2019 ANNUAL REPORT

PINNACLE AT WELLINGTON CHASE
CHARLOTTE, NC

COMMUNITIES FOR
HOW LIFE PROGRESSES

TaylorMorrison®

DEAR FELLOW SHAREHOLDERS

2019 was a historic year for Taylor Morrison in every sense of the word.

But as I sit here writing this letter today in April 2020, the world looks quite different. COVID-19—or as it's more widely known, coronavirus—is dominating our news

headlines, halting our economy as people are asked to shelter in-place, and filling the world with a great sense of uncertainty for what lies ahead. Our appreciation extends to first responders and those on the frontlines in the medical field working to cure our nation. For many industries and businesses, homebuilding and Taylor Morrison included, the COVID-19 pandemic is uncharted waters. But what I keep reminding our team is that their actions, measured response and leadership are what will be remembered for years to come.

Seemingly overnight, we undertook a wholesale change to the way we conduct our business by taking much of our organization virtual. Our customer-facing community sales managers and builders were given the protocols and tools to interact with customers at socially acceptable distances and through virtual appointments. In fact, during this quarantine period, our sales teams across the country have operated through an appointment-only model and giving virtual tours online through Facebook Live, and our construction teams are walking our homebuyers through their finished homes through tools like FaceTime and Skype. When it comes time to sign closing documents, our title company, Inspired Title Services, is offering curbside closings, where a notary delivers documents and witnesses signatures from outside the vehicle while the buyer never has to leave the car.

It's not too early to plan for what the homebuilding industry might look like when we get to the other side of the COVID-19 pandemic. After weeks of shelter-in-place and safer-at-home guidelines forcing people indoors, consumers are already starting to look at their relationship with their homes differently, from the need for more home office space and the integration of technology at home while many industries took their workforces remote, to the community walking paths and bike trails that offered adults and children alike the opportunity to safely experience a change of scenery. In dense urban areas or among the renter demographic, we are seeing people crave not only the space, but also the safety and comfort communities we build can offer. Considerations around the strength of housing will certainly change, but the global pandemic has made the need for connectivity and community planning more important than it ever has been before.

Today, our priority is the health and safety of our team members, customers and communities. We have such an appreciation for our team members on the frontlines within our industry, continuing to innovate on ways to safely meet with our buyers, and continuing to build homes amid the complex and varying regulations in our markets.

The homebuilding industry has never been better positioned to go through this unprecedented time, and there are still many tailwinds prior to the pandemic that we believe will still work in our favor. New and resale housing inventory remain low, meaning our industry serves an incredible mission to keep up with high demand and ensure our nation has adequate housing. In fact, our analysis of demographics show most all consumer groups should remain able to buy as we see employment levels return to normalcy. These economic indicators reaffirm my confidence in our strong position on the other side of the pandemic.

At Taylor Morrison, we draw upon the institutional muscle and experience of the team to strategically navigate the challenges the COVID-19 pandemic presents. Notwithstanding our financial strength and solid balance sheet, we shared several immediate and prudent measures—aligned with our culture and core values—to assist in weathering the unknown business impacts, and I firmly believe that these steps, coupled with the momentum we gained in 2019, position us to thoughtfully and advantageously navigate the repercussions of the COVID-19 pandemic, so let's start there.

When I reflect on 2019 for **Taylor Morrison**, I am overwhelmed with pride thinking about all that our organization and team members accomplished. From our collection of awards and recognitions, to a customer service philosophy that has become our workforce's collective heartbeat, to announcing our sixth acquisition in seven years and the largest of any we've ever undertaken—I would even go as far as calling 2019 our best year yet with record-setting results.

2019 FINANCIAL RESULTS

In 2019, we saw our highest new sales orders, closings, earnings and number of active communities. We reported 10,517 net sales orders, a 25 percent increase over the prior year, and closed 9,964 homes, an almost 14 percent increase, at an average sales pace per community at 2.5, compared to 2.3 in 2018. Total revenue was $4.8 billion, a 13 percent increase over the prior year. With these successes as our foundation, at the start of 2020, we joined the S&P 400 Mid Cap index.

> **The strength of our consumer diversity is another critical component to our company's strategy.**

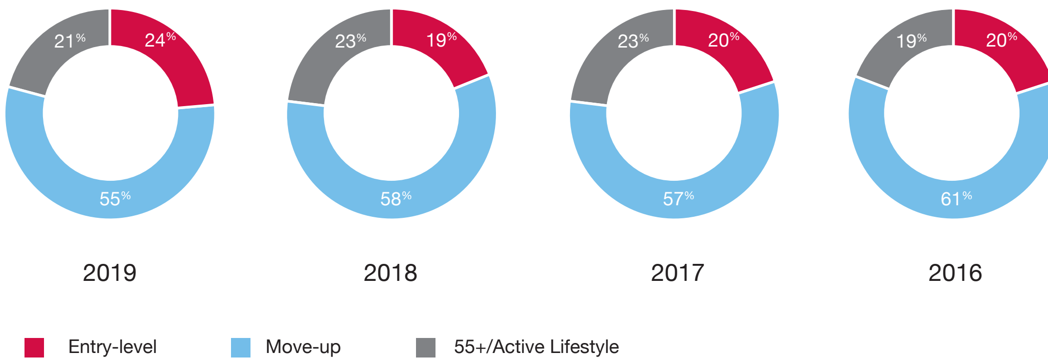
The strength of our consumer diversity is another critical component to our company's strategy. We continue to believe that our barbell approach—with baby boomers and our 55-plus lifestyle communities representing one end, and millennials on the other—captures the key consumer groups that will continue to drive growth for Taylor Morrison and our industry. I'm often surprised by the notion in the marketplace that millennials aren't buying, because 75 percent of our older millennials are actually buying their second house. And for those millennials under the age of 30, 45 percent are buying their second house. Our market research shows that most millennials will ultimately want to own a home and have a lifestyle similar to what they grew up in and we're well positioned to take advantage of that.

Taylor Morrison Home Funding (TMHF), our mortgage company, continues to be key to our strategy of using finance as a sales tool. Throughout 2019 the financial condition of our borrowers remained strong, with an average credit score of 749 for the full year, and 83 percent of buyers with very good or excellent credit scores. These statistics have been consistent so far in 2020 and, despite the tough economic challenges brought about by the COVID-19 pandemic, our TMHF team continues to work tirelessly to help our borrowers qualify to close as they lock in historically low interest rates.

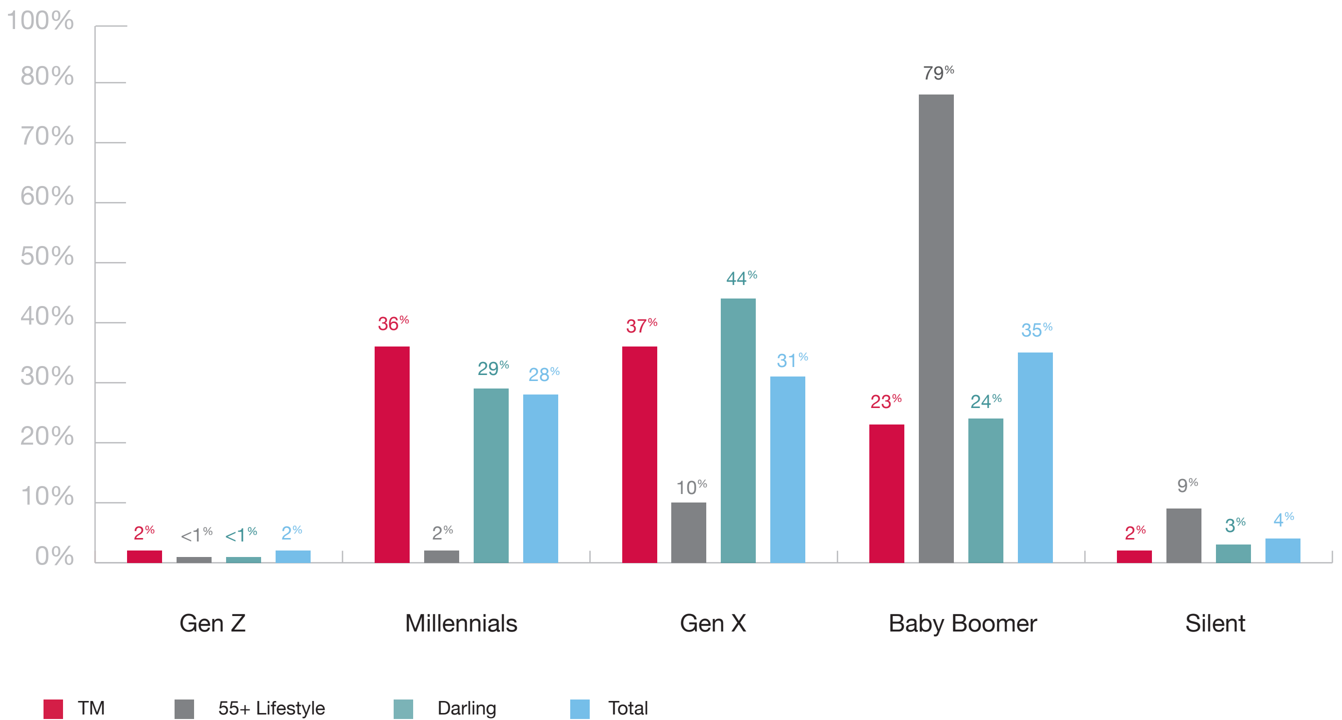
TMHF has also made significant progress streamlining the mortgage journey through bots and digital transformation of the mortgage application process. During the busy holiday season, TMHF originated and closed homes in record times, actually as quick as nine days. Most importantly, as we expedite the process, we are providing an elevated experience at each turn for our customers. Speed, efficacy and convenience—these are small but meaningful steps that our teams continue to take that improve and distinguish the overall Taylor Morrison customer experience.

We continue to operate Taylor Morrison under the guidance of our **Four Pillars: Core Locations, Customer-centricity, Efficient Cost Structure** and **Balanced Pricing Strategy**. And for 2019 and 2020, we reaffirmed our organization's commitment to our **three Strategic Priorities: Differentiated Customer Experience, Operational Excellence** and **Smart Growth.**

SALES BY BUYER TYPE



2019 BUYERS BY GENERATIONS AND BRAND



DIFFERENTIATED CUSTOMER EXPERIENCE

Our journey to provide a truly differentiated customer experience for our customers has been branded with three simple words, **Love the Customer**. It's a mantra that has permeated across our entire organization and forever changed how we do business. So much so that it has been embedded into our culture, which we affectionately call **TMLiving**. Originally made up of three tenets—Spirit & Pride, Health & Wellness, and Community & Giving—in 2019, we added a fourth tenet to TMLiving solely dedicated to the customer experience, Love & Inspire.

2019 was a foundational year in our Love the Customer journey. In partnership with The Ritz-Carlton, we started strategizing how to adapt our operations so that each and every team member is empowered to create unforgettable experiences for their customers. We began by hosting focus groups in every division to learn what our areas of opportunity were, and we hosted immersive leadership sessions to review the findings. This was followed by establishing a Design Committee with team member representation from every function and division within our business to develop the customer service and service-recovery strategies our organization abides by today. The Love the Customer work culminated with a cross-country traveling road show to train all team members on our Love the Customer philosophy and introduce our daily standup meetings, the **Huddles**, a communication vehicle that, unbeknownst to us at the time, would prove to be crucial in the midst of the COVID-19 pandemic.

In the Huddle, team members come together with their teams each morning to reinforce our culture of TMLiving, to be inspired by examples of their fellow team members Loving the Customer, and to share timely news and updates for the day—both nationally and locally. We believe the first step in Loving the Customer is proactive communication, and through the daily Huddle, our team members are more informed, have added passion to their days, and feel like they belong to a more empowered, connected workforce.

What I admire most about this notion of Loving the Customer is the simple fact that the word 'customer' not only encompasses our external customers (our homebuyers), but also our internal customers (our team members). I have long been a believer that when you get the employee experience right, the customer experience and financial results will follow. With an employee experience second to none, I believe we are well on our way.

OPERATIONAL EXCELLENCE

As we continue to scale our business through Smart Growth, our focus on Operational Excellence remains as important as ever. This work started many years ago when we introduced our Second Story, which was comprised of 15 initiatives and designed to take the best practices across our geographically diverse divisions and incorporate them nationally. With that work behind us, today, we are focused on three key areas to further advance: quality inspection, cadence construction, and strategic selling.

Our construction teams began the year by taking an oath to deliver 100 percent completed homes, as it is the most profound way we can Love our Customers. We introduced an enhanced quality-inspection process, including a thorough quality-inspection checklist to guide our teams in ensuring home readiness. Our construction teams also remain focused on cadence construction, a process for evenly distributing our home starts and closings throughout the months and weeks of the year. This balanced cadence helps us ensure we're able to deliver completed homes without overwhelming our resources at each month, quarter and year-end, and allows us to secure our trade partners on jobsites in a tight labor market.

With our focus on Smart Growth entering Taylor Morrison into new markets, we had to think differently about how

Our journey to provide a truly differentiated customer experience for our customers has been branded with three simple words, Love the Customer.

we build relationships with consumers who weren't familiar with our brand. Through successful outreach to various key stakeholders, we determined emotional storytelling through video is one of the most powerful ways to make a lasting impression. In 2019, we introduced the company's first-ever national brand marketing campaign, **Make Moves** (www.taylormorrison.com/Make-Moves). The campaign, which is made up of three brand films, is designed to connect with a broader range of consumers and show them who Taylor Morrison is and what the company stands for. The films are strategically advertised across a variety of mediums to capture the attention of future home shoppers and buyers.

To help our buyers shop in today's modern era in the same fashion they do for everything else—digitally—we unveiled a new company website (www.taylormorrison.com). The forward-thinking features allowing customers to complete more of the shopping experience online have become increasingly important amid the COVID-19 shelter-in-place restrictions, and while transforming the customer experience online even further through our new website in 2020 was always in the plan, the need to do so was drastically expediated. With our new website already boasting a more digital retail experience, we were able to quickly pull on our capabilities and elevate our website to serve as an extension of our sales teams. We created a dedicated virtual tours landing page (www.taylormorrison.com/virtual-tours) making it possible for shoppers to experience visiting a Taylor Morrison model or community without having to walk out their front door, and we have made it easier than ever to schedule a virtual or in-person appointment with just the click of a button. Interactive community site maps showing which lots are available or sold and which floorplans can be built on each lot also allow customers to begin planning the build of their new home while at their current one.

The site also features a new chatbot, Olivia or Liv for short (a play on how our customers 'live' in their homes), who can engage with and capture leads 24 hours a day. And to further solidify Taylor Morrison in the digital age, we introduced a Taylor Morrison skill for Amazon Alexa (www.taylormorrison.com/alexa-skill). Alexa can search for nearby Taylor Morrison communities, send driving directions to a mobile device, schedule a tour of a community and more.

These unusal times amid the COVID-19 pandemic are forcing innovation upon an industry that has remained relatively unchanged and resistant to evolution—all to the benefit of our future homebuyers—and re-engaging consumers in a conversation about the importance of community and home.

SMART GROWTH

We started 2019 as a newly expanded company, with the acquisition of **AV Homes** closing just a few short months before the new year began. As you may recall, that acquisition deepened our market share in five overlapping key markets—Orlando, Phoenix, Charlotte, Raleigh and Dallas-Fort Worth—added Jacksonville operations to our portfolio, and allowed us to provide more affordable options for first-time and 55-plus buyers, two consumer groups AV Homes served well. We were extremely pleased with both the speed and efficiency of the integration. Throughout the process, we exceeded our anticipated operating synergies in meaningful ways, due in large part to extra discretionary effort from our teams and a thoughtful integration strategy.

Perhaps the most significant part of 2019 was entering into our agreement to acquire **William Lyon Homes**, one of the largest publicly traded homebuilders in the Western U.S. We combined the business in early February 2020, deepening our presence in key Arizona, Texas, Colorado and California markets, and marking our entry into highly desirable markets we've long aspired to be in: Portland, Seattle and Las Vegas. What's more, the strategic combination catapulted Taylor Morrison into the rank of the nation's fifth largest homebuilder and established us in a top five position in 16 of our combined 22 markets. In addition to the benefits of scale we enjoy today, together, we are able to better serve entry-level and move-up customers, demographics that now make up approximately 80 percent of our consumer base.

They say the hardest part of any acquisition is in the

integration and we believe this to be true. But with William Lyon Homes representing our sixth acquisition in seven years, we have built up an institutional muscle for integrating teams and systems. In the period prior to closing the deal, we built upon the effectiveness of our Integrating Management Office (IMO) led by our President of Mergers and Acquisitions (M&A) and Vice President of Integration by adding a senior representative from William Lyon Homes prior to closing to ensure efficiency in our integration planning and roll-out. The IMO meets several times a week to move through key integration activities, despite the challenges brought about by COVID-19, our integration efforts continue on-track through our remote environment. Our daily Huddles have also allowed us to share key integration milestones while protecting the most important part of the integration—building relationships—by assimilating new team members into Taylor Morrison right from the start.

I believe with any combination of this magnitude, a proper understanding of how the two company cultures fit together as one is vital, and the William Lyon values and tradition align beautifully to the culture Taylor Morrison is widely recognized for. At the closing of the acquisition in February of 2020 we welcomed two esteemed William Lyon Homes directors to our board: William H. Lyon, former Executive Chairman and Chairman of the Board of William Lyon Homes, and Gary Hunt, who serves as a senior advisor to some of the largest master-planned community and real estate developers in the Western U.S.

We also made headway toward our Smart Growth strategic priority in the form of an exclusive partnership with **Christopher Todd Communities**, a growing Phoenix-based developer of innovative, luxury smart-home rental communities. Through this partnership we will expand our customer base to include renters who don't want to sacrifice the lifestyle of a single-family-home community—something we create quite well. We believe this increased brand awareness will translate to increased brand affinity as customers convert from renters to buyers. One of the many reasons we're thrilled about this partnership is the clear alignment with our strategy to address affordability in our markets. Christopher Todd Communities Built by

Taylor Morrison enables us to serve more customers, flex our production-builder muscles, and quickly serve demand for an increasingly appealing niche housing experience. We are leveraging our scale to expand nationally, with our first projects under development in Phoenix and plans already in place to bring this one-of-a-kind product into our Charlotte, Dallas and Orlando markets. While the single-family build-to-rent community platform is in its infancy, we are more bullish about this opportunity than ever before.

ACCOLADES AND PEOPLE

The greatest testament to Taylor Morrison's Operational Excellence and results is rooted in the external validation we receive. For an unprecedented fifth year, Taylor Morrison has been recognized as **America's Most Trusted® Home Builder by Lifestory Research**. The award is based on survey responses of more than 34,000 consumers actively shopping for a new home, who are asked to rate the trustworthiness of more than 100 homebuilders in the U.S. We're honored to have built a reputation on something as precious as trust and are committed to earning the title in the eyes of our customers each and every day.

Our reputation for having a tremendous culture was reaffirmed late last year when we received an **Employees' Choice Best Places to Work Award for 2020 from Glassdoor**. All thanks to anonymous reviews from our team members, Taylor Morrison placed No. 42 (as compared to No. 87 in 2018) and was the only homebuilder recognized on the list.

We were also pleased to be included on **Fortune's 'World's Most Admired Companies'** list for the second year in a row, where companies like Microsoft, Walt Disney and Berkshire Hathaway top the charts. More than 3,700 executives, directors and analysts from around the world weigh-in to determine the Most Admired Companies list.

Despite the homebuilding industry's traditionally male-dominated status quo, Taylor Morrison continues to be recognized for its gender diversity. For the second year in a row, Taylor Morrison appeared on **Bloomberg's Gender Equality Index**, which distinguishes companies committed to transparency in gender reporting and advancing women's equality. Just 10 percent of eligible companies today are disclosing their workplace policies and practices, and Taylor Morrison is the only U.S. homebuilder represented on the index.

From our nearly equal male-to-female workforce representation, to women making up 32 percent of all senior leadership positions and fully 44 percent of our executive team and my direct reports (compared to the respective 27 and 19 percent global averages), to four women represented on our board of directors—I believe we all benefit from greater diversity of thought and the intrinsic differences men and women bring to the table. I am delighted to share that these statistics grew organically. While I'm certainly proud of the progress we've seen when as it pertains to gender, I know Taylor Morrison—and our industry as a whole—needs to see more ethnic diversity,

especially as we look to serving the ever-evolving consumer. Diversity and inclusion will never be a 'check the box' activity for us and we will continue to push for progress in this area.

At the start of the year, Taylor Morrison was named **Builder Magazine's 2020 Builder of the Year** by Hanley Wood | Meyers Research. According to Builder Magazine, there were many achievements that elevated Taylor Morrison above its peers for this award, but a few key reasons were: clarity of our culture, the way we're disrupting the industry by focusing on the customer experience, our "barbell strategy" customer segmentation balance, and our Smart Growth strategy that expands our geographic footprint in meaningful ways and allows us into strategic partnerships like the one we have with Christopher Todd Communities in the build-to-rent space.

I often say we build communities—literally and figuratively. We strive not only to be a good neighbor and responsible steward in the communities we call home but also to build the bonds of community with one another. For the second year in a row, we detailed our progress on positively impacting our communities in our **2019 Environmental, Social & Governance (ESG) Report**, which I invite you to explore at www.investors.taylormorrison.com/financial-reports. From deepening our commitments and exclusive partnership with the **National Wildlife Federation**, the nation's largest and most trusted conservation organization, to our strengthened partnership with **HomeAid America**, who we team up with to build and renovate homeless shelters in our communities, to our approach to governance remaining focused on strong and strategic oversight of our business and key risks, our 2019 ESG Report outlines how we make corporate responsibility core to our business.

A LOOK TO THE FUTURE

Every year is preparation for the next, but as we look ahead to the remaining months of 2020 and the current climate amid the COVID-19 pandemic, it's obvious this year is shaping up to be different than what we originally imagined. To echo what I said at the start of my letter, I truly believe the milestones we accomplished and the processes we put in place in 2019 make us well-positioned to navigate a public health crisis of this magnitude.

We will continue to lean on the elements our organization has become known for—performance, culture and proactive, two-way communication. With suggested guidelines and information changing daily, even hourly, we doubled down on transparent, timely communication as being the cornerstone of our crisis-management strategy. When we launched our daily Huddles, we did so hoping they would help us become better at communicating and

> **"I truly believe the milestones we accomplished and the processes we put in-place in 2019 make us well positioned to navigate a public health crisis of this magnitude.**

collaborating to better serve our customers. And then a pandemic unfolded. Now, the Huddles are our lifeline, and we are fortunate to have had so much practice communicating daily and in real-time, especially as our workforce is forced to physically disconnect through social distancing. While our division presidents have led division-wide Huddles with their entire staff once a week since the inception of the Huddles in July 2019, when COVID-19 struck, they increased their division-wide Huddles to two-to-three times a week and I began leading a weekly companywide Huddle with our more than 3,000 team

members—virtually, of course. Good or bad, our workforce deserves transparency, and my hope is for more companies to appreciate the need for communication at all times—and especially at a time like the COVID-19 pandemic, when engaging communication can help team members work through the news cycle and what it means for them.

While we don't yet know for certain the long-term impact of COVID-19, what I do know for certain is that our industry will come out stronger from the forced evolution we are operating in today. From the technology we use to attract and support new buyers to the way we build and close homes, this early work should serve us and the industry well. And on top of it all, the talent and unwavering passion of the Taylor Morrison workforce is what will help us persevere.

I want to extend my most heartfelt thanks to my team and to the many individuals who contributed to Taylor Morrison's historic 2019 and today, through these trying times.

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, 2019

or

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

For the transition period from to .

Commission File No. 001-35873

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

Delaware	**83-2026677**
(State or other jurisdiction of incorporation or organization)	**(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:

Title of each class	Trading Symbol	Name of each exchange on which registered
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 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 28, 2019, the last business day of the registrant's most recently completed second fiscal quarter was $2,171,406,765, 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 19, 2020:

Class	Outstanding
Common Stock, $0.00001 par value	134,448,344

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 2020 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, 2019

TABLE OF CONTENTS

		Page Number
	PART I	
Item 1.	Business	2
Item 1A.	Risk Factors	13
Item 1B.	Unresolved Staff Comments	34
Item 2.	Properties	34
Item 3.	Legal Proceedings	34
Item 4.	Mine Safety Disclosures	34
	PART II	
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	35
Item 6.	Selected Financial Data	37
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	38
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	60
Item 8.	Financial Statements and Supplementary Data	61
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	102
Item 9A.	Controls and Procedures	102
Item 9B.	Other Information	104
	PART III	
Item 10.	Directors, Executive Officers and Corporate Governance	105
Item 11.	Executive Compensation	105
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	105
Item 13.	Certain Relationships and Related Transactions, and Director Independence	106
Item 14.	Principal Accounting Fees and Services	106
	PART IV	
Item 15.	Exhibits and Financial Statement Schedules	106
Item 16.	Form 10-K Summary	110
	Signatures	111

Available Information

Information about our company and communities is provided on our Internet websites at www.taylormorrison.com and www.darlinghomes.com (collectively, 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"). These filings are also available on the SEC's website at www.sec.gov. 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 and Ethics (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.

TMHC's predecessor was incorporated in Delaware in November 2012. Our principal executive offices are located at 4900 N. Scottsdale Road, Suite 2000, Scottsdale, Arizona 85251 and the 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," "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. As you read this Annual Report and other reports or public statements, you should understand that these statements are not guarantees of performance or results. They involve 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 these 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.

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 section.

PART I

ITEM 1. BUSINESS

General Overview

We are America's Most Trusted Homebuilder (as awarded by Lifestory Research) and one of the largest public homebuilders in the United States. 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 first time, move-up, luxury, and active adult buyers. We operate under the Taylor Morrison and Darling Homes brand names. We also provide financial services to customers through our wholly owned mortgage subsidiary, Taylor Morrison Home Funding, LLC ("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").

As of December 31, 2019, we have operations in Arizona, California, Colorado, Florida, Georgia, Illinois, North Carolina, South Carolina, and Texas. As of December 31, 2019 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, Chicago, Jacksonville, Orlando, Raleigh, Southwest Florida and Tampa
Central	Austin, Dallas, Denver and Houston
West	Bay Area, Phoenix, Sacramento and Southern California
Financial Services	Taylor Morrison Home Funding, Inspired Title Services and Taylor Morrison Insurance Services

Over the last several years we have grown organically and through various builder acquisitions, including our acquisition (the "AV Homes Acquisition") completed on October 2, 2018 of AV Homes, Inc. ("AV Homes"), a homebuilder and land developer of residential communities in Florida, North and South Carolina, Arizona and Texas. In addition, in April 2015 we completed the acquisition of JEH Homes, an Atlanta-based homebuilder; in July 2015 we acquired three divisions of Orleans Homes in markets within Charlotte, Chicago and Raleigh; and in January 2016 we acquired Acadia Homes in Atlanta. Collectively, these acquisitions reflect our strategic approach in expanding our geographic footprint in high-growth markets.

On November 5, 2019, we entered into an agreement to acquire William Lyon Homes, one of the nation's largest homebuilders in the Western United States. William Lyon Homes designs, constructs, markets and sells single-family detached and attached homes in California, Arizona, Nevada, Colorado, Washington, Oregon and Texas. On February 6, 2020, we completed the acquisition of William Lyon Homes. In connection with the acquisition of William Lyon Homes, we paid approximately $95.7 million in cash and issued approximately 31.2 million shares of our common stock, par value $0.00001 per share in aggregate merger consideration. Refer to Note 21—*Subsequent Events* to the Consolidated Financial Statements for additional discussion.

On July 31, 2019, we announced 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.

As of January 31, 2020, we completed the sale of our operations in Chicago to a third party homebuilder for $16.0 million. We recorded impairment and other losses of $13.2 million in December 2019 related to the sale.

Organizational Structure

As a result of the completion of our initial public offering ("IPO") on April 12, 2013 and a series of transactions pursuant to a Reorganization Agreement dated as of April 9, 2013, TMHC was formed and became the owner and

general partner of TMM Holdings II Limited Partnership (“New TMM”), a direct subsidiary. New TMM was formed by a consortium of investors (the “Former Principal Equityholders”. From January 2017 through January 2018, we completed seven public offerings for an aggregate of 80.2 million shares of our Common Stock, using all of the net proceeds therefrom to repurchase our Former Principal Equityholders’ indirect interest in TMHC. As a result of the series of offerings and repurchases, the Former Principal Equityholders ownership decreased to zero, resulting in a fully floated public company as of January 31, 2018.

On October 26, 2018, Taylor Morrison Home II Corporation, a Delaware corporation formerly known as Taylor Morrison Home Corporation (“Original Taylor Morrison”) completed a holding company reorganization (the “Reorganization”), which resulted in a new parent company (“New Taylor Morrison”) owning all of the outstanding common stock of Original Taylor Morrison. New Taylor Morrison assumed the name Taylor Morrison Home Corporation. Consequently, Original Taylor Morrison became a direct, wholly-owned subsidiary of New Taylor Morrison. In the Reorganization, Original Taylor Morrison’s stockholders became stockholders of New Taylor Morrison, on a one-for-one basis, with the same number of shares and same ownership percentage of the corresponding class of Original Taylor Morrison common stock that they held immediately prior to the holding company reorganization.

In connection with the Reorganization and the Contribution Agreement among the Company, Original Taylor Morrison and the holders of Original Taylor Morrison’s Class B common stock and paired TMM II Units party thereto (the “Paired Interest Holders”), following the consummation of the Reorganization, each Paired Interest Holder contributed its partnership units (“TMM II Units”) of TMM Holdings II Limited Partnership, the principal subsidiary of the Company and Original Taylor Morrison (“TMM II”), and paired shares of the Company’s Class B common stock to the Company in exchange, on a one-for-one basis, for shares of the Company’s Class A common stock (the “Exchange”). As a result of the Exchange, TMM II became an indirect wholly owned subsidiary of the Company. All of the Class B shares were cancelled following the Exchange. Therefore, the Company has only one class of common stock outstanding. On May 29, 2019, the Company’s stockholders approved the amendment and restatement of the Company’s certificate of incorporation to (i) delete provisions no longer applicable following the cancellation of all outstanding shares of the former Class B Common Stock; and (ii) to rename the Company’s Class A common stock as “Common Stock, par value $0.00001 per share.” Following this amendment and restatement, under the Company’s certificate of incorporation, its 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. References to “Common Stock” refer to the Class A common stock for dates prior to June 10, 2019.

In addition, in connection with the Reorganization, all assets remaining in our Canadian subsidiary were contributed to a subsidiary in the United States (“Canada Unwind”). As a result, the previously unrecognized accumulated other comprehensive loss on foreign currency translation was recognized. In addition, we recognized non-resident Canadian withholding taxes. Excluding taxes, all costs associated with the corporate reorganization and Canada Unwind are presented as a component of transaction and corporate reorganization expenses on the Consolidated Statement of Operations for the year ended December 31, 2018.

References to “Taylor Morrison Home Corporation”, the “Company”, “TMHC”, “we”, “us” or “our” in this Annual Report on Form 10-K (including in the consolidated financial statements and condensed notes thereto in this report) have the following meanings, unless the context otherwise requires:

For periods prior to October 26, 2018: Original Taylor Morrison (as defined below) and its subsidiaries.

For periods from and after October 26, 2018: New Taylor Morrison (as defined below) and its subsidiaries.

New Taylor Morrison, as the successor issuer to Original Taylor Morrison (pursuant to Rule 12g-3(a) under the Exchange Act, began making filings under the Securities Act of 1933, as amended, and the Exchange Act)on October 26, 2018.

The business, executive officers and directors of New Taylor Morrison immediately following the Reorganization were identical to the business, executive officers and directors of Original Taylor Morrison immediately prior to the Reorganization.

2019 Highlights and Recent Developments

Our financial and operational highlights for the year ended December 31, 2019 and recent developments subsequent to the year end are summarized below:

Financial:

- We generated $4.8 billion in total revenue and $4.6 billion in home closings revenue for the year ended December 31, 2019, increases of 12.6% and 12.4%, respectively, compared to the prior year's total revenue and home closings revenue.
- Net income before allocation to non-controlling interest and diluted earnings per share for the year ended December 31, 2019 was $254.9 million and $2.35, respectively, compared to $210.5 million and 1.83, respectively, for the year ended December 31, 2018.
- Adjusting for the effects of significant and unusual items[(1)], net income before allocation to non-controlling interest and diluted earnings per share for the year ended December 31, 2019 was $323.0 million and $2.98, respectively.
- On June 5, 2019, we issued $500.0 million aggregate principal amount of 5.875% Senior Notes due 2027. Using the net proceeds and cash on hand from the issuance of the 2027 Senior Notes, we redeemed our 5.25% Senior Notes due 2021 on June 20, 2019.
- On August 1, 2019, we issued $450.0 million aggregate principal amount of 5.75% Senior Notes due 2028. Using the net proceeds from the 2028 Senior Notes, we redeemed our 6.625% Senior Notes due 2022 on August 19, 2019.
- On October 1, 2019, utilizing funds borrowed from our Revolving Credit Facility, we repaid our 364-Day Credit Agreement. The total amount paid, including interest, was $200.5 million.

Operational

- During 2019, our operations were located in nine states with 351 average active communities.
- We closed 13.7% more homes during 2019 compared to 2018.
- Average sales price of homes closed was $464,000 for the year ended December 31, 2019.
- We ended 2019 with $2.3 billion in sales order backlog.
- At December 31, 2019, we owned and controlled approximately 54,000 lots.
- For the last five consecutive years, we were awarded America's Most Trusted Home Builder® by Lifestory Research.
- We were recognized and awarded as one of the Best Places to Work by Glassdoor for the second year in a row.
- We were ranked #3 within the homebuilding industry in Fortune's World's most Admired Companies'.
- For the second year in a row, we were also honored by Bloomberg's Gender-Equality Index award.
- As of January 2020, we were included in the S&P MidCap 400.

Business Strategy

Our long-term strategy is built on four pillars:

- opportunistic land acquisition of prime assets in core locations;

---

(1) Significant and unusual items for the year ended December 31, 2019 primarily consist of inventory and land impairment, an incremental warranty charge, and acquisition-related costs. Refer to *Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Measures* for additional information.

- building distinctive communities driven by consumer preferences;
- maintaining a cost-efficient culture; and
- appropriately balancing price with pace in the sale of our homes.

We are committed to building authentic homes and communities that inspire and enhance the lives of our customers. Delivering on this involves 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. We serve all segments and generational groups through our quality products which attract entry-level, move-up, luxury and active adult buyers.

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 four primary pillars—reinvest in core homebuilding operations, seek additional growth opportunities through mergers and acquisitions, optimize debt leverage and return excess cash to shareholders. We also take advantage of joint venture opportunities as they arise in order to secure prime assets, share risk and maximize returns.

We believe our land positioning and pipeline have positioned us for strategic growth and increased profitability in the housing market. 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 customer groups;
- Building aspirational 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 communities, 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 expected 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. Our land portfolio as of December 31, 2019 and 2018 is summarized below:

	As of December 31, 2019					
	Owned Lots				Controlled Lots	Owned and Controlled Lots
	Raw	Partially Developed	Finished	Total	Total	Total
East	10,155	7,764	7,349	25,268	4,213	29,481
Central	2,621	1,511	4,497	8,629	2,945	11,574
West	1,028	4,023	3,658	8,709	4,115	12,824
Total	13,804	13,298	15,504	42,606	11,273	53,879

	As of December 31, 2018					
	Owned Lots				Controlled Lots	Owned and Controlled Lots
	Raw	Partially Developed	Finished	Total	Total	Total
East	5,778	7,430	13,161	26,369	6,187	32,556
Central	3,004	1,398	4,865	9,267	3,662	12,929
West	871	3,208	3,949	8,028	3,327	11,355
Total	9,653	12,036	21,975	43,664	13,176	56,840

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. Controlled lots represent lots in which we have a contractual right, generally through an option contract, to an underlying real estate asset.

In the land purchasing and/or joint venture configuration process, 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 to include but 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)	As of December 31, 2019		As of December 31, 2018	
Development Status	Owned Lots	Book Value of Land and Development	Owned Lots	Book Value of Land and Development
Raw	13,804	$ 477,997	9,653	$ 461,387
Partially developed	13,298	914,689	12,036	756,376
Finished	15,504	1,559,291	21,975	1,677,527
Total	42,606	$2,951,977	43,664	$2,895,290

As of December 31, 2019 and 2018, the allocation of lots held in our land portfolio, by year acquired, is as follows:

Allocation of Lots in Land Portfolio, by Year Acquired	As of December 31, 2019	As of December 31, 2018
Acquired in 2019	20%	— %
Acquired in 2018	57%	64%
Acquired in 2017	8%	11%
Acquired in 2016	4%	6%
Acquired in 2015 and earlier	11%	19%
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 our homes in inventory by homebuilding reporting segment as of December 31, 2019 and December 31, 2018:

	As of December 31, 2019				As of December 31, 2018			
	Homes in Backlog	Models	Inventory to be Sold	Total	Homes in Backlog	Models	Inventory to be Sold	Total
East	1,816	223	1,076	3,115	1,638	186	1,187	3,011
Central	1,655	142	391	2,188	1,420	158	639	2,217
West	1,240	139	307	1,686	1,100	142	489	1,731
Total	4,711	504	1,774	6,989	4,158	486	2,315	6,959

We expect that during 2020 we will deliver substantially all homes in backlog at December 31, 2019. At December 31, 2019, inventory units to be sold included 361 completed units available for sale. On average at December 31, 2019, we had 5.1 inventory units per average active selling community and 1.0 completed inventory units per average active selling community to be sold.

Community Development

We create a complete 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 superintendent, 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 generally have multiple sources for the materials we purchase and have not experienced significant delays due to unavailability of necessary materials.

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 the supply chain responds to uneven industry growth and other economic factors that affect the number of people in the workforce.

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 50 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

All of our divisions currently offer a limited warranty to cover various defects in workmanship or materials, including structural defects. We also currently provide third-party warranty coverage on homes where required by Federal Housing Administration ("FHA") or Veterans Administration 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 generalized marketing framework across our regional operations as well as sales training to our local teams. Our divisional sales and marketing teams utilize local media and marketing channels to deliver a unique message that is relevant to our consumer groups in each market.

Our goal is to identify the preferences of our customers and demographic groups and offer them innovative, high-quality homes that are efficient and profitable to build. We strive to maintain product and price level differentiation through market and customer research. We target a balance of regional market portfolios across a variety of demographics. 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 and www.darlinghomes.com (none of the information on or accessible through these websites is a part of this Annual

Report). The main purpose of these websites is to direct potential customers to our sales team members in their community of interest and to showcase our product offerings. The websites also offer the ability of customers to evaluate floor plans, elevations, square footage, community amenities and geographic location. Customers are also able to use the websites to make inquiries and to receive a prompt response from one of our “Internet Home Consultants.” The websites are fully integrated with our customer relationship management (“CRM”) 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. During 2018, we commissioned a full analysis of our websites. This included all stakeholders as well as consumer facing research designed to provide an industry leading digital presence in 2019 and beyond. We introduced our new websites during the fourth quarter of 2019.

We selectively utilize print, radio and television for advertising purposes, including directional marketing, newspapers and billboards. We also directly notify local real estate agents and firms of any new community openings in order to use the 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. We generally employ or contract with interior and landscape designers who create attractive model homes that highlight the features and options available for the homes within our communities. 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.

Our homes are sold by our commissioned team members who work from sales offices generally located within our model homes. We recently designed all new sales centers to reflect current design trends and to create a more comfortable and aesthetically pleasing environment for our team and customers. 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 discuss 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.

Competition

The homebuilding business is highly competitive and fragmented. We compete with the sale of existing homes, whether by a homeowner or by a financial institution that has acquired a home through a foreclosure or for investment. Numerous homebuilders of varying sizes, ranging from local to national, some of which have greater sales and financial resources than us, also provide competition. We compete primarily on the basis of location, design, quality, service, value and reputation.

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, 2019				Three Months Ended, 2018			
	March 31	**June 30**	**September 30**	**December 31**	**March 31**	**June 30**	**September 30**	**December 31**
Net homes sold	25%	27%	24%	24%	29%	28%	22%	21%
Home closings revenue	19%	27%	23%	31%	18%	23%	25%	34%
Income before income taxes[(1)]	21%	34%	28%	17%	22%	29%	37%	12%
Net income[(1)]	20%	32%	26%	22%	23%	28%	45%	4%

(1) Three months ended December 31, 2019 and 2018 include effects of significant and unusual items. Refer to *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* for additional information.

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 better 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 under the title-only (examination) and title escrow business model. Inspired Title searches and examines land title records, prepares title commitments and polices for homebuyers in our

Florida, Georgia, North Carolina, South Carolina, and Texas markets, contracting with others in markets that Inspired Title does not provide escrow service (currently title insurance underwriters and attorneys) to 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 new home construction providing homeowner's insurance 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, Veterans Administration-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 condition of the site and the present and former

uses of the site. 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.

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.

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.

Employees, Subcontractors and Consultants

As of December 31, 2019, we employed approximately 2,300 full-time equivalent persons. Of these, approximately 2,000 were engaged in corporate and homebuilding operations, and the remaining approximately 300 were engaged in mortgage and title services. As of December 31, 2019, we were not subject to collective bargaining agreements. We consider our employee relations to be good.

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.

ITEM 1A. RISK FACTORS

Risks related to our industry and our business

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;
- the availability and cost of financing for homebuyers;
- federal and state income 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 existing homeowners to sell their existing homes at prices that are acceptable to them;
- the U.S. and global financial system and credit markets, including stock market and credit market volatility;
- private and federal mortgage financing programs and federal and state 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, which may fluctuate according to economic circumstances in foreign countries;
- the supply of available new or existing homes and other housing alternatives, such as apartments and other residential rental property;
- real estate taxes;
- 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. For example, fluctuations in oil and gas prices have, in the past, created economic uncertainty, particularly in regions of Texas, such as the greater Houston area, 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.

Inclement weather, heavy or prolonged precipitation, natural disasters (such as earthquakes, hurricanes, tornadoes, floods, droughts, mudslides and wildfires) and other environmental conditions may delay the delivery of our homes, increase our costs or impact demand for our homes. In 2018, for example, our operations in the Carolinas were negatively impacted by Hurricane Florence and our Houston and Florida operations were impacted by extreme weather conditions, including Hurricane Harvey and Hurricane Irma in 2017.

Furthermore, civil unrest or acts of terrorism, other acts of violence, threats to national security or a public health issue such as a major epidemic or pandemic in the United States or internationally may also have a negative 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 results of operations 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, including due to various regulatory changes and lower risk appetite by lenders with many lenders requiring increased levels of financial qualification, including lenders adhering to the currently applicable "Qualified Mortgage" requirements under the Dodd-Frank Act and ability to repay standard, and lending lower multiples of income. Investors and first-time homebuyers 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, our existing customers' ability to resell their home and/or our ability to fully realize our backlog, because our sales contracts may include a financing contingency, which permits the customer to cancel its obligation in the event mortgage financing arranged or provided by us is unobtainable within the period specified in the contract.

The liquidity provided by government sponsored entities, such as Fannie Mae, Freddie Mac, Ginnie Mae, the FHA and Veterans Administration, 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. In January 2017, in response to a presidential executive order, the U.S. Department of Housing and Urban Development sent a letter to lenders, real estate brokers and closing agents suspending the 0.25 percentage point premium rate cut for FHA-backed loans. Further support reductions are expected on FHA-insured loans, including limitations on seller-paid closing costs and concessions. This or any other restriction or support reduction may negatively affect the availability or affordability of FHA financing, which could adversely affect our ability to sell homes.

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, where potential homebuyers must sell their existing homes in order to buy a new 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 suitable 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 would 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 the second half of 2018, mortgage rates were increasing and in 2019, interest rates fell precipitously due in part to the Federal Reserve's interest rate reduction, decelerating economic growth and other factors. However, because of the recent volatility in interest rates, we cannot predict whether interest rates will continue to fall or remain low or rise.

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, imposes significant limitations with respect to these historical income tax deductions. Specifically, the Tax Act generally limits, through the end of 2025, the annual deduction for real estate taxes and state and local income taxes (or sales taxes in lieu of income taxes) to $10,000. In addition, under the Tax Act, through the end of 2025, the deduction for mortgage interest for new home purchases will generally only be available with respect to acquisition indebtedness that does not exceed $750,000 (after 2025, the acquisition indebtedness threshold is scheduled to return to the $1.0 million limit that existed prior to the Tax Act). 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 in California.

Additionally, increases in property tax rates by local governmental authorities, as experienced in response to reduced federal and state funding, 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 to make a new home purchase and decide, as a result, not to purchase one of our homes.

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 resulting from labor disputes;
- shortages of and competition for qualified trades people, such as carpenters, roofers, electricians and plumbers;
- changes in laws relating to union organizing activity;
- changes in immigration laws and policies and trends with respect to labor force migration; 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 in the start or completion of, or could increase the cost of, developing one or more of our communities and building homes. For example, the homebuilding industry has been experiencing shortages of skilled labor and increased labor costs, including in several locations in which we operate such as in California, which has resulted in longer delivery times. Further, the cost of labor may also be adversely affected by 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, if competitors increase their use of sales incentives, if interest rates increase, if the availability of mortgage financing diminishes, if current homeowners find it difficult to sell their current homes or if 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 construction costs, roadway repairs or added nuisances to existing homeowners 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 market in which we operate. 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 significantly 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 and/or reduce or discount 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.

In the United States, the unemployment rate was 3.6% as of January 2020, according to the U.S. Bureau of Labor Statistics ("BLS"). In addition, the labor force participation rate reported by the BLS has been declining, from 66.2% in January 2008 to 63.4% in January 2020, potentially reflecting an increased number of "discouraged workers" who have left the labor force. 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. 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 the event of an increase in inflation, we may seek to increase the sales prices of homes in order to maintain satisfactory margins. However, an oversupply of homes relative to demand and home prices being set several months before homes are delivered may make any such increase difficult or impossible. 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. 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.

Alternatively, 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. To the extent that energy prices are volatile or change significantly, the economies of certain of our markets, particularly in regions of Texas where we have significant operations, may be negatively impacted, which may adversely impact the financial position, results of operations and cash flows of our business. In addition, the cost of raw materials such as lumber, concrete and steel can be adversely affected by increases in various energy costs, resulting in a negative impact to our financial position, results of operations and cash flows of our business.

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:

- timing of home deliveries and land sales;
- the changing composition and mix of our asset portfolio; and
- weather-related issues.

Historically, a larger percentage of our home sale contracts have been entered into in the winter and spring. Weather-related problems, typically in the fall, late winter and early spring, may delay starts or closings and increase costs and thus reduce profitability. Seasonal natural disasters such as hurricanes, tornadoes, floods or prolonged precipitation and wildfires could cause delays in the completion of, or increase the cost of, developing one or more of our communities, causing an adverse effect on our sales and revenues. For example, during 2018, our results of operations were affected by significant rainfall in our Central Region and in 2017 our results of operations were affected by Hurricane Harvey and Hurricane Irma, which caused community closures and delays in deliveries and production.

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.*

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 performance, payment and completion and warranty maintenance 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 additional performance, payment and completion and warranty/maintenance surety 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 be significant.

As a homebuilder, we are subject to home warranty and construction defect claims arising in the ordinary course of business. There can be no assurance that any developments we undertake will be free from defects once completed. Construction defects may occur on projects and developments and may arise a significant period of time after completion. Defects arising on a development attributable to us may lead to significant contractual or other liabilities.

As a consequence, 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. For example, changes in estimates to pre-existing reserves for the years ended December 31, 2019 and 2018 include a $43.1 million and $39.3 million, respectively, charge for construction defect remediation isolated to one specific community in the Central region. These reserves at December 31, 2019 and 2018 are $36.3 million and $27.6 million, respectively. 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.

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. In addition, severe or widespread incidents of defects giving rise to unexpected levels of expenditures, to the extent not covered by insurance or redress against subcontractors, may adversely affect our reputation, business, financial condition and 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, including, as described above, the possibility of defects in our homes due to improper workmanship or materials used by such parties, which may require us to comply with our warranty obligations and/or bring a claim under an insurance policy. 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.

Subcontractors are independent of the homebuilders that contract with them under normal management practices and the terms of trade contracts and subcontracts within the homebuilding industry. We do not have the ability to control what these independent subcontractors pay to, 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, whether under "joint employer" theories, specific state laws or regulations, such as under the California Labor Code, or otherwise, 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. However, regardless of the steps we take after we learn of practices that do not comply with applicable laws, rules or regulations, we can in some instances be subject to fines or other governmental penalties, and our reputation can be injured, due to the practices having taken place.

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 (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. Errors by employees, failure to comply with regulatory requirements and conduct of business rules, failings or inadequacies in internal control processes, equipment failures, natural disasters or the failure of external systems, including those of our suppliers or counterparties, could result in operational losses that could adversely affect our business, financial condition and operating results and our relationships with our customers.

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 it will take 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 factors, or for 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. Factors such as changes in regulatory requirements and applicable laws (including in relation to building regulations, taxation and planning), political conditions, the condition of financial markets, both local and national economic conditions, the financial condition of customers, potentially adverse tax changes, and interest and inflation rate fluctuations subject valuations to uncertainty. 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 regularly review the value of our land holdings and continue to review our holdings on a periodic basis. If material write-downs and impairments in the value of our inventory are required and, if in the future we are required to sell land or homes at a loss, our results of operations and financial condition would be adversely affected.

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, 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.

Municipalities may restrict or place moratoriums on the availability of utilities, such as water and sewer taps. If municipalities in which we operate take such actions, it could have an adverse effect on our business by causing delays, increasing our costs or limiting our ability to operate in those municipalities.

Certain states, cities and counties in which we operate have in the past approved, or approved for inclusion on their voting ballots, various "slow growth" or "no growth" initiatives and other ballot measures that could negatively impact the availability of land and building opportunities within those localities. These measures may reduce our ability to open new home communities and to build and sell homes in the affected markets, including with respect to land we may already own, and create additional costs and administration requirements, which in turn may harm our future sales, margins and earnings. A further expansion of these measures or the adoption of new slow-growth, no-growth or other similar programs could exacerbate such risks.

Governmental regulation affects not only construction activities but also sales activities, mortgage lending activities and other dealings with consumers. 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. For example, the U.S Environmental Protection Agency ("EPA") and U.S. Army Corps of Engineers ("Army Corps") have been engaged for years in rulemakings to clarify the scope of federally regulated wetlands, which included: a June 2015 rule many affected businesses contend impermissibly expanded the scope of such wetlands that was challenged in court, stayed, and remains in litigation; a proposal in June 2017 to formally rescind the June 2015 rule and reinstate the rule scheme previously in place while the agencies initiate a new substantive rulemaking on the issue; and a February 2018 rule delaying the effective date of the June 2015 rule until February 2020, which was enjoined nationwide in August 2018 by a federal district court in South Carolina in response to a lawsuit by a coalition of environmental advocacy groups (the result of which, according to the EPA, is that the June 2015 rule applies in 22 states, the District of Columbia, and the United States territories, and that the pre-June 2015 regime applies in the rest). The EPA and the Army Corps have since finalized their rule, which became effective in December 2019, repealing the June 2015 rule and restoring for the time being the pre-June 2015 wetlands permitting regime nationwide; it is now the subject of several lawsuits contending it is invalid, including one by a coalition of 14 states and several local governments. And in January 2020, the EPA and the Army Corps announced that they had finalized a rule they characterize as more appropriate for determining the scope of waters subject to federal permitting; after it formally takes effect, this rule is intended to replace the pre-June 2015 regime. 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. 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.

In addition, there is a growing concern from advocacy groups and the general public that the emission of greenhouse gases and other human activities have caused, or will cause, significant changes in weather patterns and temperatures and the frequency and severity of natural disasters. There is a variety of legislation being enacted, or considered for enactment, at the federal, state and local level relating to energy and climate change. This legislation relates to items such as 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, and other extreme weather-related stress on buildings. New building code requirements that impose stricter energy efficiency and other standards could significantly increase our cost to construct homes. As climate change concerns continue to grow, legislation and regulations of this nature are expected to continue and become more costly to comply with. In addition, it is possible that some form of expanded energy efficiency legislation may be passed by the U.S. Congress or federal agencies and certain state legislatures, which may, despite being phased in over time, significantly increase our costs of building homes and the sale price to our buyers and adversely affect our sales volumes. We may be required to apply for additional approvals or modify our existing approvals because of changes in local circumstances or applicable law. 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 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.

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, including with respect to originating, processing, selling and servicing mortgage loans, 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. In addition, there have been numerous changes and proposed changes in regulations affecting the financial services industry as a result of the 2008 housing downturn. For example, in July 2010, the Dodd-Frank Act was enacted. Among other things, this legislation provides for minimum standards for mortgages and lender practices in making mortgages, limitations on certain fees, retention of credit risk, prohibition of certain tying arrangements and remedies for borrowers in foreclosure proceedings. In January 2013, the Consumer Financial Protection Bureau (“CFPB”) proposed a number of new rules that became effective in January 2014, including but not limited to rules regarding the creation and definition of a “Qualified Mortgage,” rules for lender practices regarding assessing borrowers’ ability to repay and limitations on certain fees and incentive arrangements. In October 2015, the CFPB’s new Truth in Lending—Real Estate Settlement Procedures Act (TILA-RESPA) Integrated Disclosure Rule became effective. This rule implemented additional disclosure timeline requirements and fee tolerances. The effects of these rules could affect the availability and cost of mortgage credit, negatively impact closing timelines and the delivery of homes and adversely affect the costs and financial results of financial services and homebuilding companies. 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. 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.

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 net operating losses to offset earnings 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. In addition, as a result of the reduction in the corporate tax rates under the Tax Act, we experienced a $57.4 million reduction in our deferred tax assets. Our deferred tax assets, net of deferred tax liabilities and valuation allowance, were $140.5 million as of December 31, 2019.

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. 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. 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, the federal government has recently 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. Cost increases in raw materials may have an adverse effect on our operating margin and results of operations. Additionally, we may be unable to pass increases in construction costs on to our customers who may have already entered into purchase contracts. Furthermore, any such cost increase may adversely affect the regional economies in which we operate and reduce demand for our homes.

We have significant operations in certain geographic areas, which subjects us to an increased risk of loss of 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 Arizona, California, Colorado, Florida, Georgia, Illinois, Nevada, North Carolina, Oregon, South Carolina, Texas and Washington. Following our acquisition of William Lyon Homes, our operations are concentrated on the west coast, with a significant presence in California. Some or all of these regions could be affected by:

- severe weather;
- natural disasters;
- climate change;
- shortages in the availability or increased costs in obtaining land, equipment, labor or building supplies;
- unemployment;
- changes to the population growth rates and therefore the demand for homes in these regions; and
- changes in the regulatory and fiscal environment.

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. For example, we operate in a number of locations that were adversely impacted by severe weather conditions as a result of hurricanes in 2017 and 2018. As a result, our divisional operations in Houston and certain areas of Florida and our Carolina markets experienced closures, disruptions and delays. 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.

The markets we operate in may also depend, to a degree, on certain sectors of the economy and any declines in those sectors may impact home sales and activities in that region. For example, to the extent the oil and gas industries, which can be very volatile, are negatively impacted by declining commodity prices, climate change, legislation or other factors, it could result in reduced employment, or other negative economic consequences, which in turn could adversely impact our home sales and activities, particularly in Texas. Similarly, slower rates of population growth or population declines

in our key markets, especially as compared to the high population growth rates in prior years, could affect the demand for housing, causing home prices in these markets to fall, and adversely affect our business, financial condition and operating results.

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 financed property 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 provide such cooperation or fulfill these 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 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 and cause us to lose customers, sales and revenue.

In addition, breaches of our data security systems, including by cyber-attacks, could result in the unintended public disclosure or the misappropriation of our proprietary information or personal and confidential information, about our employees, consumers who view our homes, homebuyers, mortgage loan borrowers and business partners, requiring us

to incur significant expense to address and resolve these kinds of issues and could also lead to reputational damage and loss of customers. The release of confidential information may also lead to identity theft and related fraud, litigation or other proceedings against us by affected individuals and/or business partners and/or by regulators, and the outcome of such proceedings, which could include penalties or fines, could have a material and adverse effect on our reputation, business, financial condition and results of operations. Data protection and privacy laws have been enacted by the U.S. federal and state governments, including the California Consumer Privacy Act, which became effective on January 1, 2020, and the regulatory regime continues to evolve and is increasingly demanding. Many states are considering privacy and security legislation and there are ongoing discussions regarding a national privacy law. Variations in requirements across other states could present compliance challenges, as well as significant costs related to compliance.

In addition, if third-party lenders mishandle our homebuyers' financial information, including due to a data security breach of their systems, the negative impacts on our homebuyers, or negative publicity arising from any such incidents, could create, among other things, associated exposure to us with respect to claims for damages, regulatory penalties and/or reputational harm. Depending on its nature, a particular breach or series of breaches of our systems may result in the unauthorized use, appropriation or loss of confidential or proprietary information on a one-time or continuing basis, which may not be detected for a period of time. In addition, the costs of maintaining adequate protection, including insurance protection, against such threats, as they develop in the future (or as legal requirements related to data security increase) are expected to continue to increase and could be material.

Additionally, we face cybersecurity risks with respect to the systems of companies we acquire. While each of these companies we acquire has their own systems, when we acquire a company there is a period of increased vulnerability as we integrate the acquired company into our information technology systems.

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. Additionally, we have increased our monitoring capabilities to enhance early detection and rapid response to potential security anomalies. These 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 require ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly sophisticated.

We may incur a variety of costs to engage in future growth or expansion of our operations or acquisitions or disposals 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, and/or disposals of, businesses. Any future acquisitions, investments and/or disposals would be 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;
- maintenance 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, including our acquisition of AV Homes, Inc. in 2018 and our recent acquisition of William Lyon Homes, 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.

We cannot guarantee that we will be able to successfully integrate any company or business that we might acquire in the future, and our failure to do so could harm our current business. In addition, we may not realize the anticipated benefits

of these transactions and there may be other unanticipated or unidentified effects. While we would seek protection, for example, through warranties (and indemnities, where applicable) in the case of acquisitions, significant liabilities may not be identified in due diligence or may come to light after the expiry of warranty or indemnity periods. 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 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.

See also "-*Risks related to our recent acquisition of William Lyon Homes-Taylor Morrison may have difficulty integrating the William Lyon Homes business, and the anticipated benefits of the combined company may not be realized*."

We have defined benefit and defined contribution pension schemes to which we may be required to increase our contributions to fund deficits.

We provide retirement benefits for former and certain of our current employees through a number of defined benefit and defined contribution pension schemes. Certain of these plans are no longer available to new employees. As of December 31, 2019, we had an unfunded status of $9.1 million in our defined benefit pension plans. This deficit may increase, and we may be required to increase contributions to our plans in the future, which may materially and adversely affect our liquidity and financial condition.

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 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 sites. Additionally, as a homebuilding business with a wide variety of historic homebuilding and construction activities, we could also be liable for future claims for damages as a result of the past or present use of hazardous materials, including building materials which in the future become known or are suspected to be hazardous. We may be liable for the costs of removal, investigation or remediation of hazardous or toxic substances located on, under or in a property currently or formerly owned, leased or occupied by us, whether or not we caused or knew of the pollution. The costs of any required removal, investigation or remediation of such substances or the costs of defending against environmental claims may be substantial, and insurance coverage for such claims may be limited or non-existent. The presence of such substances, or the failure to remediate such substances properly, may also adversely affect our ability to sell the land or to borrow using the land 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. Although we are not aware of any projects requiring material remediation activities by us as a result of

historical contamination, no assurances can be given that material claims or liabilities relating to such developments will not arise in the future, and such 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.

The particular impact and requirements of environmental laws that apply to any given community vary greatly according to the community site, the site's environmental conditions and the present and former use of the site. We expect that increasingly stringent requirements may be imposed on homebuilders in the future. In addition, violations of environmental laws and regulations can result in injunctions, civil penalties, remediation expenses and other costs. Further, some environmental laws impose strict liability, which means that we may be held liable for unlawful environmental conditions on property we own, or previously owned, which we did not create.

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.

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. Furthermore, the speed at which negative publicity is disseminated has increased dramatically through the use of electronic communication, including social media outlets, websites, "tweets", blogs and other digital platforms. Our success in maintaining and expanding our brand image depends on our ability to adapt to this rapidly changing media environment. Adverse publicity or negative commentary from any media outlets could damage our reputation and reduce the demand for our homes, which would adversely affect our business. 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. Any such negative publicity may result in a decrease in our operating results.

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 adversely affect sales or 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.

Failure to recruit, retain and develop highly skilled, competent people at all levels may have a material adverse effect on our financial condition or our standard of service.

Our business involves complex operations and, therefore, demands a management team and employee workforce that is knowledgeable and expert in many areas necessary for our operations. Skilled and experienced employees, managers and

executives working in the homebuilding and construction industries are highly sought after, and we compete with other companies across all industries to attract and retain such persons. Our performance and success are dependent, in part, upon key members of our management and personnel, and their loss or departure could be detrimental to our future success. Further, the process of attracting and retaining suitable replacements for key personnel whose services we may lose would result in transition costs and would divert the attention of other members of our senior management from our existing operations. Competition for the services of these individuals would be expected to increase as business conditions improve in the homebuilding and financial services industries or in the general economy. In addition, we do not maintain key person insurance in respect of any members of our senior management team. Our inability to attract and retain key personnel or any of our members of management, or ensure that their experience and knowledge are not lost when they leave the business through retirement or otherwise, could adversely impact our business, financial condition and operating results.

In addition, the vast majority of our work carried out on site is performed by subcontractors. In addition, reduced levels of homebuilding in the United States have led to some skilled tradesmen leaving the industry to take jobs in other sectors. If subcontractors are not able to recruit sufficient numbers of skilled employees, our development and construction activities may suffer from delays and quality issues, which would also lead to reduced levels of customer satisfaction.

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 indebtedness

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

We fund our operations from cash from operations, capital markets financings and borrowings under our Revolving Credit Facility and other loan facilities. 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.

As of December 31, 2019, we had $0.2 billion of debt maturing in the next 12 months. We believe we can meet this and our other capital requirements with our existing cash resources and future cash flows and, if required, other sources of financing that we anticipate will be available to us. However, we can provide no assurance that we will continue to be able to do so, particularly if industry or economic conditions deteriorate. The future effects on our business, liquidity and financial results of these conditions could be adverse, both in the ways described above and in other ways that we do not currently foresee.

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, 2019, the total principal amount of our debt (including $123.2 million of indebtedness of TMHF) was $2.0 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, or on terms that would be advantageous to our stockholders or on terms that would not require us to breach the terms and conditions of our existing or future debt agreements.

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 requiring 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 agreement governing the Revolving Credit Facility also contains customary restrictive covenants, including limitations on incurrence of liens, the payment of dividends and other distributions, asset dispositions, investments, sale and leasebacks and limitations on debt payments and amendments. See *Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources* in this Annual Report. See also Note 21- *Subsequent Events* to the Consolidated Financial Statements in this Annual Report.
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 the 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. See *Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources* in this Annual Report.

We may require additional capital in the future and may not be able to secure adequate funds on terms acceptable to us.

The expansion and development of our business may require significant capital, which we may be unable to obtain, to fund our capital expenditures and operating expenses, including working capital needs. We may fail to generate sufficient cash flow from the sales of our homes and land or from other financing sources in order to meet our cash requirements. 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.

To a large extent, our cash flow generation ability is subject to general economic, financial, competitive, legislative and regulatory factors and other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations in an amount sufficient to enable us to fund our liquidity needs. As a result, we may need to refinance all or a portion of our indebtedness on or before its maturity, or obtain additional equity or debt financing. We cannot assure you that we will be able to do so on commercially reasonable terms, if at all. Any inability to generate sufficient cash flow, refinance our indebtedness or incur additional indebtedness on commercially reasonable terms could adversely affect our financial condition and could cause us to be unable to service our debt and may delay or prevent the expansion of our business.

Risks related to our organization and structure

Failure to maintain effective internal control over financial reporting could have an adverse effect on our business, operating results and the trading price of our securities.

As a public company we are required to document and test our internal control procedures to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act and the related rules of the SEC, which require, among other things, our management to assess annually the effectiveness of our internal control over financial reporting and our independent registered public accounting firm to issue a report on our internal control over financial reporting. If our management is unable to certify the effectiveness of our internal controls or if our independent registered public accounting firm cannot render an opinion on management's assessment and on the effectiveness of our internal control over financial reporting,

or if material weaknesses in our internal controls are identified, it could lead to material misstatements in our financial statements, we may be unable to meet our disclosure obligations and investors could lose confidence in our reported financial information. Failure to comply with Section 404 of the Sarbanes-Oxley Act could potentially subject us to sanctions or investigations by the SEC, the Financial Industry Regulatory Authority or other regulatory authorities.

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 bylaws 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.

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

Risks related to our recent acquisition of William Lyon Homes

We may have difficulty integrating the William Lyon Homes business, and the anticipated benefits of the combined company may not be realized.

On February 6, 2020, we completed our acquisition of William Lyon Homes. For more information, see Note 21—*Subsequent Events* of this Annual Report on Form 10-K. The ultimate success of Taylor Morrison’s recent acquisition of

William Lyon Homes will depend in large part on the success of the management of the newly combined company in integrating the operations, strategies, technologies and personnel of the two companies. We may fail to realize some or all of the anticipated benefits of the merger if the integration process takes longer than expected or is more costly than expected. Our failure to meet the challenges involved in successfully integrating the operations of the two companies or to otherwise realize any of the anticipated benefits of the merger, including additional cost savings and synergies, could impair our operations. In addition, the overall integration of William Lyon Homes post-merger will continue to be a time-consuming and expensive process that, without proper planning and effective and timely implementation, could significantly disrupt our business.

Potential difficulties we may encounter in the integration process include the following:

- the integration of management teams, strategies, technologies and operations, products and services;
- the disruption of ongoing businesses and distraction of management from ongoing business concerns;
- the retention of and possible decrease in business from the existing customers of both companies;
- the creation of uniform standards, controls, procedures, policies and information systems;
- the reduction of the costs associated with each company's operations;
- the integration of corporate cultures and maintenance of employee morale;
- the retention of key employees; and
- potential unknown liabilities associated with the merger.

The initial anticipated cost savings, synergies and other benefits of the merger assume a successful integration of the companies and are based on projections and other assumptions, which are inherently uncertain. Even if integration is successful, anticipated cost savings, synergies and other benefits may not be achieved.

The combined company has a substantial amount of debt, which could adversely affect our business, financial condition or results of operations and prevent us from fulfilling our debt-related obligations.

Following the merger, our indebtedness levels increased by approximately $1.0 billion. Our substantial debt could have consequences for our stockholders. See "*Risks related to our indebtedness-Our substantial debt could adversely affect our business, financial condition or results of operations and prevent us from fulfilling our debt-related obligations.*"

Our future results will suffer if we do not effectively manage our expanded operations following the merger.

Following the merger, the size of our business has increased significantly beyond the pre-merger size of either Taylor Morrison's or William Lyon Homes' businesses. Our future success depends, in part, upon our ability to continue to manage this expanded business, which may pose substantial challenges for management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. There can be no assurance that we will be successful or that we will realize the expected operating efficiencies, cost savings, revenue enhancements and other benefits initially anticipated from the merger.

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, 2019, the lease on this facility covered a space of approximately 29,000 square feet and expires in December 2027. We have approximately 33 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

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 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 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. Given the inherent difficulty of predicting the outcome of these legal and regulatory matters, we generally cannot predict the ultimate resolution of the pending matters, the related timing, or the eventual loss. 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. However, 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.

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

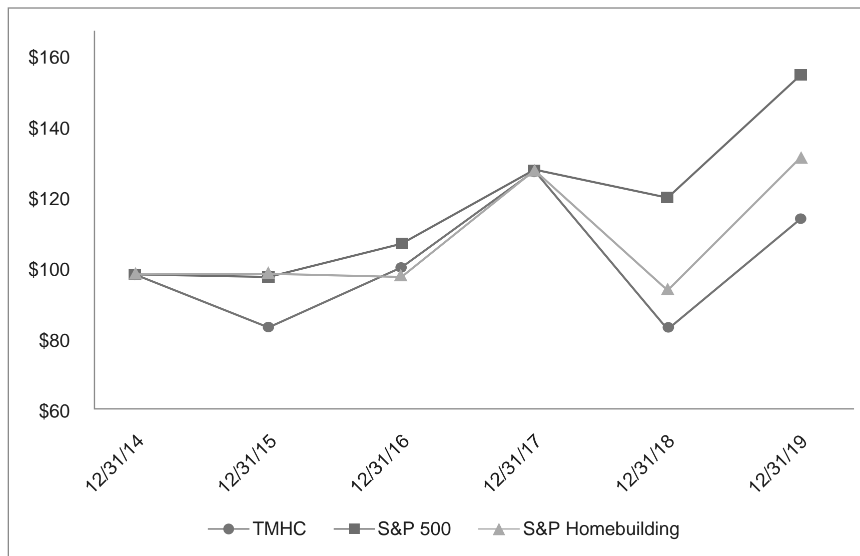
The Company lists its Common Stock on the New York Stock Exchange (NYSE) under the symbol "TMHC". On February 19, 2020, the Company had 803 holders of record of our Common Stock. This does not include the number of stockholders who hold shares in TMHC through banks, brokers, and other financial institutions.

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, 2014, 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, 2014 to December 31, 2019



	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
TMHC	$100.00	$ 84.70	$101.96	$129.54	$ 84.17	$115.72
S&P 500	100.00	99.27	108.74	129.86	121.76	156.92
S&P Homebuilding Index	100.00	100.18	99.21	129.72	95.31	133.38

Dividends

We currently anticipate that we will retain all available funds for use in the operation and expansion of our business, 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*. TMHC has 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, 2019 and 2018, there were an aggregate of 8,389,348 and 8,504,827 shares of Common Stock repurchased, respectively. As of December 31, 2019, we have fully utilized the authorization and currently do not have additional authorization for stock repurchases.

ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth selected consolidated financial and operating data at and for each of the five fiscal years ending December 31, 2019. It should be read in conjunction with the Consolidated Financial Statements and Notes thereto, included in Item 8 of this Annual Report and Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 of this Annual Report.

	Year Ended December 31,				
(Dollars in thousands, except per share amounts)	2019	2018	2017	2016	2015
Statements of Operations Data:					
Total revenue	$4,762,059	$4,227,393	$3,885,290	$3,550,029	$2,976,820
Gross margin	824,090	738,193	738,929	680,279	567,915
Income tax provision [1]	67,358	63,036	179,006	107,643	90,001
Net income from continuing operations	254,914	210,480	176,650	206,563	170,986
Income from discontinued operations – net of tax	—	—	—	—	58,059
Net income before allocation to non-controlling interests	254,914	210,480	176,650	206,563	229,045
Net income attributable to non-controlling interests – joint ventures	(262)	(533)	(430)	(1,294)	(1,681)
Net income before non-controlling interests – Former Principal Equityholders	254,652	209,947	176,220	205,269	227,364
Net income from continuing operations attributable to non-controlling interests – Former Principal Equityholders	—	(3,583)	(85,000)	(152,653)	(123,909)
Net income from discontinued operations attributable to non-controlling interests – Former Principal Equityholders	—	—	—	—	(42,406)
Net income available to Taylor Morrison Home Corporation	$ 254,652	$ 206,364	$ 91,220	$ 52,616	$ 61,049
Earnings per common share:					
Basic:					
Income from continuing operations	$ 2.38	$ 1.85	$ 1.47	$ 1.69	$ 1.38
Discontinued operations – net of tax	—	—	—	—	0.47
Net income available to Taylor Morrison Home Corporation [1]	$ 2.38	$ 1.85	$ 1.47	$ 1.69	$ 1.85
Diluted:					
Income from continuing operations	$ 2.35	$ 1.83	$ 1.47	$ 1.69	$ 1.38
Discontinued operations – net of tax	—	—	—	—	0.47
Net income available to Taylor Morrison Home Corporation [1]	$ 2.35	$ 1.83	$ 1.47	$ 1.69	$ 1.85
Weighted average number of shares of common stock:					
Basic	106,997	111,743	62,061	31,084	33,063
Diluted	108,289	115,119	120,915	120,832	122,384

[1] 2017 income tax provision and earnings per common share data include impacts of the Tax Cuts and Jobs Act which is an aggregate of $61.0 million expense.

	As of December 31,				
(Dollars in thousands)	2019	2018	2017	2016	2015
Balance Sheet Data:					
Cash and cash equivalents [1]	$ 326,437	$ 329,645	$ 573,925	$ 300,179	$ 126,188
Total real estate inventory	3,986,544	3,980,565	2,959,236	3,017,219	3,126,787
Total assets	5,245,686	5,264,441	4,325,893	4,220,926	4,122,447
Total debt	1,940,772	2,209,596	1,498,062	1,586,533	1,668,425
Total stockholders' equity	2,545,712	2,418,735	2,346,545	2,160,202	1,972,677

	Year Ended December 31,				
(Dollars in thousands)	2019	2018	2017	2016	2015
Operating Data:					
Average active selling communities	351	307	297	309	259
Net sales orders (units)	10,517	8,400	8,397	7,504	6,681
Home closings (units)	9,964	8,760	8,032	7,369	6,311
Average sales price of homes closed	$ 464	$ 470	$ 473	$ 465	$ 458
Backlog value at end of period	$2,274,948	$2,079,569	$1,702,071	$1,531,910	$1,392,973
Backlog units at end of period	4,711	4,158	3,496	3,131	2,932

[1] Excludes restricted cash.

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 geographically focused as of December 31, 2019, in Arizona, California, Colorado, Florida, Georgia, Illinois, North Carolina, South Carolina and Texas. We serve a wide array of consumer groups from coast to coast, including first time, move-up, luxury, and active adult buyers, building single and multi family attached and detached homes. Our homebuilding company operates under our Taylor Morrison and Darling Homes brand names. We also have operations which provide financial services to customers through our wholly owned mortgage subsidiary, Taylor Morrison Home Funding ("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 as of December 31, 2019, 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, Chicago, Jacksonville, Orlando, Raleigh, Southwest Florida, and Tampa
Central	Austin, Dallas, Denver, and Houston
West	Bay Area, Phoenix, Sacramento, and Southern California
Financial Services	Taylor Morrison Home Funding, Inspired Title Services and Taylor Morrison Insurance Services

Industry Overview and Business Strategy

We believe the housing market continues to be driven by certain positive economic and demographic factors, including low unemployment, strong home values, improving household balance sheets, declines in new and existing for-sale home inventory and interest rates which continue to remain low in comparison to historic rates. While we were encouraged by certain positive and improved trends during recent years, challenges still exist, such as national and global economic uncertainty and uncertainty around the interest rate environment. We are additionally challenged by shortages in the labor supply, specifically as it relates to qualified tradespeople, and volatility in energy prices. Nevertheless, we believe we are in a relatively stable business cycle.

Our approach in allocating capital and managing our land portfolio has been 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

As of December 31, 2019, our assets in Chicago are 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 360— Property, Plant, and Equipment . 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, 2018 and 2017, we did not have significant fair value adjustments relating to assets reclassified as held for sale.

For the years ended December 31, 2019 and December 31, 2018, we recognized an incremental $43.1 million and $39.3 million of warranty charges in our Central region, respectively, 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 year ended December 31, 2019, we incurred aggregate costs of $10.7 million relating to our acquisitions of William Lyon Homes and AV Homes. For the year ended December 31, 2018, we recognized $30.8 million of costs relating to the AV Homes Acquisition. Such costs are recognized in Transaction and corporate reorganization expenses on the Consolidated Statement of Operations.

On October 26, 2018, in connection with our corporate reorganization, all assets remaining in our Canadian subsidiary were contributed to a subsidiary in the United States. As a result, $20.1 million of unrecognized Accumulated other comprehensive loss on foreign currency translation was recognized as a component of Transaction and corporate reorganization expenses on the Consolidated Statement of Operations. In addition, we recognized $15.3 million in non-resident Canadian withholding taxes from the Canada Unwind in Income tax provision for the year ended December 31, 2018. For the year ended December 31, 2019, we did not incur or recognize corporate reorganization expenses or taxes associated with such reorganization.

During 2017, the Tax Act legislation was enacted which made comprehensive reforms to the United States tax code, including a decrease to the corporate statutory tax rate from 35% to 21%, and a mandatory deemed repatriation tax of foreign earnings at a reduced rate, that may be payable over eight years.

In addition to the impact of the matters discussed in the *Risk Factors* listed in Item 1A of this Annual Report, our future results could differ materially from our historical results due to these changes.

Critical Accounting Policies

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 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

In January 2018, we adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09” or “Topic 606”), which provides new guidance for revenue recognition, and elected to use the modified retrospective approach to account for prior periods. 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) we identify the contract(s) with our customer; (2) we identify the performance obligations in the

contract; (3) we determine the transaction price; (4) we allocate the transaction price to the performance obligations in the contract; and (5) we 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 (or develop and deliver land). 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

As a result of the AV Homes Acquisition, we own and operate certain amenities, which require us to provide members with access to amenity facilities in exchange for the payment of club dues. We collect club dues and other fees from our members, which are billed on a monthly basis. Revenue from our golf club operations are also included in amenity revenue.

Financial services revenue

Mortgage operations and hedging activity related to financial services are not within the scope of Topic 606 and therefore there was no change to our accounting policies related to such activities. Loan origination fees (including title fees, points, and closing costs) 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 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.

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, real estate taxes and overhead are allocated to homes and units using the relative sales value method. 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 delivered or when the related inventory is charged to cost of sales.

We assess the recoverability of our land inventory in accordance with the provisions of ASC Topic 360, "*Property, Plant, and Equipment*." We review our real estate inventory for indicators of impairment by community during each reporting period. If indicators of impairment are present for a community, generally, an undiscounted cash flow analysis is 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.

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 such 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 Real estate not owned with a corresponding liability in Liabilities attributable to real estate not owned in the Consolidated Balance Sheets.

Insurance Costs, Self-Insurance Reserves and Warranty Reserves

We have certain deductible amounts under our workers' compensation, automobile and general liability insurance policies, and we record expense and liabilities for the estimated costs of potential claims for construction defects. We also generally require our sub-contractors and design professionals to indemnify us and provide evidence of insurance for liabilities arising from their work, subject to certain limitations. Beneva Indemnity Company ("Beneva"), one of our wholly owned subsidiaries, provides insurance coverage for construction defects discovered up to ten years following the closing of a home, premises operations risk and property coverage. 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 various factors, such as claim settlement patterns, litigation trends and the length of time in which a construction defect claim might be made after the closing of a home.

We offer a limited warranty to cover various defects in workmanship or materials, including structural defects. Warranty reserves are recorded as each home closes in an amount estimated to be adequate to cover expected future costs of materials and outside labor during warranty periods. Our warranty is not considered a separate deliverable in each sale arrangement, so it is accounted for in accordance with ASC Topic 450, "*Contingencies*." In accordance with ASC 450, warranties that are not separately priced are generally accounted for by accruing the estimated costs to fulfill the warranty obligation. Thus, the warranty would not be considered a separate deliverable in the arrangement since it is not priced apart from the home. As a result, we accrue the estimated costs to fulfill the warranty obligation in accordance with ASC 450 at the time a home closes, as a component of cost of home closings.

Our reserves are based on factors that include an actuarial study for 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 accompanying Consolidated Balance Sheets.

Investments in Unconsolidated Entities and Variable Interest Entities (VIEs)

We are involved in joint ventures with related and unrelated third parties for homebuilding and development 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 joint ventures accounted for using the equity method, our share of net earnings or losses is included in equity in income of unconsolidated entities when earned and distributions are credited against its 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. 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 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 the Company believes 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 accompanying 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. As a result of the Tax Cuts Act enacted on December 22, 2017, we have recorded a material charge to earnings in the period ending December 31, 2017. See *Note 12—Income Taxes* to the Consolidated Financial Statements for additional details.

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.

Results of Operations

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

(Dollars in thousands, except per share information)	Year Ended December 31, 2019	2018	2017
Statements of Operations Data:			
Home closings revenue, net	$4,623,484	$4,115,216	$3,799,061
Land closings revenue	27,081	39,901	17,093
Financial services revenue	92,815	67,758	69,136
Amenity and other revenue	18,679	4,518	—
Total revenue	$4,762,059	$4,227,393	$3,885,290
Cost of home closings	3,836,857	3,410,853	3,092,704
Cost of land closings	32,871	33,458	12,005
Financial services expenses	51,086	41,469	41,652
Amenity and other expenses	17,155	3,420	—
Total cost of revenues	$3,937,969	$3,489,200	$3,146,361
Gross margin	824,090	738,193	738,929
Sales, commissions and other marketing costs	320,420	278,455	259,663
General and administrative expenses	169,851	138,488	130,777
Equity in income of unconsolidated entities	(9,509)	(13,332)	(8,846)
Interest income, net	(2,673)	(1,639)	(577)
Other expense, net	7,226	11,816	2,256
Transaction and corporate reorganization expenses	10,697	50,889	—
Loss on extinguishment of debt, net	5,806	—	—
Income before income taxes	$ 322,272	$ 273,516	$ 355,656
Income tax provision	67,358	63,036	179,006
Net income before allocation to non-controlling interests	$ 254,914	$ 210,480	$ 176,650
Net income attributable to non-controlling interests – joint ventures	(262)	(533)	(430)
Net income before non-controlling interests – Former Principal Equityholders	$ 254,652	$ 209,947	$ 176,220
Net income attributable to non-controlling interests – Former Principal Equityholders	—	(3,583)	(85,000)
Net income available to Taylor Morrison Home Corporation	$ 254,652	$ 206,364	$ 91,220
Home closings gross margin	17.0%	17.1%	18.6%
Interest amortized to cost of home closings	$ 93,739	$ 82,422	$ 94,859
Average sales price per home closed	$ 464	$ 470	$ 473
Sales, commissions and other marketing costs as a percentage of home closings revenue, net	6.9%	6.8%	6.8%
General and administrative expenses as a percentage of home closings revenue, net	3.7%	3.4%	3.4%
Effective tax rate	20.9%	23.0%	50.3%
Earnings per common share -			
Income from continuing operations – Basic	$ 2.38	$ 1.85	$ 1.47
Income from continuing operations – Diluted	$ 2.35	$ 1.83	$ 1.47

Non-GAAP Measures

In addition to the results reported in accordance with accounting principles generally accepted in the United States ("GAAP"), we have provided information in this Annual Report relating to "adjusted net income," "adjusted earnings per common share," "adjusted income before income taxes," and "adjusted home closings gross margin."

Adjusted net income (basic and *diluted)* and *adjusted earnings per common share (basic* and *diluted)* reflect the net income available to the Company excluding the impact, as applicable for each year presented, of: significant and unusual itemss, loss on extinguishment of debt, transaction and corporate reorganization expenses related to our acquisitions and our internal corporate reorganization, and the tax impact due to such items; the tax reform impact due to the revaluation of deferred assets and liabilities and due to the mandatory deemed repatriation of foreign earnings; and resulting adjustments to non-controlling interest. *Adjusted income before income taxes* reflects our income before income taxes excluding the impact of significant and unusual items, loss on extinguishment of debt, and transaction and corporate reorganization expenses related to our acquisitions and our internal corporate reorganization. *Adjusted home closings gross margin* is calculated based on GAAP home closings gross margin (which is inclusive of capitalized interest), excluding impairments (if any) and warranty charges (if any).

Management generally uses these non-GAAP measures to evaluate our operational and economic performance and to set targets for performance-based compensation on a consolidated basis to compare to prior years which did not include such items. We believe that *adjusted net income*, *adjusted earnings per common share* and *adjusted income before income taxes* 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 each assists both investors and management in analyzing and benchmarking the performance and value of our business. 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 impairment charges and certain warranty charges. These measures are considered non-GAAP financial measures and should be considered in addition to, rather than as a substitute for, the comparable U.S. GAAP financial measures as a measure of our operating performance.

The following table sets forth our results of operations as adjusted for significant and unusual items, transaction and corporate reorganization expenses, loss on extinguishment of debt, and the impact of tax reform for the periods presented (See—"*Non-GAAP Measures*" above):

Adjusted Basic and Diluted Net Income and Earnings per Common Share

(Dollars in thousands, except per share data)	Year Ended December 31, 2019	2018	2017
Income before income taxes	$322,272	$273,516	$355,656
Significant and unusual items[1]	72,146	50,100	—
Transaction and corporate reorganization expenses[2]	10,697	50,889	—
Loss on extinguishment of debt	5,806	—	—
Adjusted income before income taxes	**$410,921**	**$374,505**	**$355,656**
Net income available to TMHC	$254,652	$206,364	$ 91,220
Significant and unusual items[1]	72,146	50,100	—
Transaction and corporate reorganization expenses[2]	10,697	50,889	—
Loss on extinguishment of debt	5,806	—	—
Tax impact due to significant and unusual items, transaction and corporate reorganization expenses, and loss on extinguishment of debt[3]	(20,578)	(1,874)	—
Tax reform impact due to the revaluation of deferred assets and liabilities	—	—	57,425
Tax reform impact due to the mandatory deemed repatriation of foreign earnings	—	—	3,553
Adjustments to non-controlling interest – Former Principal Equityholders	—	(1,692)	$ (29,341)
Adjusted net income – Basic	**$322,723**	**$303,787**	**$122,857**
Net income available to TMHC	254,652	206,364	91,220
Net income attributable to non-controlling interests – Former Principal Equityholders	—	3,583	85,000
Loss fully attributable to public holding company	—	540	3,128
Net income – Diluted	254,652	210,487	179,348
Significant and unusual items[1]	72,146	50,100	—
Transaction and corporate reorganization expenses[2]	10,697	50,889	—
Loss on extinguishment of debt	5,806	—	—
Tax impact due to significant and unusual items, transaction and corporate reorganization expenses, and loss on extinguishment of debt[3]	(20,578)	(1,874)	—
Tax reform impact due to the revaluation of deferred assets and liabilities	$ —	$ —	$ 57,425
Tax reform impact due to the mandatory deemed repatriation of foreign earnings	$ —	$ —	$ 3,553
Adjusted net income – Diluted	**$322,723**	**$309,602**	**$240,326**
Weighted average number of shares of common stock:			
Basic	106,997	111,743	62,061
Diluted	108,289	115,119	120,915
Earnings per common share:			
Basic	$ 2.38	$ 1.85	$ 1.47
Diluted	$ 2.35	$ 1.83	$ 1.47
Adjusted earnings per common share			
Basic	$ 3.02	$ 2.72	$ 1.98
Diluted	$ 2.98	$ 2.69	$ 1.98

(1) Significant and unusual items consist of the following:

	Year ended December 31,		
	2019	2018	2017
Warranty charge	$43,133	$39,300	$—
Inventory impairment charges	8,928	9,600	—
Write-off of Chicago Operations	13,285	—	—
Legal and other costs for unusual items	6,800	1,200	—
Significant and unusual items	**$72,146**	**$50,100**	**$—**

(2) For the year ended December 31, 2019 transaction and corporate reorganization expenses consist of acquisition related costs. For the year ended December 31, 2018 transaction and corporate reorganization expenses consist of all costs, excluding taxes, associated with the corporate reorganization and Canada Unwind in addition to acquisition related costs.

(3) Represents the impact to income tax provision for significant and unusual items, transaction and corporate reorganization expenses, and loss on extinguishment of debt.

Adjusted Home Closings Gross Margin

	Year Ended December 31,	
(Dollars in thousands)	**2019**	**2018**
Home closings revenue, net	$4,623,484	$4,115,216
Cost of home closings	3,836,857	3,410,853
Home closings gross margin	**$ 786,627**	**$ 704,363**
Inventory impairment charges	9,384	9,631
Warranty charge	43,346	39,333
Adjusted home closings gross margin	**$ 839,357**	**$ 753,327**
Home closings gross margin as a percentage of home closings revenue	17.0%	17.1%
Adjusted home closings gross margin as a percentage of home closings revenue	18.2%	18.3%

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, 2019 and 2018. For similar operating and financial data and discussion of our fiscal 2018 results compared to our fiscal 2017 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, 2018, which was filed with the SEC on February 20, 2019, and is incorporated herein by reference.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Average Active Selling Communities

	Year Ended December 31,		
	2019	2018	Change
East	159	134	18.7%
Central	134	121	10.7
West	58	52	11.5
Total	351	307	14.3%

Average active selling communities for the year ended December 31, 2019 increased by 14.3% when compared to the same period in the prior year primarily due to expansion and growth among all regions due to the timing of the acquisition of AV Homes in the fourth quarter of 2018. The increase was partially offset by early community closeouts in all regions due to an increase in net sales orders.

Net Sales Orders[1]

(Dollars in thousands)	Year Ended December 31,								
	Net Homes Sold			Sales Value			Average Selling Price		
	2019	2018	Change	2019	2018	Change	2019	2018	Change
East	4,893	3,471	41.0%	$1,979,100	$1,438,757	37.6%	$404	$415	(2.7)%
Central	3,019	2,697	11.9	1,434,406	1,300,630	10.3	475	482	(1.5)
West	2,605	2,232	16.7	1,405,357	1,356,634	3.6	539	608	(11.3)
Total	10,517	8,400	25.2%	$4,818,863	$4,096,021	17.6%	$458	$488	(6.1)%

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

East:

The number of net sales orders and sales value increased by 41.0% and 37.6%, respectively, for the year ended December 31, 2019 compared to the same period in the prior year. Additional active selling communities were the primary contributor to the increase in net sales orders. The average selling price of net sales orders decreased 2.7% for the same comparative period. Product and geographical mix primarily contributed to the decrease in average selling price.

Central:

The number of net sales orders and sales value increased by 11.9% and 10.3%, respectively, for the year ended December 31, 2019 compared to the same period in the prior year. Our Dallas market contributed to the increase primarily as a result of additional active selling communities. Product and geographical mix contributed to the relatively flat average selling price compared to the same period in the prior year.

West:

The number of net sales orders and sales value increased by 16.7% and 3.6%, respectively, for the year ended December 31, 2019 compared to the same period in the prior year. Additional active selling communities and higher average sales pace in this region were the primary contributors to the increase in net sales orders. The average selling price of net sales orders decreased 11.3% for the same comparative period. Product and geographical mix among all the divisions within the region contributed to the decrease in average selling price.

Sales Order Cancellations

	Year Ended December 31,	
	Cancellation Rate [1]	
	2019	2018
East	11.9%	12.0%
Central	13.2	13.6
West	12.9	14.2
Total Company	12.5%	13.1%

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

The total company cancellation rate decreased to 12.5% for the year ended December 31, 2019 compared to 13.1% for the year ended December 31, 2018. The decrease was primarily driven by the stabilization in mortgage rates throughout 2019.

Sales Order Backlog

(Dollars in thousands)	As of December 31,								
	Sold Homes in Backlog [1]			Sales Value			Average Selling Price		
	2019	2018	Change	2019	2018	Change	2019	2018	Change
East	1,816	1,638	10.9%	$ 791,485	$ 724,564	9.2%	$436	$442	(1.4)%
Central	1,655	1,420	16.5	839,004	731,795	14.7	507	515	(1.6)
West	1,240	1,100	12.7	644,459	623,210	3.4	520	567	(8.3)
Total	4,711	4,158	13.3%	$2,274,948	$2,079,569	9.4%	$483	$500	(3.4)%

(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 13.3% and 9.4% at December 31, 2019 compared to December 31, 2018, respectively. The increase in backlog units and dollars is primarily a result of increased net sales orders due to the increase in average active selling communities across all regions.

Home Closings Revenue

(Dollars in thousands)	Year Ended December 31,								
	Homes Closed			Home Closings Revenue, Net			Average Selling Price		
	2019	2018	Change	2019	2018	Change	2019	2018	Change
East	4,715	4,061	16.1%	$1,912,179	$1,643,152	16.4%	$406	$405	0.2%
Central	2,784	2,380	17.0	1,327,197	1,126,446	17.8	477	473	0.8
West	2,465	2,319	6.3	1,384,108	1,345,618	2.9	562	580	(3.1)
Total	9,964	8,760	13.7%	$4,623,484	$4,115,216	12.4%	$464	$470	(1.3)%

East:

The number of homes closed and home closings revenue, net increased by 16.1% and 16.4%, respectively, for the year ended December 31, 2019 compared to the same period in the prior year. The increase in both units and dollars is primarily due to the increase in active selling communities.

Central:

The number of homes closed and home closings revenue, net increased by 17.0% and 17.8%, respectively, for the year ended December 31, 2019 compared to the same period in the prior year. The increase in both units and dollars was a result of our Houston and Dallas markets experiencing increased housing demand in the current year period compared to the prior year period.

West:

The number of homes closed and homes closings revenue, net increased by 6.3% and 2.9%, respectively, for the year ended December 31, 2019 compared to the same period in the prior year. The increase in units is primarily due to the increase in active selling communities as well as increased demand in certain markets. The increase in home closings revenue, net is due to overall demand in the majority of our markets, whereas product mix with lower average selling prices in certain markets drove the decrease in average selling prices.

Land Closings Revenue

(Dollars in thousands)	Year Ended December 31, 2019	2018	Change
East	$19,884	$18,753	$ 1,131
Central	7,192	13,176	(5,984)
West	5	7,972	(7,967)
Total	$27,081	$39,901	$(12,820)

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. 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 opportunities. Land closings revenue was $27.1 million and $39.9 million, respectively, for the years ended December 31, 2019 and 2018.

Amenity and Other Revenue

(Dollars in thousands)	Year Ended December 31, 2019	2018	Change
East	$18,679	$4,518	$14,161
Central	—	—	—
West	—	—	—
Total	$18,679	$4,518	$14,161

Our East region includes communities which operate certain amenities such as community centers and golf clubs. We provide members access to the amenity facilities in exchange for club dues. We do not own or operate significant amenity facilities in our Central or West regions. The increase in amenity and other revenue is a result of a full year of operations in 2019 compared to one quarter of operations in 2018.

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).

	East		Central		West		Total	
	For the Year Ended December 31,							
(Dollars in thousands)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Home closings revenue, net	$1,912,179	$1,643,152	$1,327,197	$1,126,446	$1,384,108	$1,345,618	$4,623,484	$4,115,216
Cost of home closings	1,597,389	1,364,027	1,141,866	969,215	1,097,602	1,077,611	3,836,857	3,410,853
Home closings gross margin	**$ 314,790**	**$ 279,125**	**$ 185,331**	**$ 157,231**	**$ 286,506**	**$ 268,007**	**$ 786,627**	**$ 704,363**
Inventory impairment	2,477	8,486	6,907	—	—	1,145	9,384	9,631
Warranty charge	213	—	43,133	39,333	—	—	43,346	39,333
Adjusted home closings gross margin	**$ 317,480**	**$ 287,611**	**$ 235,371**	**$ 196,564**	**$ 286,506**	**$ 269,152**	**$ 839,357**	**$ 753,327**
Home closings gross margin as a percentage of home closings revenue	16.5%	17.0%	14.0%	14.0%	20.7%	19.9%	17.0%	17.1%
Adjusted home closings gross margin as a percentage of home closings revenue	16.6%	17.5%	17.7%	17.4%	20.7%	20.0%	18.2%	18.3%

East:

Adjusted home closings gross margin percentage decreased to 16.6% from 17.5% for the year ended December 31, 2019 compared to the prior year, primarily as a result of product and geographic mix contributing to higher land and development costs in certain markets within our East region in the current year.

Central:

Adjusted home closings gross margin percentage increased to 17.7% from 17.4% for the year ended December 31, 2019 compared to the prior year. The demand in the Central region remains strong as evidenced by the increase in closed home units and revenues for the current year compared to the prior year. In addition, several markets within our Central region experienced an increase in rebates from our regional and national vendor program.

West:

Adjusted home closings gross margin percentage increased to 20.7% from 20.0% for the year ended December 31, 2019 compared to the prior year. The increase was partially due to higher demand which increased home closings revenue, net in addition to lower land and development costs due to product and geographical mix.

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:

(In thousands, except the number of loan originations)	Year Ended December 31, 2019	Year Ended December 31, 2018	Change
Financial services revenue	$ 75,822	$ 57,242	32.5%
Financial services revenue – Other	4,097	2,349	74.4%
Title services revenue	12,896	8,167	57.9%
Total financial services revenue	92,815	67,758	37.0%
Financial services equity in income of unconsolidated entities	6,021	5,316	13.3%
Total income	98,836	73,074	35.3%
Financial services expenses	51,086	41,469	23.2%
Financial services income before income taxes	$ 47,750	$ 31,605	51.1%
Total originations:			
Loans	5,605	4,471	25.4%
Principal	$1,930,086	$1,557,367	23.9%

	Year Ended December 31, 2019	Year Ended December 31, 2018
Supplemental data:		
Average FICO score	749	747
Funded origination breakdown:		
Government (FHA, VA, USDA)	15%	16%
Other agency	73%	69%
Total agency	88%	85%
Non-agency	12%	15%
Total funded originations	100%	100%

Total financial services revenue increased by 37.0% for the year ended December 31, 2019 compared to the year ended December 31, 2018. The increase in the current year compared to the prior year was primarily the result of an increase in the number of loans originated as well as our title services being offered in more of our markets in the current year compared to only one market in the prior year.

Sales, Commissions and Other Marketing Costs

Sales commissions and other marketing costs, as a percentage of home closings revenue, remained relatively flat for the years ended December 31, 2019 and 2018 due to sustained leverage as a result of previous process efficiencies in our sales and marketing functions.

General and Administrative Expenses

General and administrative expenses, as a percentage of home closings revenue, increased to 3.7% from 3.4% for the year ended December 31, 2019 compared to 2018. The increase is attributable to the AV Homes Acquisition, which added more current year employees and related expenses, however we continue our efforts to utilize our scalable platform, providing leverage with existing infrastructure to maintain stable operating costs.

Equity in Income of Unconsolidated Entities

Equity in income of unconsolidated entities was $9.5 million and $13.3 million for the years ended December 31, 2019 and 2018, respectively. The change was primarily due to a decrease in closings in our unconsolidated homebuilding joint ventures as they approach close out.

Interest Income, net

Interest income, net was $2.7 million and $1.6 million for the years ended December 31, 2019 and 2018, respectively. Interest income, net includes interest earned on cash balances offset by interest incurred but not capitalized on our long-term debt and other borrowings.

Other Expense, net

Other expense, net for the years ended December 31, 2019 and 2018 was $7.2 million and $11.8 million, respectively. The prior year balance included higher pre-acquisition costs on abandoned land projects and higher captive insurance claims than in the current year.

Transaction and corporate reorganization expenses

Transaction and corporate reorganization expenses of $10.7 million for the year ended December 31, 2019 include costs associated with the acquisitions of William Lyon Homes and AV Homes relating to legal fees, compensation and other miscellaneous expenses. For the year ended December 31, 2018, transaction and corporate reorganization expenses included approximately $30.8 million in AV Homes acquisition related costs, which include investment banking fees, severance, compensation and legal fees. In addition, for the year ended December 31, 2018 the recognition of approximately $20.1 million of realized foreign currency losses from the Canada Unwind were also included in transaction and corporate reorganization expenses.

Loss on Extinguishment of Debt

During the year ended December 31, 2019, we redeemed the entire principal amount of our 5.25% Senior Notes due 2021
and 6.625% Senior Notes due 2022. As a result of such redemptions, we recorded a loss on extinguishment of debt, net of $2.2 million and $3.6 million, respectively, which included the payment of a redemption premium for the 2022 Senior Notes and write-off of net unamortized deferred financing fees for both series of notes. We had no such transactions for the year ended December 31, 2018.

Income Tax Provision

Our effective tax rate was 20.9% and 23.0% for the years ended December 31, 2019 and December 31, 2018, respectively. Our effective rate for both years was affected by a number of factors including state income taxes, disallowed executive compensation expense, changes to reserves for uncertain tax positions, adjustments to deferred tax assets, and energy tax credits relating to homebuilding activities. The effective tax rate for the year ended December 31, 2019 was favorably impacted by legislation enacted during the fourth quarter which reinstated an income tax credit under Section 45L of the Internal Revenue Code for building energy efficient homes.

Net Income

Net income before allocation to non-controlling interests and diluted earnings per share for the year ended December 31, 2019 were $254.9 million and $2.35, respectively. Net income before allocation to non-controlling interests and diluted earnings per share for the year ended December 31, 2018 were $210.5 million and $1.83, respectively. The increase in net income and diluted earnings per share from the prior year is primarily attributable to increased gross margin, decreased transaction and corporate reorganization expenses as well as a lower effective tax rate for the year ended December 31, 2019 compared to the prior year.

Liquidity and Capital Resources

Liquidity

We finance our operations through the following:

- Borrowings under our Revolving Credit Facility;
- Our various series of Senior Notes;
- Mortgage warehouse facilities;
- Project-level real estate financing (including non-recourse loans);
- Performance, payment and completion surety bonds, and letters of credit; and
- Cash generated from operations.

We believe that we can fund our current and foreseeable liquidity needs for the next 12 months from:

- Cash generated from operations; and
- Borrowings under our Revolving Credit Facility.

We may also access the capital markets to obtain additional liquidity through debt and equity offerings on an opportunistic basis. Our principal uses of capital for the years ended December 31, 2019 and 2018 were land purchases, lot development, home construction, operating expenses, payment of debt service and debt redemptions, income taxes, investments in joint ventures, repurchase of Common Stock, and the payment of various liabilities. Net proceeds from issuances of debt securities in 2019 were used to redeem other debt securities. In addition, all net proceeds from our equity offerings during 2018, were used to purchase partnership units in New TMM along with shares of our former Class B Common Stock, held by our Former Principal Equityholders. During 2018, capital was also used to complete the AV Homes Acquisition and purchase partnership units in New TMM shares and shares of our former Class B Common Stock from our Former Principal Equityholders.

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, 2019	2018
Total Cash, excluding Restricted Cash	$326,437	$ 329,645
Total Revolving Credit Facility[1]	600,000	600,000
Total 364-Day Credit Agreement	—	200,000
Letters of Credit Outstanding	(77,719)	(62,315)
Revolving Credit Facility Borrowings Outstanding	—	—
364-Day Credit Agreement Outstanding	—	(200,000)
Revolving Credit Facility Availability	522,281	537,685
Total Liquidity	$848,718	$ 867,330

(1) Subsequent to December 31, 2019, we terminated our $600.0 million Revolving Credit Facility and entered into an $800.0 million Revolving Credit Facility. Refer to Note 21- *Subsequent Events* for additional discussion.

Cash Flow Activities

Operating Cash Flow Activities

Our net cash provided by operating activities was $393.2 million for the year ended December 31, 2019 compared to $135.6 million for the year ended December 31, 2018. The increase in cash provided by operating activities was primarily attributable to a decrease in spending on real estate inventory and land deposits and an increase in net income.

Investing Cash Flow Activities

Net cash used in investing activities was $19.3 million for the year ended December 31, 2019 compared to $159.7 million for the year ended December 31, 2018. The decrease in cash used in investing activities for 2019 was primarily due to the payment for our acquisition of AV Homes in 2018, partially offset by a reduction in distributions from unconsolidated entities for 2019.

Financing Cash Flow Activities

Net cash used in financing activities was $377.2 million for the year ended December 31, 2019 compared to $219.5 million for the year ended December 31, 2018. The cash used in financing activities in 2019 was mostly related to the repayment of our 364-Day Credit facility and repurchase of Common Stock pursuant to the Company's stock repurchase program. The cash used in 2018 was primarily attributable to repurchases of New TMM Units and our Class B Common Stock from our Former Principal Equityholders as part of our public equity offerings completed in January 2018, repurchases of Common Stock pursuant to the Company's stock repurchase program and repayment of the convertible notes. These were partially offset by borrowings on our 364-Day Credit facility in connection with the AV Homes Acquisition.

Debt Instruments

Senior Notes:

The following table summarizes our outstanding senior unsecured notes (collectively, the "Senior Notes"), as of December 31, 2019[(1)].

(Dollars in thousands)	Date Issued	Principal Amount	Initial Offering Price	Interest Rate	Original Net Proceeds	Original Debt Issuance Cost
Senior Notes due 2023	April 16, 2015	350,000	100.0%	5.875%	345,500	4,500
Senior Notes due 2024	March 5, 2014	350,000	100.0%	5.625%	345,300	4,700
Senior Notes due 2027	June 5, 2019	500,000	100.0%	5.875%	495,000	5,000
Senior Notes due 2028	August 1, 2019	450,000	100.0%	5.750%	444,500	5,500
Total		$1,650,000			$1,630,300	$19,700

(1) In connection with our acquisition of William Lyon Homes, on February 10, 2020 we issued approximately $1.04 billion of new senior notes in exchange for a like amount of senior notes of William Lyon Homes, Inc., a California corporation and wholly owned subsidiary of William Lyon Homes, (the "William Lyon Notes") that had been validly tendered and not validly withdrawn in our previously disclosed exchange offers and assumed approximately $44.1 million principal amount of William Lyon Notes that were not validly tendered and remain outstanding. Refer to Note 21—*Subsequent Events* for additional information.

2021 Senior Notes

Our 5.25% Senior Notes due 2021 (the "2021 Senior Notes") were redeemed in full on June 20, 2019 using the net proceeds from the issuance of the 2027 Senior Notes (as defined below), together with cash on hand. As a result of the redemption of the 2021 Senior Notes, we recorded a loss on extinguishment of debt, net of $2.2 million, which included the write-off of net unamortized deferred financing fees. See "2027 Senior Notes and Redemption of 2021 Senior Notes" below for additional information regarding the redemption of the 2021 Senior Notes.

2022 Senior Notes

Our 6.625% Senior Notes due 2022 (the "2022 Senior Notes") were redeemed in full on August 19, 2019 using the net proceeds from the issuance of the 2028 Senior Notes (as defined below). As a result of the redemption of the 2022 Senior Notes, we recorded a loss on extinguishment of debt, net of $3.6 million, inclusive of a prepayment premium of approximately $13.2 million, offset by the write-off of approximately $9.6 million in unamortized debt premium. See "2028 Senior Notes and Redemption of 2022 Senior Notes" below for additional information regarding the redemption of the 2022 Senior Notes.

2023 Senior Notes

On April 16, 2015, we issued $350.0 million aggregate principal amount of 5.875% Senior Notes due 2023 (the "2023 Senior Notes").

The 2023 Senior Notes mature on April 15, 2023. The 2023 Senior Notes are issued by Taylor Morrison Communities, Inc. and guaranteed by Taylor Morrison Home III Corporation, Taylor Morrison Holdings, Inc. and their homebuilding subsidiaries (collectively, the "Guarantors"). The 2023 Senior Notes and the related guarantees are senior unsecured obligations and are not subject to registration rights. The indenture governing the 2023 Senior Notes contains covenants that limit our ability to incur debt secured by liens and enter into certain sale and leaseback transactions. The indenture governing the 2023 Senior Notes contains customary events of default that are similar to those contained in the indentures governing our other Senior Notes. We are required to offer to repurchase the 2023 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 downgrade that occurs in connection with the change of control.

Prior to January 15, 2023, the 2023 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 Senior Notes are redeemable at par (plus accrued and unpaid interest).

There are no financial maintenance covenants for the 2023 Senior Notes.

2024 Senior Notes

On March 5, 2014, we issued $350.0 million aggregate principal amount of 5.625% Senior Notes due 2024 (the "2024 Senior Notes").

The 2024 Senior Notes mature on March 1, 2024. The 2024 Senior Notes are issued by Taylor Morrison Communities, Inc. and guaranteed by the same Guarantors that guarantee our other outstanding Senior Notes. The 2024 Senior Notes and the related guarantees are senior unsecured obligations and are not subject to registration rights. The indenture governing the 2024 Senior Notes contains covenants that limit our ability to incur debt secured by liens and enter into certain sale and leaseback transactions similar to the other Senior Notes. The indenture governing the 2024 Senior Notes contains customary events of default that are similar to those contained in the indentures governing our other Senior Notes. 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).

There are no financial maintenance covenants for the 2024 Senior Notes.

2027 Senior Notes and Redemption of 2021 Senior Notes

On June 5, 2019, we issued $500.0 million aggregate principal amount of 5.875% Senior Notes due 2027 (the "2027 Senior Notes"). The net proceeds of the offering, together with cash on hand, were used to redeem the entire remaining $550.0 million aggregate principal amount of the 2021 Senior Notes on June 20, 2019, at a redemption price of 100% of their aggregate principal amount, plus accrued and unpaid interest thereon through, but not including, the date of redemption.

The 2027 Senior Notes mature on June 15, 2027. The 2027 Senior Notes are issued by Taylor Morrison Communities, Inc. and guaranteed by the same Guarantors that guarantee our other Senior Notes. The 2027 Senior Notes and the related guarantees are senior unsecured obligations and are not subject to registration rights. The indenture governing the 2027 Senior Notes contains covenants that limit our ability to incur debt secured by liens and enter into certain sale and leaseback transactions similar to our other Senior Notes. The indenture governing the 2027 Senior Notes contains customary events of default that are similar to those contained in the indentures governing our other Senior Notes. The change of control provisions in the indenture governing the 2027 Senior Notes are similar to those contained in the indentures governing our other Senior Notes.

Prior to March 15, 2027, the 2027 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 Senior Notes are redeemable at par (plus accrued and unpaid interest).

There are no financial maintenance covenants for the 2027 Senior Notes.

2028 Senior Notes and Redemption of 2022 Senior Notes

On August 1, 2019, we issued $450.0 million aggregate principal amount of 5.75% Senior Notes due 2028 (the "2028 Senior Notes"). The net proceeds of the offering were used to redeem the entire remaining $400.0 million aggregate principal amount of the 2022 Senior Notes on August 19, 2019, at the redemption price of 103.313% of their aggregate principal amount, plus accrued and unpaid interest thereon through, but not including, the date of redemption.

The 2028 Senior Notes mature on January 15, 2028. The 2028 Senior Notes are issued by Taylor Morrison Communities, Inc. and guaranteed by the same Guarantors that guarantee our other Senior Notes. The 2028 Senior Notes and the related guarantees are senior unsecured obligations and are not subject to registration rights. The indenture governing the 2028 Senior Notes contains covenants that limit our ability to incur debt secured by liens and enter into certain sale and leaseback transactions similar to our other Senior Notes. The indenture governing the 2028 Senior Notes contains customary events of default that are similar to those contained in the indentures governing 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).

There are no financial maintenance covenants for the 2028 Senior Notes.

Revolving Credit Facility

On February 6, 2020 we terminated our $600.0 million Revolving Credit Facility, writing off $1.7 million of debt issuance costs and entered into an $800.0 million Revolving Credit Facility with a maturity date of February 6, 2024. Refer to Note 21- *Subsequent Events* for additional discussion.

Our prior $600.0 million Revolving Credit Facility includes $1.8 million and $2.7 million of unamortized debt issuance costs as of December 31, 2019 and December 31, 2018, respectively, which are included in prepaid expenses and other assets, net on the consolidated balance sheets. As of December 31, 2019 and December 31, 2018, we had $77.7 million and $62.3 million, respectively, of utilized letters of credit, resulting in $522.3 million and $537.7 million, respectively, of availability under the Revolving Credit Facility.

The prior Revolving Credit Facility contained, and our new 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 $1.9 billion. The financial covenants would be in effect for any fiscal quarter during which any (a) loans under the 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 Revolving Credit Facility in an aggregate amount greater than $40.0 million or unreimbursed letters of credit issued under the Revolving Credit Facility are outstanding on the last day of such fiscal quarter or for more than five consecutive days during such fiscal quarter.

The prior Revolving Credit Facility contained, and our new 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 prior Revolving Credit Facility contained, and our new 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, 2019 and 2018, we were in compliance with all of the covenants under the prior Revolving Credit Facility.

364-Day Credit Agreement

On October 2, 2018, we entered into a 364-Day Credit Agreement in respect of a term loan facility under which we borrowed an aggregate principal amount of $200.0 million, to facilitate the AV Homes Acquisition. The 364-Day Credit Agreement matured on October 1, 2019. Utilizing funds borrowed from our Revolving Credit Facility and cash on hand, we repaid a total amount, including interest, of $200.5 million.

Mortgage Warehouse Borrowings

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

(Dollars in thousands)	December 31, 2019				
Facility	Amount Drawn	Facility Amount	Interest Rate	Expiration Date	Collateral [1]
Warehouse A	$ 25,074	$ 45,000	LIBOR + 1.75%	On Demand	Mortgage Loans
Warehouse B	38,481	85,000	LIBOR + 1.75%	On Demand	Mortgage Loans
Warehouse C	59,678	100,000	LIBOR + 1.70%	On Demand	Mortgage Loans and Restricted Cash
Total	$123,233	$230,000			

	December 31, 2018				
Facility	Amount Drawn	Facility Amount	Interest Rate	Expiration Date	Collateral [1]
Warehouse A	$ 29,484	$ 45,000	LIBOR + 1.75%	On Demand	Mortgage Loans
Warehouse B	38,164	85,000	LIBOR + 1.75%	On Demand	Mortgage Loans
Warehouse C	62,705	100,000	LIBOR + 1.95%	On Demand	Mortgage Loans and Restricted Cash
Total	$130,353	$230,000			

[1] The mortgage warehouse borrowings outstanding as of December 31, 2019 and 2018, are collateralized by $190.9 million and $181.9 million, respectively, of mortgage loans held for sale, which comprise the balance of mortgage receivables, and $1.6 million of cash for both periods, which is restricted cash on our balance sheet.

Loans Payable and Other Borrowings

Loans payable and other borrowings as of December 31, 2019 and 2018 consist of project-level debt due to various land sellers and seller financing notes from current and prior year acquisitions. Project-level debt is generally secured by the land that was acquired and the principal payments generally coincide with corresponding project lot sales or a principal reduction schedule. Loans payable bear interest at rates that ranged from 0% to 8% at December 31, 2019 and 2018. We impute interest for loans with no stated interest rates.

Letters of Credit, Surety Bonds and 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, 2019	As of December 31, 2018
Letters of credit [(1)]	$ 80,440	$ 62,315
Surety bonds	542,823	334,892
Total outstanding letters of credit and surety bonds	$623,263	$397,207

(1) As of December 31, 2019 and 2018 there was $77.7 million and $62.3 million, respectively, of letters of credit outstanding under the prior Revolving Credit Facility. Additional letters of credit outstanding are under other various borrowing facilities. As of December 31, 2019 and 2018 there was $160.0 million total capacity of letters of credit available under the prior Revolving Credit Facility.

Contractual Obligations as of December 31, 2019

(Dollars in thousands)	Payments Due by Period				
	Totals	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating lease obligations	$ 49,959	$ 10,018	$ 16,759	$ 13,276	$ 9,906
Unrecognized tax benefit obligations including interest and penalties	(2,572)	—	(2,572)	—	—
Land purchase contracts and lot options	289,677	124,709	130,794	23,003	11,171
Senior notes [(1)]	1,650,000	—	—	700,000	950,000
Other debt outstanding [(1)]	305,764	182,872	67,037	55,855	—
Estimated interest expense [(2)]	431,700	101,967	173,108	130,750	25,875
Totals	$2,724,528	$419,566	$385,126	$922,884	$996,952

(1) As of December 31, 2019, total debt outstanding included $350.0 million aggregate principal amount of 2023 Senior Notes, $350.0 million aggregate principal amount of 2024 Senior Notes, $500.0 million aggregate principal amount of 2027 Senior Notes, $450.0 million aggregate principal amount of 2028 Senior Notes, $123.2 million of mortgage borrowings by TMHF, and $182.5 million of loans and other borrowings. Scheduled maturities of certain loans and other borrowings as of December 31, 2019 reflect estimates of anticipated lot take-downs associated with such loans.

(2) Estimated interest expense amounts for debt outstanding at the respective contractual interest rates, the weighted average of which was 5.6% as of December 31, 2019.

Off-Balance Sheet Arrangements as of December 31, 2019

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.

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

(Dollars in thousands)	As of December 31, 2019	2018
East	$ —	$ —
Central	37,506	35,476
West	86,996	100,693
Financial Services	4,257	4,372
Total	$128,759	$140,541

Land Purchase and Land Option Contracts

We enter into land purchase and option contracts to procure land or lots for the construction of homes in the ordinary course of business. Lot option contracts enable us to control significant lot positions with a minimal capital investment and substantially reduce the risks associated with land ownership and development. As of December 31, 2019, we had outstanding land purchase and lot option contracts of $289.7 million for 4,263 lots. We are obligated to close the transaction under our land purchase contracts. However, our obligations with respect to the option 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, 2019, we had non-refundable deposits totaling $39.8 million.

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, 2019, 93.7% of our debt was fixed rate and 6.3% 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 Facility and to any borrowings by TMHF under its various warehouse facilities. As of December 31, 2019, we had no outstanding borrowings under the prior Revolving Credit Facility. We also had no outstanding borrowings under our 364-Day Credit Facility as of December 31, 2019, as it matured and was repaid on October 1, 2019. As of December 31, 2019, we had $522.3 million of additional availability for borrowings and $82.3 million of additional availability for letters of credit under the prior Revolving Credit Facility (giving effect to $77.7 million of letters of credit outstanding as of such date). See *Item 7 — Management's Discussion and Analysis of Financial Conditions and Results of Operations — Liquidity and Capital Resources – Debt Instruments – Revolving Credit Facility.* See also Note 21—*Subsequent Events* to the Consolidated Financial Statements in this Annual Report. We are required to offer to purchase all of the outstanding Senior Notes 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, 2019. The interest rate for our variable rate debt represents the interest rate on our borrowings under our mortgage warehouse facilities. Because the mortgage warehouse facilities are effectively secured by certain mortgage loans held for sale which are typically sold within approximately 20-30 days of origination, its outstanding balance is included as a variable rate maturity in the most current period presented.

(Dollars in millions, except percentage data)	Expected Maturity Date 2020	2021	2022	2023	2024	Thereafter	Total	Fair Value
Fixed Rate Debt	$ 59.6	$55.3	$11.8	$374.5	$381.4	$950.0	$1,832.6	$1,981.4
Weighted average interest rate [(1)]	2.7%	2.7%	2.7%	5.6%	5.5%	5.8%	5.5%	— %
Variable rate debt [(2)]	$123.2	—	—	—	—	—	$ 123.2	$ 123.2
Average interest rate	4.0%	— %	— %	— %	— %	— %	4.0%	— %

(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, 2019, and holding the variable rate debt balance constant, each 1% increase in interest rates would increase the interest incurred by us by approximately $1.2 million per year.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

TAYLOR MORRISON HOME CORPORATION

	Page Number
Report of Independent Registered Public Accounting Firm	62
Consolidated Balance Sheets	64
Consolidated Statements of Operations	65
Consolidated Statements of Comprehensive Income	66
Consolidated Statements of Stockholders' Equity	67
Consolidated Statements of Cash Flows	68
Notes to the Consolidated Financial Statements	69

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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, 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, 2019, 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 19, 2020, 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 Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved 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 matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Real Estate Inventory Valuation- Refer to Notes 2 and 5 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 factors were present during the period, that were not identified by management, 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.

Accrued Expenses and Other Liabilities—Warranty Reserve- Refer to Notes 2 and 8 to the financial statements

Critical Audit Matter Description

The Company offers a limited warranty to cover various defects in workmanship or materials, including structural defects. Construction defects may occur on projects and developments and could emerge many months or, in some cases, years after construction is complete. Defects arising on a community attributable to the Company may lead to significant liabilities. For the twelve months ended December 31, 2019, the Company recorded an incremental $43.1 million construction defect warranty charge for claims specific to one community in the Central region.

Given the subjectivity required by management in determining the potential exposure of the warranty claims specific to the community in the Central region, including potential costs associated with the claims and the likelihood of similar issues arising in other regions, the audit procedures performed to evaluate the reasonableness of the reserve required a high degree of auditor judgment.

How the Critical Audit Matter Was Addressed in the Audit

We tested the operating effectiveness of controls over management's review of the warranty liability calculation, including review controls over key inputs into the analysis. We also evaluated the reasonableness of management's estimate by testing management's process to determine the potential number of homes impacted and the related costs to remediate the issue in the Central region. To determine whether the factors identified by management as indicators of potential future claims are reasonable, we tested historical costs incurred and cost to complete estimates. We performed inquiries with management, including internal legal counsel, and with external legal counsel to determine whether all information available was included in the Company's analysis to determine the most reasonable and accurate warranty liability.

/s/ DELOITTE & TOUCHE LLP

Phoenix, Arizona
February 19, 2020

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

TAYLOR MORRISON HOME CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	December 31,	
	2019	**2018**
Assets		
Cash and cash equivalents	$ 326,437	$ 329,645
Restricted cash	2,135	2,214
Total cash, cash equivalents, and restricted cash	328,572	331,859
Real estate inventory:		
Owned inventory	3,967,359	3,965,306
Real estate not owned	19,185	15,259
Total real estate inventory	3,986,544	3,980,565
Land deposits	39,810	57,929
Mortgage loans held for sale	190,880	181,897
Derivative assets	2,099	1,838
Operating lease right of use assets	36,663	—
Prepaid expenses and other assets, net	85,515	98,225
Other receivables, net	70,447	86,587
Investments in unconsolidated entities	128,759	140,541
Deferred tax assets, net	140,466	145,076
Property and equipment, net	85,866	86,736
Intangible assets, net	637	1,072
Goodwill	149,428	152,116
Total assets	$5,245,686	$5,264,441
Liabilities		
Accounts payable	$ 164,580	$ 151,586
Accrued expenses and other liabilities	325,368	266,686
Operating lease liabilities	42,317	—
Income taxes payable	3,719	—
Customer deposits	167,328	165,432
Estimated development liabilities	36,705	37,147
Senior notes, net	1,635,008	1,653,746
Loans payable and other borrowings	182,531	225,497
Revolving credit facility borrowings	—	200,000
Mortgage warehouse borrowings	123,233	130,353
Liabilities attributable to real estate not owned	19,185	15,259
Total liabilities	2,699,974	2,845,706
COMMITMENTS AND CONTINGENCIES (Note 19)		
Stockholders' Equity		
Common stock, $0.00001 par value, 400,000,000 shares authorized, 125,794,719 and 124,519,942 shares issued, 105,851,285 and 112,965,856 shares outstanding as of December 31, 2019 and December 31, 2018, respectively	1	1
Additional paid-in capital	2,097,995	2,071,579
Treasury stock at cost, 19,943,432 and 11,554,084 shares as of December 31, 2019 and December 31, 2018, respectively	(343,524)	(186,087)
Retained earnings	782,350	527,698
Accumulated other comprehensive income	884	2,001
Total stockholders' equity attributable to Taylor Morrison Home Corporation	2,537,706	2,415,192
Non-controlling interests — joint ventures	8,006	3,543
Total stockholders' equity	2,545,712	2,418,735
Total liabilities and stockholders' equity	$5,245,686	$5,264,441

See accompanying Notes to the Consolidated Financial Statements

TAYLOR MORRISON HOME CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Year Ended December 31,		
	2019	2018	2017
Home closings revenue, net	$4,623,484	$4,115,216	$3,799,061
Land closings revenue	27,081	39,901	17,093
Financial services revenue	92,815	67,758	69,136
Amenity and other revenue	18,679	4,518	—
Total revenue	4,762,059	4,227,393	3,885,290
Cost of home closings	3,836,857	3,410,853	3,092,704
Cost of land closings	32,871	33,458	12,005
Financial services expenses	51,086	41,469	41,652
Amenity and other expenses	17,155	3,420	—
Total cost of revenues	3,937,969	3,489,200	3,146,361
Gross margin	824,090	738,193	738,929
Sales, commissions and other marketing costs	320,420	278,455	259,663
General and administrative expenses	169,851	138,488	130,777
Equity in income of unconsolidated entities	(9,509)	(13,332)	(8,846)
Interest income, net	(2,673)	(1,639)	(577)
Other expense, net	7,226	11,816	2,256
Transaction and corporate reorganization expenses	10,697	50,889	—
Loss on extinguishment of debt, net	5,806	—	—
Income before income taxes	322,272	273,516	355,656
Income tax provision	67,358	63,036	179,006
Net income before allocation to non-controlling interests	254,914	210,480	176,650
Net income attributable to non-controlling interests — joint ventures	(262)	(533)	(430)
Net income before allocation to non-controlling interests — Former Principal Equityholders	254,652	209,947	176,220
Net income attributable to non-controlling interests — Former Principal Equityholders	—	(3,583)	(85,000)
Net income available to Taylor Morrison Home Corporation	$ 254,652	$ 206,364	$ 91,220
Earnings per common share			
Basic	$ 2.38	$ 1.85	$ 1.47
Diluted	$ 2.35	$ 1.83	$ 1.47
Weighted average number of shares of common stock:			
Basic	106,997	111,743	62,061
Diluted	108,289	115,119	120,915

See accompanying Notes to the Consolidated Financial Statements

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

	Year Ended December 31,		
	2019	**2018**	**2017**
Income before non-controlling interests, net of tax	$254,914	$210,480	$176,650
Post-retirement benefits adjustments, net of tax	(1,117)	(81)	21
Comprehensive income	253,797	210,399	176,671
Comprehensive income attributable to non-controlling interests — joint ventures	(262)	(533)	(430)
Comprehensive income attributable to non-controlling interests — Former Principal Equityholders	—	(3,583)	(85,000)
Comprehensive income available to Taylor Morrison Home Corporation	$253,535	$206,283	$ 91,241

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				
	Class A		Class B									
	Shares	Amount	Shares	Amount	Amount	Shares	Amount	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Non-controlling Interest - Joint Venture	Non-controlling Interests	Total Stockholders' Equity
Balance — December 31, 2016	30,486,858	$—	88,942,052	$ 1	$ 384,709	2,853,433	$ (43,524)	$228,613	$(17,989)	$1,525	$1,606,867	$2,160,202
Net income	—	—	—	—	—	—	—	91,220	—	430	85,000	176,650
Other comprehensive (loss) income	—	—	—	—	—	—	—	—	21	—	—	21
Exchange of New TMM Units and corresponding number of Class B Common Stock	260,389	—	(260,389)	—	—	—	—	—	—	—	—	—
Cancellation of forfeited New TMM Units and corresponding number of Class B Common Stock	—	—	(2,047)	—	—	—	—	—	—	—	—	—
Exercise of stock options	288,808	—	—	—	5,235	—	—	—	—	—	—	5,235
Issuance of restricted stock units, net of shares withheld for tax	59,765	—	—	—	(307)	—	—	—	—	—	—	(307)
Repurchase of common stock	(195,824)	—	—	—	—	195,824	(4,098)	—	—	—	—	(4,098)
Exchange of (repurchase) of B shares from secondary offerings	51,500,000	1	—	—	946,430	—	—	—	—	—	—	946,431
Repurchase of New TMM Units from principal equityholders	—	—	(51,500,000)	(1)	—	—	—	—	—	—	(948,883)	(948,884)
Stock based compensation	—	—	—	—	5,806	—	—	—	—	—	5,781	11,587
Changes in non-controlling interest in consolidated joint ventures	—	—	—	—	—	—	—	—	—	(292)	—	(292)
Balance — December 31, 2017	82,399,996	1	37,179,616	—	1,341,873	3,049,257	(47,622)	319,833	(17,968)	1,663	748,765	2,346,545
Cumulative-effect adjustment to retained Earnings related to adoption of ASU No. 2014-09 (see Note 2)	—	—	—	—	—	—	—	1,501	—	—	—	1,501
Net income	—	—	—	—	—	—	—	206,364	—	533	3,583	210,480
Other comprehensive (loss) income	—	—	—	—	—	—	—	—	(81)	—	—	(81)
Exchange of New TMM Units and corresponding number of Class B Common Stock	20,487	—	(20,487)	—	1,293	—	—	—	—	—	(1,293)	—
TMHC repurchase and cancellation of New TMM Units and corresponding Class B Common Stock from Former Principal Equityholders	—	—	(7,588,771)	—	(201,775)	—	—	—	—	—	—	(201,775)
Exercise of stock options	118,992	—	—	—	1,887	—	—	—	—	—	—	1,887
Issuance of restricted stock units, net of shares withheld for tax	409,681	—	—	—	(1,572)	—	—	—	—	—	—	(1,572)
Exchange of B shares from public offerings	28,706,924	—	—	—	729,954	—	—	—	—	—	—	729,954
Repurchase of New TMM Units from Former Principal Equityholders	—	—	(28,706,924)	—	—	—	—	—	—	—	(730,964)	(730,964)
Issuance of Class A common stock in connection with business acquisition	8,951,169	—	—	—	158,704	—	—	—	—	—	—	158,704
Repurchase of common stock	(8,504,827)	—	—	—	—	8,504,827	(138,465)	—	—	—	—	(138,465)
Stock based compensation	—	—	—	—	20,703	—	—	—	—	—	421	21,124
Changes in non-controlling interest in consolidated joint ventures	—	—	—	—	—	—	—	—	—	1,347	—	1,347
Realized loss on foreign currency translation	—	—	—	—	—	—	—	—	20,050	—	—	20,050
Liquidation of Class B common stock in connection with holding company reorganization	863,434	—	(863,434)	—	20,512	—	—	—	—	—	(20,512)	—
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 income	—	—	—	—	—	—	—	—	(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	508,996	—	—	—	(1,585)	—	—	—	—	—	—	(1,585)
Repurchase of common stock	(8,389,348)	—	—	—	—	8,389,348	(157,437)	—	—	—	—	(157,437)
Stock based compensation	—	—	—	—	14,763	—	—	—	—	—	—	14,763
Distributions to 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

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,		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income before allocation to non-controlling interests	$ 254,914	$ 210,480	$ 176,650
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in income of unconsolidated entities	(9,509)	(13,332)	(8,846)
Stock compensation expense	14,763	21,124	11,587
Loss on extinguishment of debt	5,806	—	—
Distributions of earnings from unconsolidated entities	10,473	11,845	6,965
Depreciation and amortization	31,424	26,391	3,953
Lease expense	9,087	—	—
Debt issuance costs/premium amortization	1,173	2,369	3,819
Realized loss on foreign currency translation	—	20,050	—
Contingent consideration	—	146	736
Deferred income taxes	2,655	44,472	88,496
Inventory impairments	9,384	9,631	—
Chicago assets held for sale valuation adjustments	9,942	—	—
Changes in operating assets and liabilities:			
Real estate inventory and land deposits	990	(248,215)	41,723
Mortgages held for sale, prepaid expenses and other assets	(26,614)	(27,256)	67,186
Customer deposits	1,896	18,773	20,956
Accounts payable, estimated development liability, and accrued expenses and other liabilities	73,113	63,641	(20,989)
Income taxes payable	3,719	(4,525)	(6,003)
Net cash provided by operating activities	393,216	135,594	386,233
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(30,118)	(20,458)	(3,421)
Payments for business acquisitions, net of cash acquired	—	(192,886)	—
Distributions of capital from unconsolidated entities	23,584	57,002	4,083
Investments of capital into unconsolidated entities	(12,766)	(3,376)	(36,657)
Net cash used in investing activities	(19,300)	(159,718)	(35,995)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in loans payable and other borrowings	26,740	29,937	21,621
Repayments of loans payable and other borrowings	(30,383)	(25,319)	(16,511)
Borrowings on revolving credit facility	315,000	350,000	—
Payments on revolving credit facility	(515,000)	(150,000)	—
Borrowings on mortgage warehouse	1,145,799	863,109	838,172
Repayment on mortgage warehouse	(1,152,919)	(851,578)	(917,914)
Proceeds from the issuance of senior notes	950,000	—	—
Repayments on senior notes	(963,252)	—	—
Payment of deferred financing costs	(11,603)	—	—
Payment of contingent consideration	—	(265)	—
Repayment of convertible notes	—	(95,816)	—
Proceeds from stock option exercises	13,238	1,887	5,235
Proceeds from issuance of shares from public offerings	—	767,115	1,111,806
TMHC repurchase and cancellation of New TMM Units from Former Principal Equityholders	—	(201,775)	—
Repurchase of shares from Former Principal Equityholders	—	(768,125)	(1,114,259)
Repurchase of common stock, net	(157,439)	(138,465)	(4,098)
Payment of taxes related to net share settlement of equity awards	(1,585)	(1,572)	(307)
Contributions to (distributions to) non-controlling interests of consolidated joint ventures, net	4,201	1,347	(292)
Net cash used in financing activities	(377,203)	(219,520)	(76,547)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	$ (3,287)	$(243,644)	$ 273,691
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH — Beginning of period	331,859	575,503	301,812
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH — End of period	$ 328,572	$ 331,859	$ 575,503
SUPPLEMENTAL CASH FLOW INFORMATION:			
Income taxes paid, net	$ (20,129)	$ (63,484)	$ (96,525)
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Change in loans payable issued to sellers in connection with land purchase contracts	$ 94,186	$ 146,427	$ 66,685
Change in inventory not owned	$ 3,926	$ 12,732	$ (3,725)
Change in prepaid expenses and other assets, net due to adoption of ASU 2014-09	$ —	$ (32,004)	$ —
Change in property and equipment, net due to adoption of ASU 2014-09	$ —	$ 32,004	$ —
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	$ —	$ 158,704	$ —
Net non-cash distributions from unconsolidated entities	$ —	$ 29,510	$ —

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 (referred to herein as "TMHC," "we," "our," "the Company" and "us"), through its subsidiaries, owns and operates a residential homebuilding business and is a developer of lifestyle communities. As of December 31, 2019 we operated in Arizona, California, Colorado, Florida, Georgia, Illinois, North Carolina, South Carolina, and Texas. Our Company serves a wide array of consumer groups from coast to coast, including first time, move-up, luxury, and active adult. As of December 31, 2019, our homebuilding segments operate under our Taylor Morrison and Darling Homes brand names. 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. The communities in our homebuilding segments offer single and multi-family attached and detached homes. We are the general contractors for all real estate projects and retain subcontractors for home construction and land development. Our Financial Services segment provides financial services to customers through our wholly owned mortgage subsidiary, operating as Taylor Morrison Home Funding, LLC ("TMHF"), title services through our wholly owned title services subsidiary, Inspired Title Service, LLC ("Inspired Title"), and homeowner's insurance policies through our insurance agency, Taylor Morrison Insurance Services, LLC ("TMIS").

On October 2, 2018, we completed the acquisition of (the "AV Homes Acquisition") of AV Homes, Inc. ("AV Homes"), a homebuilder and land developer of residential communities in Florida, North and South Carolina, Arizona and Texas. As of December 31, 2019, all operations relating to AV Homes have been fully integrated in our business. Refer to Note 3—*Business Combinations* for additional detail regarding purchase consideration.

On November 5, 2019, we entered into an agreement to acquire William Lyon Homes, one of the nation's largest homebuilders in the Western United States. William Lyon Homes designs, constructs, markets and sells single-family detached and attached homes in California, Arizona, Nevada, Colorado, Washington, Oregon and Texas. On February 6, 2020, we completed the acquisition of William Lyon Homes. In connection with the acquisition of William Lyon Homes, we paid approximately $95.7 million in cash and issued approximately 31.2 million shares of our Common Stock in aggregate merger consideration. Refer to Footnote 21—Subsequent Events for additional discussion.

On July 31, 2019, we announced 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.

Organization of the Business — As a result of the completion of our initial public offering ("IPO") on April 12, 2013 and a series of transactions pursuant to a Reorganization Agreement dated as of April 9, 2013, TMHC was formed and became the owner and general partner of TMM Holdings II Limited Partnership ("New TMM"), a direct subsidiary. New TMM was formed by a consortium of investors (the "Former Principal Equityholders"). From January 2017 through January 2018, we completed seven public offerings for an aggregate of 80.2 million shares of our Common Stock, using all of the net proceeds therefrom to repurchase our Former Principal Equityholders' indirect interest in TMHC. As a result of the series of offerings and repurchases, the Former Principal Equityholders ownership decreased to zero, resulting in a fully floated public company by January 31, 2018.

In order to simplify our corporate structure, on October 26, 2018, Taylor Morrison Home II Corporation, a Delaware corporation formerly known as Taylor Morrison Home Corporation ("Original Taylor Morrison") completed a holding company reorganization (the "Reorganization"), which resulted in a new parent company ("New Taylor Morrison") owning all of the outstanding common stock of Original Taylor Morrison. New Taylor Morrison assumed the name Taylor Morrison Home Corporation and became the successor to Original Taylor Morrison.
In connection with the Reorganization and the Contribution Agreement among the Company, Original Taylor Morrison and the holders of Original Taylor Morrison's Class B common stock (the "Class B Common Stock") and paired TMM II Units party thereto (the "Paired Interest Holders"), following the consummation of the Reorganization, each Paired Interest Holder contributed its partnership units ("TMM II Units") of TMM Holdings II Limited Partnership, the

principal subsidiary of the Company and Original Taylor Morrison ("TMM II"), and paired shares of the Company's Class B Common Stock to the Company in exchange (the "Exchange"), on a one-for-one basis, for shares of the Company's Class A Common Stock (the "Class A Common Stock"). As a result of the Exchange, TMM II became an indirect wholly owned subsidiary of the Company. All of the Class B shares were cancelled following the Exchange. Therefore, the Company has only one class of common stock outstanding. Subsequently, the Class A Common Stock was renamed the Common Stock, as discussed further in *Note 13—Stockholders' Equity* below. References to "Common Stock" refer to "Class A Common Stock" for dates prior to June 10, 2019.

In addition, in connection with the Reorganization, all assets remaining in our Canadian subsidiary were contributed to a subsidiary in the United States ("Canada Unwind"). As a result, the previously unrecognized accumulated other comprehensive loss on foreign currency translation was recognized. In addition, we recognized non-resident Canadian withholding taxes. Excluding taxes, all costs associated with the corporate reorganization and Canada Unwind are presented as a component of transaction and corporate reorganization expenses on the Consolidated Statement of Operations for the year ended December 31, 2018. Transaction and corporate reorganization expenses also include costs directly related to the AV Homes Acqusition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation — The accompanying Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States ("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.

Non-controlling interests — During the first quarter of 2018, we completed multiple offerings of our Common Stock in registered public offerings and used all of the net proceeds from the public offerings to purchase partnership units in New TMM ("New TMM Units") along with shares of our former Class B Common Stock, held by our Former Principal Equityholders. Refer to *Note 13- Stockholders' Equity* for discussion regarding our equity offering transactions. In addition on October 26, 2018, in connection with our reorganization transactions, all Class B common shares were converted to Class A common shares and subsequently retired. The percentage of the Former Principal Equityholders net income is presented as "Net income attributable to non-controlling interests—Former Principal Equityholders" on the Consolidated Statements of Operations.

Joint Ventures — 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.

Business Combinations — Acquisitions are accounted for in accordance with ASC Topic 805-10, *"Business Combinations."* In connection with the AV Homes Acquisition. 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, including contingent consideration, were measured and recognized at fair value as of the date of the AV Homes Acquisition to reflect the purchase price paid, which resulted in goodwill. Refer to *Note 3—Business Combinations* for further information regarding the purchase price allocation and related acquisition accounting.

We incurred costs as a result of our completed and pending acquisitions. For the year ended December 31, 2019, we recognized an aggregate $10.7 million in fees relating to our acquisitions of William Lyon Homes and AV Homes which primarily consist of legal fees, compensation and other miscellaneous expenses. For the year ended December 31, 2018 we recognized $30.8 million of costs relating to our AV Homes Acquisition which primarily consist of expenses relating to investment banking fees, severance, compensation, and legal fees. Such charges have been recognized in transaction and corporate reorganization expenses on the Consolidated Statements of Operations.

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 borrowings. 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, the concentration of debt between any one customer or region is below 50% as of year ended December 31, 2019. No losses have been experienced to date.

In addition, the Company is exposed to credit risk to the extent that mortgage and loan borrowers may fail to meet their contractual obligations. This risk is mitigated by collateralizing the mortgaged property or land that was sold to the buyer, and entering into forward commitments to sell our mortgage receivables, 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, 2019, 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 year ended December 31, 2019 and 2018, restricted cash consisted of cash pledged to collateralize mortgage credit lines and cash held in escrow deposits.

Leases — We adopted Accounting Standards Update ("ASU") No. 2016-02—*Leases* (Topic 842), as amended, on January 1, 2019, using the modified retrospective approach. In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed us to carry forward the historical lease classification. We also elected the hindsight practical expedient to determine the lease term for existing leases.

Our leases primarily consist of office space, construction trailers, model 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.

Adoption of the new standard resulted in the recording on January 1, 2019, of an opening balance of Operating lease right of use assets and Operating lease liabilities of approximately $27.4 million and $30.3 million, respectively. The weighted average discount rate used in determining these operating lease liabilities was 5.795% and the weighted average remaining lease term as of December 31, 2019 was 6.0 years. For the year-ended December 31, 2019, payments on the lease liabilities were approximately $9.4 million. For the twelve months ended December 31, 2019, we recorded lease expense of approximately $9.1 million within General and administrative expenses on our Consolidated Statement of Operations.

The future minimum lease payments required under our leases as of December 31, 2019 are as follows (dollars in thousands):

Years Ending December 31,	Lease Payments
2020	$10,018
2021	8,868
2022	7,891
2023	7,323
2024	5,953
Thereafter	9,906
Total lease payments	$49,959
Less: Interest	$ 7,642
Present value of lease liabilities	$42,317

Real Estate Inventory — Inventory consists of raw land, land under development, land held for sale, homes under construction, completed homes, and model homes, 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, real estate taxes and overhead are allocated to homes and units using the relative sales value method. 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.

We periodically elect to sell parcels of land to third parties in the event such assets no longer fit into our strategic operating plans or are zoned for commercial or other development. 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 net realizable value adjustments for land held for sale within Cost of land closings on the Consolidated Statement of Operations.

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 delivered or when the related inventory is charged to cost of sales.

We assess the recoverability of our land inventory in accordance with the provisions of ASC Topic 360, "*Property, Plant, and Equipment*." We review our real estate inventory for indicators of impairment by community during each reporting period. If indicators of impairment are present for a community, generally, an undiscounted cash flow analysis is 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, 2019, we recorded $9.4 million of impairment charges in Cost of home closings on the Consolidated Statement of Operations, of which $2.5 million and $6.9 million relate to our East and Central reporting segments, respectively. For the year ended December 31, 2018, we recorded $9.6 million of impairment charges of which $8.5 million and $1.1 million relate to our East and West reporting segments, respectively. For the year ended December 31, 2017 no impairment charges were recorded. Impairment charges are recorded to Cost of home closings or Cost of land closings on the Consolidated Statement of Operations.

As of December 31, 2019, our assets in Chicago are 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 360—Property, Plant, and Equipment . 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, 2018 and 2017, we did not have material fair value adjustments relating to assets reclassified as held for sale. Refer to Note 21—*Subsequent Events* for additional discussion relating to the sale of our Chicago assets.

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 consolidated into Real estate not owned with a corresponding liability in *Liabilities attributable to real estate not owned* in the Consolidated Balance Sheets.

Land Deposits — We make deposits related to land options and land purchase contracts, which, when provided, are capitalized until the associated property is purchased. Non-refundable deposits are recorded as a 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 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 IRLC's 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:

	As of December 31,	
(Dollars in thousands)	**2019**	**2018**
Prepaid expenses	$48,674	$69,917
Other assets	32,812	28,308
Build-to-rent assets	4,029	—
Total prepaid expenses and other assets, net	$85,515	$98,225

Prepaid expenses consist primarily of sales commissions, sales presentation centers and model home costs, such as design fees and furniture, and the unamortized issuance costs for the prior Revolving Credit Facility. Prepaid sales commissions are recorded on pre-closing sales activities, which are recognized on the ultimate closing of the units to which they relate. The model home and sales presentation centers costs are paid in advance and amortized over the life of the project on a per-unit basis, or a maximum of three years. Other assets consist primarily of various operating and escrow deposits, pre-acquisition costs and other deferred costs. Build-to-rent assets consist primarily of land and development costs relating to our 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, 2019 and 2018 were immaterial.

Investments in Consolidated and Unconsolidated Entities

Consolidated Joint Ventures and Option Agreements — In the ordinary course of business, we participate in strategic land development and homebuilding joint ventures with 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. Some of these ventures develop land for the sole use of the venture participants and others develop land for sale to the joint venture participants and to unrelated builders. We review each joint venture partnership agreement to determine whether it is variable interest entity ("VIE") in accordance with ASC Topic 810, *"Consolidation."* For each VIE, we assess whether we are the primary beneficiary by first determining if we have the ability to control the activities of the VIE that most significantly affect its economic performance. Such activities include, but are not limited to, the ability to determine the budget and scope of land development work, if any; the ability to control financing decisions for the VIE; the ability to acquire additional land into the VIE or dispose of land in the VIE not under contract with us; and the ability to change or amend the existing option contract with the VIE. If we are not able to control such activities, we are not considered the primary beneficiary of the VIE. If we do have the ability to control such activities, we continue our analysis to determine if we are expected to absorb a potentially significant amount of the VIE's losses or, if no party absorbs the majority of such losses, if we will potentially benefit from a significant amount of the VIE's expected returns. For these entities in which we are expected to absorb the losses or benefits, we consolidate the results in the accompanying Consolidated Financial Statements.

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 they have substantive participating rights that preclude the presumption of control. For joint ventures accounted for using the equity method, 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. 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 third party. 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 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 the Company believes that the decline in the fair value of the investment is temporary, then no impairment is recorded. We did not record any impairment charges related to investments in unconsolidated entities for the years ended December 31, 2019, 2018 or 2017.

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. As a result of the Tax Cuts and Jobs Act ("Tax Act") enacted on December 22, 2017, we recorded a material charge to our income tax provision in the period ending December 31, 2017. See Note 12—*Income Taxes* for additional details.

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 $4.8 million, $4.0 million, and $2.8 million, respectively, for the years ended December 31, 2019, 2018, and 2017 . Depreciation expense is recorded in general and administrative expenses in the accompanying Consolidated Statements of Operations.

Intangible Assets, net — Intangible assets consist of tradenames, fair market value of leases, and non-compete covenants. We sell our homes under the Taylor Morrison and Darling Homes trade names. The fair value of acquired intangible assets was determined using the income approach, and are amortized on a straight line basis from three to ten years.

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. There was no impairment of goodwill for the years ended December 31, 2019, 2018, and 2017.

For the year ended December 31, 2019, there were no additions to goodwill, however during 2019 we finalized our valuation of the assets and liabilities acquired from the AV Homes Acquisition during the measurement period, which resulted in an immaterial decrease to the preliminary goodwill recorded.

Insurance Costs, Self-Insurance Reserves and Warranty Reserves — We have certain deductible limits for each of our different 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 $50 million per occurrence, 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 coverage. 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 warranties on homes that generally provide a limited warranty to cover various defects in workmanship or materials, including 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 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 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.

Our reserves 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. Reserves are recorded in accrued expenses and other liabilities on our Consolidated Balance Sheets.

Non-controlling Interests — Former Principal Equityholders — Immediately prior to our IPO, as part of the Reorganization, the existing holders of limited partnership interests of TMM Holdings exchanged their limited partnership interests for limited partnership interests of New TMM ("New TMM Units"). For each New TMM Unit received in the exchange, the holders of New TMM Units also received a corresponding number of shares of our former Class B Common Stock. Our former Class B Common Stock had voting rights but no economic rights. One share of Class B Common Stock, together with one New TMM Unit, was exchangeable into one share of our Common Stock in accordance with the terms of the Exchange Agreement, dated as of April 9, 2013, among the Company, New TMM and the holders of Class B Common Stock and New TMM Units.

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 on a straight-line basis.

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 2% of eligible compensation, and 50% for each dollar contributed between 2% and 6% of eligible compensation. We contributed $10.7 million, $9.3 million, and $7.8 million to the 401(k) Plan for the twelve months ended December 31, 2019, 2018, and 2017, respectively.

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 trade date.

Revenue Recognition

Topic 606

In January 2018, we adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09" or "Topic 606"), which provides new guidance for revenue recognition and elected to use the modified retrospective approach to account for prior periods. 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) we identify the contract(s) with our customer; (2) we identify the performance obligations in the contract; (3) we determine the transaction price; (4) we allocate the transaction price to the performance obligations in the contract; and (5) we 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 (or develop and deliver land). 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

As a result of the AV Homes Acquisition, we own and operate certain amenities pursuant to recorded mandatory club plans, which require us to provide members with access to amenity facilities in exchange for the payment of club dues. We collect club dues and other fees from our members, which are billed on a monthly basis. Revenue from our golf club operations is also included in amenity revenue.

Financial services revenue

Mortgage operations and hedging activity related to financial services are not within the scope of Topic 606 and therefore there was no change to our accounting policies related to such activities. Loan origination fees (including title fees, points, and closing costs) 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 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 year ended December 31, 2019, advertising costs were $32.0 million and are included in general and administrative expenses. For the years ended December 31, 2018 and 2017, advertising costs were $30.7 million and $30.9 million, respectively.

Recently Issued Accounting Pronouncements — In December 2019, the Financial Accounting Standards Board ("FASB") issued ASU No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes" ("ASU 2019-12"), 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. ASU 2019-12 is effective for us in our fiscal year beginning January 1, 2021. We are currently evaluating the impact of the adoption of ASU 2019-12 on our consolidated financial statements and disclosures.

In June 2016, the Financial Accounting Standards Board issued ASU No. 2016-13, "*Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*" ("ASU 2016-13"). ASU 2016-13 replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to estimate credit losses. ASU 2016-13 will be effective for us beginning January 1, 2020. We do not believe the adoption of the ASU 2016-13 will have a material impact on our consolidated financial statements and disclosures.

3. BUSINESS COMBINATIONS

On February 6, 2020, we completed the acquisition of William Lyon Homes. Refer to Note 21- *Subsequent Events* for additional discussion.

On October 2, 2018, we completed the AV Homes Acquisition. Total purchase consideration of the AV Homes Acquisition was $534.9 million, consisting of three components: (i) cash equal to $280.4 million, (ii) the assumption of convertible notes with a face value of $80.0 million which were converted for $95.8 million in cash, and (iii) the issuance of approximately 8.95 million shares of Common Stock.

In accordance with ASC Topic 805, Business Combinations, all material assets acquired and liabilities assumed from the AV Homes Acquisition on October 2, 2018 were measured and recognized at fair value as of the date of the AV Homes Acquisition to reflect the purchase price paid.

We determined the estimated fair value of real estate inventory primarily using the sales comparison and income approaches. To a certain extent, certain inventory was valued using third party appraisals and/or market comparisons. The sales comparison approach was used for all inventory in process. The income approach derives a value using a discounted cash flow for income-producing real property. This approach was used exclusively for finished lots. These estimated cash flows and ultimate valuation are significantly affected by the discount rate, estimates related to expected average selling prices and sales incentives, expected sales paces and cancellation rates, expected land development and construction timelines, and anticipated land development, construction, overhead costs and may vary significantly between communities.

During the measurement period, we finalized the allocation of the purchase price with immaterial changes to the preliminary amounts previously disclosed. The following is a summary of the final fair value of assets acquired and liabilities assumed.

(Dollars in thousands)	**AV Homes**
Acquisition Date	*October 2, 2018*
Assets acquired	
Real estate inventory	$ 782,424
Prepaid expenses and other assets[1]	107,004
Deferred tax assets, net	69,456
Property and equipment	50,996
Goodwill[2]	83,230
Total assets	$1,093,110
Less liabilities assumed	
Accrued expenses and other liabilities	$ 94,308
Customer deposits	14,130
Estimated development liability[3]	37,230
Senior notes, net	412,520
Net assets acquired	$ 534,922

(1) Includes cash acquired.

(2) Goodwill is not deductible for tax purposes. We allocated $43.3 million of goodwill to the East homebuilding segment, $30.0 million to the Central homebuilding segment, and $9.9 million to the West homebuilding segment.

(3) See *Note 9—Estimated Development Liability.*

Unaudited Pro Forma Results of Business Combinations

The following unaudited pro forma information for the years presented include the results of operations of the AV Homes Acquisition as if it had been completed on January 1, 2017. 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 AV Homes for the periods presented.

The unaudited pro forma results for the years presented include adjustments to move transaction costs to January 2017. In addition, the unaudited pro forma results do not give effect to any synergies, operating efficiencies, other costs savings that may result from the AV Homes Acquisition, or other significant non-reoccurring expenses or transactions that do not have a continuing impact. Earnings per share utilizes net income 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.

	As Adjusted for the Year Ended December 31,	
(Dollars in thousands except per share data)	2018	2017
Pro forma total revenues	$4,780,138	$4,728,543
Pro forma net income	$ 231,270	$ 134,694
Pro forma net income attributable to non-controlling interests—joint ventures	(533)	(430)
Pro forma net income attributable to non-controlling interest—Former Principal Equityholders	(3,713)	(60,642)
Pro forma net income available to TMHC—Basic	$ 227,024	$ 73,622
Pro forma net income attributable to non-controlling interest—Former Principal Equityholders	3,713	60,642
Pro forma loss fully attributable to public holding company	540	6,681
Pro forma net income—Diluted	$ 231,277	$ 140,945
Pro forma weighted average shares—Basic	118,593	70,285
Pro forma weighted average shares—Diluted	121,969	129,139
Pro forma earnings per share—Basic	$ 1.91	$ 1.05
Pro forma earnings per share—Diluted	$ 1.90	$ 1.05

For the year ended December 31, 2018, total revenue on the Consolidated Statement of Operations included $234.3 million of revenues and earnings before income taxes included $7.7 million of pre-tax earnings from AV Homes since the date of acquisition.

4. 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 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, 2019	2018	2017
Numerator:			
Net income available to TMHC — basic[1]	$254,652	$206,364	$ 91,220
Net income attributable to non-controlling interest—Former Principal Equityholders	—	3,583	85,000
Loss fully attributable to public holding company	—	540	6,681
Net income — diluted	$254,652	$210,487	$182,901
Denominator:			
Weighted average shares — basic	106,997	111,743	62,061
Weighted average shares — non-controlling interest [2]	—	1,935	57,556
Restricted stock units	983	1,117	950
Stock options	309	324	348
Weighted average shares — diluted	108,289	115,119	120,915
Earnings per common share — basic:			
Net income available to Taylor Morrison Home Corporation	$ 2.38	$ 1.85	$ 1.47
Earnings per common share — diluted:			
Net income available to Taylor Morrison Home Corporation	$ 2.35	$ 1.83	$ 1.47

(1) 2019 and 2018 amounts include impacts of significant and unusual transactions. For the year ended December 31, 2019 we recorded $10.7 million of transaction and corporate reorganization expenses relating to costs associated with our acquisitions, $5.8 million of loss on extinguishment of debt, net and an aggregate of $72.1 million of costs related to our Chicago operations write off, warranty, impairment, and other legal costs associated with such unusual transactions. For the year ended December 31, 2018 we recorded $50.9 million of transaction and corporate reorganization expenses which consisted of $30.8 million acquisition related costs and $20.1 million of costs relating to our Canada Unwind. In addition we recorded an aggregate of $50.1 million of costs related to impacts of warranty, impairment, and other legal costs associated with such unusual transactions for the year ended December 31, 2018. 2017 amounts include impacts of the Tax Act, which was an aggregate $61.0 million expense.

(2) Shares of the former Class B Common Stock had voting rights but did not have economic rights or rights to dividends or distribution on liquidation and therefore were not participating securities. Accordingly, Class B Common Stock is not included in basic earnings per share. In connection with our corporate reorganization (refer to *Note 1—Business*), on October 26, 2018, all remaining outstanding shares of Class B Common Stock, together with their corresponding New TMM Units, were exchanged for Common Stock. All outstanding shares of Class B Common Stock were retired following the exchange.

We excluded a total weighted average of 2,394,703, 2,232,647, and 1,655,017 anti-dilutive stock options and unvested restricted stock units ("RSUs") from the calculations of diluted earnings per share for the years ended December 31, 2019, 2018, and 2017, respectively.

5. REAL ESTATE INVENTORY AND LAND DEPOSITS

Inventory consists of the following:

(Dollars in thousands)	As of December 31, 2019	2018
Real estate developed or under development	$2,805,506	$2,833,875
Real estate held for development or held for sale [1]	146,471	61,415
Operating communities [2]	899,789	973,985
Capitalized interest	115,593	96,031
Total owned inventory	3,967,359	3,965,306
Real estate not owned under option contracts	19,185	15,259
Total real estate inventory	$3,986,544	$3,980,565

[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. As of December 31, 2019, all inventory relating to our Chicago operations are deemed held for sale and are included in owned inventory on the Consolidated Balance Sheet.

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

The development status of our land inventory is as follows:

(Dollars in thousands)	As of December 31,			
	2019		2018	
	Owned Lots	Book Value of Land and Development	Owned Lots	Book Value of Land and Development
Raw	13,804	$ 477,997	9,653	$ 461,387
Partially developed	13,298	914,689	12,036	756,376
Finished	15,504	1,559,291	21,975	1,677,527
Total	42,606	$2,951,977	43,664	$2,895,290

Land Deposits — As of December 31, 2019 and 2018, we had the right to purchase approximately 4,263 and 4,781 lots under land option purchase contracts, respectively, which represents an aggregate purchase price of $289.7 million and $393.8 million as of December 31, 2019 and 2018, respectively. We do not have title to these properties, and the creditors generally have no recourse against the Company. As of December 31, 2019 and 2018, our exposure to loss related to our option contracts with third parties and unconsolidated entities consisted of non-refundable option deposits totaling $39.8 million and $57.9 million, respectively.

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

(Dollars in thousands)	Year Ended December 31,		
	2019	2018	2017
Interest capitalized — beginning of period	$ 96,031	$ 90,496	$102,642
Interest incurred	113,301	87,957	82,713
Interest amortized to cost of home closings	(93,739)	(82,422)	(94,859)
Interest capitalized — end of period	$115,593	$ 96,031	$ 90,496

6. INVESTMENTS IN UNCONSOLIDATED ENTITIES

We participate in a number of joint ventures with related and unrelated third parties, with ownership interests up to 50%. These entities are generally involved in real estate development, homebuilding and/or mortgage lending activities.

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

(Dollars in thousands)	As of December 31,	
	2019	2018
Assets:		
Real estate inventory	$367,225	$508,795
Other assets	132,812	125,436
Total assets	$500,037	$634,231
Liabilities and owners' equity:		
Debt	$178,686	$176,564
Other liabilities	20,490	16,061
Total liabilities	$199,176	$192,625
Owners' equity:		
TMHC	128,759	140,541
Others	172,102	301,075
Total owners' equity	300,861	441,616
Total liabilities and owners' equity	$500,037	$634,241

(Dollars in thousands)	Year Ended December 31,		
	2019	2018	2017
Revenues	$ 277,263	$ 381,274	$ 330,099
Costs and expenses	(242,044)	(328,565)	(296,838)
Income of unconsolidated entities	$ 35,219	$ 52,709	$ 33,261
TMHC's share in income of unconsolidated entities	$ 9,509	$ 13,332	$ 8,846
Distributions from unconsolidated entities	$ 34,057	$ 68,847	$ 11,048

7. INTANGIBLE ASSETS

At December 31, 2019, the gross carrying amount and accumulated amortization of intangible assets was $14.0 million and $13.4 million, respectively. At December 31, 2018, the gross carrying amount and accumulated amortization was $14.0 million and $12.9 million, respectively.

Amortization of intangible assets is recorded on a straight-line basis over the life of the asset. Amortization expense is recorded in General and administrative expenses on the Consolidated Statement of Operations. During the years ended December 31, 2019, 2018, and 2017 amortization expense was $0.5 million, $1.0 million, and $1.1 million for each year, respectively.

8. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

(Dollars in thousands)	As of December 31,	
	2019	2018
Real estate development costs to complete	$ 20,598	$ 16,591
Compensation and employee benefits	95,585	73,955
Self-insurance and warranty reserves	120,048	93,790
Interest payable	23,178	21,385
Property and sales taxes payable	12,537	14,861
Other accruals	53,422	46,104
Total accrued expenses and other liabilities	$325,368	$266,686

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

(Dollars in thousands)	Year Ended December 31, 2019	2018	2017
Reserve — beginning of period	$ 93,790	$ 51,010	$ 50,550
Additions to reserves	44,093	51,674	27,561
Costs and claims incurred	(67,554)	(42,433)	(25,698)
Change in estimates to pre-existing reserves [1]	49,719	33,539	(1,403)
Reserve — end of period	$120,048	$ 93,790	$ 51,010

[1] Changes in estimates to pre-existing reserves for the years ended December 31, 2019 and 2018 include a $43.1 million and $39.3 million, respectively, charge for construction defect remediation isolated to one specific community in the Central region. These reserves at December 31, 2019 and 2018 are $36.3 million and $27.6 million, respectively. 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.

9. ESTIMATED DEVELOPMENT LIABILITIES

The estimated development liabilities consist primarily of estimated future utilities improvements in Poinciana, Florida and Rio Rico, Arizona for more than 8,000 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, 2019 and 2018, 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.

10. DEBT

Total debt consists of the following:

	As of December 31,					
	2019			2018		
(Dollars in thousands)	Principal	Unamortized Debt Issuance Costs	Carrying Value	Principal	Unamortized Debt Issuance (Costs) / Premium	Carrying Value
5.25% Senior Notes due 2021	—	—	—	550,000	(2,695)	547,305
6.625% Senior Notes due 2022	—	—	—	400,000	11,656	411,656
5.875% Senior Notes due 2023	350,000	(1,867)	348,133	350,000	(2,434)	347,566
5.625% Senior Notes due 2024	350,000	(2,244)	347,756	350,000	(2,781)	347,219
5.875% Senior Notes due 2027	500,000	(5,808)	494,192	—	—	—
5.75% Senior Notes due 2028	$ 450,000	(5,073)	444,927	—	—	—
Senior Notes subtotal	1,650,000	(14,992)	1,635,008	1,650,000	3,746	1,653,746
Loans payable and other borrowings	182,531	—	182,531	225,497	—	225,497
Revolving Credit Facility	—	—	—	—	—	—
364-Day Credit Agreement	—	—	—	200,000	—	200,000
Mortgage warehouse borrowings	123,233	—	123,233	130,353	—	130,353
Total debt	$1,955,764	$(14,992)	$1,940,772	$2,205,850	$ 3,746	$2,209,596

2021 Senior Notes

Our 5.25% Senior Notes due 2021 (the "2021 Senior Notes") were redeemed in full on June 20, 2019 using the net proceeds from the issuance of the 2027 Senior Notes (as defined below), together with cash on hand. As a result of the redemption of the 2021 Senior Notes, we recorded a loss on extinguishment of debt, net of $2.2 million, which included the write-off of net unamortized deferred financing fees. See "2027 Senior Notes and Redemption of 2021 Senior Notes" below for additional information regarding the redemption of the 2021 Senior Notes.

2022 Senior Notes

Our 6.625% Senior Notes due 2022 (the "2022 Senior Notes") were redeemed in full on August 19, 2019 using the net proceeds from the issuance of the 2028 Senior Notes (as defined below). As a result of the redemption of the 2022 Senior Notes, we recorded a loss on extinguishment of debt, net of $3.6 million, inclusive of a prepayment premium of approximately $13.2 million, offset by the write-off of approximately $9.6 million in unamortized debt premium. See "2028 Senior Notes and Redemption of 2022 Senior Notes" below for additional information regarding the redemption of the 2022 Senior Notes.

2023 Senior Notes

On April 16, 2015, we issued $350.0 million aggregate principal amount of 5.875% Senior Notes due 2023 (the "2023 Senior Notes").

The 2023 Senior Notes mature on April 15, 2023. The 2023 Senior Notes are issued by Taylor Morrison Communities, Inc. and guaranteed by Taylor Morrison Home III Corporation, Taylor Morrison Holdings, Inc. and their homebuilding subsidiaries (collectively, the "Guarantors"). The 2023 Senior Notes and the related guarantees are senior unsecured obligations and are not subject to registration rights. The indenture governing the 2023 Senior Notes contains covenants that limit our ability to incur debt secured by liens and enter into certain sale and leaseback transactions. The indenture governing the 2023 Senior Notes contains customary events of default that are similar to those contained in the indentures governing our other Senior Notes. We are required to offer to repurchase the 2023 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 downgrade that occurs in connection with the change of control.

Prior to January 15, 2023, the 2023 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 Senior Notes are redeemable at par (plus accrued and unpaid interest).
There are no financial maintenance covenants for the 2023 Senior Notes.

2024 Senior Notes

On March 5, 2014, we issued $350.0 million aggregate principal amount of 5.625% Senior Notes due 2024 (the "2024 Senior Notes").

The 2024 Senior Notes mature on March 1, 2024. The 2024 Senior Notes are issued by Taylor Morrison Communities, Inc. and guaranteed by the same Guarantors that guarantee our other outstanding Senior Notes. The 2024 Senior Notes and the related guarantees are senior unsecured obligations and are not subject to registration rights. The indenture governing the 2024 Senior Notes contains covenants that limit our ability to incur debt secured by liens and enter into certain sale and leaseback transactions similar to the other Senior Notes. The indenture governing the 2024 Senior Notes contains customary events of default that are similar to those contained in the indentures governing our other Senior Notes. 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).

There are no financial maintenance covenants for the 2024 Senior Notes.

2027 Senior Notes and Redemption of 2021 Senior Notes

On June 5, 2019, we issued $500.0 million aggregate principal amount of 5.875% Senior Notes due 2027 (the "2027 Senior Notes"). The net proceeds of the offering, together with cash on hand, were used to redeem the entire remaining $550.0 million aggregate principal amount of the 2021 Senior Notes on June 20, 2019, at a redemption price of 100% of their aggregate principal amount, plus accrued and unpaid interest thereon through, but not including, the date of redemption.

The 2027 Senior Notes mature on June 15, 2027. The 2027 Senior Notes are issued by Taylor Morrison Communities, Inc. and guaranteed by the same Guarantors that guarantee our other Senior Notes. The 2027 Senior Notes and the related guarantees are senior unsecured obligations and are not subject to registration rights. The indenture governing the 2027 Senior Notes contains covenants that limit our ability to incur debt secured by liens and enter into certain sale and leaseback transactions similar to our other Senior Notes. The indenture governing the 2027 Senior Notes contains customary events of default that are similar to those contained in the indentures governing our other Senior Notes. The change of control provisions in the indenture governing the 2027 Senior Notes are similar to those contained in the indentures governing our other Senior Notes.

Prior to March 15, 2027, the 2027 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 Senior Notes are redeemable at par (plus accrued and unpaid interest).

There are no financial maintenance covenants for the 2027 Senior Notes.

2028 Senior Notes and Redemption of 2022 Senior Notes

On August 1, 2019, we issued $450.0 million aggregate principal amount of 5.75% Senior Notes due 2028 (the "2028 Senior Notes"). The net proceeds of the offering were used to redeem the entire remaining $400.0 million aggregate principal amount of the 2022 Senior Notes on August 19, 2019, at the redemption price of 103.313% of their aggregate principal amount, plus accrued and unpaid interest thereon through, but not including, the date of redemption.
The 2028 Senior Notes mature on January 15, 2028. The 2028 Senior Notes are issued by Taylor Morrison Communities, Inc. and guaranteed by the same Guarantors that guarantee our other Senior Notes. The 2028 Senior Notes and the related guarantees are senior unsecured obligations and are not subject to registration rights. The indenture governing the 2028 Senior Notes contains covenants that limit our ability to incur debt secured by liens and enter into certain sale and leaseback transactions similar to our other Senior Notes. The indenture governing the 2028 Senior Notes contains customary events of default that are similar to those contained in the indentures governing 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).

There are no financial maintenance covenants for the 2028 Senior Notes.

Revolving Credit Facility

On February 6, 2020 we terminated our $600.0 million Revolving Credit Facility, writing off $1.7 million of debt issuance costs and entered into an $800.0 million Revolving Credit Facility with a maturity date of February 6, 2024. Refer to Note 21- *Subsequent Events* for additional discussion.

Our prior $600.0 million Revolving Credit Facility included $1.8 million and $2.7 million of unamortized debt issuance costs as of December 31, 2019 and December 31, 2018, respectively, which are included in prepaid expenses and other assets, net on the consolidated balance sheets. As of December 31, 2019 and December 31, 2018, we had $77.7 million and $62.3 million, respectively, of utilized letters of credit, resulting in $522.3 million and $537.7 million, respectively, of availability under the Revolving Credit Facility.

The prior Revolving Credit Facility contained, and our new 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 $1.9 billion. The financial covenants would be in effect for any fiscal quarter during which any (a) loans under the 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 Revolving Credit Facility in an aggregate amount greater than $40.0 million or unreimbursed letters of credit issued under the Revolving Credit Facility are outstanding on the last day of such fiscal quarter or for more than five consecutive days during such fiscal quarter.

The prior Revolving Credit Facility contained, and our new 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 prior Revolving Credit Facility contained, and our new 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, 2019 and 2018, we were in compliance with all of the covenants under the prior Revolving Credit Facility.

364-Day Credit Agreement

On October 2, 2018, we entered into a 364-Day Credit Agreement in respect of a term loan facility under which we borrowed an aggregate principal amount of $200.0 million, to facilitate the AV Homes Acquisition. The 364-Day Credit Agreement matured on October 1, 2019. Utilizing funds borrowed from our prior Revolving Credit Facility and cash on hand, we repaid a total amount, including interest, of $200.5 million.

Mortgage Warehouse Borrowings

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

(Dollars in thousands)

	December 31, 2019				
Facility	Amount Drawn	Facility Amount	Interest Rate	Expiration Date	Collateral [1]
Warehouse A	$ 25,074	$ 45,000	LIBOR + 1.75%	On Demand	Mortgage Loans
Warehouse B	$ 38,481	$ 85,000	LIBOR + 1.75%	On Demand	Mortgage Loans
Warehouse C	$ 59,678	$100,000	LIBOR + 1.70%	On Demand	Mortgage Loans and Restricted Cash
Total	$123,233	$230,000			

	December 31, 2018				
Facility	Amount Drawn	Facility Amount	Interest Rate	Expiration Date	Collateral [1]
Warehouse A	$ 29,484	$ 45,000	LIBOR + 1.75%	On Demand	Mortgage Loans
Warehouse B	38,164	85,000	LIBOR + 1.75%	On Demand	Mortgage Loans
Warehouse C	62,705	100,000	LIBOR + 1.95%	On Demand	Mortgage Loans and Restricted Cash
Total	$130,353	$230,000			

[1] The mortgage warehouse borrowings outstanding as of December 31, 2019 and 2018, are collateralized by $190.9 million and $181.9 million, respectively, of mortgage loans held for sale, which comprise the balance of mortgage receivables, and $1.6 million, of cash for both periods, which is restricted cash on our balance sheet.

Loans Payable and Other Borrowings

Loans payable and other borrowings as of December 31, 2019 and 2018 consist of project-level debt due to various land sellers and seller financing notes from current and prior year acquisitions. Project-level debt is generally secured by the land that was acquired and the principal payments generally coincide with corresponding project lot sales or a principal reduction schedule. Loans payable bear interest at rates that ranged from 0% to 8% at December 31, 2019 and 2018.

Future Minimum Principal Payments on Total Debt

Principal maturities of total debt for the year ended December 31, 2019 are as follows (in thousands):

(Dollars in thousands)	Year Ended December 31,
2020	$ 182,870
2021	55,275
2022	11,763
2023	374,477
2024	381,379
Thereafter	950,000
Total debt	$1,955,764

11. 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 includes interest rate lock commitments ("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, the borrowings under our prior Revolving Credit Facility and our 364-Day Credit Agreement 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. 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, 2019, when compared to December 31, 2018.

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

(Dollars in thousands)	Level in Fair Value Hierarchy	As of December 31, 2019		As of December 31, 2018	
		Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Description:					
Mortgage loans held for sale	2	$190,880	$190,880	$181,897	$181,897
Derivative assets, net	2	1,932	1,932	1,099	1,099
Mortgage borrowings	2	123,233	123,233	130,353	130,353
Loans payable and other borrowings	2	182,531	182,531	225,497	225,497
5.25% Senior Notes due 2021 [(1)]	2	—	—	547,304	544,500
6.625% Senior Notes due 2022[(1)]	2	—	—	411,656	400,520
5.875% Senior Notes due 2023 [(1)]	2	348,133	378,669	347,566	337,750
5.625% Senior Notes due 2024 [(1)]	2	347,756	379,453	347,219	332,500
5.875% Senior Notes due 2027 [(1)]	2	494,192	548,870	—	—
5.75% Senior Notes due 2028 [(1)]	2	444,927	491,913	—	—
Revolving Credit Facility [(2)]	2	—	—	—	—
364-Day Credit Agreement[(3)]	2	—	—	200,000	200,000

(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.

(2) At December 31, 2019 and 2018, we had no borrowings outstanding on our prior Revolving Credit Facility.

(3) 364-Day Credit Agreement was entered into on October 2, 2018 to facilitate the Acquisition and paid off on the maturity date of October 1, 2019.

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)		For the Year Ended December 31,	
Description:	Level in Fair Value Hierarchy	2019	2018
Inventories	3	$16,509	$5,545

As of December 31, 2019, the fair value of our Chicago assets held for sale and active inventories are $25.1 million, which is excluded from the value in the table presented above.

12. INCOME TAXES

The provision for income taxes for the years ended December 31, 2019, 2018 and 2017 consisted of the following:

(Dollars in thousands)	Year Ended December 31, 2019	2018	2017
Domestic	$67,358	$ 37,731	$173,541
Foreign	—	25,305	5,465
Total income tax provision	$67,358	$ 63,036	$179,006
Current:			
Federal	$54,372	$(10,568)	$ 73,974
State	9,839	4,104	9,379
Foreign	—	25,482	7,169
Current tax provision	$64,211	$ 19,018	$ 90,522
Deferred:			
Federal	$ (1,811)	$ 40,037	$ 95,243
State	4,958	4,158	(5,055)
Foreign	—	(177)	(1,704)
Deferred tax provision	$ 3,147	$ 44,018	$ 88,484
Total income tax provision	$67,358	$ 63,036	$179,006

The components of income before income taxes are as follows:

(Dollars in thousands)	Year Ended December 31, 2019	2018	2017
Domestic	$322,272	$271,017	$323,359
Foreign	—	2,499	32,297
Income before income taxes	$322,272	$273,516	$355,656

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:

	Year Ended December 31, 2019	2018	2017
Tax at federal statutory rate	21.0%	21.0%	35.0%
State income taxes (net of federal benefit)	3.9	4.4	3.2
Foreign income taxed at a different rate	—	0.5	(0.8)
Domestic manufacturing deduction	—	—	(2.1)
Uncertain tax positions	(0.2)	(2.9)	1.1
State net operating loss adjustment	—	—	(2.1)
Deferred tax adjustments	0.2	—	(1.1)
Energy tax credits	(4.6)	(1.7)	(0.9)
Subpart F dividend	—	1.7	—
Corporate reorganization/Canada unwind	—	9.3	—
Foreign tax credit	—	(2.4)	—
Disallowed compensation expense	0.3	(0.1)	0.2
Tax reform	—	(6.9)	17.1
Other	0.3	0.1	0.7
Effective Rate	**20.9%**	**23.0%**	**50.3%**

The effective tax rate for the year ended December 31, 2019 was favorably impacted by legislation enacted during the fourth quarter which reinstated an income tax credit under Section 45L of the Internal Revenue Code for building energy

efficient homes. The credit, which had expired for homes built through the end 2017, allows for energy credits retroactively to home closings from 2018 and forward through 2020. Our effective tax rate for the year ended December 31, 2019 includes our provisional estimate of the energy credits we expect to obtain related to homes closed during 2018 and 2019.

The effective tax rate for the year ended December 31, 2018 included the tax impact from our holding company reorganization which we implemented on October 26, 2018 in order to simplify our capital and tax structure and increase our operational flexibility. As part of the reorganization, we paid a liquidating distribution from our Canadian subsidiary, which caused the imposition of Canadian withholding taxes. The tax impact of the reorganization shown in the rate reconciliation above was partially offset by the utilization of foreign tax credits in the United States. In addition, the reorganization triggered a capital loss carryforward which is not expected to be realized. The impact of the Canadian withholding tax, capital loss carryforward and offsetting valuation allowance are reported on the Corporate reorganization/Canada unwind line in the rate reconciliation above.

The effective tax rate for the years ended December 31, 2018 and 2017 includes the impact from the Tax Act which made comprehensive reforms to the United States tax code including a decrease to the corporate statutory tax rate from 35% to 21%, and a one-time mandatory deemed repatriation tax of foreign earnings at a reduced rate that may be payable over eight years. The impact of the Tax Act is reported on the Tax Reform line in the rate reconciliation above and includes the impacts from the write-down of our deferred tax assets to reflect the newly enacted U.S. federal tax rate and the deemed repatriation of foreign earnings related to the sale of our Canadian business in 2015. The impact to the effective tax rate for these items consisted of our provisional estimates of the impact for the year ending December 31, 2017 and our final accounting for the effects of the Tax Act for the years ending December 31, 2018.

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, 2019 and 2018, 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, 2019 and 2018 is as follows:

	Year Ended December 31,	
(Dollars in thousands)	**2019**	**2018**
Deferred tax assets:		
Real estate inventory	$ 22,232	$ 24,804
Accruals and reserves	39,029	28,556
Other	15,827	20,612
Net operating losses [1]	69,815[1]	77,558
Capital loss carryforward	35,340	35,340
Total deferred tax assets	$182,243	$186,870
Deferred tax liabilities:		
Real estate inventory, intangibles, other	(6,437)	(6,454)
Foreign exchange	—	—
Valuation allowance	(35,340)	(35,340)
Total net deferred tax assets	$140,466	$145,076

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

On December 31, 2019 and 2018, we had a valuation allowance of $35.3 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 $232.6 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 2027. 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 morelikely-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:

	Year Ending December 31,		
(Dollars in thousands)	**2019**	**2018**	**2017**
Beginning of the period	$7,391	$12,936	$ 7,773
Increases of current year items	—	—	—
Increases from current year acquisitions	—	4,216	—
Increases of prior year items	15	475	5,163
Settlement with tax authorities	(977)	(9,818)	—
Decreased for tax positions of prior years	(76)	—	—
Decreased due to statute of limitations	(195)	(418)	—
End of the period	$6,158	$ 7,391	$12,936

The decrease in unrecognized tax benefits for the year ending December 31, 2019 was primarily the result of the completion of a state audit related to tax returns filed in prior years. If the unrecognized tax benefits as of December 31, 2019 were to be recognized, approximately $4.9 million would impact the effective tax rate. The amount impacting the Company's effective rate is calculated by adding accrued interest and penalties to the gross unrecognized tax benefit and subtracting the tax benefit associated with state taxes and interest. These amounts are included in income taxes payable and as a reduction to deferred tax assets in the accompanying Consolidated Balance Sheets at December 31, 2019 and December 31, 2018.

We recognized potential penalties and interest expense on our uncertain tax positions of $0.6 million, $0.7 million, and $1.0 million for the years ended December 31, 2019, 2018, and 2017 respectively, which are included in income tax provision in the accompanying Consolidated Statements of Operations and income taxes payable in the accompanying Consolidated Balance Sheets.

We currently are under no active examinations by our major taxing authorities. The statute of limitations for our major taxing jurisdictions remains open for examination for tax years 2015 through 2019.

13. STOCKHOLDERS' EQUITY

Capital Stock

On October 26, 2018, as a result of a holding company reorganization and related transactions each share of the Company's former Class B Common Stock, and paired partnership units of TMM Holdings II Limited Partnership were exchanged on a one-for-one basis for shares of Class A Common Stock. Following this exchange, all of the shares of Class B Common Stock were canceled, and the Company had only one class of common stock outstanding. On May 29, 2019, the Company's stockholders approved the amendment and restatement of the Company's certificate of incorporation to (i) delete provisions no longer applicable following the cancellation of all outstanding shares of the former Class B Common Stock; and (ii) to rename the Company's Class A Common Stock as "Common Stock, par value $0.00001 per share." Following this amendment and restatement, under the Company's certificate of incorporation, its authorized capital stock consists of 400,000,000 shares of Common Stock, par value $0.00001 per share, and 50,000,000 shares of preferred stock, par value $0.00001 per share.

References to "Common Stock" refer to "Class A Common Stock" for dates prior to June 10, 2019.

Stock Repurchase Program

On March 11, 2019, we announced that our Board of Directors authorized the repurchase of up to $100 million of Common Stock through December 31, 2019 in the open market purchases, privately negotiated transactions or other transactions. During the years ended December 31, 2019 and 2018, we repurchased 8,389,348 and 8,504,827 shares of Common Stock, respectively, under the Company's stock repurchase program. As of December 31, 2019, we have fully utilized the authorization and currently do not have additional authorization for stock repurchases.

The following table summarizes share repurchase activity for the program for the year ended December 31, 2019:

(Dollars in thousands)	Year Ended December 31, 2019	2018
Amount available for repurchase — beginning of period	$ 57,437	$ 95,902
Additional amount authorized for repurchase	100,000	100,000
Amount repurchased	(157,437)	(138,465)
Amount available for repurchase — end of period	$ —	$ 57,437

14. 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"), and other equity-based awards deliverable in shares of our Common Stock. As of December 31, 2019 we had an aggregate of 6,971,796 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 accompanying Consolidated Statements of Operations (in thousands):

(Dollars in thousands)	Year Ended December 31, 2019	2018	2017
Restricted stock units (RSUs) [(1)] [(2)]	$10,989	$17,130	$ 6,487
Stock options	3,774	3,994	4,504
New TMM Units [(3)]	—	—	596
Total stock compensation	$14,763	$21,124	$11,587

(1) Includes compensation expense related to time-based restricted stock units and performance-based restricted stock units.

(2) Stock-based compensation expense in 2018 includes approximately $6.5 million of expense recognized for the acceleration of equity awards as part of the acquisition of AV Homes.

(3) As of December 31, 2017, all new TMM units were vested, and there was no further expense associated with them.

At December 31, 2019, 2018, and 2017, the aggregate unamortized value of all outstanding stock-based compensation awards was approximately $20.8 million, $20.4 million, and $19.8 million, respectively.

Stock Options — Options granted to employees vest and become exercisable ratably on the second, third, fourth and fifth 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 an affiliate, 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,					
	2019		2018		2017	
	Number of Options	Weighted Average Exercise/ Grant Price	Number of Options	Weighted Average Exercise/ Grant Price	Number of Options	Weighted Average Exercise/ Grant Price
Outstanding, beginning	3,239,995	$18.87	2,854,213	$17.50	2,431,347	$17.09
Granted	997,924	18.15	726,473	23.86	792,054	19.06
Exercised	(765,781)	17.29	(118,992)	15.85	(288,808)	18.13
Cancelled/forfeited	(132,894)	19.86	(221,699)	18.71	(80,380)	18.64
Balance, ending	3,339,244	$18.98	3,239,995	$18.87	2,854,213	$17.50
Options exercisable, at December 31	1,400,974	$19.09	1,537,977	$18.80	906,583	$19.62

	As of December 31,		
(Dollars in thousands)	2019	2018	2017
Unamortized value of unvested stock options (net of estimated forfeitures)	$6,759	$6,470	$6,749
Weighted-average period (in years) that expense is expected to be recognized	2.5	2.5	2.4
Weighted-average remaining contractual life (in years) for options outstanding	6.9	6.9	7.5
Weighted-average remaining contractual life (in years) for options exercisable	5.1	5.6	6.1

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,		
	2019	2018	2017
Expected dividend yield	— %	— %	— %
Expected volatility	19.33%	21.31%	24.37%
Risk-free interest rate	2.49%	2.68%	2.12%
Expected term (in years)	6.25	6.25	6.25
Weighted average fair value of options granted during the period	$ 4.69	$ 6.68	$ 5.56

The following table provides information pertaining to the aggregate intrinsic value of options outstanding and exercisable at December 31, 2019, 2018, and 2017:

	As of December 31,		
(Dollars in thousands)	2019	2018	2017
Aggregate intrinsic value of options outstanding	$10,935	$3,432	$19,891
Aggregate intrinsic value of options exercisable	$ 4,283	$1,540	$ 4,400

The aggregate intrinsic value is based on the market price of our Common Stock on December 31, 2019, the last trading day in December 2019, which was $21.86, 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, 2019.

Performance-Based Restricted Stock Units – We issued performance-based restricted stock units ("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,		
	2019	**2018**	**2017**
Balance, beginning	1,155,723	1,190,740	824,217
Granted	416,874	338,472	392,404
Vested	(511,984)	(61,343)	—
Forfeited	(61,974)	(312,146)	(25,881)
Balance, ending	998,639	1,155,723	1,190,740

	Year Ended December 31,		
(Dollars in thousands):	**2019**	**2018**	**2017**
PRSU expense recognized	$5,866	$5,779	$3,257
Unamortized value of PRSUs	$7,912	$7,501	$6,756
Weighted-average period expense is expected to be recognized (in years)	1.8	1.8	1.8

Non-Performance-Based Restricted Stock Units — Our non-performance-based 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 an affiliate, 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:

	Year Ended December 31,					
	2019		**2018**		**2017**	
(Dollars in thousands except per share data):	**Number of RSUs**	**Weighted Average Grant Date Fair Value**	**Number of RSUs**	**Weighted Average Grant Date Fair Value**	**Number of RSUs**	**Weighted Average Grant Date Fair Value**
Outstanding, beginning	769,641	$16.73	698,819	$15.65	534,484	$14.01
Granted	299,481	18.42	333,397	20.35	257,182	19.48
Vested	(320,701)	15.25	(181,904)	13.01	(75,315)	17.43
Forfeited	(38,667)	16.91	(80,671)	16.90	(17,532)	14.10
Balance, ending	709,754	$18.11	769,641	$16.73	698,819	$15.65

	Year Ended December 31,		
(Dollars in thousands):	**2019**	**2018**	**2017**
RSU expense recognized	$5,123	$4,854	$3,148
Unamortized value of RSUs	$6,176	$6,435	$6,261
Weighted-average period expense is expected to be recognized (in years)	1.7	1.9	2.5

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.

Equity-Based Compensation Prior to the IPO

New TMM Units — Certain members of management and certain members of the Board of Directors were issued Class M partnership units in TMM Holdings. Those units were subject to both time and performance vesting conditions.

Pursuant to the Reorganization Transactions, the time-vesting Class M Units in TMM Holdings were exchanged for New TMM Units with vesting terms substantially the same as the Class M Units surrendered for exchange. One New TMM Unit together with a corresponding share of Class B Common Stock was exchangeable for one share of Common Stock. The shares of Class B Common Stock/New TMM Units outstanding as of December 31, 2018 and 2017 are shown in the table below. All shares of Class B Common Stock were exchanged for Common Stock as of December 31, 2018.

	Year Ended December 31,			
	2018		2017	
	Number of Awards	Weighted Average Grant Date Fair Value	Number of Awards	Weighted Average Grant Date Fair Value
Outstanding, beginning	883,921	$5.24	1,146,357	$5.58
Exchanges [1]	(883,921)	5.24	(260,389)	6.72
Forfeited [2]	—	—	(2,047)	8.52
Balance, ending	—	$ —	883,921	$5.24
Unvested TMM Units included in ending balance [3]	—	$ —	—	$ —

(1) Exchanges during the period represent the exchange of a vested New TMM Unit along with the corresponding share of Class B Common Stock for a newly issued share of Common Stock.

(2) Awards forfeited during the period represent the unvested portion of New TMM Unit awards for employees who have terminated employment with the Company and for which the New TMM Unit and the corresponding Class B Share have been canceled.

(3) All New TMM units vested as of December 31, 2017.

15. RELATED-PARTY TRANSACTIONS

From time to time, we may engage in transactions with entities or persons that are affiliated with us or one or more of the Former Principal Equityholders. For the year ended December 31, 2019, we engaged in a stock repurchase of 2.1 million shares of Class A Common Stock, totaling $43.7 million, from one of our former principal equityholders, TPG Advisors VI, Inc.

For the years ended December 31, 2018 and 2017, we engaged in multiple equity offering transactions with our Former Principal Equityholders. We used all of the net proceeds from these public offerings to purchase partnership units in New TMM, our direct subsidiary, along with shares of our Class B Common Stock, held by TPG and Oaktree. As a result, we adjusted Non-controlling interests and Additional paid-in capital on the consolidated balance sheets to reflect the change in ownership. The aggregate number of partnership units and corresponding shares of Class B Common

Stock that we purchased was equal to the number of shares of Common Stock sold in the public offerings. The following is a summary of the completed sales of our Common Stock in registered public offerings for the years ended December 31, 2018 and 2017:

(Shares presented in thousands) Closing date	Number of shares	Net purchase price per share
February 6, 2017	11,500	$18.2875
March 27, 2017	10,000	20.7800
May 5, 2017	10,000	23.1200
June 27, 2017	10,000	23.3000
November 13, 2017	10,000	22.9500
January 8, 2018	11,000	26.0500
January 17, 2018 [1]	19,207	27.1400

[1] The January 17, 2018 offering consisted of 17.7 million shares of Common Stock offered by the Company and 1.5 million shares offered directly by TPG.

For the year ended December 31, 2017, we entered into a contract to purchase 140 home lots in Tustin, California for a total purchase price of $30.0 million from Intracorp Companies, which is owned and controlled by a member of the Board of Directors. We also completed the purchase of 112 acres of land in South Carolina for $10.5 million. The land was purchased from IOTA Doby Bridge, LLC which is managed and partly owned by Gibralter Capital and Asset Management, LLC, a fund managed by one of our Former Principal Equityholders.

16. ACCUMULATED OTHER COMPREHENSIVE INCOME

The table below provides the components of accumulated other comprehensive income (loss):

	Year Ended December 31, 2019			
(Dollars in thousands)	Total Post-Retirement Benefits Adjustments	Foreign Currency Translation Adjustments	Non-controlling Interest in Principal Equityholders	Total
Balance, beginning of period	$ 2,001	$—	$—	$ 2,001
Other comprehensive loss before reclassifications	(1,117)	—	—	(1,117)
Other comprehensive loss net of tax	$(1,117)	$—	$—	$(1,117)
Balance, end of period	$ 884	$—	$—	$ 884

	Year Ended December 31, 2018			
(Dollars in thousands)	Total Post-Retirement Benefits Adjustments	Foreign Currency Translation Adjustments	Non-controlling Interest in Principal Equityholders	Total
Balance, beginning of period	$2,082	$(45,205)	$ 25,155	$(17,968)
Other comprehensive loss before reclassifications	(81)	—	—	(81)
Foreign currency translation[1]		20,050		20,050
Other comprehensive loss net of tax	$ (81)	$ 20,050	$ —	$ 19,969
Gross amounts reclassified within accumulated other comprehensive income	—	25,155	(25,155)	—
Balance, end of period	$2,001	$ —	$ —	$ 2,001

[1] In connection with the holding company reorganization on October 26, 2018 and through a series of transactions, all remaining assets in our Canadian subsidiary were contributed to a subsidiary in the United States, resulting in a foreign currency translation adjustment.

(Dollars in thousands)	Year Ended December 31, 2017 Total Post-Retirement Benefits Adjustments	Foreign Currency Translation Adjustments	Non-controlling Interest in Principal Equityholders	Total
Balance, beginning of period	$2,061	$(79,927)	$ 59,877	$(17,989)
Other comprehensive income before reclassifications	21	—	—	21
Other comprehensive income net of tax	$ 21	$ —	$ —	$ 21
Gross amounts reclassified within accumulated other comprehensive income	—	34,722	(34,722)	—
Balance, end of period	$2,082	$(45,205)	$ 25,155	$(17,968)

Reclassifications for the amortization of the employee retirement plans are included in selling, general and administrative expense in the accompanying Consolidated Statements of Operations.

17. 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. We also have a Financial Services reporting segment. We have no inter-segment sales.

Our reporting segments are as follows:

East	Atlanta, Charlotte, Chicago, Jacksonville, Orlando, Raleigh, Southwest Florida, and Tampa
Central	Austin, Dallas, Denver and Houston
West	Bay Area, Phoenix, Sacramento, 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, 2019 East	Central	West	Financial Services	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 income of unconsolidated entities	—	(215)	3,562	6,021	141	9,509
Interest and other expense, net[(1)]	(5,545)	(1,024)	(3,273)	—	(11,214)	(21,056)
Income before income taxes	$ 133,420	$ 64,756	$ 192,191	$47,750	$(115,845)	$ 322,272

(1) Interest and other expense, net includes loss on extinguishment of debt.

(Dollars in thousands)	Year Ended December 31, 2018					
	East	Central	West	Financial Services	Corporate and Unallocated	Total
Total revenues	$1,666,423	$1,139,622	$1,353,590	$67,758	$ —	$4,227,393
Gross margin	$ 281,306	$ 161,323	$ 269,276	$26,289	$ (1)	$ 738,193
Selling, general and administrative expense	(138,720)	(104,295)	(82,940)	—	(90,988)	(416,943)
Equity in income of unconsolidated entities	464	876	6,450	5,316	226	13,332
Interest and other expense, net	(5,615)	(3,259)	(526)	—	(51,666)	(61,066)
Income before income taxes	$ 137,435	$ 54,645	$ 192,260	$31,605	$(142,429)	$ 273,516

(Dollars in thousands)	Year Ended December 31, 2017					
	East	Central	West	Financial Services	Corporate and Unallocated	Total
Total revenues	$1,383,864	$1,112,984	$1,319,306	$69,136	$ —	$3,885,290
Gross margin	$ 284,722	$ 206,386	$ 220,337	$27,484	$ —	$ 738,929
Selling, general and administrative expense	(122,218)	(105,945)	(79,223)	—	(83,054)	(390,440)
Equity in income of unconsolidated entities	213	1,246	1,422	5,965	—	8,846
Interest and other (expense)/income, net	(314)	360	(190)	—	(1,535)	(1,679)
Income before income taxes	$ 162,403	$ 102,047	$ 142,346	$33,449	$(84,589)	$ 355,656

(Dollars in thousands)	As of December 31, 2019					
	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	$2,007,681	$1,124,269	$1,366,467	$261,775	$485,494	$5,245,686

(Dollars in thousands)	As of December 31, 2018					
	East	Central	West	Financial Services	Corporate and Unallocated	Total
Real estate inventory and land deposits	$1,862,756	$1,011,659	$1,164,079	$ —	$ —	$4,038,494
Investments in unconsolidated entities	—	35,476	100,693	4,015	357	140,541
Other assets	162,339	118,187	55,433	236,291	513,156	1,085,406
Total assets	$2,025,095	$1,165,322	$1,320,205	$240,306	$513,513	$5,264,441

(Dollars in thousands)	As of December 31, 2017					
	East	Central	West	Financial Services	Corporate and Unallocated	Total
Real estate inventory and land deposits	$1,150,918	$818,431	$1,039,655	$ —	$ —	$3,009,004
Investments in unconsolidated entities	29,316	32,874	126,559	3,615	—	192,364
Other assets	85,753	124,593	53,492	225,641	635,046	1,124,525
Total assets	$1,265,987	$975,898	$1,219,706	$229,256	$635,046	$4,325,893

18. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly results are as follows[1]:

(Dollars in thousands except per share data)	First Quarter 2019	Second Quarter 2019	Third Quarter 2019	Fourth Quarter 2019
Total revenues	$925,092	$1,265,426	$1,105,105	$1,466,436
Gross margin	172,040	233,774	211,074	207,202
Income before income taxes	68,072	110,019	90,421	53,760
Net income before allocation to non-controlling interests	51,281	81,888	67,036	54,709
Net income available to Taylor Morrison Home Corporation	51,131	81,851	67,012	54,658
Basic earnings per share	$ 0.46	$ 0.77	$ 0.64	$ 0.52
Diluted earnings per share	$ 0.46	$ 0.76	$ 0.63	$ 0.51

(Dollars in thousands except per share data)	First Quarter 2018	Second Quarter 2018	Third Quarter 2018	Fourth Quarter 2018
Total revenues	$752,333	$980,828	$1,036,379	$1,457,853
Gross margin	143,102	178,711	198,999	217,381
Income before income taxes	59,238	79,285	100,865	34,128
Net income before allocation to non-controlling interests	47,532	59,292	94,441	9,215
Net income available to Taylor Morrison Home Corporation	44,933	58,678	93,568	9,055
Basic earnings per share	$ 0.42	$ 0.53	$ 0.84	$ 0.08
Diluted earnings per share	$ 0.41	$ 0.52	$ 0.83	$ 0.08

[1] The sum of the individual quarterly amounts may not agree to the annual amounts included in the accompanying consolidated statements of operations due to rounding.

19. 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 $623.3 million and $397.2 million as of December 31, 2019 and 2018, 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, 2019 will be drawn upon.

Purchase Commitments — We are subject to the usual obligations associated with entering into contracts (including option contracts) for the purchase, development, and sale of real estate in the routine conduct of its business. We have a number of land purchase option contracts, 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 the option contracts are generally limited to the forfeiture of the related non-refundable cash deposits. At December 31, 2019 and 2018, we had the right to purchase approximately 4,263 and 4,781 lots under land option and land purchase contracts, respectively, which represents an aggregate purchase price of $289.7 million and $393.8 million at December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, we had $39.8 million and $57.9 million in land deposits related to land options and land purchase contracts, 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, 2019 and 2018, our legal accruals were $12.7 million and $5.7 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.

20. MORTGAGE HEDGING ACTIVITIES

We enter into 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 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 statement of operations and other 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 ("MSRs") 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, 2019		December 31, 2018	
(Dollars in thousands)	Fair Value	Notional Amount	Fair Value	Notional Amount
IRLCs	$2,099	$ 86,434	$1,838	$ 75,090
MBSs	(167)	158,000	(739)	118,000
Total	$1,932		$1,099	

Total commitments to originate loans approximated $94.5 million and $83.4 million for the years ended December 31, 2019 and 2018, respectively. This amount represents the commitments to originate loans for both best efforts and mandatory loans that have been locked and approved by underwriting. The notional amounts in the table above includes mandatory and best effort 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.

21. SUBSEQUENT EVENTS

As of January 31, 2020, we completed the sale of our operations in Chicago to a third party homebuilder for $16.0 million. We recorded impairment and other losses of $13.2 million in December 2019 related to the sale.

On February 6, 2020, we terminated our $600.0 million prior Revolving Credit Facility and entered into an $800.0 million Revolving Credit Facility with a maturity date of February 6, 2024. The unamortized debt issuance costs of $1.7 million relating to the $600.0 million Revolving Credit Facility were written off subsequent to December 31, 2019.

The $800.0 million Revolving Credit Facility contains certain 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 $1.0 billion. As of February 19, 2020, we have $210.0 million of borrowings outstanding under the $800.0 million Revolving Credit Facility.

On February 6, 2020, we completed the acquisition of William Lyon Homes. Total consideration includes approximately $95.7 million in cash and issued approximately 31.2 million shares of our Common Stock. We acquired all of William Lyon Homes' debt, including senior notes with a principal amount of approximately $1.1 billion. In connection with the acquisition, we satisfied and discharged all $50.0 million of William Lyon Homes, Inc.'s 7.00% senior notes due 2022 using cash on hand and borrowings from our $800.0 million Revolving Credit Facility.

In connection with our acquisition of William Lyon Homes, Taylor Morrison Communities, Inc. offered to exchange (the "Exchange Offers") any and all outstanding notes (the "William Lyon Notes") of three series issued by California Lyon for up to $1.1 billion aggregate principal amount of new notes to be issued by Taylor Morrison Communities, Inc. The Exchange Offers expired on February 6, 2020 and were settled on February 10, 2020. All validly tendered and not validly withdrawn William Lyon Notes were accepted for exchange.

In connection with the settlement of the Exchange Offers, on February 10, 2020, Taylor Morrison Communities, Inc. completed the issuance of $324,004,000 aggregate principal amount of 6.00% Senior Notes due 2023, $428,410,000 aggregate principal amount of 5.875% Senior Notes due 2025 and $290,400,000 aggregate principal amount of 6.625% Senior Notes due 2027.

Pursuant to the Exchange Offers, all validly tendered and not validly withdrawn William Lyon Notes were accepted for exchange and such William Lyon Notes were retired, canceled and not reissued. Following such cancellation, $25,996,000 aggregate principal amount of 6.00% Senior Notes due 2023 of California Lyon, $8,476,000 aggregate principal amount of 5.875% Senior Notes due 2025 of California Lyon and $9,600,000 aggregate principal amount of 6.625% Senior Notes due 2027 of California Lyon remain outstanding.

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, 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

(a) 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. generally accepted accounting principles 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, 2019. 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 this assessment, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2019.

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, 2019.

(b) 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, 2019, 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, 2019, 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, 2019, of the Company and our report dated February 19, 2020, 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 19, 2020

(c) 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, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None

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 2020 Annual Meeting Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2019 (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, 2019.

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]	5,047,637[2]	$18.98[3]	6,971,796[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 1,708,393 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 and DSUs, 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 of 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 ACCOUNTING 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.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit No.	Description
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 Current Report on Form 8-K, filed on May 30, 2019, and incorporated herein by reference).
3.2	Amended and Restated By-laws (included as Exhibit 3.3 to Taylor Morrison Home Corporation's Current Report on Form 8-K, filed on October 26, 2018, and incorporated herein by reference).
3.4	Amendment to the Amended and Restated By-laws (included as Exhibit 3.4 to the Company's Current Report on Form 8-K, filed on October 26, 2018, 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).
4.3	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).
4.4	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).

Exhibit No.	Description
4.5	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).
4.6	Indenture, dated as of February 10, 2020, relating to Taylor Morrison Communities, Inc.'s 6.00% 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 Current Report on Form 8-K filed February 11, 2020, and incorporated herein by reference).
4.7	Indenture, dated as of February 10, 2020, relating to Taylor Morrison Communities, Inc.'s 5.875% Senior Notes due 2025, by and among Taylor Morrison Communities, Inc., the guarantors party thereto and U.S. Bank National Association (included as Exhibit 4.2 to Taylor Morrison Home Corporation's Current Report on Form 8-K filed February 11, 2020, and incorporated herein by reference).
4.8	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).
4.9	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).
4.10	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).
4.11	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).
4.12	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).
4.13	Indenture, dated as of March 9, 2018, relating to William Lyon Homes, Inc.'s 6.00% Senior Notes due 2023, by and among William Lyon Homes, Inc., the guarantors party thereto and U.S. Bank National Association, as trustee (included as Exhibit 4.1 to William Lyon Homes' Current Report on Form 8-K (File No. 001-31625), filed with the SEC on March 15, 2018, and incorporated herein by reference).
4.14	Indenture, dated as of January 31, 2017, relating to William Lyon Homes, Inc.'s 5.875% Senior Notes due 2025, by and among William Lyon Homes, Inc., the guarantors party thereto and U.S. Bank National Association, as trustee (included as Exhibit 4.1 to William Lyon Homes' Current Report on Form 8-K (File No. 001-31625), filed with the SEC on January 31, 2017, and incorporated herein by reference).
4.15	Indenture, dated as of July 9, 2019, relating to William Lyon Homes, Inc.'s 6.625% Senior Notes due 2027, by and among William Lyon Homes, Inc., the guarantors party thereto and U.S. Bank National Association, as trustee (included as Exhibit 4.1 to William Lyon Homes' Current Report on Form 8-K (File No. 001-31625), filed with the SEC on July 9, 2019, and incorporated herein by reference).

Exhibit No.	Description
4.16	Second Supplemental Indenture, dated December 18, 2019, to the Indenture, dated as of March 19, 2018, among William Lyon Homes, Inc., the guarantors from time to time party thereto, and U.S. Bank National Association, as trustee (included as Exhibit 4.1 to William Lyon Homes' Current Report on Form 8-K (File No. 001-31625), filed with the SEC on December 19, 2019, and incorporated herein by reference).
4.17	Second Supplemental Indenture, dated December 18, 2019, to the Indenture, dated as of January 31, 2017, among William Lyon Homes, Inc., the guarantors from time to time party thereto, and U.S. Bank National Association, as trustee (included as Exhibit 4.2 to William Lyon Homes' Current Report on Form 8-K (File No. 001-31625), filed with the SEC on December 19, 2019, and incorporated herein by reference).
4.18	First Supplemental Indenture, dated December 18, 2019, to the Indenture, dated as of July 9, 2019, among William Lyon Homes, Inc., the guarantors from time to time party thereto, and U.S. Bank National Association, as trustee (included as Exhibit 4.3 to William Lyon Homes' Current Report on Form 8-K (File No. 001-31625), filed with the SEC on December 19, 2019, and incorporated herein by reference).
4.19	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).
4.20*	Description of Registrant's Securities.
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 June 15, 2018, between Taylor Morrison, Inc. and Sheryl D. Palmer (included as Exhibit 10.4 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).
10.8†	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).

Exhibit No.	Description
10.9†	Amended and Restated Employment Agreement, dated June 15, 2018, between Taylor Morrison, Inc. and Darrell C. Sherman (included as Exhibit 10.6 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).
10.10†	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.
10.11†	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).
10.11(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).
10.12†	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).
10.13†	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).
10.14†	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).
10.15†	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).
10.16	Voting Agreement, dated November 5, 2019, by and between Taylor Morrison Home Corporation, William H. Lyon, Lyon Shareholder 2012, LLC and The William Harwell Lyon Separate Property Trust (included as Exhibit 10.1 to Taylor Morrison Home Corporation's Current Report on Form 8-K, filed on November 7, 2019, and incorporated herein by reference).
10.17	Credit Agreement, dated as of February 6, 2020, among the Borrower, 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).
21.1*	Subsidiaries of Taylor Morrison Home Corporation
23.1*	Consent of Deloitte & Touche LLP
24.1*	Power of Attorney (included on signature page)

Exhibit No.	Description
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 C. David Cone, 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 C. David Cone, Chief Financial Officer, pursuant to Section 906 of the Sarbanes–Oxley Act of 2002.
101.INS	Inline XBRL Instance 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 Interactive Data File (embedded with the Inline XBRL document)

* Filed herewith.

** Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby undertakes to furnish supplementally copies of any of the omitted schedules upon request by the SEC.

† 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 19, 2020

/s/ Sheryl D. Palmer

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

/s/ C. David Cone

C. David Cone
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Joseph Terracciano

Joseph Terracciano
Chief Accounting Officer
(Principal Accounting Officer)

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Sheryl D. Palmer, C. David Cone and Darrell C. Sherman, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he or she might or could do in person hereby ratifying and confirming all that said attorneys-in-fact and agents, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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
/s/ Jeffry L. Flake Jeffry L. Flake	Director	February 19, 2020
/s/ Gary H. Hunt Gary H. Hunt	Director	February 19, 2020
/s/ Peter Lane Peter Lane	Director	February 19, 2020
/s/ William H. Lyon William H. Lyon	Director	February 19, 2020
/s/ David Merritt David Merritt	Director	February 19, 2020
/s/ Anne L. Mariucci Anne L. Mariucci	Director	February 19, 2020

Signature	**Title**	**Date**
/s/ Andrea Owen Andrea Owen	Director	February 19, 2020
/s/ Denise Warren Denise Warren	Director	February 19, 2020

[THIS PAGE INTENTIONALLY LEFT BLANK]

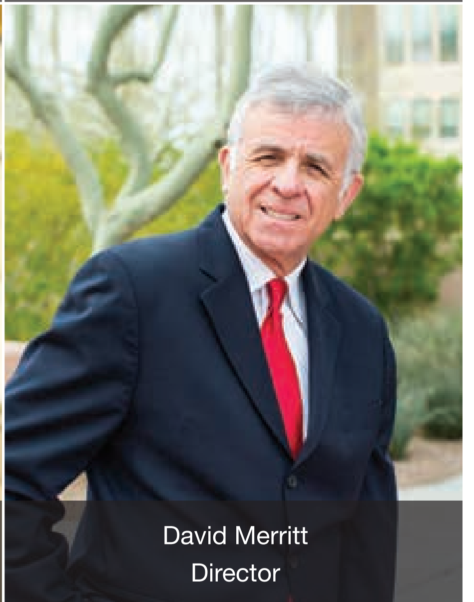
Jeffry L. Flake
Director

Gary H. Hunt
Director

Peter Lane
Lead Director

William H. Lyon
Director

Anne Mariucci
Director


David Merritt
Director

Andi Owen
Director

Sheryl Palmer
Chairman and Chief Executive Officer

Denise Warren
Director

CORPORATE PROFILE

Taylor Morrison is passionate about designing and creating superior communities and building quality homes that our customers aspire to live in, all while driving long-term shareholder value.

Headquarter in Scottsdale, Arizona, we operate under our family of brands, Taylor Morrison, Darling Homes and William Lyon Signature Series. We serve a wide array of consumers from coast to coast, including first-time, move-up, luxury and 55-plus active lifestyle buyers. From 2016-2020 Taylor Morrison has been recognized as America's Most Trusted® Builder by Lifestory Research.

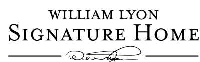
FOR MORE INFORMATION ABOUT TAYLOR MORRISON PLEASE VISIT WWW.TAYLORMORRISON.COM.

EXECUTIVE OFFICERS

Sheryl D. Palmer	Chairman and Chief Executive Officer
C. David Cone	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

taylor morrison

Darling
HOMES

WILLIAM LYON
SIGNATURE HOME

taylor morrison
HOME FUNDING

INSPIRED
TITLE SERVICES

Christopher Todd
COMMUNITIES
Built by TaylorMorrison

PRINTED WITH
SOY INK

MIX
Paper from
responsible sources
FSC® C132107
FSC
www.fsc.org