLH acquisition were charged to Transaction expenses on the Consolidated Statement of Operations for the year ended December 31, 2020.

At December 31, 2021, 2020, and 2019, the aggregate unamortized value of all outstanding stock-based compensation awards was approximately \$26.5 million, \$23.8 million, and \$20.8 million, respectively.

Stock Options — Options granted to employees generally vest and become exercisable ratably on the first, second, third, and fourth anniversary of the date of grant. Options granted to members of the Board of Directors vest and become exercisable ratably on the first, second and third anniversary of the date of grant. Vesting of the options is subject to continued employment with TMHC or continued service on the Board of Directors, through the applicable vesting dates, and options expire within ten years from the date of grant.

The following table summarizes stock option activity for the Plan for each year presented:

	Year Ended December 31,					
	2021		2020		2019	
	Number of Options	Weighted Average Exercise/Grant Price	Number of Options(1)	Weighted Average Exercise/Grant Price	Number of Options	Weighted Average Exercise/Grant Price
Outstanding, beginning	3,772,775	\$19.73	3,339,244	\$18.98	3,239,995	\$18.87
Granted ⁽²⁾	712,910	28.64	1,139,583	21.95	997,924	18.15
Exercised	(1,204,283)	19.37	(551,845)	17.91	(765,781)	17.29
Cancelled/forfeited ⁽²⁾	(115,790)	21.53	(154,207)	20.93	(132,894)	19.86
Balance, ending	<u>3,165,612</u>	<u>\$22.02</u>	<u>3,772,775</u>	<u>\$19.73</u>	<u>3,339,244</u>	<u>\$18.98</u>
Options exercisable, at December 31,	<u>1,407,618</u>	<u>\$19.12</u>	<u>1,934,328</u>	<u>\$18.73</u>	<u>1,400,974</u>	<u>\$19.09</u>

⁽¹⁾ The year ended December 31, 2020 has been adjusted to include 309,277 options granted, 94,861 options exercised, and 214,416 options exercisable from the acquisition of WLH which were previously excluded from the table.

⁽²⁾ Excludes the number of options granted and canceled in the same period.

(Dollars in thousands)	As of December 31,		
	2021	2020	2019
Unamortized value of unvested stock options (net of estimated forfeitures)	\$7,515	\$6,847	\$6,759
Weighted-average period (in years) that expense is expected to be recognized	2.5	2.5	2.5
Weighted-average remaining contractual life (in years) for options outstanding	7.0	6.6	6.9
Weighted-average remaining contractual life (in years) for options exercisable	5.3	4.9	5.1

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model. Expected volatilities and expected term are based on the historical information of comparable publicly traded homebuilders. Due to the limited number and homogeneous nature of option holders, the expected term was evaluated using a single group. The risk-free rate is based on the U.S. Treasury yield curve for periods equivalent to the expected term of the options on the grant date. The fair value of stock option awards is recognized evenly over the vesting period of the options.

The following table summarizes the weighted-average assumptions and fair value used for stock options grants:

	Year Ended December 31,		
	2021	2020	2019
Expected dividend yield	— %	— %	— %
Expected volatility	24.65%	24.19%	19.33%
Risk-free interest rate	0.75%	1.19%	2.49%
Expected term (in years)	6.25	6.25	6.25
Weighted average fair value of options granted during the period . . .	\$ 7.45	\$ 5.89	\$ 4.69

The following table provides information pertaining to the aggregate intrinsic value of options outstanding and exercisable at December 31, 2021, 2020 and 2019 (excluding options relating to the acquisition of WLH)

(Dollars in thousands)	As of December 31,		
	2021	2020	2019
Aggregate intrinsic value of options outstanding	\$38,190	\$21,399	\$10,935
Aggregate intrinsic value of options exercisable	\$18,897	\$11,903	\$ 4,283

The aggregate intrinsic value is based on the market price of our Common Stock on December 31, 2021, the last trading day in December 2021, which was \$34.96, less the applicable exercise price of the underlying option. This aggregate intrinsic value represents the amount that would have been realized if all the option holders had exercised their options on December 31, 2021.

Performance-Based Restricted Stock Units – We issued PRSUs to certain employees of the Company. These awards will vest in full based on the achievement of certain performance goals over a three-year performance period, subject to the employee’s continued employment through the last date of the performance period and will be settled in shares of our Common Stock. The number of shares that may be issued in settlement of the PRSUs to the award recipients may be greater or lesser than the target award amount depending on actual performance achieved as compared to the performance targets set forth in the awards.

The following table summarizes the activity of our PRSUs:

	Year Ended December 31,		
	2021	2020	2019
Balance, beginning	930,633	998,639	1,155,723
Granted	289,308	295,405	416,874
Vested	(275,286)	(319,732)	(511,984)
Forfeited	(18,462)	(43,679)	(61,974)
Balance, ending	926,193	930,633	998,639

(Dollars in thousands):	Year Ended December 31,		
	2021	2020	2019
PRSU expense recognized	\$8,125	\$5,692	\$5,866
Unamortized value of PRSUs	\$8,419	\$7,848	\$7,912
Weighted-average period expense is expected to be recognized (in years)	1.8	1.8	1.8

Non-Performance-Based Restricted Stock Units — Our RSUs consist of shares of our Common Stock that have been awarded to our employees and members of our Board of Directors. Vesting of RSUs is subject to continued employment with TMHC or continued service on the Board of Directors, through the applicable vesting dates. Time-based RSUs granted to employees generally vest ratably over a three to four year period, based on the grant date. Time-based RSUs granted to members of the Board of Directors generally vest on the first anniversary of the grant date.

The following tables summarize the activity of our RSUs:

(Dollars in thousands except per share data):	Year Ended December 31,					
	2021		2020		2019	
	Number of RSUs	Weighted Average Grant Date Fair Value	Number of RSUs ⁽¹⁾	Weighted Average Grant Date Fair Value	Number of RSUs	Weighted Average Grant Date Fair Value
Outstanding, beginning	881,272	\$21.33	709,754	\$18.11	769,641	\$16.73
Granted	370,762	28.62	1,228,451	23.07	299,481	18.42
Vested	(390,358)	21.28	(1,004,450)	16.83	(320,701)	15.25
Forfeited	(57,211)	23.68	(52,483)	19.65	(38,667)	16.91
Balance, ending ⁽¹⁾	804,465	\$24.73	881,272	\$21.33	709,754	\$18.11

⁽¹⁾ The year ended December 31, 2020 has been adjusted to include 791,189 RSUs granted and 684,078 RSU's vested from the acquisition of WLH which were previously excluded from the table.

(Dollars in thousands):	Year Ended December 31,		
	2021	2020	2019
RSU expense recognized ⁽¹⁾	\$ 7,731	\$14,246	\$5,123
Unamortized value of RSUs ⁽¹⁾	\$10,561	\$ 9,116	\$6,176
Weighted-average period expense is expected to be recognized (in years) ⁽¹⁾	1.7	1.8	1.7

⁽¹⁾ RSUs relating to the WLH acquisition are excluded from the table above. As of December 31, 2020, we recognized \$7.1 million of RSU expense and approximately \$1.0 million remains unamortized and will be expensed through the first quarter of 2022.

The Plan permits us to withhold from the total number of shares that would otherwise be distributed to a recipient on vesting of an RSU, an amount equal to the number of shares having a fair value at the time of distribution equal to the applicable income tax withholdings due and remit the remaining RSU shares to the recipient.

13. OPERATING AND REPORTING SEGMENTS

We have multiple homebuilding operating components which are engaged in the business of acquiring and developing land, constructing homes, marketing and selling homes, and providing warranty and customer service. We aggregate our homebuilding operating components into three reporting segments, East, Central, and West, based on similar long-term economic characteristics. The activity from our Build-to-Rent and Urban Form operations are included in our Corporate segment. We also have a Financial Services reporting segment. We have no inter-segment sales as all sales are to external customers.

Our reporting segments are as follows:

East	Atlanta, Charlotte, Jacksonville, Naples, Orlando, Raleigh, Sarasota, and Tampa
Central	Austin, Dallas, Denver, and Houston
West	Bay Area, Las Vegas, Phoenix, Portland, Sacramento, Seattle, and Southern California
Financial Services	Taylor Morrison Home Funding, Inspired Title Services, and Taylor Morrison Insurance Services

Operating results for each segment may not be indicative of the results for such segment had it been an independent, stand-alone entity. Segment information is as follows:

(Dollars in thousands)	Year Ended December 31, 2021					
	East	Central	West	Financial Services ⁽¹⁾	Corporate and Unallocated ⁽²⁾	Total
Total revenues	\$2,423,948	\$1,741,689	\$3,126,621	\$164,615	\$ 44,392	\$7,501,265
Gross margin	\$ 522,721	\$ 336,896	\$ 614,130	\$ 62,767	\$ 11,367	\$1,547,881
Selling, general and administrative expense	(184,744)	(133,991)	(187,515)	—	(162,092)	(668,342)
Equity in income/(loss) of unconsolidated entities	—	306	2,190	8,644	(10)	11,130
Interest and other expense, net ⁽³⁾	(923)	(3,103)	(7,228)	—	(16,307)	(27,561)
Income/(loss) before income taxes	<u>\$ 337,054</u>	<u>\$ 200,108</u>	<u>\$ 421,577</u>	<u>\$ 71,411</u>	<u>\$(167,042)</u>	<u>\$ 863,108</u>

(1) All operating expenses, excluding Transaction expenses, are reclassified into gross margin for Financial Services

(2) Includes the activity from our Build-To-Rent and Urban Form operations.

(3) Interest and other expense, net includes pre-acquisition write-offs of terminated projects.

(Dollars in thousands)	Year Ended December 31, 2020					
	East	Central	West	Financial Services ⁽¹⁾	Corporate and Unallocated ⁽²⁾	Total
Total revenues	\$1,919,247	\$1,633,428	\$2,396,101	\$155,827	\$ 24,717	\$6,129,320
Gross margin	\$ 319,361	\$ 306,158	\$ 352,648	\$ 66,918	\$ (866)	\$1,044,219
Selling, general and administrative expense	(160,222)	(132,796)	(165,682)	—	(113,675)	(572,375)
Equity in income of unconsolidated entities	—	23	683	10,470	—	11,176
Interest and other expense, net ⁽³⁾	(574)	(4,471)	(37,600)	(8,971)	(97,040)	(148,656)
Loss on extinguishment of debt	—	—	—	—	(10,247)	(10,247)
Income/(loss) before income taxes	<u>\$ 158,565</u>	<u>\$ 168,914</u>	<u>\$ 150,049</u>	<u>\$ 68,417</u>	<u>\$(221,828)</u>	<u>\$ 324,117</u>

(1) All operating expenses, excluding transaction expenses, are reclassified into gross margin for Financial Services

(2) Includes the activity from our Build-To-Rent and Urban Form operations.

(3) Interest and other expense, net includes transaction related expenses and pre-acquisition write-offs of terminated projects.

Year Ended December 31, 2019

(Dollars in thousands)	East	Central	West	Financial Services ⁽¹⁾	Corporate and Unallocated	Total
Total revenues	\$1,950,742	\$1,334,389	\$1,384,113	\$92,815	\$ —	\$4,762,059
Gross margin	\$ 307,893	\$ 187,957	\$ 286,511	\$41,729	\$ —	\$ 824,090
Selling, general and administrative expense	(168,928)	(121,962)	(94,609)	—	(104,772)	(490,271)
Equity in (loss)/income of unconsolidated entities	—	(215)	3,562	6,021	141	9,509
Interest and other expense, net ⁽²⁾	(5,545)	(1,024)	(3,273)	—	(5,408)	(15,250)
Loss on extinguishment of debt	—	—	—	—	(5,806)	(5,806)
Income/(loss) before income taxes	<u>\$ 133,420</u>	<u>\$ 64,756</u>	<u>\$ 192,191</u>	<u>\$47,750</u>	<u>\$(115,845)</u>	<u>\$ 322,272</u>

(1) All operating expenses, excluding transaction expenses, are reclassified into gross margin for Financial Services

(2) Interest and other expense, net includes transaction related expenses and pre-acquisition write-offs of terminated projects.

As of December 31, 2021

(Dollars in thousands)	East	Central	West	Financial Services	Corporate and Unallocated ⁽¹⁾	Total
Real estate inventory and land deposits	\$1,781,948	\$1,282,024	\$2,665,084	\$ —	\$ —	\$5,729,056
Investments in unconsolidated entities	—	87,600	79,531	4,275	—	171,406
Other assets	196,126	221,906	588,520	559,233	1,261,530	2,827,315
Total assets	<u>\$1,978,074</u>	<u>\$1,591,530</u>	<u>\$3,333,135</u>	<u>\$563,508</u>	<u>\$1,261,530</u>	<u>\$8,727,777</u>

(1) Includes the assets from our Build-To-Rent and Urban Form operations.

As of December 31, 2020

(Dollars in thousands)	East	Central	West	Financial Services	Corporate and Unallocated ⁽¹⁾	Total
Real estate inventory and land deposits	\$1,712,852	\$1,176,604	\$2,568,595	\$ —	\$ —	\$5,458,051
Investments in unconsolidated entities	—	58,052	65,395	4,498	10	127,955
Other assets	170,382	192,981	578,231	284,265	926,130	2,151,989
Total assets	<u>\$1,883,234</u>	<u>\$1,427,637</u>	<u>\$3,212,221</u>	<u>\$288,763</u>	<u>\$926,140</u>	<u>\$7,737,995</u>

(1) Includes the assets from our Build-To-Rent and Urban Form operations.

As of December 31, 2019

(Dollars in thousands)	East	Central	West	Financial Services	Corporate and Unallocated	Total
Real estate inventory and land deposits	\$1,841,904	\$ 965,039	\$1,219,411	\$ —	\$ —	\$4,026,354
Investments in unconsolidated entities	—	37,506	86,996	4,015	242	128,759
Other assets	165,777	121,724	60,060	257,760	485,252	1,090,573
Total assets	<u>\$2,007,681</u>	<u>\$1,124,269</u>	<u>\$1,366,467</u>	<u>\$261,775</u>	<u>\$485,494</u>	<u>\$5,245,686</u>

14. COMMITMENTS AND CONTINGENCIES

Letters of Credit and Surety Bonds — We are committed, under various letters of credit and surety bonds, to perform certain development and construction activities and provide certain guarantees in the normal course of business. Outstanding letters of credit and surety bonds under these arrangements totaled \$1.2 billion and \$1.0 billion as of December 31, 2021 and 2020, respectively. Although significant development and construction activities have been completed related to these site improvements, the bonds are generally not released until all development and construction activities are completed. We do not believe that it is probable that any outstanding bonds as of December 31, 2021 will be drawn upon.

Purchase Commitments — We are subject to the usual obligations associated with entering into contracts (including land option contracts and land banking arrangements) for the purchase, development, and sale of real estate in the routine conduct of our business. We have a number of land purchase option contracts and land banking agreements, generally through cash deposits, for the right to purchase land or lots at a future point in time with predetermined terms. We do not have title to the property and the creditors generally have no recourse. Our obligations with respect to such contracts are generally limited to the forfeiture of the related non-refundable cash deposits. At December 31, 2021 and 2020, the aggregate purchase price of these contracts was \$1.3 billion and \$0.8 billion respectively.

Legal Proceedings — We are involved in various litigation and legal claims in the normal course of business, including actions brought on behalf of various classes of claimants. We are also subject to a variety of local, state, and federal laws and regulations related to land development activities, house construction standards, sales practices, mortgage lending operations, employment practices, and protection of the environment. As a result, we are subject to periodic examination or inquiry by various governmental agencies that administer these laws and regulations.

We establish liabilities for legal claims and regulatory matters when such matters are both probable of occurring and any potential loss can be reasonably estimated. At December 31, 2021 and 2020, our legal accruals were \$21.7 million and \$23.5 million, respectively. We accrue for such matters based on the facts and circumstances specific to each matter and revise these estimates as the matters evolve. In such cases, there may exist an exposure to loss in excess of any amounts currently accrued. Predicting the ultimate resolution of the pending matters, the related timing, or the eventual loss associated with these matters is inherently difficult. Accordingly, the liability arising from the ultimate resolution of any matter may exceed the estimate reflected in the recorded reserves relating to such matter. While the outcome of such contingencies cannot be predicted with certainty, we do not believe that the resolution of such matters will have a material adverse impact on our results of operations, financial position, or cash flows.

On April 26, 2017, a class action complaint was filed in the Circuit Court of the Tenth Judicial Circuit in and for Polk County, Florida by Norman Gundel, William Mann, and Brenda Taylor against Avatar Properties, Inc., (an acquired AV Homes entity), generally alleging that our collection of club membership fees in connection with the use of one of our amenities in our East homebuilding segment violates various laws relating to homeowner associations and other Florida-specific laws. The class action complaint seeks an injunction to prohibit future collection of club membership fees. On November 2, 2021, the court determined that the club membership fees were improper and that plaintiffs were entitled to \$35.0 million in fee reimbursements. We appealed the court's ruling to the Second District Court of Appeal on November 29, 2021, and as of December 31, 2021, our appeal remains pending. Plaintiffs have agreed to continue to pay club membership fees pending the outcome of the appeal. We believe, based on our assessment and the opinion of external legal counsel, that the court's legal interpretation constitutes legal error and the court incorrectly ruled on this matter. In accordance with ASC Topic 450, Contingencies, we evaluated the range of loss and the likelihood of each potential amount of loss within the range.

While the ultimate outcome and the costs associated with litigation are inherently uncertain and difficult to predict, in evaluating the potential outcomes, we believe the more likely outcome is that we win the appeal. This belief is based on our review of the legal merit of the judgement, as well as the opinion of external legal counsel. Accordingly, in assessing the range of possible loss, we believe the more likely outcome is that we win on appeal and will have zero liability.

15. MORTGAGE HEDGING ACTIVITIES

We enter into IRLCs when originating residential mortgage loans held for sale, at specified interest rates and within a specified period of time (generally between 30 and 60 days), with customers who have applied for a loan and meet

certain credit and underwriting criteria. These IRLCs meet the definition of a derivative and are reflected on the balance sheet at fair value with changes in fair value recognized in Financial Services revenue/expenses on the Consolidated Statements of Operations and Comprehensive Income. Unrealized gains and losses on the IRLCs, reflected as derivative assets, are measured based on the fair value of the underlying mortgage loan, quoted Agency MBS prices, estimates of the fair value of the mortgage servicing rights and the probability that the mortgage loan will fund within the terms of the IRLC, net of commission expense and broker fees. The fair value of the forward loan sales commitment and mandatory delivery commitments being used to hedge the IRLCs and mortgage loans held for sale not committed to be purchased by investors are based on quoted Agency MBS prices.

The following summarizes derivative instrument assets (liabilities) as of the periods presented:

	As of			
	December 31, 2020		December 31, 2019	
	Fair Value	Notional Amount(1)	Fair Value	Notional Amount(1)
<i>(Dollars in thousands)</i>				
IRLCs	\$2,110	\$158,299	\$ 5,294	\$260,954
MBSs	(449)	407,000	(1,847)	376,000
Total, net	<u>\$1,661</u>		<u>\$ 3,447</u>	

(1) The notional amounts in the table above includes mandatory and best effort mortgages, that have been locked and approved.

Total commitments to originate loans approximated \$173.7 million and \$290.3 million at December 31, 2021 and 2020, respectively. This amount represents the commitments to originate loans for both best efforts and mandatory loans that have been locked and approved by underwriting.

We have exposure to credit loss in the event of contractual non-performance by our trading counterparties in derivative instruments that we use in our rate risk management activities. We manage this credit risk by selecting only counterparties that we believe to be financially strong, spreading the risk among multiple counterparties, by placing contractual limits on the amount of unsecured credit extended to any single counterparty, and by entering into netting agreements with counterparties, as appropriate. Commitments to originate loans do not necessarily reflect future cash requirements as some commitments are expected to expire without being drawn upon.

16. BUSINESS COMBINATIONS

In accordance with ASC Topic 805, *Business Combinations*, all assets acquired and liabilities assumed from our acquisition of WLH on February 6, 2020 were measured and recognized at fair value as of the date of the acquisition to reflect the purchase price paid. Upon finalization, total purchase consideration of the WLH acquisition was \$1.1 billion, consisting of multiple components: (i) cash of \$157.8 million, (ii) the issuance of approximately 28.3 million shares of TMHC Common Stock with a value of \$773.9 million, (iii) the repayment of \$160.8 million of borrowings under WLH's Revolving Credit Facility, and (iv) the conversion of WLH issued equity instruments consisting of restricted stock units, restricted stock awards, stock options and warrants to TMHC stock with a value of \$24.1 million.

We determined the estimated fair value of inventory on a community-level basis, using a reasonable range of market comparable gross margins based on the inventory geography and product type. These estimates are significantly impacted by assumptions related to expected average home selling prices and sales incentives, expected sales paces and cancellation rates, expected land development and construction timelines, and anticipated land development, construction, and overhead costs. Such estimates were made for each individual community and varied significantly between communities. We believe our estimates and assumptions are reasonable.

The following is a summary of the final fair value of assets acquired and liabilities assumed.

<i>(Dollars in thousands)</i> <i>Acquisition Date</i>	<u>February 6,</u> <u>2020</u>
Assets acquired	
Real estate inventory	\$2,069,323
Prepaid expenses and other assets ⁽¹⁾	265,729
Deferred tax assets, net	148,193
Goodwill ⁽²⁾	513,768
Total assets	\$2,997,013
Less liabilities assumed	
Accrued expenses and other liabilities	\$ 457,365
Total debt ⁽³⁾	1,306,578
Non-controlling interest	116,157
Net assets acquired	<u>\$1,116,913</u>

(1) Includes cash acquired.

(2) Goodwill is not deductible for tax purposes. We allocated \$465.6 million and \$48.2 million of goodwill to the West and Central homebuilding segments, respectively.

(3) See Note 8—Debt

Unaudited Pro Forma Results of Business Combination

The following unaudited pro forma information for the periods presented include the results of operations of our acquisition of WLH as if it was completed on January 1, 2019. The pro forma results are presented for informational purposes only and do not purport to be indicative of the results of operations or future results that would have been achieved if the acquisition had taken place one year prior to the acquisition year. The pro forma information combines the historical results of the Company with the historical results of our acquisition for the periods presented.

The unaudited pro forma results do not give effect to any synergies, operating efficiencies, or other costs savings that may result from the acquisition, or other significant non-reoccurring expenses or transactions that do not have a continuing impact. Earnings per share utilizes pro forma net income available to TMHC and total weighted average shares of common stock. The pro forma amounts are based on available information and certain assumptions that we believe are reasonable.

Pro forma presentation for the WLH acquisition

(Dollars in thousands except per share data)	For the Year	Ended
	2020	December 31,
	<u>2020</u>	<u>2019</u>
Total revenue	\$6,216,418	\$6,751,846
Net income before allocation to non-controlling interests ...	309,022	171,114
Net loss attributable to non-controlling interests — joint ventures	6,975	30,661
Net income available to TMHC	\$ 302,047	\$ 140,453
Weighted average shares—Basic	131,011	135,661
Weighted average shares—Diluted	132,370	136,952
Earnings per share—Basic	\$ 2.31	\$ 1.04
Earnings per share—Diluted	\$ 2.28	\$ 1.03

For the year ended December 31, 2020, total revenue on the Consolidated Statement of Operations included \$1.6 billion of revenues, and earnings before income taxes included \$48.0 million of pre-tax earnings from WLH since the date of acquisition.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this Form 10-K, we carried out an evaluation, under the supervision and with the participation of our principal executive officer, principal financial officer and principal accounting officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation as of December 31, 2021, our principal executive officer, principal financial officer and principal accounting officer concluded that our disclosure controls and procedures were effective in alerting them in a timely manner to material information required to be disclosed in our periodic reports filed with the SEC.

Internal Control over Financial Reporting

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for the preparation and fair presentation of the consolidated financial statements included in this annual report. The consolidated financial statements have been prepared in conformity with U.S. GAAP and reflect management's judgments and estimates concerning events and transactions that are accounted for or disclosed.

Management is also responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Management recognizes that there are inherent limitations in the effectiveness of any internal control and effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Additionally, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

In order to ensure that the Company's internal control over financial reporting is effective, management regularly assesses such controls and did so most recently for its financial reporting as of December 31, 2021. Management's assessment was based on criteria for effective internal control over financial reporting described in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on its assessment, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2021.

Deloitte & Touche LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements included in this annual report, has issued its report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2021.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended December 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Taylor Morrison Home Corporation

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Taylor Morrison Home Corporation and subsidiaries (the "Company") as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2021, of the Company and our report dated February 23, 2022, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Phoenix, Arizona
February 23, 2022

ITEM 9B. OTHER INFORMATION

None

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Items 401, 405, 406 and 407(c)(3), (d)(4) and (d)(5) of Regulation S-K will be set forth in our 2022 Annual Meeting Proxy Statement, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2021 (the “Proxy Statement”). For the limited purpose of providing the information necessary to comply with this Item 10, the Proxy Statement is incorporated herein by this reference. All references to the Proxy Statement in this Part III are exclusive of the information set forth under the captions “Compensation Committee Report” and “Audit Committee Report.”

ITEM 11. EXECUTIVE COMPENSATION

The information required by Items 402 and 407(e)(4) and (e)(5) of Regulation S-K will be set forth in the Proxy Statement. For the limited purpose of providing the information necessary to comply with this Item 11, the Proxy Statement is incorporated herein by this reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Securities Authorized for Issuance under Equity Compensation Plans

Equity Compensation Plan Information

The following table provides information with respect to the Taylor Morrison Home Corporation 2013 Omnibus Equity Award Plan as amended and restated as of May 31, 2017, (the “Equity Plan”) under which our equity securities are authorized for issuance as of December 31, 2021.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders ⁽¹⁾	4,896,270 ⁽²⁾	\$22.02 ⁽³⁾	5,404,025 ⁽⁴⁾
Equity compensation plans not approved by security holders	—	—	—

- (1) Equity compensation plans approved by security holders covers the Equity Plan. The Equity Plan is currently our only compensation plan pursuant to which our equity is awarded.
- (2) Column (a) includes 1,730,658 shares of our Common Stock underlying outstanding time-based vesting and performance-based vesting restricted stock units (“RSUs”) and outstanding deferred stock units (“DSUs”). Amount assumes achievement of the maximum level of performance in respect of RSUs that are subject to performance-based vesting conditions. Because there is no exercise price associated with RSUs, such equity awards are not included in the weighted-average exercise price calculation in column (b).
- (3) The weighted average exercise price in column (b) relates only to outstanding stock options. The calculation of the weighted average exercise price does not include outstanding equity awards that are received for no consideration and does not include shares of Common Stock credited to the deferred compensation accounts of certain non-employee directors at fair market value in lieu compensation at the election of such directors.
- (4) A total of 14,178,459 shares of our Common Stock have been authorized for issuance pursuant to the terms of the Equity Plan.

The information required by Item 403 of Regulation S-K will be set forth in the Proxy Statement. For the limited purpose of providing the information necessary to comply with this Item 12, the Proxy Statement is incorporated herein by this reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Items 404 and 407(a) of Regulation S-K will be set forth in the Proxy Statement. For the limited purpose of providing the information necessary to comply with this Item 13, the Proxy Statement is incorporated herein by this reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

This information required by Item 9(e) of Schedule 14A will be set forth in the Proxy Statement. For the limited purpose of providing the information necessary to comply with this Item 14, the Proxy Statement is incorporated herein by this reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

<u>Exhibit No.</u>	<u>Description</u>
2.1	Agreement and Plan of Merger, dated June 7, 2018, among Taylor Morrison Home Corporation, Taylor Morrison Communities, Inc., Thor Merger Sub, Inc. and AV Homes, Inc. (included as Exhibit 2.1 to Taylor Morrison Home Corporation's Current Report on Form 8-K, filed on June 7, 2018, and incorporated herein by reference.)
2.2	Agreement and Plan of Merger, dated as of October 26, 2018, by and among Taylor Morrison Home Corporation, Taylor Morrison Home II Corporation and Second Half 2018 Mergerco Inc. (included as Exhibit 2.1 to Taylor Morrison Home Corporation's Current Report on Form 8-K, filed on October 26, 2018, and incorporated herein by reference).
2.3	Agreement and Plan of Merger, dated November 5, 2019, by and among Taylor Morrison, Merger Sub and William Lyon Homes (included as Exhibit 2.1 to Taylor Morrison Home Corporation's Registration Statement on Form S-4 (File No. 333-235410), and incorporated herein by reference).
3.1	Amended and Restated Certificate of Incorporation (included as Exhibit 3.1 to Taylor Morrison Home Corporation's
3.2	Amended and Restated By-laws (included as Exhibit 3.1 to Taylor Morrison Home Corporation's Current Report on Form 8-K, filed on December 13, 2021, and incorporated herein by reference).
4.1	Indenture, dated as of March 5, 2014, relating to Taylor Morrison Communities, Inc.'s and Monarch Communities Inc.'s 5.625% Senior Notes due 2024, by and among Taylor Morrison Communities, Inc., Monarch Communities Inc., the guarantors party thereto and Wells Fargo Bank, National Association (included as Exhibit 4.1 to Taylor Morrison Home Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed on May 7, 2014, and incorporated herein by reference).
4.2	Indenture, dated as of April 16, 2015, relating to Taylor Morrison Communities, Inc.'s and Taylor Morrison Holdings II, Inc.'s 5.875% Senior Notes due 2023, by and among Taylor Morrison Communities, Inc., the guarantors party thereto and U.S. Bank National Association (included as Exhibit 4.1 to Taylor Morrison Home Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, filed May 7, 2015, and incorporated herein by reference).
4.3	Indenture, dated as of June 5, 2019, relating to Taylor Morrison Communities, Inc.'s 5.875% Senior Notes due 2027, by and among Taylor Morrison Communities, Inc., the guarantors party thereto and U.S. Bank National Association, as trustee (included as Exhibit 4.1 to Taylor Morrison Home Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, filed August 1, 2019, and incorporated herein by reference).
4.4	Indenture, dated as of August 1, 2019, relating to Taylor Morrison Communities, Inc.'s 5.75% Senior Notes due 2028, by and among Taylor Morrison Communities, Inc., the guarantors party thereto and U.S. Bank National Association (included as Exhibit 4.1 to Taylor Morrison Home Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, filed October 30, 2019, and incorporated herein by reference).
4.5	Indenture, dated as of February 10, 2020, relating to Taylor Morrison Communities, Inc.'s 6.625% Senior Notes due 2027, by and among Taylor Morrison Communities, Inc., the guarantors party thereto and U.S. Bank National Association (included as Exhibit 4.3 to Taylor Morrison Home Corporation's Current Report on Form 8-K filed February 11, 2020, and incorporated herein by reference).
4.6	Eighth Supplemental Indenture, dated as of February 6, 2020, to the Indenture, dated as of March 5, 2014, among Taylor Morrison Communities, Inc., the guarantors party thereto and Wells Fargo Bank, National Association (included as Exhibit 4.4 to Taylor Morrison Home Corporation's Current Report on Form 8-K filed February 11, 2020, and incorporated herein by reference).

<u>Exhibit No.</u>	<u>Description</u>
4.7	Fifth Supplemental Indenture, dated as of February 6, 2020, to the Indenture, dated as of April 16, 2015, among Taylor Morrison Communities, Inc., the guarantors party thereto and U.S. Bank National Association (included as Exhibit 4.5 to Taylor Morrison Home Corporation's Current Report on Form 8-K filed February 11, 2020, and incorporated herein by reference).
4.8	First Supplemental Indenture, dated as of February 6, 2020, to the Indenture, dated as of June 5, 2019, among Taylor Morrison Communities, Inc., the guarantors party thereto and U.S. Bank National Association (included as Exhibit 4.6 to Taylor Morrison Home Corporation's Current Report on Form 8-K filed February 11, 2020, and incorporated herein by reference).
4.9	First Supplemental Indenture, dated as of February 6, 2020, to the Indenture, dated as of August 1, 2019, among Taylor Morrison Communities, Inc., the guarantors party thereto and U.S. Bank National Association (included as Exhibit 4.7 to Taylor Morrison Home Corporation's Current Report on Form 8-K filed February 11, 2020, and incorporated herein by reference).
4.1	Indenture, dated as of July 22, 2020, relating to Taylor Morrison Communities, Inc.'s 5.125% Senior Notes Due 2030, by and among Taylor Morrison Communities, Inc., the guarantors party thereto and U.S. Bank National Association, as trustee (included as Exhibit 4.1 to Taylor Morrison Home Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, filed with the SEC on November 2, 2020, and incorporated herein by reference).
4.11	Specimen Class A Common Stock Certificate of Taylor Morrison Home Corporation (included as Exhibit 4.1 to Taylor Morrison Home Corporation's Current Report on Form 8-A12B/A, filed on June 10, 2019, and incorporated herein by reference).
4.12	Description of Registrant's Securities (included as Exhibit 4.20 to Taylor Morrison Home Corporation's Annual Report on Form 10-K for the year ended December 31, 2019, filed February 19, 2020, and incorporated herein by reference).
10.1	Reorganization Agreement, dated as of April 9, 2013, by and among Taylor Morrison Home Corporation and the other parties named therein (included as Exhibit 10.6 to Taylor Morrison Home Corporation's Current Report on Form 8-K, filed on April 15, 2013, and incorporated herein by reference).
10.2†	Form of Indemnification Agreement (included as Exhibit 10.4 to Amendment No. 5 to Taylor Morrison Home Corporation's Registration Statement on Form S-1, filed on April 4, 2013, and incorporated herein by reference).
10.3†	Taylor Morrison Home Corporation 2013 Omnibus Equity Award Plan (Amended and Restated as of May 25, 2016) (included as Appendix A of the Company's definitive Proxy Statement on Schedule 14A filed on April 12, 2016, and incorporated herein by reference).
10.4†	Form of Employee Nonqualified Option Award Agreement for use with the Taylor Morrison Home Corporation 2013 Omnibus Equity Award Plan (Amended and Restated as of May 25, 2016) (included as Exhibit 10.15 to Amendment No. 5 to Taylor Morrison Home Corporation's Registration Statement on Form S-1, filed on April 4, 2013, and incorporated herein by reference).
10.5†	Taylor Morrison Long-Term Cash Incentive Plan (included as Exhibit 10.18 to Amendment No. 5 to Taylor Morrison Home Corporation's Registration Statement on Form S-1, filed on April 4, 2013, and incorporated herein by reference).
10.6†	Form of Restricted Stock Unit Agreement for use with the Taylor Morrison Home Corporation 2013 Omnibus Equity Award Plan (included as Exhibit 10.16 to Amendment No. 5 to Taylor Morrison Home Corporation's Registration Statement on Form S-1, filed on April 4, 2013, and incorporated herein by reference).
10.7*†	Amended and Restated Employment Agreement, dated October 12, 2021, between Taylor Morrison, Inc. and Sheryl D. Palmer.

<u>Exhibit No.</u>	<u>Description</u>
10.8†	Amended and Restated Employment Agreement, dated June 15, 2018, between Taylor Morrison, Inc. and C. David Cone (included as Exhibit 10.5 to Taylor Morrison Home Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, filed on August 1, 2018, and incorporated herein by reference).
10.9*†	Amended and Restated Employment Agreement, dated October 12, 2021, between Taylor Morrison, Inc. and Darrell C. Sherman.
10.10*†	Amended and Restated Employment Agreement, dated October 26, 2021, between Taylor Morrison, Inc. and Louis Steffens.
10.11†	Form of Restrictive Covenants Agreement with Taylor Morrison, Inc. (included as Exhibit 10.12 to Amendment No. 3 to Taylor Morrison Home Corporation's Registration Statement on Form S-1, filed on March 6, 2013, and incorporated herein by reference).
10.12†	2015 Non-Employee Director Deferred Compensation Plan (included as Exhibit 10.4 to Taylor Morrison Home Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, filed on May 7, 2015, and incorporated herein by reference).
10.12(a)†	Form of Deferred Stock Unit Award Agreement (included as Exhibit 10.5 to Taylor Morrison Home Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, filed on May 7, 2015, and incorporated herein by reference).
10.13†	Form of Employee Nonqualified Option Award Agreement for use with the 2013 Taylor Morrison Home Corporation Omnibus Equity Award Plan (Amended and Restated as of May 25, 2016) for grants made in 2015 and thereafter (included as Exhibit 10.1 to Taylor Morrison Home Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, filed on August 5, 2015, and incorporated herein by reference).
10.14†	Form of Restricted Stock Unit Agreement for use with the 2013 Taylor Morrison Home Corporation Omnibus Equity Award Plan (Amended and Restated as of May 25, 2016) for grants made in 2015 and thereafter (included as Exhibit 10.2 to Taylor Morrison Home Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, filed on August 5, 2015, and incorporated herein by reference).
10.15†	Form of Performance-Based Restricted Stock Unit Agreement for use with the 2013 Taylor Morrison Home Corporation Omnibus Equity Award Plan (Amended and Restated as of May 25, 2016) for grants made in 2015 and thereafter (included as Exhibit 10.3 to Taylor Morrison Home Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, filed on August 5, 2015, and incorporated herein by reference).
10.16†	Form of Omnibus Amendment to the Restricted Stock Unit Agreements and Employee Nonqualified Option Award Agreement for use with the 2013 Taylor Morrison Home Corporation Omnibus Equity Award Plan (Amended as of June 14, 2018) (included as Exhibit 10.3 to Taylor Morrison Home Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, filed on August 1, 2018, and incorporated herein by reference).
10.17	Credit Agreement, dated as of February 6, 2020, among the Taylor Morrison Communities, Inc., Taylor Morrison Home III Corporation, Taylor Morrison Holdings, Inc., Taylor Morrison Finance, Inc., each lender from time to time party thereto and Citibank N.A., as administrative agent (included as Exhibit 10.1 to Taylor Morrison Home Corporation's Current Report on Form 8-K, filed on February 6, 2020, and incorporated herein by reference).
10.18	Warrant dated February 6, 2020 (included as Exhibit 10.2 to Taylor Morrison Home Corporation's Current Report on Form 8-K, filed on February 6, 2020, and incorporated herein by reference).
10.19†	Retirement Agreement, dated as of June 21, 2021, between Taylor Morrison Home Corporation, Taylor Morrison, Inc. and C. David Cone (incorporate by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 21, 2021).

<u>Exhibit No.</u>	<u>Description</u>
21.1*	Subsidiaries of Taylor Morrison Home Corporation
23.1*	Consent of Deloitte & Touche LLP
31.1*	Certification of Sheryl D. Palmer, Chief Executive Officer, pursuant to Section 302 of the Sarbanes–Oxley Act of 2002.
31.2*	Certification of Louis Steffens, Chief Financial Officer, pursuant to Section 302 of the Sarbanes–Oxley Act of 2002.
32.1**	Certification of Sheryl D. Palmer, Chief Executive Officer, pursuant to Section 906 of the Sarbanes–Oxley Act of 2002.
32.2**	Certification of Louis Steffens, Chief Financial Officer, pursuant to Section 906 of the Sarbanes–Oxley Act of 2002.
101.INS	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover page from the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, formatted in inline XBRL (and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith.

† Management contract or compensatory plan in which directors and/or executive officers are eligible to participate.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

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

TAYLOR MORRISON HOME CORPORATION
Registrant

DATE: February 23, 2022

/s/ Sheryl D. Palmer
Sheryl D. Palmer
Chairman of the Board of Directors and Chief Executive Officer
(Principal Executive Officer)

/s/ Louis Steffens
Louis Steffens
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Joseph Terracciano
Joseph Terracciano
Chief Accounting Officer
(Principal Accounting Officer)

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Gary H. Hunt</u> Gary H. Hunt	Director	February 23, 2022
<u>/s/ William H. Lyon</u> William H. Lyon	Director	February 23, 2022
<u>/s/ Peter Lane</u> Peter Lane	Director	February 23, 2022
<u>/s/ David Merritt</u> David Merritt	Director	February 23, 2022
<u>/s/ Anne L. Mariucci</u> Anne L. Mariucci	Director	February 23, 2022
<u>/s/ Andrea Owen</u> Andrea Owen	Director	February 23, 2022
<u>/s/ Denise Warren</u> Denise Warren	Director	February 23, 2022
<u>/s/ Christopher Yip</u> Christopher Yip	Director	February 23, 2022

Corporate Profile

Taylor Morrison's commitment to designing communities and building quality homes while delivering exceptional customer service creates a differentiated homebuying experience.

Headquartered in Scottsdale, Arizona, we operate under our family of brands, Taylor Morrison, Darling Homes Collection, and Christopher Todd Communities built by Taylor Morrison. We serve a wide array of consumers from coast to coast, including first-time, move-up, luxury and 55-plus active lifestyle buyers. From 2016-2022 Taylor Morrison has been recognized as America's Most Trusted® Builder by Lifestory Research.

FOR MORE INFORMATION ABOUT TAYLOR MORRISON

PLEASE VISIT [TAYLORMORRISON.COM](https://www.taylormorrison.com)

Executive Officers

Sheryl D. Palmer | Chairman and Chief Executive Officer

Lou Steffens | Executive Vice President and Chief Financial Officer

Darrell C. Sherman | Executive Vice President, Chief Legal Officer and Secretary

Investor Relations | Investor@taylormorrison.com | 480.734.2060

Auditor of Record Deloitte & Touche LLP



Mystic | Phoenix, AZ

