ELEVATING OUR GROWTH STRATEGY

CENTURY
COMMUNITIES

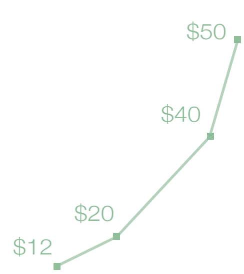
FINANCIAL HIGHLIGHTS

($ in thousands)

	Years ended December 31,			
Income Statement	**2016**	2015	2014	2013
Home sales revenues	**$ 978,733**	$ 725,437	$ 351,823	$ 171,133
Land sales revenues	**11,799**	3,405	4,800	–
Golf course and other revenues	**3,908**	5,647	5,769	–
Total revenue	**994,440**	734,489	362,392	171,133
Cost of home sales revenues	**786,127**	579,203	276,386	129,651
Cost of land sales revenues	**10,589**	3,395	1,808	–
Cost of golf course and other revenue	**3,628**	5,037	6,301	–
Total cost of revenues	**800,344**	587,635	284,495	129,651
Operating income	**71,872**	59,014	31,102	17,860
Consolidated net income	**$ 49,540**	$ 39,890	$ 20,022	$ 12,431
EBITDA/Adjusted EBITDA				
Net income	**$ 49,540**	$ 39,890	$ 20,022	$ 12,431
Income tax expense	**23,609**	20,415	10,937	5,642
Interest amortized to cost of closings	**19,502**	10,082	2,366	1,521
Interest expense	**5**	10	26	–
Depreciation and amortization	**5,580**	4,713	2,941	937
EBITDA	**$ 98,236**	$ 75,110	$ 36,292	$ 20,531
Purchase price accounting	**1,617**	2,673	4,697	633
Adjusted EBITDA	**$ 99,853**	$ 77,783	$ 40,989	$ 21,164
Balance Sheet Data				
Total Assets	**$ 1,007,528**	$ 917,741	$ 670,616	$ 312,639
Total Debt	**$ 454,088**	$ 390,243	$ 224,247	$ 1,500
Total Equity	**$ 473,636**	$ 409,479	$ 365,205	$ 271,556

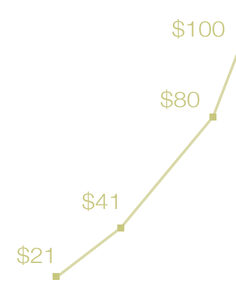
'13 '14 '15 '16

TOTAL REVENUE



'13 '14 '15 '16

NET INCOME



'13 '14 '15 '16

ADJUSTED EBITDA

DEAR STOCKHOLDERS

2016 marked another successful year for Century Communities as we continued to strengthen the diverse and strategic footprint of our now more mature and established company. We delivered another record year of earnings which totaled $49.5 million, or $2.33 per share. This represents an exciting milestone as the 14th consecutive year of profitable results. From 2012 to 2016, we have increased home sales revenue, operating income and adjusted EBITDA each by a factor of 10 times, successfully demonstrating the strength of our diverse multi-market business strategy.

Looking at our 2016 results, we enhanced our positions in nearly all markets to deliver on our full year targets with home sales revenues growing 35% to $979 million and home deliveries increasing 18% to 2,825 homes. This success is the result of our team's efforts in capitalizing on favorable demand trends in our markets. For the full year, adjusted homebuilding gross margin percentage was 21.7% compared to 21.9% in 2015. Despite rising costs, we are pleased with this relatively stable margin performance during the past eight quarters, which is a direct result of our expanded scale, strategic land purchases, strict underwriting standards and tightly run operations.

During the year we also remained true to our principles to grow in markets with sound fundamentals through a cycle tested approach to further augment returns on equity. In mid-2016, we entered the attractive Salt Lake City market, where we have already begun opening communities and delivering homes. In November 2016, we entered into a joint venture with

HOME SALES REVENUES INCREASED
35% to
$979 million

HOME DELIVERIES GREW
18% to
2,825 homes

NET NEW HOME CONTRACTS INCREASED
21% to
2,860 homes

> " We ended the year on a strong note with our land pipeline up 39% to 18,296 lots, which provides us with a visible catalyst for organic growth"

Wade Jurney Homes to leverage its unique business model tailored for entry level buyers, which requires less capital investment and yields quicker asset turns. Additionally, in December 2016, we further strengthened our position in the Southeast by entering the rapidly growing Charlotte, North Carolina market. Beyond our core homebuilding operations, during the fourth quarter, we formed a new wholly-owned financial services division to provide title and mortgage services to our homebuyers.

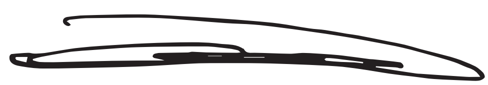
We ended the year on a strong note with our land pipeline up 39% to 18,296 lots, which provides us with a visible catalyst for organic growth when coupled with our ample capital resources. Additionally, we expect our 2016 investments to generate a higher return on equity for Century while providing stable earnings growth as we further diversify across additional buyer segments, product types and geographic areas.

LOOKING AHEAD AT 2017 AND BEYOND

Into 2017, we plan to deliver another year of earnings improvement as we take advantage of strengthening positions in legacy markets and ramp up activity in more recently entered markets. Most of our housing markets continue to perform in line with expectations supported by positive economic fundamentals. The additional stability provided by our expanded scale gives us confidence as we progress in 2017. We have a strong pipeline of communities, a deep land portfolio and a strong capital base upon which to expand our homebuilding activities.

In summary, based on our strong 2016 results and our positive views on the homebuilding environment, we are energized to further grow our business and enhance returns. We are extremely pleased with the hard work and commitment from the entire Century team, which will drive our success in 2017 and beyond.

Thank you,



DALE FRANCESCON
Co-Chief Executive Officer

ROBERT J. FRANCESCON
Co-Chief Executive Officer

CENTURY
COMMUNITIES

FORM 10-K

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, 2016

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. 001-36491

Century Communities, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**68-0521411** (I.R.S. Employer Identification No.)
8390 East Crescent Parkway, Suite 650 **Greenwood Village, Colorado** (Address of Principal Executive Offices)	**80111** (Zip Code)

(Registrant's Telephone Number, Including Area Code): (303) 770-8300

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

Title of each Class	Name of each Exchange on which registered
Common Stock, par value $0.01 per share	**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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if smaller reporting company)	Smaller reporting company ☐

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant on June 30, 2016 was approximately $269.4 million based on the closing price of $17.34 per share as reported on the New York Stock Exchange on June 30, 2016

As of February 7, 2017, the registrant had 21,608,891 shares issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Part III of this Annual Report on Form 10-K incorporates by reference certain portions of the registrant's definitive proxy statement for its 2017 Annual Meeting of Stockholders to be filed with the Commission not later than 120 days after the end of the fiscal year covered by this report.

CENTURY COMMUNITIES, INC.
ANNUAL REPORT ON FORM 10-K
For the Fiscal Year Ended December 31, 2016

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CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

Some of the statements included in this Annual Report on Form 10-K (which we refer to as this “Form 10-K”) constitute forward-looking statements within the meaning of the federal securities laws. Forward-looking statements relate to expectations, beliefs, projections, forecasts, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. These statements are only predictions. We caution that forward-looking statements are not guarantees. Actual events and results of operations could differ materially from those expressed or implied in the forward-looking statements. Forward-looking statements are typically identified by the use of terms such as “may,” “will,” “should,” “expect,” “could,” “intend,” “plan,” “anticipate,” “estimate,” “believe,” “continue,” “predict,” “potential” or the negative of such terms and other comparable terminology. You can also identify forward-looking statements by discussions of strategy, plans or intentions. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due a number of factors.

The forward-looking statements included in this Form 10-K reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from those expressed in any forward-looking statement. Statements regarding the following subjects, among others, may be forward-looking:

- economic changes either nationally or in the markets in which we operate, including declines in employment, volatility of mortgage interest rates and inflation;
- economic changes either nationally or in the markets in which we operate, including declines in employment, volatility of mortgage interest rates and inflation;
- a downturn in the homebuilding industry, including a decline in real estate values or market conditions resulting in impairment of our assets;
- changes in assumptions used to make industry forecasts;
- continued volatility and uncertainty in the credit markets and broader financial markets;
- our future operating results and financial condition;
- our business operations;
- changes in our business and investment strategy;
- availability of land to acquire, and our ability to acquire such land on favorable terms or at all;
- availability, terms and deployment of capital;
- availability of mortgage financing or an increase in the number of foreclosures in the market;
- shortages of or increased prices for labor, land or raw materials used in housing construction;
- delays in land development or home construction resulting from adverse weather conditions or other events outside our control;
- impact of construction defect, product liability, and/or home warranty claims, including the adequacy of accruals and the applicability and sufficiency of our insurance coverage;
- changes in, or the failure or inability to comply with, governmental laws and regulations;
- the timing of receipt of regulatory approvals and the opening of projects;
- the degree and nature of our competition;
- our leverage and debt service obligations;
- availability of qualified personnel and our ability to retain our key personnel; and
- changes in GAAP.

The forward-looking statements are based on our beliefs, assumptions and expectations of future events, taking into account all information currently available to us. Forward-looking statements are not guarantees of future events or of our performance. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. Some of these events and factors are described in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and in "Part I, Item 1A. Risk Factors" in this Form 10-K, and other risks and uncertainties detailed in this and our other reports and filings with the SEC. If a change occurs, our business, financial condition, liquidity, cash flows and results of operations may vary materially from those expressed in or implied by our forward-looking statements. New risks and uncertainties arise over time, and it is not possible for us to predict the occurrence of those matters or the manner in which they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Therefore, you should not rely on these forward-looking statements as of any date subsequent to the date of this Form 10-K.

As used in this Form 10-K, references to "Company," "we," "us" or "our" refer to Century Communities, Inc., a Delaware corporation, and, unless the context otherwise requires, its subsidiaries and affiliates.

PART I

ITEM 1. BUSINESS.

General

We are engaged in the development, design, construction, marketing and sale of single-family attached and detached homes in metropolitan areas in Colorado, Austin and San Antonio, Texas (which we refer to as "Central Texas"), Houston, Texas, Las Vegas, Nevada, Atlanta, Georgia, and Salt Lake City, Utah. Our homebuilding operations are organized into the following six operating segments based on the geographic markets in which we operate: Atlanta, Central Texas, Colorado, Houston, Nevada, and Utah. In many of our projects, in addition to building homes, we are responsible for the entitlement and development of the underlying land.

Commencing with our private placement of 12.1 million shares of our common stock, par value $0.01 per share (which we refer to as our "common stock") in May 2013, in which we raised $223.8 million in net proceeds, we have grown significantly through acquisitions of existing homebuilders, executing on our land acquisition strategy, and a partnership with another homebuilder. Through our acquisitions of existing homebuilders, we entered the (i) Central Texas market in September 2013 through the acquisition of Jimmy Jacobs Homes L.P. (which we refer to as "Jimmy Jacobs") for approximately $16 million, (ii) Las Vegas, Nevada market in April 2014 through the acquisition of Las Vegas Land Holdings, LLC (which we refer to as "LVLH") for approximately $165 million, (iii) Houston, Texas market in August 2014 through the acquisition of Grand View Builders (which we refer to as "Grand View") for approximately $13 million, (iv) Atlanta, Georgia market in November 2014 through the acquisition of Peachtree Communities Group, Inc. and its affiliates and subsidiaries (which we refer to as "Peachtree") for approximately $57 million. We entered the Utah market in May 2016 by acquiring 47 finished lots in Salt Lake City. In December 2016, we entered the Charlotte, North Carolina market by acquiring 57 finished lots, but had not commenced building or selling homes as of December 31, 2016. During 2016, we increased our land position, improved the quality of our backlog, and strengthened our capital resources to grow our business.

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K are available on our website at www.centurycommunities.com as soon as reasonably practicable after such materials are electronically filed with, or furnished to, the U.S. Securities and Exchange Commission (which we refer to as the "SEC").

Description of Business

Land acquisition process

We acquire land for our homebuilding operations with the primary intent to develop and construct single family detached or attached homes for sale on the acquired land. From time to time we may sell land to other developers and homebuilders where we have excess land positions. We generally acquire land for cash, either through bulk acquisitions of land or through option contracts. Option contracts are generally structured where we have the right, but generally not the obligation, to buy land at predetermined prices on a defined schedule. Potential land acquisitions are identified by our local management within the markets in which we operate. Our land acquisition process includes soil tests, independent environmental studies, other engineering work and financial analysis which include an evaluation of expected returns, projected gross margins, estimated sales paces and pricing. All potential land acquisitions are approved by our Corporate office to ensure appropriate capital allocations taking into consideration current and projected inventory levels and risk adjusted returns.

Homebuilding marketing and sales process

We build and sell an extensive range of home types across a variety of price points. Our emphasis is on acquiring well located land positions and offering quality homes with innovative design elements. The core of our business plan is to acquire and develop land strategically, based on our understanding of population growth patterns, entitlement restrictions and infrastructure development. We focus on locations within our markets with convenient access to metropolitan areas that are generally characterized by diverse economic and employment bases and demographics and increasing populations. We believe these conditions create strong demand for new housing, and these locations represent what we believe to be attractive opportunities for long-term growth. We also seek assets that have desirable characteristics, such as good access to major job centers, schools, shopping, recreation and transportation facilities, and we strive to offer a broad spectrum of product types in these locations. Product development and customer service are key components of the lifestyle connection we seek to establish with each individual homebuyer. Our construction expertise across an extensive product offering allows us flexibility to pursue a wide array of land acquisition opportunities and appeal to a broad range of potential homebuyers, from entry-level to first- and second-time move-up buyers and lifestyle homebuyers. Additionally, we believe our diversified product strategy enables us to adapt quickly to changing market conditions and to optimize returns while strategically reducing portfolio risk.

Our philosophy is to provide a positive experience to our homeowners by actively engaging them in the building process and by enhancing communication, knowledge and satisfaction. We provide our customers with customization options to suit their lifestyle needs and have developed a number of home designs with features such as outdoor living spaces, one-story living and first floor master bedroom suites to appeal to universal design needs. We also engineer our homes for energy efficiency, which is aimed at reducing the impact on the environment and lowering energy costs to our homebuyers. As part of these efforts, we offer homebuyers environmentally friendly alternatives, such as solar power to supplement a home’s energy needs.

We engage architects, engineers and other professionals in connection with the home design process who are familiar with local market preferences, constraints, conditions and requirements. We serve as the general contractor, with all construction work typically performed by subcontractors. While we maintain long-standing relationships with many of our subcontractors and design professionals, we typically do not enter into long-term contractual commitments with them.

We sell our homes through our own sales representatives and through independent real estate brokers. Our in-house sales force typically works from sales offices located in model homes close to or in each community. Sales representatives assist potential buyers by providing them with basic floor plans, price information, development and construction timetables, tours of model homes and the selection of options. Sales personnel are trained by us and generally have had prior experience selling new homes in the local market. Our personnel, along with subcontracted marketing and design consultants, carefully design the exterior and interior of each home to coincide with the lifestyles of targeted homebuyers.

We advertise directly to potential homebuyers through the internet and in newspapers and trade publications, as well as through marketing brochures and newsletters. We may also use billboards, radio and television advertising, and our website, to market the location, price range and availability of our homes. We also attempt to operate in conspicuously located communities that permit us to take advantage of local traffic patterns. Model homes play a significant role in our marketing efforts by not only creating an attractive atmosphere, but also by displaying options and upgrades.

Customer relations, quality control and warranty programs

We pay particular attention to the product design process and carefully consider quality and choice of materials in order to attempt to eliminate building deficiencies. The quality and workmanship of the subcontractors we employ are monitored and we make regular inspections and evaluations of our subcontractors to ensure our standards are met.

We maintain quality control and customer service staff whose role includes providing a positive experience for each customer throughout the pre-sale, sale, building, closing and post-closing periods. These employees are also responsible for providing after sales customer service. Our quality and service initiatives include taking customers on a comprehensive tour of their home prior to closing and using customer survey results to improve our standards of quality and customer satisfaction.

Generally, we provide each homeowner with product warranties covering workmanship and materials for one year from the time of closing, and warranties covering structural systems for eight to 10 years from the time of closing in connection with our general liability insurance policy. The subcontractors who perform most of the actual construction also provide to us customary warranties on workmanship.

Customer Financing

We seek to assist our homebuyers in obtaining financing by arranging with mortgage lenders to offer qualified buyers a variety of financing options. Most homebuyers utilize long-term mortgage financing to purchase a home, and mortgage lenders will usually make loans only to qualified borrowers. During the fourth quarter of 2016, our wholly owned subsidiary, Parkway Financial Corp., formed Inspire Home Loans (which we refer to as “Inspire”). Inspire will offer mortgage services to our homebuyers. In addition to Inspire, Parkway Title LLC will provide title services to select markets in which we operate.

Materials

When constructing homes, we use various materials and components. It has typically taken us four to six months or more to construct a home, during which time materials are subject to price fluctuations. Such price fluctuations are caused by several factors, among them seasonal variation in availability and increased demand for materials as a result of the improved housing market.

Seasonality

We experience seasonal variations in our quarterly operating results and capital requirements. Historically, new order activity is highest during the spring and summer months. As a result, we typically have more homes under construction, close more homes, and have greater revenues and operating income in the second half of our fiscal year. Historical results are not necessarily indicative of current or future homebuilding activities.

Additionally, as of December 31, 2016, we own and operate a golf course within our Rhodes Ranch community in our Nevada division. We experience lower average daily rounds in the second and third quarters of the year, and therefore lower revenues, due to the high temperatures during the summer and early fall months in Nevada, as well as reseeding activities in September to prepare the courses for the winter months. Conversely, we experience higher average daily rounds and therefore higher revenues during the first and fourth quarters of the year when lower temperatures are typically experienced in Nevada.

Governmental regulation and environmental matters

We are subject to numerous local, state, federal and other statutes, ordinances, rules and regulations concerning zoning, development, building design, construction and similar matters which 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 area. Projects that are not entitled may be subjected to periodic delays, changes in use, less intensive development or elimination of development in certain specific areas due to government regulations. We may also be subject to periodic delays or may be precluded entirely from developing in certain communities due to building moratoriums or “slow-growth” or “no-growth” initiatives that could be implemented in the future. Local and state governments also have broad discretion regarding the imposition of development fees for projects in their jurisdiction. Projects for which we have received land use and development entitlements or approvals may still require a variety of other governmental approvals and permits during the development process and can also be impacted adversely by unforeseen health, safety and welfare issues, which can further delay these projects or prevent their development.

We are also subject to a variety of local, state, federal and other statutes, ordinances, rules and regulations concerning the environment. The particular environmental laws which apply to any given homebuilding site vary according to the site's location, its environmental conditions, and the present and former uses of the site, as well as adjoining properties. Environmental laws and conditions may result in delays, may cause us to incur substantial compliance and other costs, and can prohibit or severely restrict homebuilding activity in environmentally sensitive regions or areas. From time to time, the Environmental Protection Agency and similar federal or state agencies review homebuilders' compliance with environmental laws and may levy fines and penalties for failure to strictly comply with applicable environmental laws or impose additional requirements for future compliance as a result of past failures. Any such actions taken with respect to us may increase our costs. Further, we expect that increasingly stringent requirements will be imposed on homebuilders in the future. Environmental regulations can also have an adverse impact on the availability and price of certain raw materials such as lumber.

Under various environmental laws, current or former owners of real estate, as well as certain other categories of parties, may be required to investigate and clean up hazardous or toxic substances or petroleum product releases, and may be held liable to a governmental entity or to third parties for property damage and for investigation and cleanup costs incurred by such parties in connection with the contamination. In addition, in those cases where an endangered species is involved, environmental rules and regulations can result in the elimination of development in identified environmentally sensitive areas. To date, we have never had a significant environmental issue.

Segment and geographic area disclosures

We have identified our Atlanta, Central Texas, Colorado, Houston, Nevada, and Utah divisions as reportable operating segments. Our Corporate operations are a nonoperating segment, as it serves to support our homebuilding operations through functions such as our executive, finance, treasury, human resources, and accounting departments.

Footnote 2 of our Consolidated Financial Statements contains information regarding the operations of our reportable operating segments.

The below table presents the approximate number of employees for each reportable operating segment as of December 31, 2016 and 2015.

	Year Ended December 31,	
	2016	2015
Atlanta	165	135
Central Texas	70	72
Colorado	181	192
Houston	25	37
Nevada	71	53
Utah	13	—
Corporate	40	21
Total	565	510

Competition

We face competition in the homebuilding industry, which is characterized by relatively low barriers to entry. Homebuilders compete for, among other things, home buying customers, desirable land parcels, financing, raw materials and skilled labor. Increased competition may prevent us from acquiring attractive land parcels on which to build homes or make such acquisitions more expensive, hinder our market share expansion or lead to pricing pressures on our homes that may adversely impact our margins and revenues. Our competitors may independently develop land and construct housing units that are superior or substantially similar to our products, or may be significantly larger, have a longer operating history and have greater resources or lower cost of capital than us; accordingly, they may be able to compete more effectively in one or more of the markets in which we operate or plan to operate. We also compete with other homebuilders that have long-standing relationships with subcontractors and suppliers in the markets in which we operate or plan to operate and we compete for sales with individual resales of existing homes and with available rental housing.

ITEM 1A. RISK FACTORS.

Our business routinely encounters and attempts to address risks, some of which will cause our future results to differ, sometimes materially, from those originally anticipated. Below, we have described our present view of the most significant risks facing the Company. The risk factors set forth below are not the only risks that we may face or that could adversely affect us. If any of the circumstances described in the risk factors discussed in this Form 10-K actually occur, our business, prospects, liquidity, financial condition and results of operations could be materially and adversely affected. If this were to occur, the trading price of our securities could decline significantly and stockholders may lose all or part of their investment.

The following discussion of risk factors contains “forward-looking statements,” which may be important to understanding any statement in this Form 10-K or in our other filings and public disclosures. In particular, the following information should be read in conjunction with the sections in this Form 10-K entitled, “Cautionary Note about Forward-Looking Statements,” “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Item 8. Financial Statements and Supplementary Data.”

Risks Related to Our Business

Adverse changes in general economic conditions could reduce the demand for homes and, as a result, could have a material adverse effect on us.

The residential homebuilding industry is cyclical and is highly sensitive to changes in local and general economic conditions that are outside our control, including:

- consumer confidence, levels of employment, personal income growth and household debt-to-income levels of potential homebuyers;
- the availability of financing for homebuyers, including private and federal mortgage financing programs and federal, state, and provincial regulation of lending practices;
- real estate taxes and federal and state income tax provisions, including provisions for the deduction of mortgage interest payments;
- U.S. and global financial system and credit markets, including short- and long-term interest rates and inflation;
- housing demand from population growth and demographic changes (including immigration levels and trends in urban and suburban migration);
- competition from other real estate investors with significant capital, including other real estate operating companies and developers and institutional investment funds; and
- the supply of new or existing homes and other housing alternatives, such as apartments and other residential rental property.

The U.S. housing market can also be negatively impacted by declining consumer confidence, restrictive mortgage standards, and relatively large supplies of foreclosures, resales and new homes, among other factors. In the event these economic and business factors occur, we could experience declines in the market value of our inventory and demand for our homes, which could have a material adverse effect on our business, prospects, liquidity, financial condition and results of operations.

The health of the residential homebuilding industry may also be significantly affected by "shadow inventory" levels. "Shadow inventory" refers to the number of homes with a mortgage that are in some form of distress but that have not yet been listed for sale. Shadow inventory can occur when lenders put properties that have been foreclosed or forfeited to lenders on the market gradually, rather than all at once, or delay the foreclosure process. They may choose to do so because of regulations and foreclosure moratoriums, because of the additional costs and resources required to process and sell foreclosed properties, or because they want to avoid depressing housing prices further by putting many distressed properties up for sale at the same time. A significant shadow inventory in our markets could, were it to be released into our markets, adversely impact home prices and demand for our homes, which could have a material adverse effect on our business, prospects, liquidity, financial condition and results of operations.

In addition, an important segment of our customer base consists of first- and second-time move-up buyers, who often purchase homes subject to contingencies related to the sale of their existing homes. The difficulties that these buyers face in selling their homes during periods of weak economic conditions may adversely affect our sales. Moreover, during such periods, we may need to reduce our sales prices and offer greater incentives to buyers to compete for sales that may result in reduced margins.

Our long-term growth depends upon our ability to successfully identify and acquire desirable land parcels for residential build-out.

Our future growth depends upon our ability to successfully identify and acquire attractive land parcels for development of our homes at reasonable prices and with terms that meet our underwriting criteria. Our ability to acquire land parcels for new homes may be adversely affected by changes in the general availability of land parcels, the willingness of land sellers to sell land parcels at reasonable prices, competition for available land parcels, availability of financing to acquire land parcels, zoning and other market conditions. If the supply of land parcels appropriate for development of homes is limited because of these factors, or for any other reason, our ability to grow could be significantly limited, and the number of homes that we build and sell could decline. Additionally, our ability to begin new projects could be impacted if we elect not to purchase land parcels under option contracts. To the extent that we are unable to purchase land parcels timely or enter into new contracts for the purchase of land parcels at reasonable prices, our home sales revenue and results of operations could be negatively impacted.

Our geographic concentration could materially and adversely affect us if the homebuilding industry in our current markets should decline.

Our business strategy is focused on the design, construction and sale of single-family detached and attached homes in the major metropolitan markets of Atlanta, Central Texas, Colorado, Houston, Nevada, and Utah. Because our operations are concentrated in these areas, a prolonged economic downturn in one or more of these areas could have a material adverse effect on our business, prospects, liquidity, financial condition and results of operations, and a disproportionately greater impact on us than other homebuilders with more diversified operations. For the fiscal year ended December 31, 2016, we generated 34.5%, 10.8%, 36.0%, 4.0%, 14.4% and 0.3% of our revenue in Atlanta, Central Texas, Colorado, Houston, Nevada and Utah, respectively.

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 4.7% as of the end of December 2016, according to the U.S. Bureau of Labor Statistics. People who are not employed, are underemployed or are concerned about 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 the demand for the homes we build and by increasing the supply of homes for sale.

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. First-time homebuyers are generally more affected by the availability of financing than other potential homebuyers. These buyers are an important source of our demand. A limited availability of home mortgage financing may adversely affect the volume of our home sales and the sales prices we achieve in the United States.

During the recent past, the mortgage lending industry in the United States has experienced significant instability, beginning with increased defaults on subprime loans and other nonconforming loans and compounded by expectations of increasing interest payment requirements and further defaults. This in turn resulted in a decline in the market value of many mortgage loans and related securities. In response, lenders, regulators and others questioned the adequacy of lending standards and other credit requirements for several loan products and programs offered in recent years. Credit requirements have tightened, and investor demand for mortgage loans and mortgage-backed securities has declined. The deterioration in credit quality during the downturn had caused almost all lenders to stop offering subprime mortgages and most other loan products that were not eligible for sale to Fannie Mae or Freddie Mac, or loans that did not conform to Fannie Mae, Freddie Mac, FHA or Veterans Administration (which we refer to as the “VA”) requirements. Fewer loan products and tighter loan qualifications may continue to make it more difficult for certain buyers to finance the purchase of our homes. These factors may reduce the pool of qualified homebuyers and make it more difficult to sell to first-time and move-up buyers who have historically made up a substantial part of our customers. Reductions in demand adversely affected our business and financial results during the downturn. The liquidity provided by Fannie Mae and Freddie Mac to the mortgage industry has been very important to the housing market. These entities have required substantial injections of capital from the federal government and may require additional government support in the future. Several federal government officials have proposed changing the nature of the relationship between Fannie Mae and Freddie Mac and the federal government and even nationalizing or eliminating these entities entirely. If Fannie Mae and Freddie Mac were dissolved or if the federal government determined to stop providing liquidity support to the mortgage market, 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. The FHA insures mortgage loans that generally have lower loan payment requirements and qualification standards compared to conventional guidelines, and as a result, continue to be a particularly important source for financing the sale of our homes. In recent years, lenders have taken a more conservative view of FHA guidelines causing significant tightening of borrower eligibility for approval. Availability of condominium financing and minimum credit score benchmarks has reduced opportunity for those purchasers. In the future, there may be further restrictions on FHA-insured loans, including limitations on seller-paid closing costs and concessions. This or any other restriction may negatively affect the availability or affordability of FHA financing, which could adversely affect our potential homebuyers’ ability to secure adequate financing and, accordingly, our ability to sell homes in the United States. In addition, changes in federal and provincial regulatory and fiscal policies aimed at aiding the home buying market (including a repeal of the home mortgage interest tax deduction) may also negatively affect potential homebuyers’ ability to purchase homes.

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 potential homebuyers’ existing homes from obtaining a mortgage, which would result in our potential customers’ inability to buy a new home. Similar risks apply to those buyers who are awaiting delivery of their homes and are currently in backlog. The success of homebuilders depends on the ability of potential homebuyers to obtain mortgages for the purchase of homes. 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, and the price of our common stock may decline.

Interest rate increases or changes in federal lending programs or other regulations could lower demand for our homes, which could materially and adversely affect us.

Most of the purchasers of our homes finance their acquisitions with mortgage financing. Rising interest rates, decreased availability of mortgage financing or of certain mortgage programs, higher down payment requirements or increased monthly mortgage costs may lead to reduced demand for our homes and mortgage loans. Increased interest rates can also hinder our ability to realize our backlog because our home purchase contracts provide customers with a financing contingency. Financing contingencies allow customers to cancel their home purchase contracts in the event that they cannot arrange for adequate financing. As a result, rising interest rates can decrease our home sales and mortgage originations. Any of these factors could have a material adverse effect on our business, prospects, liquidity, financial condition and results of operations.

In addition, the federal government plays a significant role in supporting mortgage lending through its conservatorship of Fannie Mae and Freddie Mac, both of which purchase home mortgages and mortgage-backed securities originated by mortgage lenders, and its insurance of mortgages originated by lenders through the FHA and the VA. The availability and affordability of mortgage loans, including consumer interest rates for such loans, could be adversely affected by a curtailment or cessation of the federal government's mortgage-related programs or policies. The FHA may continue to impose stricter loan qualification standards, raise minimum down payment requirements, impose higher mortgage insurance premiums and other costs, and/or limit the number of mortgages it insures. Due to growing federal budget deficits, the U.S. Treasury may not be able to continue supporting the mortgage-related activities of Fannie Mae, Freddie Mac, the FHA and the VA at present levels, or it may revise significantly the federal government's participation in and support of the residential mortgage market. Because the availability of Fannie Mae, Freddie Mac, FHA- and VA-backed mortgage financing is an important factor in marketing and selling many of our homes, any limitations, restrictions or changes in the availability of such government-backed financing could reduce our home sales, which could have a material adverse effect on our business, prospects, liquidity, financial condition and results of operations.

Any limitation on, or reduction or elimination of, tax benefits associated with owning a home would have an adverse effect on the demand for our home products, which could be material to our business.

Significant expenses of owning a home, including mortgage interest and real estate taxes, generally are deductible expenses for an individual's U.S. federal, and in some cases, state income taxes, subject to various limitations under current tax law and policy. If the U.S. federal government or a state government changes its income tax laws, as has been discussed from time to time, to eliminate, limit or substantially modify these income tax deductions, the after-tax cost of owning a new home would increase for many of our potential customers. The resulting loss or reduction of homeowner tax deductions, if such tax law changes were enacted without offsetting provisions, or any other increase in any taxes affecting homeowners, would adversely impact demand for and sales prices of new homes.

Increases in taxes could prevent potential customers from buying our homes and adversely affect our business or financial results.

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 or road improvements, and/or to 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.

Changes to the population growth rates in certain of the markets in which we operate or plan to operate could affect the demand for homes in these regions.

Slower rates of population growth or population declines in Atlanta, Central Texas, Colorado, Houston, Nevada, Utah, North Carolina, or other key markets in the United States we plan to enter, 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 plans for growth, business, financial condition and operating results.

Difficulty in obtaining sufficient capital could result in an inability to acquire land for our developments or increased costs and delays in the completion of development projects.

The homebuilding industry is capital-intensive and requires significant up-front expenditures to acquire land parcels and begin development. If internally generated funds are not sufficient, we may seek additional capital in the form of equity or debt financing from a variety of potential sources, including additional bank financings and/or securities offerings. The availability of borrowed funds, especially for land acquisition and construction financing, may be greatly reduced nationally, and the lending community may require increased amounts of equity to be invested in a project by borrowers in connection with both new loans and the extension of existing loans. The credit and capital markets have recently experienced significant volatility. If we are required to seek additional financing to fund our operations, continued volatility in these markets may restrict our flexibility to access such financing. If we are not successful in obtaining sufficient capital to fund our planned capital and other expenditures, we may be unable to acquire land for our housing developments and/or to develop the housing. Additionally, if we cannot obtain additional financing to fund the purchase of land under our option contracts or purchase contracts, we may incur contractual penalties and fees. Any difficulty in obtaining sufficient capital for planned development expenditures could also cause project delays and any such delay could result in cost increases. Any one or more of the foregoing events could have a material adverse effect on our business, prospects, liquidity, financial condition and results of operations.

We face potentially substantial risk with respect to our land and lot inventory arising from significant changes in economic or market conditions.

We intend to acquire land parcels for replacement and expansion of land inventory within our current and any new markets. The risks inherent in purchasing and developing land parcels increase as consumer demand for housing decreases. As a result, we may buy and develop land parcels on which homes cannot be profitably built and sold. The market value of land parcels, building lots and housing inventories can fluctuate significantly as a result of changing market conditions, and the measures we employ to manage inventory risk may not be adequate to insulate our operations from a severe drop in inventory values. When market conditions are such that land values are not appreciating, previously entered into option agreements may become less desirable, at which time we may elect to forego deposits and pre-acquisition costs and terminate the agreements. In addition, inventory carrying costs can be significant and can result in losses in a poorly performing project or market. In the event of significant changes in economic or market conditions, we may have to sell homes at significantly lower margins or at a loss, if we are able to sell them at all.

If we are unable to develop our communities successfully or within expected timeframes, our results of operations could be adversely affected.

Before a community generates any revenues, time and material expenditures are required to acquire land, obtain development approvals and construct significant portions of project infrastructure, amenities, model homes and sales facilities. A decline in our ability to develop and market our communities successfully and to generate positive cash flow from these operations in a timely manner could have a material adverse effect on our business and results of operations and on our ability to service our debt and to meet our working capital requirements.

Adverse weather and geological conditions may increase costs, cause project delays and reduce consumer demand for housing, all of which could materially and adversely affect us.

As a homebuilder, we are subject to numerous risks, many of which are beyond our management's control, such as droughts, floods, wildfires, landslides, soil subsidence, earthquakes and other weather-related and geological events which could damage projects, cause delays in completion of projects, or reduce consumer demand for housing, and shortages in labor or materials, which could delay project completion and cause increases in the prices for labor or materials, thereby affecting our sales and profitability. Many of our core markets are in Colorado, an area which has historically experienced seasonal wildfires and soil subsidence. Texas, a market into which we continue to expand, has historically experienced tornadoes, coastal flooding and hurricanes. Nevada, a market into which we recently expanded, has historically experienced extreme temperatures, droughts and water shortages. In addition to directly damaging our projects, earthquakes, wildfires, mudslides or other geological events could damage roads and highways providing access to those projects, thereby adversely affecting our ability to market homes in those areas and possibly increasing the costs of completion.

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

Changes in global or regional climate conditions and governmental actions in response to such changes may adversely affect us by increasing the costs of, or restricting, our planned or future growth activities.

Projected climate change, if it occurs, may exacerbate the scarcity or presence of water and other natural resources in affected regions, which could limit, prevent or increase the costs of residential development in certain areas. In addition, there is a variety of new legislation being enacted, or considered for enactment, at the federal, state and local level relating to energy and climate change, and as climate change concerns continue to grow, legislation and regulations of this nature are expected to continue. This legislation relates to items such as carbon dioxide emissions control and building codes that impose energy efficiency standards. Government mandates, standards or regulations intended to mitigate or reduce greenhouse gas emissions or projected climate change impacts could result in prohibitions or severe restrictions on land development in certain areas, increased energy and transportation costs, and increased compliance expenses and other financial obligations to meet permitting, land development, or home construction-related requirements that we may be unable to fully recover (due to market conditions or other factors), any of which could cause a reduction in our homebuilding gross margins and materially and adversely affect our consolidated financial statements. Energy-related initiatives could similarly affect a wide variety of companies throughout the United States and the world, and because our results of operations are heavily dependent on significant amounts of raw materials, these initiatives could have an indirect adverse impact on our results of operations and profitability to the extent the manufacturers and suppliers of our materials are burdened with expensive cap and trade or other climate related regulations.

As a result, climate change impacts, and laws and land development and home construction standards, and/or the manner in which they are interpreted or implemented, to address potential climate change concerns could increase our costs and have a long-term adverse impact on our business and consolidated financial statements. This is a particular concern in the western United States, which have instituted some of the most extensive and stringent environmental laws and residential building construction standards in the country.

Failure to recruit, retain and develop highly skilled, competent personnel may have a material adverse effect on our standards of service.

Key employees, including management team members, are fundamental to our ability to obtain, generate and manage opportunities. Key employees working in the homebuilding and construction industries are highly sought after. Failure to attract and retain such personnel or to ensure that their experience and knowledge is not lost when they leave the business through retirement, redundancy or otherwise may adversely affect the standards of our service and may have an adverse impact on our business, financial conditions and operating results. In addition, we do not maintain key person insurance in respect of any member of our senior management team. The loss of any of our management members or key personnel could adversely impact our business, financial condition and operating results.

Failure to find suitable subcontractors may have a material adverse effect on our standards of service.

Substantially all of our construction work is done by third-party subcontractors with us acting as the general contractor. Accordingly, the timing and quality of our construction depend on the availability and skill of our subcontractors. The recent increase in levels of homebuilding in the markets in which we operate has occasionally led to some difficulty in securing the services of skilled tradesmen who are currently in high demand. While we anticipate being able to obtain sufficient materials and reliable subcontractors and believe that our relationships with subcontractors are good, we do not have long-term contractual commitments with any subcontractors, and there can be no assurance that skilled subcontractors will continue to be available at reasonable rates and in the areas in which we conduct our operations.

In the future, certain of the subcontractors engaged by us may be represented by labor unions or subject to collective bargaining arrangements. A strike or other work stoppage involving any of our subcontractors could also make it difficult for us to retain subcontractors for our construction work. In addition, union activity could result in higher costs to retain our subcontractors. The inability to contract with skilled subcontractors at reasonable costs on a timely basis could have a material adverse effect on our business, prospects, liquidity, financial condition and results of operations.

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

We rely on contractors 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 contractors and their respective subcontractors and suppliers, including the possibility of defects in our homes due to improper practices or materials used by contractors, which may require us to comply with our warranty obligations and/or bring a claim under an insurance policy. For example, despite our quality control efforts, we may discover that our subcontractors were engaging in improper construction practices or installing defective materials in our homes. When we discover these issues, we repair the homes in accordance with our new home warranty and as required by law. We establish warranty and other reserves for the homes we sell based on market practices, our historical experiences, and our judgment of the qualitative risks associated with the types of homes built. However, the cost of satisfying our warranty and other legal obligations in these instances may be significantly higher than our warranty reserves, and we may be unable to recover the cost of repair from such subcontractors. Regardless of the steps we take, we can in some instances be subject to fines or other penalties, and our reputation may be injured.

In addition, several other homebuilders have received inquiries from regulatory agencies concerning whether homebuilders using contractors are deemed to be employers of the employees of such contractors under certain circumstances. Although contractors 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, if regulatory agencies reclassify the employees of contractors as employees of homebuilders, homebuilders using contractors could be responsible for wage, hour and other employment-related liabilities of their contractors, which could adversely affect our results of operations.

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. Access to qualified labor may be affected by circumstances beyond our control, including:

- work stoppages resulting from labor disputes;
- shortages of qualified trades people, such as carpenters, roofers, electricians and plumbers, especially in our key markets in the United States;
- changes in laws relating to union organizing activity;
- changes in immigration laws and trends in labor force migration; and
- increases in subcontractor and professional services costs.

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. We may not be able to recover these 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.

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

Several of the markets in which we operate and in which we may operate in the future have historically been subject to utility and resource shortages, including significant changes to the availability of electricity and water and seasonal fluctuation in the ability of certain commodities, particularly lumber. Shortages of natural resources in our markets, particularly of water, may make it more difficult for us to obtain regulatory approval of new developments. We have also experienced material fluctuations in utility and resource costs across our markets, and we may incur additional costs and may not be able to complete construction on a timely basis if such fluctuations arise. In particular, as the housing market has improved and the number of new homes being constructed has increased, we have experienced increased construction costs due to additional competition for labor and materials. Furthermore, these shortages and rate fluctuations may adversely affect the regional economies in which we operate, which may reduce demand for our homes and negatively affect our business and results of operations.

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 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 the property is not feasible for development. Various local, provincial, state and federal statutes, ordinances, rules and regulations concerning building, health and safety, environment, zoning, sales and similar matters apply to and/or affect the housing industry.

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.

We may become subject to various state and local "slow growth" or "no growth" initiatives and other ballot measures that could negatively impact the availability of land and building opportunities within those localities.

Governmental regulation affects not only construction activities but also sales activities, mortgage lending activities and other dealings with consumers. 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 and provincial 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. 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.

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 surety bonds or letters of credit to secure the completion of our construction contracts, development agreements and other arrangements. We have obtained facilities to provide the required volume of performance, payment and completion 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 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 capacity of the markets for such bonds. Performance, payment and completion 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 consent from our lenders, or if the market's capacity to provide performance, payment and completion bonds or letters of credit is not sufficient for any unexpected growth and we are unable to renew or amend our existing facilities on favorable terms, or at all, we could be unable to obtain additional performance, payment and completion 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.

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 operating in the homebuilding industry poses certain inherent health and safety risks. 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 win new business, which in turn could have a material adverse effect on our business, financial condition and operating results.

We are subject to environmental laws and regulations, which may increase our costs, limit the areas in which we can build homes and delay completion of our projects.

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, including asbestos, the handling of hazardous materials and the cleanup of contaminated sites. We may be liable for the costs of removal, investigation or remediation of hazardous or toxic substances located on, under, from 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. 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.

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. From time to time, the United States Environmental Protection Agency and other federal or state agencies review homebuilders' compliance with environmental laws and may levy fines and penalties for failure to comply with applicable environmental laws or impose additional requirements for future compliance as a result of past failures. Any such actions taken with respect to us may increase our costs. We expect that increasingly stringent requirements may be imposed on homebuilders in the future. Environmental laws may result in delays, cause us to implement time consuming and expensive compliance programs and prohibit or severely restrict development in certain environmentally sensitive regions or areas, such as wetlands. We also may not identify all of these concerns during any pre-development review of project sites. Environmental regulations can also have an adverse impact on the availability and price of certain raw materials, such as lumber. Furthermore, we could incur substantial costs, including cleanup costs, fines, penalties and other sanctions and damages from third-party claims for property damage or personal injury, as a result of our failure to comply with, or liabilities under, applicable environmental laws and regulations. In addition, we are subject to third-party challenges, such as by environmental groups, under environmental laws and regulations to the permits and other approvals required for our projects and operations. These matters could adversely affect our business, financial condition and operating results.

We may be liable for claims for damages as a result of use of hazardous materials.

As a homebuilding business with a wide variety of historic homebuilding and construction activities, we could 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. Any such claims may adversely affect our business, financial condition and operating results. Insurance coverage for such claims may be limited or non-existent.

Our properties may contain or develop harmful mold, which could lead to liability for adverse health effects and costs of remediating the problem.

Litigation and concern about indoor exposure to certain types of toxic molds have been increasing as the public becomes increasingly aware that exposure to mold can cause a variety of health effects and symptoms, including allergic reactions. Toxic molds can be found almost anywhere; they can grow on virtually any organic substance, as long as moisture and oxygen are present. There are molds that can grow on wood, paper, carpet, foods and insulation. When excessive moisture accumulates in buildings or on building materials, mold growth will often occur, particularly if the moisture problem remains undiscovered or unaddressed. It is impossible to eliminate all mold and mold spores in the indoor environment. If mold or other airborne contaminants exist or appear at our properties, we may have to undertake a costly remediation program to contain or remove the contaminants or increase indoor ventilation. If indoor air quality were impaired, we could be liable to our homebuyers or others for property damage or personal injury.

We may not be able to compete effectively against competitors in the homebuilding industry, especially in the new markets we plan to enter.

Competition in the homebuilding industry is intense, and there are relatively low barriers to entry into our business. Homebuilders compete for, among other things, home buying customers, desirable land parcels, financing, raw materials and skilled labor. Increased competition could hurt our business, as it could prevent us from acquiring attractive land parcels on which to build homes or make such acquisitions more expensive, hinder our market share expansion and lead to pricing pressures on our homes that may adversely impact our margins and revenues. If we are unable to successfully compete, our business, prospects, liquidity, financial condition and results of operations could be materially and adversely affected. We compete with large national and regional homebuilding companies and with smaller local homebuilders for land, financing, raw materials and skilled management and labor resources. Furthermore, a number of our primary competitors are significantly larger, have a longer operating history and may have greater resources or lower cost of capital than ours; accordingly, they may be able to compete more effectively in one or more of the markets in which we operate. Many of these competitors also have long-standing relationships with subcontractors and suppliers in the markets in which we operate. As we expand our operations into Nevada, Texas, Georgia, Utah, North Carolina and other markets, we face new competition from many established homebuilders in those markets, and we will not have the benefit of the extensive relationships and strong reputations with subcontractors, suppliers and homebuyers that we enjoy in our Colorado markets.

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. These shortages can be more severe during periods of strong demand for housing or during periods following natural disasters that have a significant impact on existing residential and commercial structures. The cost of raw materials may also be materially and adversely affected during periods of shortages or high inflation. Shortages and price increases could cause delays in and increase our costs of home construction. We generally are unable to pass on increases in construction costs to customers who have already entered into home purchase contracts. Sustained increases in construction costs may adversely affect our gross margins, which in turn could materially and adversely affect our business, liquidity, financial condition and results of operations.

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 or accidents. Changes in such costs could also result in higher prices for any product utilizing petrochemicals. These cost increases may have an adverse effect on our operating margin and results of operations and may result in a decline in the price of our common stock. Furthermore, any such cost increase may adversely affect the regional economies in which we operate and reduce demand for our homes.

Increases in our cancellation rate could have a negative impact on our home sales revenue and homebuilding margins.

Our backlog reflects 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 to retain the deposit if the homebuyer fails to comply with his or her obligations under the sales contract, subject to certain exceptions, including as a result of state and local law, the homebuyer’s inability to sell his or her current home or, in certain circumstances, the homebuyer’s inability to obtain suitable financing. Home order cancellations negatively impact the number of closed homes, net new home orders, home sales revenue and results of operations, as well as the number of homes in backlog. Home order cancellations can result from a number of factors, including declines or slow appreciation in the market value of homes, increases in the supply of homes available to be purchased, increased competition, higher mortgage interest rates, homebuyers' inability to sell their existing homes, homebuyers' inability to obtain suitable financing, including providing sufficient down payments, and adverse changes in economic conditions. An increase in the level of our home order cancellations could have a negative impact on our business, prospects, liquidity, financial condition and results of operations.

Homebuilding is subject to product liability and warranty claims arising 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 during 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 create 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 arrangements and our reserves will be adequate to address all of our warranty and construction defect claims in the future. In addition, contractual indemnities 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.

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 expenditure, to the extent not covered by insurance or redress against subcontractors, may adversely affect our business, financial condition and operating results.

We may suffer uninsured losses or suffer material losses in excess of insurance limits.

We could suffer physical damage to property and liabilities resulting in losses that may not be fully compensated by insurance. In addition, certain types of risks, such as personal injury claims, may be, or may become in the future, either uninsurable or not economically insurable, or may not be currently or in the future covered by our insurance policies. Should an uninsured loss or a loss in excess of insured limits occur, we could sustain financial loss or lose capital invested in the affected property as well as anticipated future income from that property. In addition, we could be liable to repair damage or meet liabilities caused by uninsured risks. We may be liable for any debt or other financial obligations related to affected property. Material losses or liabilities in excess of insurance proceeds may occur in the future.

In the United States, the coverage offered and the availability of general liability insurance for construction defects is currently limited and is costly. As a result, an increasing number of our subcontractors in the United States may be unable to obtain insurance. If we cannot effectively recover construction defect liabilities and costs of defense from our subcontractors or their insurers, or if we have self-insured, we may suffer losses. Coverage may be further restricted and become even more costly. Such circumstances could adversely affect our business, financial condition and operating results.

Our operating performance is subject to risks associated with the real estate industry.

Real estate investments are subject to various risks and fluctuations and cycles in value and demand, many of which are beyond our control. Certain events may decrease cash available for operations, as well as the value of our real estate assets. These events include, but are not limited to:

- adverse changes in financial conditions of buyers and sellers of properties, particularly residential homes and land suitable for development of residential homes;
- adverse changes in international, national or local economic and demographic conditions;
- competition from other real estate investors with significant capital, including other real estate operating companies and developers and institutional investment funds;
- reductions in the level of demand for and increases in the supply of land suitable for development;
- fluctuations in interest rates, which could adversely affect our ability, or the ability of homebuyers, to obtain financing on favorable terms, or at all;
- unanticipated increases in expenses, including, without limitation, insurance costs, development costs, real estate assessments and other taxes and costs of compliance with laws, regulations and governmental policies; and
- changes in enforcement of laws, regulations and governmental policies, including, without limitation, health, safety, environmental, zoning and tax laws, governmental fiscal policies and the Americans with Disabilities Act of 1990.

In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in the purchase of homes or an increased incidence of home order cancellations. If we cannot successfully implement our business strategy, our business, prospects, liquidity, financial condition and results of operations will be adversely affected.

Because real estate investments are relatively illiquid, our ability to promptly sell one or more properties for reasonable prices in response to changing economic, financial and investment conditions may be limited and we may be forced to hold non-income producing properties for extended periods of time.

Real estate investments are relatively difficult to sell quickly. As a result, our ability to promptly sell one or more properties in response to changing economic, financial and investment conditions is limited and we may be forced to hold non-income producing assets for an extended period of time. We cannot predict whether we will be able to sell any property for the price or on the terms that we set or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a property.

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. 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.

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 consequences, and interest and inflation rate fluctuations, subject land 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 sell and build houses.

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 in the future, we may have to sell land or homes at a loss, which could adversely affect our results of operations and financial condition.

Inflation could adversely affect our business and financial results.

Inflation could adversely affect us by increasing the costs of land, materials and labor needed to operate our business. 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 have had a negative impact on housing demand. 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. Moreover, the cost of capital increases as a result of inflation and the purchasing power of our cash resources declines. Current or future 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.

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. Historically, we have entered into a larger percentage of contracts for the sale of our homes during the spring and summer months. 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 floods and fires 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.

In many 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.

We are subject to financial reporting and other requirements as a newly public company for which our accounting and other management systems and resources may not be adequately prepared.

As a public company with listed equity securities, we are required to comply with certain laws, regulations and requirements, including the requirements of the Securities Exchange Act of 1934, as amended (which we refer to as the “Exchange Act”), certain corporate governance provisions of the Sarbanes-Oxley Act of 2002 (which we refer to as the “Sarbanes-Oxley Act”), related regulations of the SEC, and requirements of the New York Stock Exchange. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal controls and procedures for financial reporting.

Section 404 of the Sarbanes-Oxley Act requires our management and independent auditors to report annually on the effectiveness of our internal control over financial reporting. However, we are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act (which we refer to as the “Jobs Act”), and, so for as long as we continue to be an emerging growth company, we are permitted to certain exemptions from various reporting requirements applicable to other public companies but not to emerging growth companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404. Once we are no longer an emerging growth company or, if prior to such date, we opt to no longer take advantage of the applicable exemption, we will be required to include an opinion from our independent auditors on the effectiveness of our internal control over financial reporting.

We would cease to be an "emerging growth company" upon the earliest of: (i) the end of the fiscal year following the fifth anniversary of our initial public offering, (ii) the end of the fiscal year in which our annual gross revenues are $1.0 billion or more, (iii) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt securities or (iv) as of the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded $700.0 million as of the end of the second quarter of that fiscal year.

We believe that we have completed the costly and challenging process of compiling the systems necessary to perform the evaluations needed to comply with Section 404 of the Sarbanes-Oxley Act. These reporting and other obligations place significant demands on our management, administrative, operational, and accounting resources and will cause us to incur significant expenses. We may in the future need to upgrade our systems or create new systems, implement additional financial and management controls, reporting systems and procedures, create or outsource an internal audit function, and hire additional accounting and finance staff. If we are unable to accomplish these objectives in a timely and effective fashion, our ability to comply with the financial reporting requirements and other rules that apply to reporting companies could be impaired. Any failure to maintain effective internal control over financial reporting could have a material adverse effect on our business, prospects, liquidity, financial condition and results of operations.

As a public company, we are obligated to maintain proper and effective internal controls over financial reporting. These internal controls may not be determined to be effective, which may adversely affect investor confidence in the Company.

We will be required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting as of the end of our fiscal year 2016. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting.

We believe that we have completed the costly and challenging process of compiling the systems necessary to perform the evaluations needed to comply with Section 404 of the Sarbanes-Oxley Act. However, if during the evaluation process, we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are effective. If we are unable to assert that our internal control over financial reporting is effective, we could lose investor confidence in the accuracy and completeness of our financial reports, and we may be subject to investigation or sanctions by the SEC.

We are required to disclose changes made in our internal control and procedures on a quarterly basis. However, our independent registered public accounting firm will not be required to report on the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act until the date we are no longer an "emerging growth company" as defined in the JOBS Act, if we continue to take advantage of the exemptions contained in the JOBS Act. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating. Our remediation efforts may not enable us to avoid a material weakness in the future. To comply with the requirements of being a public company, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring accounting or internal audit staff.

Acts of war or terrorism may seriously harm our business.

Acts of war, any outbreak or escalation of hostilities between the United States and any foreign power or acts of terrorism may cause disruption to the U.S. economy, or the local economies of the markets in which we operate, cause shortages of building materials, increase costs associated with obtaining building materials, result in building code changes that could increase costs of construction, affect job growth and consumer confidence or cause economic changes that we cannot anticipate, all of which could reduce demand for our homes and adversely impact our business, prospects, liquidity, financial condition and results of operations.

Negative publicity may affect our business performance and could affect the value of our securities.

Unfavorable media related to our industry, company, brands, marketing, personnel, operations, business performance or prospects may affect the value of our securities 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 brands that receive bad press or negative reviews. Negative publicity may result in a decrease in operating results that could lead to a decline in the value of our securities.

Failure to manage land acquisitions 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, inabilities to obtain desired approvals and entitlements, cost overruns, 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.

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.

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 in the case of acquisitions, significant liabilities may not be identified in due diligence or come to light after the expiry of warranty or indemnity periods. Additionally, while we would seek to limit our ongoing exposure, for example, through liability caps and period limits on warranties and indemnities in the case of disposals, 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.

Our acquisitions of Jimmy Jacobs in September 2013, LVLH in April 2014, Grand View in August 2014, and Peachtree in November 2014, were accounted for as business combinations in accordance with our accounting policies and GAAP with the acquired assets and assumed liabilities recorded at their estimated fair values as of the acquisition date. Based upon estimates of the fair value of the assets to be acquired and the liabilities to be assumed, we have recorded a step up to the historical basis of an acquired home under construction inventory. As homes are delivered in future periods, this step up will initially result in gross margins from home sales revenues that are commensurate with the stage of completion of the acquired inventory and the related risk assumed by us for its completion. The ultimate gross margins from home sales revenues that we will be able to achieve from our acquired businesses will be impacted by (1) our ability to construct homes at prices consistent with our forecasted budgets, and (2) future pricing increases or decreases based on market demand.

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

Residents of communities we develop rely on 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 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.

We may be subject to various risks relating to our plan to vertically integrate mortgage lending into our business.

We plan to vertically integrate mortgage lending into our business, which will enable us to provide financing to our homebuyers. There are risks involved with engaging in the mortgage lending business, including establishing sufficient stringent underwriting standards, so as to limit the level of foreclosures experienced on mortgages originated by us. We may hold some of the loans we originate to maturity; however, in order to finance our planned mortgage business, we will most likely sell the loans we originate, either as whole loans or pursuant to a securitization. It is customary in connection with such transactions for the originator, such as we would be, to make representations and warranties to the purchasers, guarantors and insurers about the mortgage loans and the manner in which they were originated and to offer certain indemnities and guaranties to the purchasers, guarantors and insurers. In the event of defaults on the loans we originate, we may be required to repurchase or substitute mortgage loans, or indemnify buyers, guarantors or insurers of our loans. Because we have limited experience in originating and underwriting home loans, our underwriting standards may not be as stringent as a more traditional lender, and accordingly, we may experience a higher rate of default than lenders who have engaged in the mortgage lending industry for a longer period of time. Moreover, the loans we originate will be limited primarily to buyers of our homes, so our pool of borrowers will be less diverse than as would be the case with a traditional lender, and thus there could be a higher correlation in the default rate with our borrowers. In addition, because we would be originating loans to buyers of our homes, there is the risk that we may be more incentivized, compared to more traditional lenders, to lower our underwriting standards in order to close home sales. Should our underwriting standards not adequately screen quality applicants, the default rate on the loans we originate may be higher, which could have an adverse impact on our results of operations and financial condition, either because the loans we own are no longer performing or because we are required to repurchase or otherwise indemnify purchasers, guarantors or insurers of the loans we sell or securitize.

Risk Related to Conflicts of Interest

As a result of Dale Francescon's and Robert Francescon's relationship with the Company, conflicts of interest may arise with respect to any transactions involving or with Dale Francescon, Robert Francescon, or their affiliates, and their interests may not be aligned with yours.

Dale Francescon and Robert Francescon are our Co-Chief Executive Officers, sit on our board of directors, and collectively beneficially own 5,025,770 shares of our common stock, which represents 23.3% of our common stock outstanding as of December 31, 2016. For so long as Dale Francescon and Robert Francescon continue to beneficially own a significant stake in us, they will have significant influence over the power to:

- elect our directors and exercise overall control over the Company;
- agree to sell or otherwise transfer a controlling stake in the Company; and
- determine the outcome of substantially all actions requiring the majority approval of our stockholders, including transactions with related parties, corporate reorganizations, mergers, acquisitions and dispositions of assets.

The interests of Dale Francescon and Robert Francescon may not be fully aligned with yours, and this could lead to a strategy that is not in your best interests. In addition, their significant ownership in us and resulting ability to effectively control us will limit your ability to influence corporate matters and may discourage someone from making a significant equity investment in us, or could discourage transactions involving a change in control.

In addition, there may be transactions between us and Dale Francescon, Robert Francescon, or their affiliates that could present an actual or perceived conflict of interest. These conflicts of interest may lead Dale and/or Robert Francescon to recuse himself or themselves from actions of our board of directors with respect to any transactions involving or with Dale or Robert Francescon or their affiliates. For example, we have entered into employment agreements with Dale Francescon and Robert Francescon, our Co-Chief Executive Officers, in their capacities as officers, pursuant to which they are required to devote substantially full-time attention to our affairs. These employment agreements were not negotiated on an arm's-length basis. We may choose not to enforce, or to enforce less vigorously, our rights under these agreements because of our desire to maintain our ongoing relationship with Dale Francescon and Robert Francescon.

Risks Related to Our Indebtedness

We use and expect to continue to use leverage in executing our business strategy, which may adversely affect the return on our assets.

We may incur a substantial amount of debt in the future. As of December 31, 2016, we had approximately \$454.1 million in outstanding indebtedness, consisting of \$253.1 million outstanding on our Existing Notes, \$195.0 million outstanding on our revolving credit facility, and \$6.0 million outstanding on insurance premium notes. As of December 31, 2016, we had \$185.0 million available on our revolving credit facility and capacity for up to an additional \$20.0 million under the accordion provisions thereof. Our board of directors will consider a number of factors when evaluating our level of indebtedness and when making decisions regarding the incurrence of new indebtedness, including the purchase price of assets to be acquired with debt financing, the estimated market value of our assets and the ability of particular assets, and the Company as a whole, to generate cash flow to cover the expected debt service. Our charter does not contain a limitation on the amount of debt we may incur and our board of directors may change our target debt levels at any time without the approval of our stockholders.

Incurring a substantial amount of debt could have important consequences for our business, 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 acquisitions, particularly when the availability of financing in the capital markets is limited;
- requiring a substantial portion of our cash flows from operations for the payment of interest on our debt and reducing our ability to use our cash flows to fund working capital, capital expenditures, 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 assure you 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 credit facilities 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 assure you 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 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 assure you 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.

Access to financing sources may not be available on favorable terms, or at all, especially in light of current market conditions, which could adversely affect our ability to maximize our returns.

We expect to employ prudent levels of leverage to finance the acquisition and development of our lots and construction of our homes. Our access to additional third-party sources of financing will depend, in part, on:

- general market conditions;
- the market’s perception of our growth potential;
- with respect to acquisition and/or development financing, the market’s perception of the value of the land parcels to be acquired and/or developed;
- our current debt levels;
- our current and expected future earnings;
- our cash flow; and
- the market price per share of our common stock.

If the capital and credit markets experience increased volatility or weakness, potential lenders may be unwilling or unable to provide us with financing that is attractive to us or may charge us prohibitively high fees in order to obtain financing. In such a situation, investment returns on our assets and our ability to make acquisitions could be adversely affected by our inability to secure additional financing on reasonable terms, if at all.

Depending on market conditions at the relevant time, we may have to rely more heavily on additional equity financings or on less efficient forms of debt financing that require a larger portion of our cash flow from operations, thereby reducing funds available for our operations, future business opportunities and other purposes. We may not have access to such equity or debt capital on favorable terms at the desired times, or at all.

Secured indebtedness exposes us to the possibility of foreclosure on our ownership interests in our land parcels.

Incurring mortgage and other secured indebtedness increases our risk of loss of our ownership interests in our land parcels or other assets because defaults thereunder, and the inability to refinance such indebtedness, may result in foreclosure action initiated by lenders.

Interest expense on debt we will incur may limit our cash available to fund our growth strategies.

As of December 31, 2016, we had approximately $454.1 million in outstanding indebtedness, consisting of $253.1 million outstanding on our Existing Notes, $195.0 million outstanding on our revolving credit facility, and $6.0 million outstanding on insurance premium notes. As of December 31, 2016, we had $185.0 million available on our revolving credit facility and capacity for up to an additional $20.0 million under the accordion provisions thereof. As part of our growth strategy, we may incur a significant amount of additional debt. Certain of our current debt has, and any additional debt we subsequently incur may have, a floating rate of interest. Higher interest rates could increase debt service requirements on our current floating rate debt and on any floating rate debt we subsequently incur, and could reduce funds available for operations, future business opportunities or other purposes. If we need to repay existing debt during periods of rising interest rates, we could be required to refinance our then-existing debt on unfavorable terms or liquidate one or more of our assets to repay such debt at times which may not permit realization of the maximum return on such assets and could result in a loss. The occurrence of either such event or both could materially and adversely affect our cash flows and results of operations.

Interest rate changes may adversely affect us.

We currently do not hedge against interest rate fluctuations. We may obtain in the future one or more forms of interest rate protection—in the form of swap agreements, interest rate cap contracts or similar agreements—to hedge against the possible negative effects of interest rate fluctuations. However, we cannot assure you that any hedging will adequately relieve the adverse effects of interest rate increases or that counterparties under these agreements will honor their obligations thereunder. In addition, we may be subject to risks of default by hedging counterparties. Adverse economic conditions could also cause the terms on which we borrow to be unfavorable. We could be required to liquidate one or more of our assets at times which may not permit us to receive an attractive return on our assets in order to meet our debt service obligations.

Our current financing arrangements contain, and our future financing arrangements likely will contain, restrictive covenants relating to our operations.

Our current financing arrangements contain, and the financing arrangements we enter into in the future likely will contain, covenants (financial and otherwise) affecting our ability to incur additional debt, make certain investments, reduce liquidity below certain levels, make distributions to our stockholders and otherwise affect our operating policies. The restrictions contained in our financing arrangements 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. If we fail to meet or satisfy any of these covenants in our debt agreements we would be in default under these agreements, and our lenders could elect to declare outstanding amounts due and payable, terminate their commitments, require the posting of additional collateral or enforce their respective interests against existing collateral. A default also could limit significantly our financing alternatives, which could cause us to curtail our investment activities and/or dispose of assets when we otherwise would not choose to do so. If we default on several of our debt agreements or any single significant debt agreement, it could have a material adverse effect on our business, prospects, liquidity, financial condition and results of operations.

We may not be able to generate sufficient cash flow to meet our debt service obligations.

Our ability to generate sufficient cash flow from operations to make scheduled payments on our debt obligations will depend on our current and future financial performance, which is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. In the future, we may fail to generate sufficient cash flow from the sales of our homes and land to meet our cash requirements. Further, our capital requirements may vary materially from those currently planned if, for example, our revenues do not reach expected levels or we have to incur unforeseen capital expenditures and make investments to maintain our competitive position. If we do not generate sufficient cash flow from operations to satisfy our debt obligations, including interest payments and the payment of principal at maturity, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. We cannot provide assurance that any refinancing would be possible, that any assets could be sold, or, if sold, of the timeliness and amount of proceeds realized from those sales, that additional financing could be obtained on acceptable terms, if at all, or that additional financing would be permitted under the terms of our various debt instruments then in effect. Furthermore, our ability to refinance would depend upon the condition of the finance and credit markets. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance our obligations on commercially reasonable terms or on a timely basis, would materially affect our business, financial condition or results of operations and may delay or prevent the expansion of our business.

The agreements governing our debt include provisions that may restrict our financial and business operations, but may not necessarily restrict our ability to take actions that may impair our ability to repay our debt.

The agreements governing our indebtedness, including our revolving credit facility and the Indenture that governs our senior notes, contain negative covenants customary for such financings, such as limiting our ability to sell or dispose of assets, incur additional indebtedness or liens, make certain restricted payments, make certain investments, consummate mergers, consolidations or other business combinations or engage in other lines of business. These restrictions may interfere with our ability to engage in other necessary or desirable business activities, which could materially affect our business, financial condition or results of operations.

Our revolving credit facility also requires us to comply with certain financial ratios and covenants, such as maximum consolidated leverage ratios, minimum consolidated interest coverage ratios and minimum tangible net worth. Our ability to comply with these covenants depends on our financial condition and performance and also is subject to events outside our control. Asset write-downs, other non-cash charges and other one-time events also impact our ability to comply with these covenants. In addition, these restrictions may interfere with our ability to obtain financing or to engage in other necessary or desirable business activities, which may have a material effect on our operations. These covenants are subject to important exceptions and qualifications. Moreover, if we fail to comply with these covenants and are unable to obtain a waiver or amendment, an event of default would result. Our revolving credit facility and other debt agreements, including the Indenture governing our senior notes, also contain other events of default customary for such financings. We cannot provide assurance that we would have sufficient liquidity to repay or refinance our debt if such amounts were accelerated upon an event of default. If we are unable to service our debt, this could materially affect our business, financial condition or results of operations.

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. In accordance with our growth strategy, we expect to opportunistically raise additional debt capital to help fund the growth of our business, subject to market and other conditions, but such debt capital may not be available to us on a timely basis at reasonable rates, or at all.

In the future, we may fail to generate sufficient cash flow from the sales of our homes and land to meet our cash requirements. Further, our capital requirements may vary materially from those currently planned if, for example, our revenues do not reach expected levels or we have to incur unforeseen capital expenditures and make investments 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 generating 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 debt, 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 favorable terms, if at all. Any inability to generate sufficient cash flow, refinance our debt or incur additional debt on favorable 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.

We are dependent upon payments from our subsidiaries to fund payments on our indebtedness and our ability to receive funds from our subsidiaries is dependent upon the profitability of our subsidiaries and restrictions imposed by law and contracts.

We are dependent on the cash flow of, and dividends and distributions to us from, our subsidiaries in order to service our existing indebtedness. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to any indebtedness of ours or to make any funds available therefor, except for those subsidiaries that have guaranteed our obligations under our outstanding indebtedness. The ability of our subsidiaries to pay any dividends and distributions will be subject to, among other things, the terms of any debt instruments of our subsidiaries then in effect as well as among other things, the availability of profits or funds and requirements of applicable laws, including surplus, solvency and other limits imposed on the ability of companies to pay dividends. There can be no assurance that our subsidiaries will generate cash flow sufficient to pay dividends or distributions to us that enable us to pay interest or principal on our existing indebtedness.

Risks Related to Our Organization and Structure

We depend on key personnel.

Our success depends to a significant degree upon the contributions of certain key personnel including, but not limited to, Dale Francescon and Robert Francescon, our Co-Chief Executive Officers, each of whom would be difficult to replace. Although we have entered into employment agreements with Dale Francescon and Robert Francescon, in their capacities as officers, there is no guarantee that these executives will remain employed with us. If any of our key personnel were to cease employment with us, our operating results could suffer. 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. The loss of services from key personnel or a limitation in their availability could materially and adversely impact our business, prospects, liquidity, financial condition and results of operations. Further, such a loss could be negatively perceived in the capital markets. We have not obtained and do not expect to obtain key man life insurance that would provide us with proceeds in the event of death or disability of any of our key personnel.

Termination of the employment agreements with the members of our management team could be costly and prevent a change in control of the Company.

The employment agreements we have entered into with Dale Francescon and Robert Francescon, our Co-Chief Executive Officers, in their capacities as officers, each provide that if their employment with us terminates under certain circumstances, we may be required to pay them significant amounts of severance compensation, thereby making it costly to terminate their employment. Furthermore, these provisions could delay or prevent a transaction or a change in control of the Company that might involve a premium paid for shares of our common stock or otherwise be in the best interests of our stockholders, which could adversely affect the market price of our common stock.

Certain anti-takeover defenses and applicable law may limit the ability of a third party to acquire control of the Company.

Our charter and bylaws and Delaware law contain provisions that may delay or prevent a transaction or a change in control of the Company that might involve a premium paid for shares of our common stock or otherwise be in the best interests of our stockholders, which could adversely affect the market price of our common stock. Certain of these provisions are described below.

Selected provisions of our charter and bylaws. Our charter and/or bylaws contain anti-takeover provisions that:

- authorize our board of directors, without further action by the stockholders, to issue up to 50 million shares of preferred stock in one or more series, and with respect to each series, to fix the number of shares constituting that series, the powers, rights and preferences of the shares of that series, and the qualifications, limitations and restrictions of that series;
- require that actions to be taken by our stockholders may be taken only at an annual or special meeting of our stockholders and not by written consent;
- specify that special meetings of our stockholders can be called only by our board of directors, the chairman of our board of directors, our chief executive officer, or our president;
- provide that our bylaws may be amended by our board of directors without stockholder approval;
- provide that directors may be removed from office only by the affirmative vote of the holders of 66 $^{2}/_{3}$% of the voting power of our capital stock entitled to vote generally in the election of directors;
- provide that vacancies on our board of directors or newly created directorships resulting from an increase in the number of our directors may be filled only by a vote of a majority of directors then in office, even though less than a quorum;
- provide that, subject to the express rights, if any, of the holders of any series of preferred stock, any amendment, modification or repeal of, or the adoption of any new or additional provision, inconsistent with our charter provisions relating to the removal of directors, exculpation of directors, indemnification, the prohibition against stockholder action by written consent, and the vote of our stockholders required to amend our bylaws requires the affirmative vote of the holders of at least 66 $^{2}/_{3}$% of the voting power of our capital stock entitled to vote generally in the election of directors;
- provide that the stockholders may amend, modify or repeal our bylaws, or adopt new or additional provisions of our bylaws, only with the affirmative vote of 66 $^{2}/_{3}$% of the voting power of our capital stock entitled to vote generally; and
- establish advance notice procedures for stockholders to submit nominations of candidates for election to our board of directors and other proposals to be brought before a stockholders meeting.

Selected provisions of Delaware law. We are a Delaware corporation, and we have elected to be subject to Section 203 of the DGCL by provision of our charter. In general, Section 203 of the DGCL prevents an "interested stockholder" (as defined in the DGCL) from engaging in a "business combination" (as defined in the DGCL) with us for three years following the date that person becomes an interested stockholder unless one or more of the following occurs:

- Before that person became an interested stockholder, our board of directors approved the transaction in which the interested stockholder became an interested stockholder or approved the business combination;
- Upon consummation of the transaction that resulted in the interested stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) stock held by directors who are also officers of the Company and by employee stock plans that do not provide employees with the right to determine confidentially whether shares held under the plan will be tendered in a tender or exchange offer; or
- Following the transaction in which that person became an interested stockholder, the business combination is approved by our board of directors and authorized at a meeting of stockholders by the affirmative vote of the holders of at least 66 $^{2}/_{3}$% of our outstanding voting stock not owned by the interested stockholder.

The DGCL generally defines "interested stockholder" as any person who, together with affiliates and associates, is the owner of 15% or more of our outstanding voting stock or is our affiliate or associate and was the owner of 15% or more of our outstanding voting stock at any time within the three-year period immediately before the date of determination.

We may change our operational policies, investment guidelines and business and growth strategies without stockholder consent, which may subject us to different and more significant risks in the future.

Our board of directors determines our operational policies, investment guidelines and business and growth strategies. Our board of directors may make changes to, or approve transactions that deviate from, those policies, guidelines and strategies without a vote of, or notice to, our stockholders. Under any of these circumstances, we may expose ourselves to different and more significant risks in the future, which could have a material adverse effect on our business, prospects, liquidity, financial condition and results of operations.

If we fail to implement and maintain an effective system of internal controls, we may not be able to accurately determine our financial results or prevent fraud. As a result, our stockholders could lose confidence in our financial results, which could materially and adversely affect us.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. There is no assurance that material weaknesses or significant deficiencies will not be identified in the future or that we will be successful in adequately remediating any such material weaknesses and significant deficiencies. We may in the future discover areas of our internal controls that need improvement. We cannot be certain that we will be successful in implementing or maintaining adequate internal control over our financial reporting and financial processes. Furthermore, as we grow our business, our internal controls will become more complex, and we will require significantly more resources to ensure our internal controls remain effective. Additionally, the existence of any material weakness or significant deficiency would require management to devote significant time and incur significant expense to remediate any such material weaknesses or significant deficiencies and management may not be able to remediate any such material weaknesses or significant deficiencies in a timely manner. The existence of any material weakness in our internal control over financial reporting could also result in errors in our financial statements that could require us to restate our financial statements again, cause us to fail to meet our reporting obligations and cause stockholders to lose confidence in our reported financial information, all of which could materially and adversely affect us.

We are an "emerging growth company" and, as a result of the reduced disclosure and governance requirements applicable to emerging growth companies, our securities may be less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and we are eligible to take advantage of certain exemptions from various reporting requirements applicable to other public companies but not to emerging growth companies, including, but not limited to, a requirement to present only two years of audited financial statements, an exemption from the auditor attestation requirement of Section 404 of the Sarbanes-Oxley Act, reduced disclosure about executive compensation arrangements pursuant to the rules applicable to smaller reporting companies and no requirement to seek non-binding advisory votes on executive compensation or golden parachute arrangements. We have elected to adopt these reduced disclosure requirements. We could be an emerging growth company until the last day of the fiscal year following the fifth anniversary of the completion of our initial public offering, although a variety of circumstances could cause us to lose that status earlier.

In addition, Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended (which we refer to as the "Securities Act") for complying with new or revised financial accounting standards. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we have determined to opt out of such extended transition period and, as a result, we will comply with new or revised financial accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised financial accounting standards is irrevocable.

We cannot predict if investors will find our securities less attractive as a result of our taking advantage of these exemptions. If some investors find our common stock less attractive as a result of our choices, there may be a less active trading market for our common stock and its trading price may be more volatile.

Changes in accounting rules, assumptions and/or judgments could materially and adversely affect us.

Accounting rules and interpretations for certain aspects of our operations are highly complex and involve significant assumptions and judgment. These complexities could lead to a delay in the preparation and dissemination of our financial statements. Furthermore, changes in accounting rules and interpretations or in our accounting assumptions and/or judgments, such as asset impairments, could significantly impact our financial statements. In some cases, we could be required to apply a new or revised standard retroactively, resulting in restating prior period financial statements. Any of these circumstances could have a material adverse effect on our business, prospects, liquidity, financial condition and results of operations.

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

In our homebuilding activities, we are exposed to potentially significant litigation, including breach of contract, contractual disputes and disputes relating to defective title, property misdescription or construction defects, including use of defective materials. Although we have established warranty, claim and litigation reserves that we believe are adequate, due to the uncertainty inherent in litigation, legal proceedings may result in the award of substantial damages against us beyond our reserves. Furthermore, plaintiffs may in certain of these legal proceedings seek class action status with potential class sizes that vary from case to case. Class action lawsuits can be costly to defend, and if we were to lose any certified class action suit, it could result in substantial liability for us. In addition, we are subject to potential lawsuits, arbitration proceedings and other claims in connection with our business.

With respect to certain general liability exposures, including construction defect and product liability claims, interpretation of underlying current and future trends, assessment of claims and the related liability and reserve estimation process require us to exercise significant judgment due to the complex nature of these exposures, with each exposure often exhibiting unique circumstances. Furthermore, once claims are asserted for construction defects, it is difficult to determine the extent to which the assertion of these claims will expand geographically. As a result, our insurance policies may not be available or adequate to cover any liability for damages, the cost of repairs, and/or the expense of litigation surrounding current claims, and future claims may arise out of events or circumstances not covered by insurance and not subject to effective indemnification agreements with our subcontractors. Should such a situation arise, it may have a material adverse effect on our business, financial condition and operating results.

Failure by our directors, officers or employees to comply with applicable codes of conduct could materially and adversely affect us.

We have adopted a code of business conduct and ethics for our directors, officers and any employees. Our adoption of this code and other standards of conduct is not a representation or warranty that all persons subject to this code or standards are or will be in complete compliance. The failure of a director, officer or employee to comply with the applicable code or standards of conduct may result in termination of the relationship and/or adverse publicity, which could materially and adversely affect us.

Any joint venture investments that we make could be adversely affected by our lack of sole decision making authority, our reliance on co-venturers' financial conditions and disputes between us and our co-venturers.

On November 1, 2016, we acquired a 50% ownership of WJH LLC (which we refer to as "WJH"), which is a successor to Wade Jurney Homes, Inc. and Wade Jurney of Florida, Inc. WJH primarily targets first-time homebuyers in the Southeastern United States. The Company and Wade Jurney will share responsibility for all of WJH's strategic decisions, with Wade Jurney continuing to manage the day-to-day operations under the existing operating model.

Although it is currently not a focus in our business strategy, we may in the future continue to co-invest with third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a land acquisition and/or a development. In this event, we would not be in a position to exercise sole decision-making authority regarding the acquisition and/or development, and our investment may be illiquid due to our lack of control. Investments in partnerships, joint ventures, or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that partners or co-venturers might become bankrupt, fail to fund their share of required capital contributions, make poor business decisions or block or delay necessary decisions. Partners or co-venturers may have economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the partner or co-venturer would have full control over the partnership or joint venture. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our business. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-venturers.

An information systems interruption or breach in security could adversely affect us.

We rely on accounting, financial and operational management information systems to conduct our operations. Any disruption in these systems could adversely affect our ability to conduct our business. Furthermore, any security breach of information systems or data could result in a violation of applicable privacy and other laws, significant legal and financial exposure, damage to our reputation, and a loss of confidence in our security measures, which could harm our business.

Risks Related to Ownership of our Common Stock

A trading market for our common stock may not be sustained and our common stock prices could decline.

Although our common stock is listed on the New York Stock Exchange under the symbol "CCS," an active trading market for the shares of our common stock may not be sustained. Accordingly, no assurance can be given as to the following:

- the likelihood that an active trading market for shares of our common stock will be sustained;
- the liquidity of any such market;
- the ability of our stockholders to sell their shares of common stock; or
- the price that our stockholders may obtain for their common stock.

In addition, our common stock has experienced price and volume volatility over the past year. The market price and volume of our common stock may continue to experience fluctuations not only due to general stock market conditions but also due to government regulatory action, tax laws, interest rates and a change a change in sentiment in the market regarding our industry, operations or business prospects. In addition to the other risk factors discussed in this section, the price and volume volatility of our common stock may be affected by:

- factors influencing home purchases, such as availability of home mortgage loans and interest rates, credit criteria applicable to prospective borrowers, ability to sell existing residences, and homebuyer sentiment in general;
- the operating and securities price performance of companies that investors consider comparable to us;
- announcements of strategic developments, acquisitions and other material events by us or our competitors;
- changes in global financial markets and global economies and general market conditions, such as interest rates, commodity and equity prices and the value of financial assets;
- additions or departures of key personnel;
- operating results that vary from the expectations of securities analysts and investors;
- actions by stockholders; and
- passage of legislation or other regulatory developments that adversely affect us or the homebuilding industry.

If an active market is not maintained, or if our common stock continues to experience price and volume volatility, the market price of our common stock may decline.

Furthermore, our ability to raise funds through the issuance of equity or otherwise use our common stock as consideration is impacted by the price of our common stock. A low stock price may adversely impact our ability to reduce our financial leverage, as measured by the ratio of total debt to total capital. Continued high levels of leverage or significant increases may adversely affect our credit ratings and make it more difficult for us to access additional capital. These factors may limit our ability to implement our operating and growth plans.

If securities analysts do not publish, or cease publishing, research or reports about us, our business or our market, or if they change their recommendations regarding our stock adversely, the price of our common stock and trading volume could decline.

The trading market for our common stock could be influenced by any research and reports that securities or industry analysts publish about us, our business or our market. If one or more of the analysts who covers us downgrades our common stock or publishes inaccurate or unfavorable research about us, our business or our market, the price of our common stock would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our common stock could decrease, which could cause the price of our common stock and trading volume to decline.

Future offerings of debt securities, which would rank senior to our common stock upon our bankruptcy liquidation, and future offerings of equity securities that may be senior to our common stock for the purposes of dividend and liquidating distributions, may adversely affect the market price of our common stock.

In the future, we may attempt to increase our capital resources by making offerings of debt securities or additional offerings of equity securities. Upon bankruptcy or liquidation, holders of our debt securities and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our common stock, or both. Our preferred stock, if issued, could have a preference on liquidating distributions or a preference on dividend payments or both that could limit our ability to pay dividends or make liquidating distributions to the holders of our common stock. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control. As a result, we cannot predict or estimate the amount, timing or nature of our future offerings, and purchasers of our common stock bear the risk of our future offerings reducing the market price of our common stock and diluting their ownership interest in the Company.

Non-U.S. holders may be subject to United States federal income tax on gain realized on the sale or disposition of shares of our common stock.

Because of our holdings in United States real property interests, we believe we are and will remain a “United States real property holding corporation” (which we refer to as “USRPHC”) for United States federal income tax purposes. As a USRPHC, our stock may be treated as a United States real property interest (which we refer to as “USRPI”), gains from the sale of which by non-U.S. holders would be subject to U.S. income tax and reporting obligations pursuant to the Foreign Investment in Real Property Tax Act (which we refer to as “FIRPTA”). Our common stock will not be treated as a USRPI if it is regularly traded on an established securities market, except in the case of a non-U.S. holder that actually or constructively holds more than five percent of such class of stock at any time during the shorter of the five-year period preceding the date of disposition or the holder’s holding period for such stock. We anticipate that our common stock will continue to be regularly traded on the New York Stock Exchange. However, no assurance can be given in this regard and no assurance can be given that our common stock will remain regularly traded in the future. If our stock is treated as a USRPI, a non-U.S. holder would be subject to regular United States federal income tax with respect to any gain on such stock in the same manner as a taxable U.S. holder (subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals). In addition, the purchaser of the stock would be required to withhold and remit to the IRS 10% of the purchase price unless an exception applies. A non-U.S. holder also would be required to file a U.S. federal income tax return for any taxable year in which it realizes a gain from the disposition of our common stock that is subject to U.S. federal income tax.

Non-U.S. holders should consult their tax advisors concerning the consequences of disposing of shares of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

We lease our corporate headquarters located at 8390 East Crescent Parkway, Suite 650, Greenwood Village, Colorado. We also lease offices in the markets where we conduct business, but none of these properties are material to the operation of our business.

ITEM 3. LEGAL PROCEEDINGS.

Because of the nature of the homebuilding business, we and certain of our subsidiaries and affiliates have been named as defendants in various claims, complaints and other legal actions arising in the ordinary course of business. In the opinion of our management, the outcome of these ordinary course matters will not have a material adverse effect upon our financial condition, results of operations or cash flows.

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 shares of our common stock are listed on the New York Stock Exchange under the symbol "CCS," and began trading on June 18, 2014. The following table sets forth high and low closing price ranges of our common stock for the periods indicated in the years ended December 31, 2016 and 2015, as reported by the New York Stock Exchange.

Quarter Ended in 2016	High	Low
March 31,	$17.07	$13.47
June 30,	$18.85	$16.20
September 30,	$21.51	$17.15
December 31,	$21.60	$19.20

Quarter Ended in 2015	High	Low
March 31,	$19.95	$14.45
June 30,	$22.00	$18.76
September 30,	$24.05	$18.90
December 31,	$21.58	$16.49

Holders

As of February 7, 2017, there were approximately 40 stockholders of record of our common stock. On February 7, 2017, the last reported sale price of our common stock on the New York Stock Exchange was $22.35 per share.

Dividends

During the years ended December 31, 2016 and 2015, we did not declare or pay any dividends.

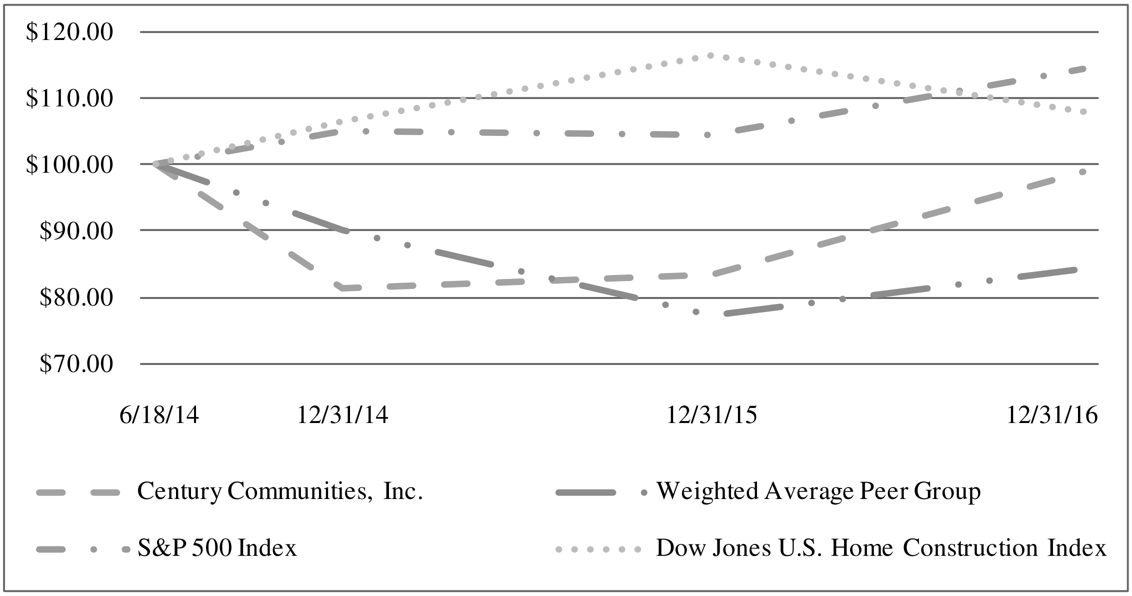
Stock Performance Graph

The graph below compares the cumulative total return of our common stock, the S&P 500 Index, the Dow Jones US Home Construction Index, and peer group companies for the periods from June 18, 2014, the date our common stock commenced trading on the New York Stock Exchange, to December 31, 2016.

It is assumed in the graph that $100 was invested in (1) our common stock; (2) the stocks of the companies in the Standard & Poor's 500 Stock Index; (3) the stocks of the Dow Jones U.S. Home Construction Index; and (4) the stocks of the peer group companies, just prior to the commencement of the period and that all dividends received within a quarter were reinvested in that quarter. The peer group index is composed of the following companies: Beazer Homes USA, Inc., Hovnanian Enterprises, Inc., M/I Homes, Inc., M.D.C. Holdings, Inc., and William Lyon Homes.

The stock price performance shown on the following graph is not indicative of future price performance.

Comparison of Cumulative Total Return from June 18, 2014, the Date our Common Stock Commenced Trading on the New York Stock Exchange, to December 31, 2016



Issuer Purchases of Equity Securities

The following table summarizes the number of shares of our common stock that were repurchased from certain employees of the Company during the quarter ended December 31, 2016. Such shares were not repurchased pursuant to our stock repurchase program, but were repurchased to satisfy statutory minimum federal and state tax obligations associated with the vesting of restricted shares of common stock issued under our First Amended & Restated 2013 Long-Term Incentive Plan.

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
October				
Purchased 10/1 through 10/31	—	$ —	N/A	N/A
November				
Purchased 11/1 through 11/30	107	20.05	N/A	N/A
December				
Purchased 12/1 through 12/31	—	—	N/A	N/A
Total	107	$20.05		

ITEM 6. SELECTED FINANCIAL DATA.

The data in this table should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes thereto, which are included in "Item 8. Consolidated Financial Statements."

(in thousands, except per share amounts)	Year Ended December 31,				
	2016	2015	2014	2013	2012
Consolidated Statements of Operations:					
Revenue					
Home sales revenues	$ 978,733	$725,437	$351,823	$171,133	$96,030
Land sales revenues	11,799	3,405	4,800	—	—
Golf course and other revenue	3,908	5,647	5,769	—	—
Total Revenue	994,440	734,489	362,392	171,133	96,030
Cost of homes sales revenues	786,127	579,203	276,386	129,651	75,448
Cost of land sales revenues	10,589	3,395	1,808	—	—
Cost of golf course and other revenue	3,628	5,037	6,301	—	—
Selling, general, and administrative	122,224	87,840	46,795	23,622	13,496
Total operating costs and expenses	922,568	675,475	331,290	153,273	88,944
Operating income	71,872	59,014	31,102	17,860	7,086
Other income (expense)	1,277	1,291	(143)	213	353
Income before tax expense	73,149	60,305	30,959	18,073	7,439
Income tax expense	23,609	20,415	10,937	5,642	—
Consolidated net income of Century Communities, Inc.	49,540	39,890	20,022	12,431	7,439
Net income attributable to non-controlling interests	—	—	—	52	1,301
Net income attributable to common stockholders	$ 49,540	$ 39,890	$ 20,022	$ 12,379	$ 6,138
Basic earnings per share	$ 2.34	$ 1.88	$ 1.03	$ 0.95	—
Diluted earnings per share	$ 2.33	$ 1.88	$ 1.03	$ 0.95	—
Balance Sheet Data (end of period):					
Cash and cash equivalents	$ 29,450	$ 29,287	$ 33,462	$109,998	$ 7,897
Inventories	$ 857,885	$810,137	$556,323	$184,072	$77,305
Total assets	$1,007,528	$917,741	$670,616	$312,639	$90,673
Total debt	$ 454,088	$390,243	$224,247	$ 1,500	$33,206
Total liabilities	$ 533,892	$508,262	$305,411	$ 41,083	$66,112
Equity	$ 473,636	$409,479	$365,205	$271,556	$24,561
Other Operating Information (dollars in thousands):					
Number of homes delivered	2,825	2,401	1,046	448	336
Average sales price of homes delivered	$ 346.5	$ 302.1	$ 336.4	$ 382.0	$ 285.8
Homebuilding gross margin percentage	19.7%	20.2%	21.4%	24.2%	21.4%
Cancellation rates	20%	21%	18%	20%	17%
Backlog at end of period, number of homes	749	714	772	222	148
Backlog at end of period, aggregate sales value	$ 302,823	$271,138	$246,327	$103,250	$51,562
Average sales price of homes in backlog	$ 404.3	$ 379.7	$ 319.1	$ 465.1	$ 348.4
Net new home contracts	2,860	2,356	1,042	406	415
Selling communities at period end	89	88	75	23	13
Total owned and controlled lot inventory	18,296	13,160	11,463	8,341	3,072
Adjusted EBITDA[1]	$ 99,853	$ 77,783	$ 40,989	$ 21,164	$ 9,064
Net debt to net capital[1]	46.1%	46.0%	33.1%	(69.7)%	49.9%

[1] These are non-GAAP financial measures. See definition and reconciliation below.

The following table presents EBITDA and Adjusted EBITDA for the years ended December 31, 2016, 2015, 2014, 2013 and 2012. Adjusted EBITDA is a non-GAAP financial measure we use as a supplemental measure in evaluating operating performance. We define Adjusted EBITDA as consolidated net income before (i) income tax expense, (ii) interest in cost of home sales revenues, (iii) other interest expense, (iv) depreciation and amortization expense and, (v) adjustments resulting from the application of purchase accounting for acquired work in process inventory related to business combinations. We believe Adjusted EBITDA provides an indicator of general economic performance that is not affected by fluctuations in interest rates or effective tax rates, levels of depreciation or amortization, and items considered to be non-recurring. Accordingly, our management believes that this measurement is useful for comparing general operating performance from period to period. Adjusted EBITDA should be considered in addition to, and not as a substitute for, consolidated net income in accordance with GAAP as a measure of performance. Our presentation of Adjusted EBITDA should not be construed as an indication that our future results will be unaffected by unusual or non-recurring items. Our Adjusted EBITDA is limited as an analytical tool, and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP.

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Net income	$49,540	$39,890	$20,022	$12,431	$7,439
Income tax expense	23,609	20,415	10,937	5,642	—
Interest in cost of home sales revenues	19,502	10,082	2,366	1,521	1,429
Interest expense	5	10	26	—	—
Depreciation and amortization expense	5,580	4,713	2,941	937	196
EBITDA	98,236	75,110	36,292	20,531	9,064
Purchase price accounting for acquired work in process inventory	389	2,673	4,697	633	—
Purchase price accounting for investment in unconsolidated subsidiaries	1,228	—	—	—	—
Adjusted EBITDA	$99,853	$77,783	$40,989	$21,164	$9,064

Net Debt to Net Capital

The following table presents our ratio of net debt to net capital, which is a non-GAAP financial measure. We calculate this by dividing net debt (notes payable and revolving line of credit less cash held in escrow and cash and cash equivalents) by net capital (net debt plus total stockholders' equity). The most directly comparable GAAP measure is the ratio of debt to total capital. We believe the ratio of net debt to net capital is a relevant and useful financial measure to investors in understanding the leverage employed in our operations and as an indicator of the our ability to obtain external financing.

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Notes payable and revolving line of credit	$454,088	$390,243	$224,247	$ 1,500	$33,206
Total stockholders' equity	473,636	409,479	365,205	271,556	24,561
Total capital	$927,724	$799,722	$589,451	$ 273,056	$57,767
Debt to capital	48.9%	48.8%	38.0%	0.5%	57.5%
Notes payable and revolving line of credit	$454,088	$390,243	$224,247	$ 1,500	$33,206
Cash held in escrow	(20,044)	(11,817)	(9,997)	(3,010)	(1,282)
Cash and cash equivalents	(29,450)	(29,287)	(33,462)	(109,998)	(7,507)
Net debt	404,594	349,139	180,788	(111,508)	24,416
Total stockholders' equity	473,636	409,479	365,205	271,556	24,561
Net capital	$878,230	$758,618	$545,993	$ 160,048	$48,977
Net debt to net capital	46.1%	46.0%	33.1%	-69.7%	49.9%

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

Overview

We are engaged in the development, design, construction, marketing and sale of single-family attached and detached homes in metropolitan areas in Colorado, Austin and San Antonio, Texas (which we refer to as "Central Texas"), Houston, Texas, Las Vegas, Nevada, Atlanta, Georgia, and Salt Lake City, Utah. Our homebuilding operations are organized into the following six operating segments based on the geographic markets in which we operate: Atlanta, Central Texas, Colorado, Houston, Nevada, and Utah. In many of our projects, in addition to building homes, we are responsible for the entitlement and development of the underlying land.

We build and sell an extensive range of home types across a variety of price points. Our emphasis is on acquiring well located land positions and offering quality homes with innovative design elements.

Results of Operations December 31, 2016 and 2015

During the year ended December 31, 2016, we experienced moderate improvement in the homebuilding market throughout most of our operating segments. The current homebuilding market enjoys a stable macro-economic environment, which includes stable employment growth as well as growth in median household incomes. These factors along with low levels of existing housing inventory resulted in an environment in which we were able to achieve increases in net new home contracts, home deliveries, and average sales price for the year ended December 31, 2016 of 21.4%, 17.7%, and 14.7%, respectively, as compared to the year ended December 31, 2015. The increases in net new home contracts, home deliveries and average sales price, along with our continued focus on cost control and investing in our infrastructure prudently as we expand, resulted in total revenue and net income of $994.4 million and $49.5 million, respectively for the year ended December 31, 2016, which represented a 35.4% and 24.2% increase, respectively, over the year ended December 31, 2015.

During 2016, we also invested for future growth through (i) our entrance into the Utah and North Carolina markets, (ii) commencing our wholly owned financing operations, Parkway Financial Group, and (iii) acquiring a 50% ownership in Wade Jurney Homes. We also continued to expand our future pipeline of land positions as we increased our total lots owned and under control from 13,160 as of December 31, 2015 to 18,296 as of December 31, 2016.

We believe our operations are well positioned for future growth as a result of the strong markets in which we operate, our product offerings which span the home buying segment, as well as current and future inventories of attractive land positions. As we have grown, we have continued to focus on maintaining prudent leverage, and as a result we believe we are well positioned to execute on our growth strategy in order to optimize our shareholder returns.

We anticipate the homebuilding market in each of our operating segments to continue to be tied to the local economy, and to a lesser degree the macro-economic environment. Accordingly, our net sales, home deliveries, and average sales price in future years could be negatively affected by economic conditions such as decreases in employment and median household incomes, as well as decreases in household formations and increasing supply of inventories. Additionally, our results could be impacted by a decrease in home affordability as a result of price appreciation or significant increases in mortgage interest rates or tightening of mortgage lending standards.

Strategy

Our strategy is focused on increasing the returns on our inventory while generating strong profitability. In general, we are focused on the following initiatives:

- Maintaining a strong balance sheet and prudent use of leverage as we grow;
- Offering products that appeal to a broad range of entry-level, move-up, and luxury homebuyers based on each local market in which we operate;

- Maintaining a strong pipeline of future land holdings including utilizing lot option contracts to manage our risk to land holdings;
- Expand into new markets that meet our underwriting criteria either through organic start -up operations or through acquisitions of existing homebuilders; and
- Controlling costs, including costs of home sales revenue and selling and general administrative expenses, to achieve increased profitability.

Our operating strategy has resulted in growth in revenue and income before income taxes over the last five years, and we believe it will continue to produce positive results. Our operating strategy will continue to evolve to market changes, and we cannot provide any assurances that our strategies will continue to be successful.

The following table summarizes our results of operation for the years ended December 31, 2016 and 2015.

(in thousands, except per share amounts)	Year Ended December 31,		Increase (Decrease)	
	2016	2015	Amount	%
Consolidated Statements of Operations:				
Revenue				
Home sales revenues	$978,733	$725,437	$253,296	34.9%
Land sales revenues	11,799	3,405	8,394	246.5%
Golf course and other revenue	3,908	5,647	(1,739)	(30.8)%
Total revenue	994,440	734,489	259,951	35.4%
Costs and expenses				
Cost of home sales revenues	786,127	579,203	206,924	35.7%
Cost of land sales revenues	10,589	3,395	7,194	211.9%
Cost of golf course and other revenue	3,628	5,037	(1,409)	(28.0)%
Selling, general, and administrative	122,224	87,840	34,384	39.1%
Total operating costs and expenses	922,568	675,475	247,093	36.6%
Operating income	71,872	59,014	12,858	21.8%
Other income (expense)	1,277	1,291	(14)	(1.1)%
Income before income tax expense	73,149	60,305	12,844	21.3%
Income tax expense	23,609	20,415	3,194	15.6%
Net income	$ 49,540	$ 39,890	$ 9,650	24.2%
Earnings per share:				
Basic	$ 2.34	$ 1.88	$ 0.46	24.5%
Diluted	$ 2.33	$ 1.88	$ 0.45	23.9%
Other Operating Information (dollars in thousands):				
Number of homes delivered	2,825	2,401	424	17.7%
Average sales price of homes delivered	$ 346.5	$ 302.1	$ 44.3	14.7%
Homebuilding gross margin percentage	19.7%	20.2%	(0.5)%	-2.4%
Adjusted homebuilding gross margin excluding interest and purchase price accounting for acquired work in process inventory(1)	21.7%	21.9%	(0.2)%	-1.0%
Cancellation rate	20%	21%	(1)%	-4.8%
Backlog at end of period, number of homes	749	714	35	4.9%
Backlog at end of period, aggregate sales value	$302,823	$271,138	$ 31,685	11.7%
Average sales price of homes in backlog	$ 404.3	$ 379.7	$ 24.6	6.5%
Net new home contracts	2,860	2,356	504	21.4%
Selling communities at period end	89	88	1	1.1%
Average selling communities	89	90	(1)	-1.1%
Total owned and controlled lot inventory	18,296	13,160	5,136	39.0%

(1) Non-GAAP financial measure.

Results of Operations by Operating Segment

(dollars in thousands)	New Homes Delivered Year Ended December 31,		Average Sales Price of Homes Delivered Year Ended December 31,		Home Sales Revenues Year Ended December 31,		Income before Income Tax Year Ended December 31,	
	2016	2015	2016	2015	2016	2015	2016	2015
Atlanta	1,265	1,174	$271.3	$229.3	$343,141	$269,188	$ 31,138	$ 23,574
Central Texas	218	162	$444.0	$460.4	96,786	74,591	5,519	5,048
Colorado	807	636	$443.9	$407.6	358,267	259,259	51,713	37,090
Houston	120	167	$320.2	$228.9	38,421	38,234	(2,833)	(788)
Nevada	408	262	$341.9	$321.2	139,487	84,165	15,586	12,425
Utah	7	—	$375.9	$ —	2,631	—	(686)	—
Corporate	—	—	$ —	$ —	—	—	(27,288)	(17,044)
Total	2,825	2,401	$346.5	$302.1	$978,733	$725,437	$ 73,149	$ 60,305

Atlanta

In our Atlanta operating segment, our income before income tax increased by $7.6 million to $31.1 million for the year ended December 31, 2016, as compared to $23.6 million for the same period in 2015. This increase is related to an additional 91 home deliveries with an increase of $42.0 thousand in the average selling price during the year ended December 31, 2016, as compared to the same period in 2015.

Central Texas

In our Central Texas operating segment, our income before income tax increased by $0.5 million to $5.5 million for the year ended December 31, 2016, as compared to $5.0 million for the same period in 2015. This increase is related to an additional 56 home deliveries, partially offset by a decrease in the average selling price of $16.4 thousand during the year ended December 31, 2016, as compared to the same period in 2015. Additionally, during the years ended December 31, 2016 and 2015, we disposed of land for $10.6 million and $3.4 million, respectively, which had carrying basis of $9.6 million and $3.4 million, respectively. These sales are primarily from one community in our Central Texas operating segment for which we are the master developer and are developing a portion of the community's lots for sale to third party homebuilders.

Colorado

In our Colorado operating segment, our income before income tax increased by $14.6 million to $51.7 million for the year ended December 31, 2016, as compared to $37.1 million for the same period in 2015. This increase is related to an additional 171 home deliveries with an increase in the average selling price of $36.3 thousand during the year ended December 31, 2016, as compared to the same period in 2015.

Houston

In our Houston operating segment, our loss before income tax increased by $2.0 million to $2.8 million for the year ended December 31, 2016, as compared to $0.8 million for the same period in 2015. This increase is related to 47 fewer home deliveries, partially offset by an increase in the average selling price of $91.3 thousand during the year ended December 31, 2016, as compared to the same period in 2015. Additionally, we disposed of land in our Houston operating segment for $1.2 million with a carrying basis of $1.0 million during the year ended December 31, 2016.

Nevada

In our Nevada operating segment, our income before income tax increased by $3.2 million to $15.6 million for the year ended December 31, 2016, as compared to $12.4 million for the same period in 2015. This increase is related to an additional 146 home deliveries with an increase in the average selling price of $20.7 thousand during the year ended December 31, 2016, as compared to the same period in 2015.

Additionally, we generated approximately $3.9 million and $5.6 million in golf course and other revenue during the year ended December 31, 2016 and 2015, respectively, which were partially offset by costs associated with the golf courses of $3.6 million and $5.0 million, respectively. The decrease in golf course revenues and costs are a result of operating one golf course in 2016 as compared to two golf courses in 2015.

Utah

We began operations in our Utah operating segment during 2016. We had seven home deliveries with an average selling price of $375.9 thousand during the year ended December 31, 2016.

Corporate

Our corporate operating segment generated $27.3 million in loss during the year ended December 31, 2016 as compared to a loss of $17.0 million for the same period in 2015. The increase in expenses was primarily attributed to the following: (1) an increase of $4.1 million in our compensation related expenses, including non-cash expenses for share based payments, (2) an increase of $1.6 million in legal and insurance costs, (4) and an increase of $1.0 million in information technology related expenses

Homebuilding Gross Margin

Homebuilding gross margin represents home sales revenue less cost of home sales revenues. Our homebuilding gross margin percentage, which represents homebuilding gross margin divided by home sales revenues, decreased for the year ended December 31, 2016 to 19.7%, as compared to 20.2% for the year ended December 31, 2015. The decrease is primarily driven by higher interest expense in cost of sales as a result of higher debt balances outstanding in 2016 as compared to 2015.

In the following table, we calculate our gross margins adjusting for interest in cost of sales, and purchase price accounting for acquired work in process inventory. See “Critical Accounting Policies” below and Footnote 3 – Business Combinations of our consolidated financial statements for additional discussion regarding our methodology for estimating the fair value of acquired work in process inventory.

(dollars in thousands)	Year Ended December 31,			
	2016	%	2015	%
Home sales revenues	$978,733	100.0%	$725,437	100.0%
Cost of home sales revenues	786,127	80.3%	579,203	79.8%
Gross margin from home sales	192,606	19.7%	146,234	20.2%
Add: Interest in cost of home sales revenues	19,502	2.0%	10,082	1.4%
Adjusted homebuilding gross margin excluding interest [(1)]	212,108	21.7%	156,316	21.5%
Add: Purchase price accounting for acquired work in process inventory	389	0.0%	2,673	0.4%
Adjusted homebuilding gross margin excluding interest and purchase price accounting for acquired work in process inventory [(1)]	$212,497	21.7%	$158,989	21.9%

(1) This non-GAAP financial measure should not be used as a substitute for the Company’s operating results in accordance with GAAP. An analysis of any non-GAAP financial measure should be used in conjunction with results presented in accordance with GAAP.

Excluding interest in cost of home sales and purchase price accounting, our adjusted homebuilding gross margin percentage was 21.7% for the year ended December 31, 2016, as compared to 21.9% for the year ended December 31, 2015. The nominal decrease in adjusted gross margin is attributed to a wider geographic mix of home deliveries in 2016 as compared to 2015. We believe the above information is meaningful as it isolates the impact that indebtedness and acquisitions have on homebuilding gross margin and allows for comparability of our gross margins to previous periods and our competitors.

Selling, General and Administrative Expense

(dollars in thousands)	**Year Ended December 31,**		**Increase**	
	2016	**2015**	**Amount**	**%**
Selling, general and administrative	$122,224	$87,840	$34,384	39.1%
As a percentage of homes sales revenue	12.5%	12.1%		

Our selling, general and administrative costs increased $34.4 million for the year ended December 31, 2016 as compared to 2015. The increase was primarily attributable to the following: (1) an increase of $10.6 million in our compensation-related expenses, including incentive compensation, resulting largely from an increase in headcount, (2) an increase of $10.5 million in commission expense to $39.4 million for the year ended December 31, 2016, resulting from a 34.9% increase in home sales revenues, (3) an increase of $2.7 million related to advertising costs associated with our increased number of homes delivered, (4) an increase of $1.2 million related to depreciation and amortization as a result of an increased property plant and equipment balance year over year, (5) an increase of $3.4 million in legal costs, (6) an increase of $1.1 million in information technology expenses related to the growth of the Company, and (7) an increase of $4.9 million related to increases in rent, model expenses, other corporate expenses, and feasibility related costs.

Other Income (Expense)

Other income (expense) remained consistent at $1.3 million for the years ended December 31, 2016 and 2015.

Income Tax Expense

Our income tax expense for the year ended December 31, 2016 was $23.6 million, as compared to $20.4 million for the year ended December 31, 2015. Our income tax expense for the year ended December 31, 2016 results in an effective tax rate of 32.3%, as compared to an effective tax rate of 33.8% for the year ended December 31, 2015. Our effective tax rate is driven by our blended federal and state statutory rate of 37.4%. Our blended federal and state statutory tax rate is reflective of the states in which we operate, including Nevada and Texas which generally do not have corporate income tax. Our blended federal and state statutory tax rate is partially offset by benefits from additional deductions for domestic production activities and federal energy credits allowed for under the Internal Revenue Code.

Segment Assets

(in thousands)	December 31, 2016	December 31, 2015	Increase (Decrease) Amount	Change
Atlanta	$ 262,448	$185,331	$ 77,117	41.6%
Central Texas	112,612	117,037	(4,425)	(3.8)%
Colorado	293,467	313,653	(20,186)	(6.4)%
Houston	25,780	51,534	(25,754)	(50.0)%
Nevada	231,057	220,209	10,848	4.9%
Utah	17,133	—	17,133	NM
Corporate[(1)]	65,031	29,977	35,054	116.9%
Total assets	$1,007,528	$917,741	$ 89,787	9.8%

(1) Includes $4.9 million related to lots purchased and held in Charlotte, North Carolina as of December 31, 2016.

Lots owned and controlled	December 31, 2016			December 31, 2015			% Change		
	Owned	Controlled	Total	Owned	Controlled	Total	Owned	Controlled	Total
Atlanta	2,896	2,698	5,594	2,667	2,575	5,242	8.6%	4.8%	6.7%
Central Texas	1,197	2,410	3,607	1,222	348	1,570	(2.0)%	592.5%	129.7%
Colorado	2,677	1,487	4,164	2,931	1,022	3,953	(8.7)%	45.5%	5.3%
Charlotte	57	556	613	—	—	—	NM	NM	NM
Houston	159	1,010	1,169	271	220	491	(41.3)%	359.1%	138.1%
Nevada	1,551	72	1,623	1,904	—	1,904	(18.5)%	NM	(14.8)%
Utah	126	1,400	1,526	—	—	—	NM	NM	NM
Total	8,663	9,633	18,296	8,995	4,165	13,160	(3.7)%	131.3%	39.0%

Of our total lots owned and controlled as of December 31, 2016, 47.3% were owned and 52.7% were controlled, as compared to 68.4% owned and 31.6% controlled as of December 31, 2015.

Total assets increased by $89.8 million, or 9.8%, to $1.0 billion at December 31, 2016. The increase is primarily driven by increased investments in our Atlanta and Nevada operating segments as well as our entrance into the Utah market and our purchase of lots in the Charlotte, North Carolina market.

Other Homebuilding Operating Data

Net new home contracts	Year Ended December 31, 2016	2015	Increase Amount	% Change
Atlanta	1,251	1,134	117	10.3%
Central Texas	245	180	65	36.1%
Colorado	775	680	95	14.0%
Houston	104	104	—	— %
Nevada	469	258	211	81.8%
Utah	16	—	16	NM
Total	2,860	2,356	504	21.4%

Net new home contracts (new home contracts net of cancellations) for the year ended December 31, 2016 increased by 504 homes, or 21.4%, to 2,860, as compared to 2,356 for the year ended December 31, 2015. The increase in our net new home contracts was driven by overall positive market conditions in the markets in which we operate.

Our overall monthly "absorption rate" (the rate at which home orders are contracted, net of cancelations) for the years ended December 31, 2016 and 2015 by segment are included in the table below:

	Year Ended December 31, 2016	2015	Increase Amount	% Change
Atlanta	3.4	3.2	0.2	6.2%
Central Texas	1.4	1.2	0.2	16.7%
Colorado	2.5	2.2	0.3	13.6%
Houston	1.1	1.0	0.1	10.0%
Nevada	4.7	4.9	(0.2)	(4.1)%
Utah	2.2	0	2.2	NM
Total	2.7	2.4	0.3	12.5%

Our absorption rate increased by 12.5% to 2.7 per month during the year ended December 31, 2016, as compared to 2.4 per month for the same period in 2015. The increase in absorption rate is attributable to the strong homebuilding environment as a result of positive economic trends in most of our markets.

Selling communities at period end	December 31, 2016	2015	Increase/(Decrease) Amount	% Change
Atlanta	31	33	(2)	(6.1)%
Central Texas	15	14	1	7.1%
Colorado	24	27	(3)	(11.1)%
Houston	8	9	(1)	(11.1)%
Nevada	9	5	4	80.0%
Utah	2	—	2	NM
Total	89	88	1	1.1%

Our selling communities increased by one community to 89 communities at December 31, 2016, as compared to 88 communities at December 31, 2015.

Backlog	December 31, 2016			2015			% Change		
(dollars in thousands)	Homes	Dollar Value	Average Sales Price	Homes	Dollar Value	Average Sales Price	Homes	Dollar Value	Average Sales Price
Atlanta	269	$ 82,102	$305.2	283	$ 74,249	$262.4	(4.9)%	10.6%	16.3%
Central Texas	136	67,555	496.7	109	52,705	483.5	24.8%	28.2%	2.7%
Colorado	230	110,121	478.8	262	123,853	472.7	(12.2)%	(11.1)%	1.3%
Houston	15	4,868	324.5	31	10,308	332.5	(51.6)%	(52.8)%	(2.4)%
Nevada	90	34,999	388.9	29	10,023	345.6	210.3%	249.2%	12.5%
Utah	9	3,179	353.2	—	—	—	NM	NM	NM
Total / Weighted Average	749	$302,823	$404.3	714	$271,138	$379.7	4.9%	11.7%	6.5%

Backlog reflects the number of homes, net of actual cancellations experienced during the period, for which we have entered into a sales contract with a customer but for which we have not yet delivered the home. At December 31, 2016, we had 749 homes in backlog with a total value of $302.8 million, which represents an increase of 4.9% and 11.7%, respectively, as compared to December 31, 2015. The increase in backlog and backlog value is primarily attributable to the increase in the demand for new homes in the markets in which we operate. The increase in average sales price of homes in backlog is driven by increases across all of our operating segments except Houston, as a result of pricing strength due to positive market trends as well as product mix towards higher priced communities.

Results of Operations December 31, 2015 and 2014

During the year ended December 31, 2015, we delivered 2,401 homes, with an average sales price of $302.1 thousand. During the same period, we generated approximately $725.4 million in home sales revenue, approximately $60.3 million in income before tax expense, and approximately $39.9 million in net income. For the year ended December 31, 2015, our net new home contracts totaled 2,356 homes, a 126.1% increase over the same period in 2014. On December 31, 2015, we had a backlog of 714 sold but unclosed homes, consisting of approximately $271.1 million in sales value, a 10.1% increase over the same period in 2014. Our results of operations are significantly impacted by our acquisitions of Peachtree Communities Group, Inc. and its affiliates and subsidiaries (which we refer to as "Peachtree") in November 2014, Grand View Builders (which we refer to as "Grand View") in August 2014, and Las Vegas Land Holdings, LLC (which we refer to as "LVLH") in April 2014. Subsequent to our acquisition, these operations became our Atlanta, Houston and Nevada operating segments, respectively.

The following table summarizes our results of operation for the years ended December 31, 2015 and 2014.

(in thousands, except per share amounts)	**Year Ended December 31,**		**Increase (Decrease)**	
	2015	**2014**	**Amount**	**%**
Consolidated Statements of Operations:				
Revenue				
Home sales revenues	$725,437	$351,823	$373,614	106.2%
Land sales revenues	3,405	4,800	(1,395)	(29.1)%
Golf course and other revenue	5,647	5,769	(122)	(2.1)%
Total revenue	734,489	362,392	372,097	102.7%
Costs and expenses				
Cost of home sales revenues	579,203	276,386	302,817	109.6%
Cost of land sales revenues	3,395	1,808	1,587	87.8%
Cost of golf course and other revenue	5,037	6,301	(1,264)	(20.1)%
Selling, general, and administrative	87,840	46,795	41,045	87.7%
Total operating costs and expenses	675,475	331,290	344,185	103.9%
Operating income	59,014	31,102	27,912	89.7%
Other income (expense):	1,291	(143)	1,434	(1,002.8)%
Income before income tax expense	60,305	30,959	29,346	94.8%
Income tax expense	20,415	10,937	9,478	86.7%
Net income attributable to common stockholders	$ 39,890	$ 20,022	19,868	99.2%
Earnings per share:				
Basic and diluted	$ 1.88	$ 1.03	$ 0.85	0.83%

(in thousands, except per share amounts)	Year Ended December 31, 2015	Year Ended December 31, 2014	Increase (Decrease) Amount	Increase (Decrease) %
Other Operating Information (dollars in thousands):				
Number of homes delivered	2,401	1,046	1,355	129.5%
Average sales price of homes delivered	$ 302.1	$ 336.4	$ (34.3)	(10.2)%
Homebuilding gross margin percentage	20.2%	21.4%	(1.3)%	(6.0)%
Cancellation rate	21%	18%	3.0%	16.7%
Backlog at end of period, number of homes	714	772	(58)	(7.5)%
Backlog at end of period, aggregate sales value	$271,138	$246,327	$ 24,811	10.1%
Average sales price of homes in backlog	$ 379.7	$ 319.1	$ 60.6	19.0%
Net new home contracts	2,356	1,042	1,314	126.1%
Selling communities at period end	88	75	5	6.0%
Average selling communities	90	40	50	125.0%
Total owned and controlled lot inventory	13,160	11,463	1,697	14.8%

Results of Operations by Operating Segment

(dollars in thousands)	New Homes Delivered		Average Sales Price of Homes Delivered		Home Sales Revenues		Income before Income Tax	
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014	2015	2014	2015	2014
Atlanta	1,174	173	$229.3	$212.3	$269,188	$ 36,726	$ 23,574	$ 899
Central Texas	162	134	$460.4	$416.8	74,591	55,845	5,048	5,053
Colorado	636	449	$407.6	$393.8	259,259	176,808	37,090	29,924
Houston	167	81	$228.9	$215.5	38,234	17,458	(788)	(759)
Nevada	262	209	$321.2	$310.9	84,165	64,985	12,425	8,588
Corporate	—	—	$ —	$ —	—	—	(17,044)	(12,746)
Total	2,401	1,046	$302.1	$336.4	$725,437	$351,823	$ 60,305	$ 30,959

Atlanta

In our Atlanta operating segment, our income before income tax increased by $22.7 million to $23.6 million for the year ended December 31, 2015, as compared to $0.9 million for the same period in 2014. This increase is related to our acquisition of Peachtree in 2014. We had an additional 1,001 home deliveries in 2015 coupled with an increase of $17.0 thousand in the average selling price during the year ended December 31, 2015, as compared to the same period in 2014.

Central Texas

In our Central Texas operating segment, our income before income tax remained relatively unchanged for the year ended December 31, 2015, as compared to 2014. Our revenue from home sales increased to $74.6 million during the year ended December 31, 2015, as compared to $55.8 million for the same period in 2014. This increase is related to an additional 28 home deliveries, as well as an increase of $43.6 thousand in the average selling price during the year ended December 31, 2015, as compared to the same period in 2014.

Colorado

In our Colorado operating segment, our income before income tax increased by $7.2 million to $37.1 million for the year ended December 31, 2015, as compared to $29.9 million for the same period in 2015. This increase is related an additional 187 home deliveries, as well as an increase of $13.8 thousand in the average selling price during the year ended December 31, 2015, as compared to the same period in 2014.

Houston

In our Houston operating segment, our loss before income tax remained relatively unchanged for the year ended December 31, 2015, as compared 2014. Our revenue from home sales increased to $38.2 million during the year ended December 31, 2015, as compared to $17.5 million for the same period in 2014. This increase is related to our acquisition of Grand View in 2014. We had an additional 86 home deliveries, with an increase of $13.4 thousand in the average selling price during the year ended December 31, 2015, as compared to the same period in 2014.

Nevada

In our Nevada operating segment, our income before income tax increased by $3.8 million to $12.4 million for the year ended December 31, 2015, as compared to $8.6 million for the same period in 2014. The increase is related to our acquisition of LVLH in 2014. We had an additional 53 home deliveries with an increase of $10.3 thousand in the average selling price during the year ended December 31, 2015, as compared to the same period in 2014.

Additionally, we generated approximately $5.6 million in golf course and other revenue during the year ended December 31, 2015, which were partially offset by costs associated with the golf courses of $5.0 million.

Corporate

Our corporate operating segment generated $17.0 million in loss during the year ended December 31, 2015, as compared to a loss of $12.7 million for the same period in 2014. As our business has grown year over year, the corporate expenses have grown accordingly.

Homebuilding Gross Margin

Homebuilding gross margin represents home sales revenue less cost of home sales revenues. Our homebuilding gross margin percentage, which represents homebuilding gross margin divided by home sales revenues, decreased for the year ended December 31, 2015 to 20.2% as compared to 21.4% for the year ended December 31, 2014. The decrease is primarily driven by our entry into the Atlanta and Houston markets, which have lower average sales prices and lower average homebuilding gross margins than our existing markets, and the impact of an increase of previously capitalized interest costs in cost of sales as a result of higher outstanding debt balances.

In the following table, we calculate our gross margins adjusting for interest in cost of sales, and purchase price accounting for acquired work in process inventory. See "Critical Accounting Policies" below and Footnote 3 – Business Combinations of our consolidated financial statements for additional discussion regarding our methodology for estimating the fair value of acquired work in process inventory.

	Year Ended December 31,			
	2015	%	2014	%
Home sales revenues	$725,437	100.0%	$351,823	100.0%
Cost of home sales revenues	579,203	79.8%	276,386	78.6%
Gross margin from home sales	146,234	20.2%	75,437	21.4%
Add: Interest in cost of home sales revenues	10,082	1.4%	2,366	0.7%
Adjusted homebuilding gross margin excluding interest [(1)]	156,316	21.5%	77,803	22.1%
Add: Purchase price accounting for acquired work in process inventory	2,673	0.4%	4,697	1.3%
Adjusted homebuilding gross margin excluding interest and purchase price accounting for acquired work in process inventory[(1)]	$158,989	21.9%	$ 82,500	23.4%

(1) This non-GAAP financial measure should not be used as a substitute for the Company's operating results in accordance with GAAP. An analysis of any non-GAAP financial measure should be used in conjunction with results presented in accordance with GAAP.

Excluding interest in cost of home sales and purchase price accounting, our adjusted homebuilding gross margin percentage was 21.9% for the year ended December 31, 2015 compared to 23.4% for the year ended December 31, 2014. The decrease in adjusted gross margin is primarily from entering the Atlanta and Houston markets which have lower average sales prices and lower average margins than our existing markets. We believe the above information is meaningful as it isolates the impact that indebtedness and acquisitions have on homebuilding gross margin and allows for comparability of our gross margins to previous periods and our competitors.

Selling, General and Administrative Expense

	Year Ended December 31,		Increase	
	2015	2014	Amount	%
Selling, general and administrative	$87,840	$46,795	$41,045	87.7%
As a percentage of homes sales revenue	12.1%	13.3%		

Our selling, general and administrative costs increased $41.0 million for the year ended December 31, 2015 as compared to the previous year. The increase was primarily attributable to the following: (1) an increase of $15.4 million in our compensation-related expenses, including incentive compensation, resulting largely from the increase in headcount to 510 employees as of December 31, 2015 compared to 397 employees as of December 31, 2014, (2) an increase of $17.0 million in commission expense to $29.0 million for the year ended December 31, 2015, resulting from a 106.2% increase in home sales revenues, (3) an increase of $1.9 million related to advertising costs associated with our increased number of active communities, (4) an increase of $1.9 million related to depreciation and amortization as a result of amortization expense of intangible assets from our acquisitions of Peachtree, Grand View, and LVLH, (5) an increase of $0.8 million related to new software implementations, (6) an increase of $0.8 million in insurance costs resulting from our increased number of active communities, (7) an increase of $0.6 million related to additional model expenses in our new selling communities, (8) an increase of $0.6 million in rent expense related to a full year of operations in our Atlanta, Nevada and Houston operating segments, and (9) increases in outside professional services, legal, travel, entertainment and other miscellaneous expenses totaling $4.5 million related to increased operations from our growth and overall increase in costs associated with being a public company. These increases were partially offset by a reduction to selling, general and administrative for the year ended December 31, 2015 of $2.4 million to adjust the carrying value of the earnout liability to the estimated fair value.

Other Income (Expense)

Other income (expense) increased by $1.4 million to income of $1.3 million for the year ended December 31, 2015, from an expense of $0.1 million for the year ended December 31, 2014. The increase is primarily driven by a decrease in acquisition related expenses, as well as an increase in forfeited deposit income.

Income Tax Expense

Our income tax expense for the year ended December 31, 2015 was $20.4 million as compared to $10.9 million for the year ended December 31, 2014. Our income tax expense for the year ended December 31, 2015 results in an effective tax rate of 33.8%. Our effective tax rate is driven by our blended federal and state statutory rate of 37.8%. Our blended federal and state statutory tax rate is reflective of the states in which we operate, including Nevada and Texas which generally do not have corporate income tax. Our blended federal and state statutory tax rate is partially offset by benefits from additional deductions for domestic production activities allowed for under Section 199 of the Internal Revenue Code.

Segment Assets

	As of December 31,		Increase (Decrease)	
	2015	2014	Amount	% Change
Atlanta	$185,331	$ 75,434	$109,897	145.7%
Central Texas	117,037	85,083	31,954	37.6%
Colorado	313,653	280,361	33,292	11.9%
Houston	51,534	28,875	22,659	78.5%
Nevada	220,209	168,401	51,808	30.8%
Corporate	29,977	32,462	(2,485)	(7.7)%
Total assets	$917,741	$670,616	$247,125	36.9%

	As of December 31,								
Lots owned and controlled	2015			2014			% Change		
	Owned	Controlled	Total	Owned	Controlled	Total	Owned	Controlled	Total
Atlanta	2,667	2,575	5,242	686	1,735	2,421	288.8%	48.4%	116.5%
Central Texas	1,222	348	1,570	1,089	1,195	2,284	12.2%	(70.9)%	(31.3)%
Colorado	2,931	1,022	3,953	3,349	530	3,879	(12.5)%	92.8%	1.9%
Houston	271	220	491	233	668	901	16.3%	(67.1)%	(45.5)%
Nevada	1,904	—	1,904	1,644	334	1,978	15.8%	NM	(3.7)%
Total	8,995	4,165	13,160	7,001	4,462	11,463	28.5%	(6.7)%	14.8%

Total assets increased by $247.1 million, or 36.9%, to $917.7 million at December 31, 2015. The increase is primarily driven by a 28.5% increase in owned lots from 7,001 at December 31, 2014 to 8,995 at December 31, 2015. In particular we increased our lot count, both owned and controlled, in our Atlanta segment by 116.5% at December 31, 2015 as compared to December 31, 2014.

Other Homebuilding Operating Data

Net new home contracts	Year Ended December 31,		Increase	
	2015	2014	Amount	% Change
Atlanta	1,134	129	1,005	779.1%
Central Texas	180	133	47	35.3%
Colorado	680	539	141	26.2%
Houston	104	56	48	85.7%
Nevada	258	185	73	39.5%
Total	2,356	1,042	1,314	126.1%

Net new home contracts (new home contracts net of cancellations) for the year ended December 31, 2015 increased by 1,314 homes, or 126.1%, to 2,356, compared to 1,042 for the year ended December 31, 2014. The increase in our net new home contracts was driven by our entry into the Atlanta, Houston, and Nevada markets through our acquisitions of Peachtree, Grand View, and LVLH, in November 2014, August 2014, and April 2014, respectively. Our Atlanta, Houston, and Nevada operating segments contributed 1,134, 104, and 258 net new home contracts, respectively, during the year ended December 31, 2015.

Our overall monthly "absorption rate" (the rate at which home orders are contracted, net of cancellations) for the years ended December 31, 2015 and 2014 by segment are included below:

	Year Ended December 31,		Increase	
	2015	2014	Amount	% Change
Atlanta	3.2	3.3	(0.1)	(3.3)%
Central Texas	1.2	1.1	0.1	13.7%
Colorado	2.2	2.1	0.1	6.5%
Houston	1.0	1.6	(0.6)	(35.7)%
Nevada	4.9	7.7	(2.8)	(36.4)%
Total	2.4	2.0	0.4	20.0%

Selling communities at period end	As of December 31,		Increase	
	2015	2014	Amount	% Change
Atlanta	33	26	7	26.9%
Central Texas	14	14	—	—
Colorado	27	25	2	8.0%
Houston	9	7	2	28.6%
Nevada	5	3	2	66.7%
Total	88	75	13	17.3%

Our selling communities increased by 13 communities, or 17.3%, to 88 communities at December 31, 2015, as compared to 75 communities at December 31, 2014.

	As of December 31,								
Backlog	2015			2014			% Change		
	Homes	Dollar Value	Average Sales Price	Homes	Dollar Value	Average Sales Price	Homes	Dollar Value	Average Sales Price
Atlanta	283	$ 74,249	$262.4	353	$ 79,084	224.0	(19.8)%	(6.1)%	17.1%
Central Texas	109	52,705	$483.5	91	41,112	$451.8	19.8%	28.2%	7.0%
Colorado	262	123,853	$472.7	218	96,150	$441.1	20.2%	28.8%	7.2%
Houston	31	10,308	$332.5	77	20,100	$261.0	(59.7)%	(48.7)%	27.4%
Nevada	29	10,023	$345.6	33	9,881	$299.4	(12.1)%	1.4%	15.4%
Total / Weighted Average	714	$271,138	$379.7	772	$246,327	$319.1	(7.5)%	10.1%	19.0%

Backlog reflects the number of homes, net of actual cancellations experienced during the period, for which we have entered into a sales contract with a customer but for which we have not yet delivered the home. Our backlog value increased 10.1% year over year to $271.1 million at December 31, 2015 from $246.3 million at December 31, 2014. The increase in backlog value of $24.8 million is driven by a 19.0% increase in our average sales price of backlog homes to $379.7 thousand, which is partially offset by a decrease in backlog units of 58 homes at December 31, 2015 as compared to December 31, 2014.

The increase in average sales price of homes in backlog is driven by increases across all of our operating segments as a result of pricing strength due to positive market trends as well as product mix towards higher priced communities.

Critical Accounting Policies

Critical accounting estimates are those that we believe are both significant and that require us to make difficult, subjective or complex judgments, often because we need to estimate the effect of inherently uncertain matters. We base our estimates and judgments on historical experiences and various other factors that we believe to be appropriate under the circumstances. Actual results may differ from these estimates, and the estimates included in our financial statements might be impacted if we used different assumptions or conditions. Our management believes that the following accounting policies are among the most important to the portrayal of our financial condition and results of operations and require among the most difficult, subjective or complex judgments:

Revenue Recognition

Revenues from home sales are recorded and a profit is recognized when the respective units are closed, title has passed, the homeowner’s initial and continuing investment is adequate, and other attributes of ownership have been transferred to the homeowner. Sales incentives are recorded as a reduction of revenues when the respective unit is closed. When it is determined that the earnings process is not complete, the sale and the related profit are deferred for recognition in future periods.

We also serve as the general contractor for custom homes in our Central Texas and Houston operating segments, where the customer and not the Company owns the underlying land (Build on Your Own Lot Contracts). Accordingly, we recognize revenue for the Build on Your Own Lot Contracts, which are primarily cost plus contracts, on the percentage-of-completion method where progress toward completion is measured by relating the actual cost of work performed to date to the current estimated total cost of the respective contracts. As the Company makes such estimates, judgments are required to evaluate potential variances in the cost of materials and labor and productivity.

Inventories and Cost of Sales

We capitalize pre-acquisition, land, development, and other allocated costs, including interest, during development and home construction.

Land, development, and other common costs are allocated to inventory using the relative-sales-value method; however, as lots within a project typically have comparable market values, we generally allocate land, development, and common costs equally to each lot within the project. Home construction costs are recorded using the specific-identification method. Cost of sales for homes closed includes the allocation of construction costs of each home and all applicable land acquisition, land development, and related common costs, both incurred and estimated to be incurred. Changes to estimated total development costs subsequent to initial home closings in a community are generally allocated to the remaining homes in the community.

When a home is closed, the Company generally has not paid all incurred costs necessary to complete the home, and a liability and a charge to cost of home sales revenues are recorded for the amount that is estimated will ultimately be paid related to completed homes.

Impairment of Real Estate Inventories

We review all of our communities for an indicator of impairment and record an impairment loss when conditions exist where the carrying amount of inventory is not recoverable and exceeds its fair value. Indicators of impairment include, but are not limited to, significant decreases in local housing market values and selling prices of comparable homes, significant decreases to gross margins and sales absorption rates, costs in excess of budget, and actual or projected cash flow losses. We prepare and analyze cash flows at the lowest level for which there is identifiable cash flows that are independent of the cash flows of other groups of assets, which we have determined as the community level.

If events or circumstances indicate that the carrying amount may be impaired, such impairment will be measured based upon the difference between the carrying amount and the fair value of such assets determined using the estimated future discounted cash flows, excluding interest charges, generated from the use and ultimate disposition of the respective inventories. Such losses, if any, are reported within costs of sales.

When estimating undiscounted cash flows, we make various assumptions, including the following: the expected sales prices and sales incentives to be offered, including the number of homes available, pricing and incentives offered by us or other builders in other communities, and future sales prices adjustments based on market and economic trends; the costs incurred to date and expected to be incurred including, but not limited to, land and land development costs, home construction costs, interest costs, indirect construction, and selling and marketing costs; any alternative product offerings that may be offered that could have an impact on sales, sales prices and/or building costs; and alternative uses for the property.

For the years ended December 31, 2016, 2015 and 2014, the following table shows the number of communities for which we identified an indicator of impairment and therefore tested for whether an impairment existed, compared to the total number of communities that existed during such period. For all periods, no impairment were identified and for those communities tested, the undiscounted cash flows were substantially in excess of the carrying value.

	Number of Communities Tested for Impairment	Total Number of Existing Communities
Year ended December 31, 2016	4	89
Year ended December 31, 2015	—	88
Year ended December 31, 2014	4	75

We evaluate our investment in unconsolidated subsidiaries for impairment whenever events or changes in circumstances indicate that there may be an other-than-temporary decline in value. To do so, we calculate the estimated fair value of the investment using a market, income or replacement cost approach, or combination thereof. The amount of impairment recognized, if any, would be the excess of the investment's carrying amount over its estimated fair value. We consider various factors to determine if a decline in the value of the investment is other-than-temporary. These factors are Level 2 and 3 inputs and include but are not limited to, age of the venture, our intent and ability to retain our investment in the entity, the financial condition and long-term prospects of the entity, expected term of the investment, and the relationships with our partners. If we believe that the decline in the fair value is temporary, no impairment is recorded. The aforementioned factors are taken as a whole by management in determining the valuation of our investment. Should the actual results differ from management's estimates, the valuation could be negatively affected and may result in a negative impact on the consolidated financial statements.

Warranties

Estimated future direct warranty costs are accrued and charged to cost of sales in the period when the related homebuilding revenues are recognized. Amounts accrued, which are included in accrued expenses and other liabilities on the consolidated balance sheet, are based upon historical experience rates. We subsequently assess the adequacy of our warranty accrual on a quarterly basis through an internally developed analysis that incorporates historical payment trends and adjust the amounts recorded if necessary.

Stock-Based Compensation

We estimate the grant date fair value of stock-based compensation awards and recognize the fair value as compensation costs over the requisite service period, which is generally three years, for all awards that vest. We value the fair value our restricted stock awards and restricted stock units equal to the closing price of our common stock on the New York Stock Exchange on the date of grant.

Income Taxes

We account for income taxes in accordance with ASC 740, *Income Taxes*, which requires recognition of deferred tax assets and liabilities at enacted income tax rates for the temporary differences between the financial reporting bases and the tax bases of its assets and liabilities. Any effects of changes in income tax rates or tax laws are included in the provision for income taxes in the period of enactment. When it is more likely than not that a portion or all of a deferred tax asset will not be realized in the future, we provide a corresponding valuation allowance against the deferred tax asset. In addition, when it is more likely than not that a tax position will be sustained upon examination by a tax authority that has full knowledge of all relevant information, we measure the amount of tax benefit from the position and record the largest amount of tax benefit that is more likely than not of being realized after settlement with a tax authority. Our policy is to recognize interest to be paid on an underpayment of income taxes in interest expense and any related statutory penalties in the provision for income taxes on our consolidated statement of operations.

As of December 31, 2016, we have recorded a net deferred tax liability of $1.8 million.

Goodwill

We evaluate goodwill for possible impairment in accordance with Accounting Standards Codification (which we refer to as "ASC") Topic 350, *Intangibles–Goodwill and Other*, on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. We use a three step process to assess whether or not goodwill can be realized. The first step is a qualitative assessment that analyzes current economic indicators associated with a particular reporting unit. For example, we analyze changes in economic, market and industry conditions, business strategy, cost factors, and financial performance, among others, to determine if there would be a significant decline to the fair value of a particular reporting unit. If the qualitative assessment indicates a stable or improved fair value, no further testing is required.

If a qualitative assessment indicates that a significant decline to fair value of a reporting unit is more likely than not, or if a reporting unit's fair value has historically been closer to its carrying value, we will proceed to the second step where we calculate the fair value of a reporting unit based on discounted future cash flows. If this step indicates that the carrying value of a reporting unit is in excess of its fair value, we will proceed to the third step where the fair value of the reporting unit will be allocated to assets and liabilities as they would in a business combination. Impairment occurs when the carrying amount of goodwill exceeds its estimated fair value calculated in the third step.

Business Combinations

We account for business combinations in accordance with ASC Topic 850, *Business Combinations*, if the acquired assets assumed and liabilities incurred constitute a business. We consider acquired companies to constitute a business if the acquired net assets and processes have the ability to create outputs in the form of revenue. For acquired companies constituting a business, we recognize the identifiable assets acquired and liabilities assumed at their acquisition-date fair values and recognize any excess of total consideration paid over the fair value of the identifiable assets as goodwill.

The estimated fair value of the acquired assets and assumed liabilities requires significant judgments by management which are outlined below:

Inventories

The fair value of acquired inventories largely depends on the stage of production of the acquired land and work in process inventory. For acquired land inventory, we typically utilize, with the assistance of a third party appraiser, a forecasted cash flow approach for the development, marketing, and sale of each community acquired. Significant assumptions included in our estimates include future per lot development costs, construction and overhead costs, mix of products sold in each community, as well as average sales price. For work in process inventories, we estimate the fair value based upon the stage of production of each unit and a gross margin that we believe a market participant would require to complete the remaining development and requisite selling efforts. For the acquisitions that we completed in 2014, we estimated a market participant would require a gross margin ranging from 6% to 24%.

Intangible assets

The fair value of the acquired intangible assets largely depends on the nature of the intangible asset acquired. During the years ended 2014 and 2013, we identified intangible assets acquired in our business combinations for (a) non-compete agreements, (b) in place leases on cell phone towers, (c) trade names, (d) home plans and (e) certain home construction contracts. With the assistance of a third party valuation firm, we estimate the value of each intangible asset based on a combination of approaches including the replacement cost approach and with and with-out analysis. The fair value of acquired intangible assets is largely a factor of our forecasted future results of each acquisition and is dependent on similar assumptions as those outlined above for "Inventories."

Liquidity and Capital Resources

Overview

Our principal uses of capital for the year ended December 31, 2016 were the land purchases, land development, home construction, investment in unconsolidated subsidiaries and the payment of routine liabilities. We used funds generated by operations, common stock issuances, and available borrowings under our Revolving Credit Facility to meet our short-term working capital requirements.

Cash flows for each of our communities depend on the stage in the development cycle, and can differ substantially from reported earnings. Early stages of development or expansion require significant cash outlays for land acquisitions, entitlements and other approvals, and construction of model homes, roads, utilities, general landscaping and other amenities. Because these costs are a component of our inventory and not recognized in our statement of operations until a home closes, we incur significant cash outlays prior to our recognition of earnings. In the later stages of community development, cash inflows may significantly exceed earnings reported for financial statement purposes, as the cash outflow associated with home and land construction was previously incurred. From a liquidity standpoint, we are currently actively acquiring and developing lots in our markets to maintain and grow our lot supply and active selling communities that are strategically located in our core markets. As we continue to expand our business, our cash outlays for land purchases and land development to grow our lot inventory have begun to exceed our cash generated by operations.

Covenant Compliance

On October 21, 2014, we entered into a credit agreement with Texas Capital Bank, National Association, as Administrative Agent and L/C Issuer, and the lenders from time to time party thereto (which we refer to as the "Credit Agreement"). The Credit Agreement provides the Company with a revolving line of credit (which we refer to as the "Revolving Credit Facility") of up to $120 million. Under the terms of the Credit Agreement, we are entitled to request an increase in the size of the Revolving Credit Facility by an amount not exceeding $80 million. If the existing lenders elect not to provide the full amount of a requested increase, we may invite one or more other lender(s) to become a party to the Credit Agreement, subject to the approval of the Administrative Agent and L/C Issuer. The Credit Agreement includes a letter of credit sublimit of $20 million. The obligations under the Revolving Credit Facility are guaranteed by certain of our subsidiaries.

On July 31, 2015, we entered into a First Modification Agreement with Texas Capital Bank, National Association, as Administrative Agent, the lenders party thereto, and our subsidiary guarantors party thereto, which modified the Credit Agreement. The First Modification Agreement, among other things, (i) increased the Revolving Credit Facility from $120 million to $200 million, (ii) extended the maturity date of the Revolving Credit Facility from October 21, 2017 to October 21, 2018, (iii) admitted Bank of America, N.A. as a new lender under the Revolving Credit Facility, and (iv) increased the amount of the Company's option to request, from time to time, an increase in the size of the Revolving Credit Facility, from an amount not exceeding $80 million to an amount not exceeding $100 million, subject to the terms and conditions of the First Modification Agreement and the Credit Agreement.

On December 22, 2015, we entered into a Second Modification Agreement with Texas Capital Bank, National Association, as Administrative Agent, the lenders party thereto, and our subsidiary guarantors party thereto, which modified the Credit Agreement. The Second Modification Agreement, among other things, (i) increased the Revolving Credit Facility from $200 million to $300 million, and (ii) admitted Compass Bank, an Alabama Banking Corporation, and U.S. Bank National Association as new lenders under the Revolving Credit Facility.

On August 19, 2016, we entered into a Third Modification Agreement with Texas Capital Bank, National Association, as Administrative Agent, the lenders party thereto, and our subsidiary guarantors party thereto, which further modified the Credit Agreement. The Third Modification Agreement, among other things, (i) increased the Revolving Credit Facility from $300 million to $380 million through our exercise of $80 million of the accordion feature of the Credit Agreement, (ii) admitted Citibank, N.A. and Flagstar Bank, FSB as new lenders under the Revolving Credit Facility, (iii) increased certain lenders' respective commitments to the Revolving Credit Facility, and (iv) extended the maturity date of the Revolving Credit Facility by one year to mature on October 21, 2019.

The Credit Agreement contains customary affirmative and negative covenants (including limitations on the Company's ability to grant liens, incur additional debt, pay dividends, redeem its common stock, make certain investments and engage in certain merger, consolidation or asset sale transactions), as well as customary events of default. The Credit Agreement also requires the Company to maintain (i) a leverage ratio of not more than 1.50 to 1.0 as of the last day of any fiscal quarter, based upon the ratio of debt to tangible net worth of the Company and its subsidiaries on a consolidated basis, (ii) an interest coverage ratio of not less than 1.50 to 1.0 for any four fiscal quarter period, based upon the ratio of EBITDA to cash interest expense of the Company and its subsidiaries on a consolidated basis, (iii) a consolidated tangible net worth of not less than the sum of $250 million, plus 50% of the net proceeds of any issuances of equity interests of the Company and the guarantors of the Revolving Credit Facility, plus 50% of the amount of consolidated net income of the Company and its subsidiaries, (iv) liquidity of not less than $25 million, and (v) a risk asset ratio of not more than 1.25 to 1.0, based upon the ratio of the book value of all risk assets owned by the Company and its subsidiaries to the Company's tangible net worth.

As of December 31, 2016 and 2015, we were in compliance with all covenants under the Credit Agreement.

At-the-Market Offering Program

On November 7, 2016, we entered into a Distribution Agreement (which we refer to as the "Distribution Agreement") with J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Citigroup Global Markets Inc. (which we refer to collectively as the "Sales Agents," and individually as a "Sales Agent"), relating to our common stock. Under the Distribution Agreement we are authorized to offer and sell shares of our common stock having an aggregate offering price of up to $50.0 million from time to time through any of our Sales Agents in "at the market" offerings. During the year ended December 31, 2016, we sold and issued 0.6 million shares of our common stock under the Distribution Agreement, which provided net proceeds to us of $11.4 million. At December 31, 2016, there was approximately $38.6 million available for sale and issuance under the Distribution Agreement.

Subsequent Events

On January 26, 2017, we completed a private offering of an additional $125 million in aggregate principal amount of our 6.875% senior notes due 2022 (which we refer to as the "January 2017 Senior Notes"). The January 2017 Senior Notes were sold and issued in a private offering, exempt from the registration requirements of the Securities Act, to qualified institutional buyers in reliance on Rule 144A under the Securities Act, and to certain non-U.S. persons in transactions outside the United States in reliance on Regulation S under the Securities Act. The January 2017 Senior Notes are additional notes issued under the Indenture pursuant to which we previously issued $260 million in aggregate principal amount of our 6.875% Senior Notes due 2022 (the "Existing Notes"). The January 2017 Senior Notes and the Existing Notes will be treated as a single series of notes under the Indenture, and will vote as a single class of notes for all matters submitted to a vote of holders under the Indenture. We received net proceeds from the sale of the January 2017 Senior Notes of approximately $125.4 million.

Cash Flows—Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

For the year ended December 31, 2016 and December 31, 2015, the comparison of cash flows is as follows:

- Net cash used in operating activities decreased to $45.8 million during the year ended December 31, 2016 from net cash used of $162.7 million during the same period in 2015. The decrease in cash used in operations was primarily a result of a net outflow associated with inventories of $91.9 million during the year ended December 31, 2016, compared to a net outflow of $208.5 million during the same period in 2015. The outflow in 2016 was driven by our investment in inventories through the purchase of 2,493 lots during the year ended December 31, 2016, as well as 1,367 homes under construction as of December 31, 2016. These outflows were partially offset by cash inflows associated with home deliveries of 2,825 homes in 2016. We had net cash used in working capital items including cash held in escrow, accounts receivable, prepaid expenses and other assets, accounts payable and accrued expenses and other liabilities of $16.6 million for the year ended December 31, 2016, as compared to cash used of $5.6 million for the same period in 2015.

- Net cash used in investing activities was $23.2 million during the year ended December 31, 2016, compared to $4.2 million used during the same period in 2015. The increase relates to our investment in unconsolidated subsidiaries in 2016 as well increased purchases of property and equipment, partially offset by proceeds on a secured note receivable and the sale of assets.
- Net cash provided by financing activities was $69.2 million during the year ended December 31, 2016, compared to $162.8 million during the same period in 2015. The decrease in cash provided by financing activities is primarily attributed to the issuance of senior notes in 2015 totaling $59.0 million, an increase in net payments on our Revolving Credit Facility totaling $55.0 million, and a decrease of a total of $2.5 million in cash used for repurchasing our common stock under our stock repurchase program and upon the vesting of restricted stock awards during the year ended December 31, 2016. These decreases in cash provided in 2016 were partially offset by the net proceeds received from the sale of common stock totaling $11.4 million, an increase in proceeds from insurance premium notes totaling $10.4 million, and a decrease in debt issuance costs paid of $1.7 million.

As of December 31, 2016, our cash balance was $29.5 million.

Cash Flows—Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

For the year ended December 31, 2015 and December 31, 2014, the comparison of cash flows is as follows:

- Net cash used in operating activities increased to $162.7 million during the year ended December 31, 2015 from net cash used of $129.7 million during the year ended December 31, 2014. The increase in cash used in operations was primarily a result of a net outflow associated with inventories of $208.5 million during the year ended December 31, 2015, compared to a net outflow of $160.9 million during the year ended December 31, 2014. The outflow was driven by our investment in inventories through the purchase of 4,395 lots during the year ended December 31, 2015. During the year ended December 31, 2015, we delivered 2,401 homes. We also had net cash used in working capital items including accounts receivable, prepaid expenses and other assets, accounts payable and accrued liabilities of $5.5 million for the year ended December 31, 2015, as compared to $8.4 million provided by working capital items for the year ended December 31, 2014. This increase in cash used for working capital activities was primarily a result of a decrease in our accounts payable balances in between periods as a result of the timing of our accounts payable process at year end.
- Net cash used in investing activities was $4.2 million during the year ended December 31, 2015, compared to $233.7 million in net cash used during the year ended December 31, 2014. The decrease in cash used in investing activities was a result of our purchases of LVLH, Grand View and Peachtree in 2014, whereas there were no business acquisitions in 2015, partially offset by the proceeds from the sale of golf courses in 2015.
- Net cash provided by financing activities was $162.8 million during the year ended December 31, 2015 compared to net cash provided by financing activities of $286.8 million during the year ended December 31, 2014. The decrease in cash provided by financing activities was the result of the issuance of our senior notes and initial public offering in 2014, partially offset by higher net borrowings under the revolving credit facility.

As of December 31, 2015, our cash balance was $29.3 million.

Contractual Obligations

Our contractual obligations as of December 31, 2016 were as follows (in thousands):

	Payments due by period				
	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
Long-term debt maturities, including interest	$581,396	$32,888	$246,800	$35,750	$265,958
Operating leases	5,292	1,478	2,160	1,467	187
Total contractual obligations	$586,688	$34,366	$248,960	$37,217	$266,145

(1) On January 26, 2017, we completed a private offering of an additional $125.0 million in aggregate principal amount of our 6.875% senior notes due 2022, which are additional notes issued under the Indenture pursuant to which we previously issued $260 million in aggregate principal amount of our 6.875% Senior Notes due 2022. The principal of $125.0 million and interest on these notes are not included in the table as they were not outstanding as of December 31, 2016.

Off-Balance Sheet Arrangements

In the ordinary course of business, we enter into land purchase contracts in order to procure lots for the construction of our homes. We are subject to customary obligations associated with entering into contracts for the purchase of land and improved lots. These purchase contracts typically require a cash deposit, and the purchase of properties under these contracts is generally contingent upon satisfaction of certain requirements, including obtaining applicable property and development entitlements. We also utilize option contracts with land sellers as a method of acquiring land in staged takedowns, to help us manage the financial and market risk associated with land holdings, and to reduce the use of funds from our corporate financing sources. Option contracts generally require payment by us of a non-refundable deposit for the right to acquire lots over a specified period of time at pre-determined prices. We generally have the right at our discretion to terminate our obligations under both purchase contracts and option contracts by forfeiting our cash deposit with no further financial responsibility to the land seller. Our obligations with respect to purchase contracts and option contracts are generally limited to the forfeiture of the related non-refundable cash deposits. As of December 31, 2016, we had outstanding purchase contracts and option contracts for 9,633 lots totaling $373.6 million, and had $10.5 million of non-refundable cash deposits pertaining to land option contracts. While our performance, including the timing and amount of purchase, if any, under these outstanding purchase and option contracts is subject to change, we currently anticipate performing on 60% to 70% of the purchase and option contracts during the year ending December 31, 2017, with performance on the remaining purchase and option contacts occurring in future periods.

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

We post letters of credit and performance bonds related to our land development performance obligations, with local municipalities. As of December 31, 2016 and 2015, we had $70.1 million and $63.6 million, respectively, in letters of credit and performance bonds issued and outstanding. We anticipate that the obligations secured by these performance bonds and letters of credit generally will be performed in the ordinary course of business.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rates

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Our primary exposure to market risk is interest rate risk associated with our Credit Agreement, which was entered into on October 21, 2014. Future borrowings under the Credit Agreement bear interest at a floating rate equal to the London Interbank Offered Rate plus an applicable margin between 2.75% and 3.25% per annum, or, in the Administrative Agent's discretion, a base rate plus an applicable margin between 1.75% and 2.25% per annum. The "applicable margins" described above are determined by a schedule based on the leverage ratio of the Company, as defined in the Credit Agreement. The Credit Agreement also provides for fronting fees and letter of credit fees payable to the L/C Issuer and commitment fees payable to the Administrative Agent equal to 0.20% of the unused portion of the Revolving Credit Facility.

Inflation

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

Seasonality

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

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS.

The information required by this Item is incorporated herein by reference to the financial statements set forth in Item 15 (Exhibits and Financial Statement Schedules) of Part IV of this Form 10-K.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined under Rule 13a-15(e) under the Exchange Act) as of December 31, 2016, the end of the period covered by this Form 10-K. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2016 in providing reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). In addition, our management is required to report their assessment, including their evaluation criteria, on the design and operating effectiveness of our internal control over financial reporting in this Form 10-K.

Our internal control over financial reporting is a process designed under the supervision of our principal executive officer and principal financial officer. During 2016, our management conducted an assessment of the internal control over financial reporting based upon criteria established in the "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on our management's assessment, which included a comprehensive review of the design and operating effectiveness of our internal control over financial reporting, our management has concluded that our internal control over financial reporting is effective as of December 31, 2016.

Changes in Internal Control over Financial Reporting

There were no changes during the fourth quarter of 2016 in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected or are 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 in response to this Item is incorporated herein by reference to the information contained under the captions entitled “Election of Directors—Information about Director Nominees,” “Executive Officers and Compensation” and “Section 16(a) Beneficial Ownership Reporting Compliance” in our definitive proxy statement for our 2017 Annual Meeting of Stockholders, which will be filed with the SEC pursuant to Regulation 14A under the Exchange Act no later than May 1, 2017 (which we refer to as our “2017 Proxy Statement”).

We will provide to any stockholders or other person without charge, upon request, a copy of our Corporate Governance Policy, Code of Business Conduct and Ethics, and the charters for our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. You may obtain these documents on our website at http://www.centurycommunities.com under the Investor Relations section or by contacting our Investor Relations department at 303-268-8398.

ITEM 11. EXECUTIVE COMPENSATION.

The information required in response to this Item is incorporated herein by reference to the information contained in under the caption entitled “Executive Officers and Compensation” in our 2017 Proxy Statement.

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

The information required in response to this Item is incorporated herein by reference to the information contained in under the caption entitled “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” in our 2017 Proxy Statement.

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

The information required in response to this Item is incorporated herein by reference to the information contained in under the caption entitled “Certain Relationships and Related Party Transactions” in our 2017 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required in response to this Item is incorporated herein by reference to the information contained in under the caption entitled “Fees Incurred for Services by Principal Accountant” in our 2017 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a)(1) Financial Statements

The following financial statements of the Company are included in a separate section of this Form 10-K commencing on the page numbers specified below:

(a)(2) Financial Statements Schedules

Financial statement schedules have been omitted because they are not applicable, not material, not required or the required information is included in this Form 10-K.

(a)(3) Exhibits

The following exhibits are either filed herewith or incorporated herein by reference:

EXHIBIT INDEX

Exhibit Number	Description
3.1	Certificate of Incorporation of Century Communities, Inc., as amended (incorporated by reference to the initial filing of the Registration Statement on Form S-1 of Century Communities, Inc. (File No. 333-195678) filed with the SEC on May 5, 2014).
3.2	Bylaws of Century Communities, Inc. (incorporated by reference to the initial filing of the Registration Statement on Form S-1 of Century Communities, Inc. (File No. 333-195678) filed with the SEC on May 5, 2014).
4.1	Specimen Common Stock Certificate of Century Communities, Inc. (incorporated by reference to the initial filing of the Registration Statement on Form S-1 of Century Communities, Inc. (File No. 333-195678) filed with the SEC on May 5, 2014).
4.2	Indenture (including forms of 6.875% Senior Notes Due 2022), dated as of May 5, 2014, among Century Communities, Inc., the Guarantors party thereto, and U.S. Bank National Association, as trustee (incorporated by reference to Amendment No. 2 to the Registration Statement on Form S-1 of Century Communities, Inc. (File No. 333-195678) filed with the SEC on May 30, 2014).
4.3	Supplemental Indenture, dated as of December 18, 2014, among Century Communities, Inc., the Guarantors party thereto, and U.S. Bank National Association, as trustee under the Indenture (incorporated by reference to Century Communities, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2014 filed with the SEC on March 6, 2015).
4.4	Second Supplemental Indenture, dated as of March 13, 2015, by and among Century Communities, Inc., the Guarantors party thereto, and U.S. Bank National Association, as trustee under the Indenture (incorporated by reference to Century Communities, Inc.'s Current Report on Form 8-K filed with the SEC on April 10, 2015)

Exhibit Number	Description
4.5	Third Supplemental Indenture, dated as of April 9, 2015, by and among Century Communities, Inc., the Guarantors party thereto, and U.S. Bank National Association, as trustee under the Indenture (incorporated by reference to Century Communities, Inc.'s Current Report on Form 8-K filed with the SEC on April 10, 2015)
4.5	Fourth Supplemental Indenture, dated as of August 27, 2015, by and among Century Communities, Inc., the Guarantors party thereto, and U.S. Bank National Association, as trustee under the Indenture (incorporated by reference to Century Communities, Inc.'s Current Report on Form 8-K filed with the SEC on August 27, 2015)
4.6	Fifth Supplemental Indenture, dated as of November 8, 2016, by and among Century Communities, Inc., the Guarantors party thereto, and U.S. Bank National Association, as trustee under the Indenture (incorporated by reference to Century Communities, Inc.'s Current Report on Form 8-K filed with the SEC on November 9, 2016)
10.1†	First Amended & Restated 2013 Long-Term Incentive Plan (incorporated by reference to Amendment No. 2 to the Registration Statement on Form S-1 of Century Communities, Inc. (File No. 333-195678) filed with the SEC on May 30, 2014).
10.2†	Form of Stock Option Agreement for use with the First Amended & Restated 2013 Long-Term Incentive Plan (incorporated by reference to the initial filing of the Registration Statement on Form S-1 of Century Communities, Inc. (File No. 333-195678) filed with the SEC on May 5, 2014).
10.3†	Form of Restricted Stock Award Agreement for use with the First Amended & Restated 2013 Long-Term Incentive Plan (incorporated by reference to the initial filing of the Registration Statement on Form S-1 of Century Communities, Inc. (File No. 333-195678) filed with the SEC on May 5, 2014).
10.4†	Form of Non-Employee Director Restricted Stock Award Agreement for use with the 2013 Long-Term Incentive Plan (incorporated by reference to the initial filing of the Registration Statement on Form S-1 of Century Communities, Inc. (File No. 333-195678) filed with the SEC on May 5, 2014).
10.5†	Amended and Restated Employment Agreement, dated as of May 11, 2016, between Century Communities, Inc. and Dale Francescon (incorporated by reference to Century Communities, Inc.'s Current Report on Form 8-K filed with the SEC on May 17, 2016).
10.6†	Amended and Restated Employment Agreement, dated as of May 11, 2016, between Century Communities, Inc. and Robert Francescon (incorporated by reference to Century Communities, Inc.'s Current Report on Form 8-K filed with the SEC on May 17, 2016).
10.7	Form of Director and Officer Indemnification Agreement between Century Communities, Inc. and each of its directors and officers (incorporated by reference to the initial filing of the Registration Statement on Form S-1 of Century Communities, Inc. (File No. 333-195678) filed with the SEC on May 5, 2014).
10.8	Indemnification Agreement, dated as of May 7, 2013, among Century Communities, Inc. and Dale Francescon and Robert Francescon (incorporated by reference to the initial filing of the Registration Statement on Form S-1 of Century Communities, Inc. (File No. 333-195678) filed with the SEC on May 5, 2014).
10.9	Sublease, dated as of April 29, 2011, between Clifton Gunderson LLP and Century Communities, Inc. (incorporated by reference to the initial filing of the Registration Statement on Form S-1 of Century Communities, Inc. (File No. 333-195678) filed with the SEC on May 5, 2014).
10.10	Credit Agreement, dated October 21, 2014, among Century Communities, Inc., Texas Capital Bank, National Association, and the lenders party thereto (incorporated by reference to Century Communities, Inc.'s Current Report on Form 8-K filed with the SEC on October 23, 2014).

Exhibit Number	Description
10.11	First Modification Agreement, dated as of July 31, 2015, by and among Century Communities, Inc., Texas Capital Bank, National Association, as Administrative Agent, the lenders party thereto, and the subsidiary guarantors of Century Communities, Inc. party thereto (incorporated by reference to Century Communities, Inc.'s Current Report on Form 8-K filed with the SEC on August 4, 2015)
10.12	Second Modification Agreement, dated as of December 22, 2015, by and among Century Communities, Inc., Texas Capital Bank, National Association, as Administrative Agent, the lenders party thereto, and the subsidiary guarantors of Century Communities, Inc. party thereto (incorporated by reference to Century Communities, Inc.'s Current Report on Form 8-K filed with the SEC on December 23, 2015)
10.13	Third Modification Agreement, dated as of August 19, 2016, by and among Century Communities, Inc., Texas Capital Bank, National Association, as Administrative Agent, the lenders party thereto, and the subsidiary guarantors of Century Communities, Inc. party thereto (incorporated by reference to Century Communities, Inc.'s Current Report on Form 8-K filed with the SEC on August 24, 2016)
10.14	Promissory Note, dated April 19, 2013, between Rutherford Investments, LLC and Century Communities, Inc. (incorporated by reference to the initial filing of the Registration Statement on Form S-1 of Century Communities, Inc. (File No. 333-195678) filed with the SEC on May 5, 2014).
12.1	Statement Regarding Computation of Ratio of Earnings to Fixed Charges.
21.1	Subsidiaries of Century Communities, Inc.
23.1	Consent of Ernst & Young, LLP.
31.1	Certification of the Co- Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of the Co- Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
31.3	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of the Co-Principal Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Co-Principal Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.3	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

† Management contract or compensatory plan or arrangement.

SIGNATURES

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

	Century Communities, Inc.
Date: February 14, 2017	By: /s/ Dale Francescon Dale Francescon *Chairman of the Board and Co-Chief Executive Officer* *(Co-Principal Executive Officer)*
Date: February 14, 2017	By: /s/ Robert J. Francescon Robert J. Francescon *Co-Chief Executive Officer and President* *(Co-Principal Executive Officer)*

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, 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/ Dale Francescon **Dale Francescon**	Chairman of the Board of Directors and Co-Chief Executive Officer (Co-Principal Executive Officer)	February 14, 2017
/s/ Robert J. Francescon **Robert J. Francescon**	Co-Chief Executive Officer, President and Director (Co-Principal Executive Officer)	February 14, 2017
/s/ David L. Messenger **David L. Messenger**	Chief Financial Officer (Principal Financial Officer)	February 14, 2017
/s/ J. Scott Dixon **J. Scott Dixon**	Chief Accounting Officer (Principal Accounting Officer)	February 14, 2017
/s/ David L. Messenger, attorney in fact **James M. Lippman**	Director	February 14, 2017
/s/ David L. Messenger, attorney in fact **Keith R. Guericke**	Director	February 14, 2017
/s/ David L. Messenger, attorney in fact **John P. Box**	Director	February 14, 2017

CENTURY COMMUNITIES, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of

Century Communities, Inc.

We have audited the accompanying consolidated balance sheets of Century Communities, Inc. (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations, equity, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Century Communities, Inc. at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP
Denver, Colorado
February 14, 2017

Century Communities, Inc.
Consolidated Balance Sheets
As of December 31, 2016 and 2015
(in thousands)

	December 31, 2016	December 31, 2015
Assets		
Cash and cash equivalents	$ 29,450	$ 29,287
Cash held in escrow	20,044	11,817
Accounts receivable	5,729	5,241
Inventories	857,885	810,137
Prepaid expenses and other assets	40,457	26,735
Property and equipment, net	11,412	8,375
Investment in unconsolidated subsidiaries	18,275	—
Amortizable intangible assets, net	2,911	4,784
Goodwill	21,365	21,365
Total assets	$1,007,528	$917,741
Liabilities and stockholders' equity		
Liabilities:		
Accounts payable	$ 15,708	$ 10,967
Accrued expenses and other liabilities	62,314	106,777
Deferred tax liability, net	1,782	275
Notes payable and revolving line of credit	454,088	390,243
Total liabilities	533,892	508,262
Stockholders' equity:		
Preferred stock, $0.01 par value, 50,000,000 shares authorized, none outstanding	—	—
Common stock, $0.01 par value, 100,000,000 shares authorized, 21,620,544 and 21,303,702 shares issued and outstanding at December 31, 2016 and December 31, 2015, respectively	216	213
Additional paid-in capital	355,567	340,953
Retained earnings	117,853	68,313
Total stockholders' equity	473,636	409,479
Total liabilities and stockholders' equity	$1,007,528	$917,741

See Notes to Consolidated Financial Statements.

Century Communities, Inc.
Consolidated Statements of Operations
For the Years Ended December 31, 2016, 2015 and 2014
(in thousands, except per share amounts)

	Year Ended December 31, 2016	2015	2014
Revenue			
Home sales revenues	$ 978,733	$ 725,437	$ 351,823
Land sales revenues	11,799	3,405	4,800
Golf course and other revenue	3,908	5,647	5,769
Total revenue	994,440	734,489	362,392
Costs and expenses			
Cost of home sales revenues	786,127	579,203	276,386
Cost of land sales revenues	10,589	3,395	1,808
Cost of golf course and other revenue	3,628	5,037	6,301
Selling, general, and administrative	122,224	87,840	46,795
Total operating costs and expenses	922,568	675,475	331,290
Operating income	71,872	59,014	31,102
Other income (expense):			
Interest income	195	129	362
Interest expense	(5)	(10)	(26)
Equity in income of unconsolidated subsidiaries	191	—	—
Acquisition expense	(490)	(491)	(1,414)
Other income	940	1,535	736
Gain (loss) on disposition of assets	446	128	199
Income before income tax expense	73,149	60,305	30,959
Income tax expense	23,609	20,415	10,937
Net income	$ 49,540	$ 39,890	$ 20,022
Earnings per share:			
Basic	$ 2.34	$ 1.88	$ 1.03
Diluted	$ 2.33	$ 1.88	$ 1.03
Weighted average common shares outstanding:			
Basic	20,679,189	20,569,012	19,226,504
Diluted	20,791,937	20,569,012	19,226,504

See Notes to Consolidated Financial Statements.

Century Communities, Inc.
Consolidated Statements of Equity
For the Years Ended December 31, 2016, 2015 and 2014
(in thousands)

	Shares	Amount	Paid-In Capital	Retained Earnings	Total Equity
Balance at December 31, 2013	17,258	$173	$262,982	$ 8,401	$271,556
Issuance of common stock	4,000	40	81,524	—	81,564
Repurchase of common stock	(608)	(6)	(9,740)	—	(9,746)
Repurchase of common stock upon vesting of restricted stock awards	(17)	—	(386)	—	(386)
Issuance of restricted stock awards	250	—	—	—	—
Stock-based compensation expense	—	2	2,150	—	2,152
Excess tax benefit of stock-based compensation	—	—	43	—	43
Forfeitures of restricted stock awards	(7)	—	—	—	—
Net income	—	—	—	20,022	20,022
Balance at December 31, 2014	20,876	$209	$336,573	$ 28,423	$365,205
Repurchase of common stock upon vesting of restricted stock awards	(44)	—	(861)	—	(861)
Issuance of restricted stock awards	501	—	—	—	—
Stock-based compensation expense	—	4	5,241	—	5,245
Forfeitures of restricted stock awards	(29)	—	—	—	—
Net income	—	—	—	39,890	39,890
Balance at December 31, 2015	21,304	$213	$340,953	$ 68,313	$409,479
Issuance of common stock	578	6	11,363	—	11,369
Repurchase of common stock	(159)	(2)	(2,391)	—	(2,393)
Repurchase of common stock upon vesting of restricted stock awards	(60)	(1)	(1,015)	—	(1,015)
Stock-based compensation expense	—	—	6,657	—	6,656
Forfeitures of restricted stock awards	(42)	—	—	—	—
Net income	—	—	—	49,540	49,540
Balance at December 31, 2016	21,621	$216	$355,567	$117,853	$473,636

S*ee Notes to Consolidated Financial Statements.*

Century Communities, Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2016, 2015 and 2014
(in thousands)

	Year Ended December 31,		
	2016	**2015**	**2014**
Operating activities			
Net income	$ 49,540	$ 39,890	$ 20,022
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization	5,580	4,713	2,941
Stock-based compensation expense	6,656	5,245	2,152
Deferred income taxes	1,507	1,634	(2,054)
Excess tax benefit on stock-based compensation	—	—	(43)
Equity in income of unconsolidated subsidiaries	(191)	—	—
Gain on disposition of assets	(446)	(128)	(199)
Changes in assets and liabilities:			
Cash held in escrow	(8,227)	(1,821)	(6,968)
Accounts receivable	(488)	(1,438)	(1,803)
Inventories	(91,858)	(208,524)	(160,886)
Prepaid expenses and other assets	(13,420)	4,811	(11,140)
Accounts payable	4,657	(6,102)	3,444
Accrued expenses and other liabilities	854	(1,014)	24,863
Net cash used in operating activities	(45,836)	(162,734)	(129,671)
Investing activities			
Purchases of property and equipment	(7,762)	(5,750)	(1,127)
Proceeds from sale of assets	1,464	1,442	—
Investment in unconsolidated subsidiaries	(17,000)	—	—
Proceeds from secured note receivable	97	76	—
Acquisitions of businesses	—	—	(232,585)
Net cash used in investing activities	(23,201)	(4,232)	(233,712)
Financing activities			
Borrowings under revolving credit facilities	220,000	180,000	119,000
Payments on revolving credit facilities	(160,000)	(65,000)	(99,000)
Proceeds from issuance of senior notes	—	58,956	198,478
Proceeds from issuance of insurance premium notes	11,612	1,169	6,760
Principal payments on notes payable	(9,217)	(8,656)	(3,083)
Debt issuance costs	(1,156)	(2,817)	(6,783)
Net proceeds from issuances of common stock	11,369	—	81,564
Repurchases of common stock upon vesting of restricted stock awards	(1,015)	(861)	(386)
Repurchases of common stock under our stock repurchase program	(2,393)	—	(9,746)
Excess tax benefit on stock-based compensation	—	—	43
Net cash provided by financing activities	69,200	162,791	286,847
Net decrease in cash and cash equivalents	$ 163	$ (4,175)	$ (76,536)
Cash and cash equivalents			
Beginning of period	29,287	33,462	109,998
End of period	$ 29,450	$ 29,287	$ 33,462
Non-cash investing and financing information			
Note receivable from sale of Tuscany golf course	$ —	$ 3,000	$ —
Seller financed acquisition of land	$ —	$ —	$ 4,239
Supplemental cash flow disclosure			
Cash paid for income taxes	$ 23,467	$ 18,657	$ 18,458

See Notes to Consolidated Financial Statements.

Century Communities, Inc.
Notes to the Consolidated Financial Statements
December 31, 2016, 2015 and 2014

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Century Communities, Inc. (which we refer to as "we" or "the Company") is engaged in the development, design, construction, marketing and sale of single-family attached and detached homes in metropolitan areas in Colorado, Austin and San Antonio, Texas (which we refer to as "Central Texas"), Houston, Texas, Las Vegas, Nevada, Atlanta, Georgia, and Salt Lake City, Utah. Our homebuilding operations are organized into the following six operating segments based on the geographic markets in which we operate: Atlanta, Central Texas, Colorado, Houston, Nevada and Utah. In many of our projects, in addition to building homes, we are responsible for the entitlement and development of the underlying land.

We were formed as a Colorado limited liability company in August 2002, and we converted into a Delaware corporation pursuant to the General Corporation Law of the State of Delaware on April 30, 2013. In connection with the conversion, all of the outstanding membership interests were converted into an aggregate of 5.0 million shares of common stock, which represented 100% of the outstanding shares of the Company's common stock immediately following the conversion. Also in connection with the conversion, the Company's name was changed from Century Communities Colorado, LLC to Century Communities, Inc., and a total of 100.0 million shares of the Company's common stock and 50.0 million shares of preferred stock were authorized for issuance.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, as well as all subsidiaries in which we have a controlling interest, and each variable interest entity (which we refer to as "VIE") for which the Company is deemed the primary beneficiary. All intercompany accounts and transactions have been eliminated.

All numbers related to lots and communities disclosed in the notes to the consolidated financial statements are unaudited.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents.

Cash Held in Escrow

Cash held in escrow consists of amounts related to the proceeds from home closings held for our benefit in escrow, which are typically held for less than a few days.

Accounts Receivable

Accounts receivable primarily consists of contract receivables related to certain contracts in our Central Texas operating segment accounted for under the percentage-of-completion method, income tax receivables and rebate receivables.

We periodically review the collectability of our accounts receivables, and, if it is determined that a receivable might not be fully collectible, an allowance is recorded for the amount deemed uncollectible. As of December 31, 2016 and 2015, no allowance was recorded related to accounts receivable.

Inventories and Cost of Sales

We capitalize pre-acquisition, land, development, and other allocated costs, including interest, during development and home construction.

Land, development, and other common costs are allocated to inventory using the relative-sales-value method; however, as lots within a project typically have comparable market values, we generally allocate land, development, and common costs equally to each lot within the project. Home construction costs are recorded using the specific-identification method. Cost of sales for homes closed includes the allocation of construction costs of each home and all applicable land acquisition, land development, and related common costs, both incurred and estimated to be incurred. Changes to estimated total development costs subsequent to initial home closings in a community are generally allocated to the remaining homes in the community.

When a home is closed, the Company generally has not paid all incurred costs necessary to complete the home, and a liability and a charge to cost of home sales revenues are recorded for the amount that is estimated will ultimately be paid related to completed homes.

Inventories are carried at cost unless events and circumstances indicate that the carrying value may not be recoverable. We review for indicators of impairment at the lowest level of identifiable cash flows, which we have determined as the community level.

Indicators of impairment include, but are not limited to, significant decreases in local housing market values and selling prices of comparable homes, decreases in actual or trending gross margins or sales absorption rates, significant unforeseen cost in excess of budget, and actual or projected cash flow losses.

If an indicator of impairment is identified, we estimate the recoverability of the community by comparing the estimated future cash flows on an undiscounted basis to its carrying value. If the undiscounted cash flows are more than the carrying value, the community is recoverable and no impairment is recorded. If the undiscounted cash flows are less than the community's carrying value, the community is deemed impaired and is written down to fair value. We generally estimate the fair value of the community through a discounted cash flow approach.

When estimating cash flows of a community, we make various assumptions, including the following:
(i) expected sales prices and sales incentives to be offered, including the number of homes available, pricing and incentives being offered by us or other builders in other communities, and future sales price adjustments based on market and economic trends; (ii) expected sales pace based on local housing market conditions, competition, and historical trends; (iii) costs expended to date and expected to be incurred, including, but not limited to, land and land development costs, home construction costs, interest costs, indirect construction and overhead costs, and selling and marketing costs; and (iv) alternative uses for the property. For the years ended December 31, 2016, 2015 and 2014, no inventory impairments were recorded.

Home Sales and Profit Recognition

Revenues from home sales are recorded and a profit is recognized when the respective units are closed, title has passed, the homeowner's initial and continuing investment is adequate, and other attributes of ownership have been transferred to the homeowner. Sales incentives are recorded as a reduction of revenues when the respective unit is closed. When it is determined that the earnings process is not complete, the sale and the related profit are deferred for recognition in future periods.

We also serve as the general contractor for custom homes in our Central Texas operating segment, where the customer and not the Company owns the underlying land (which we refer to as "Build on Your Own Lot Contracts"). Accordingly, we recognize revenue for the Build on Your Own Lot Contracts, which are primarily cost plus contracts, on the percentage-of-completion method where progress toward completion is measured by relating the actual cost of work performed to date to the current estimated total cost of the respective contracts. As the Company makes such estimates, judgments are required to evaluate potential variances in the cost of materials and labor and productivity. During the years ended December 31, 2016, 2015 and 2014, we recognized revenue of $7.3 million, $6.1 million and $22.0 million, respectively, and incurred costs of $5.3 million, $4.8 million and $17.4 million, respectively, associated with Build on Your Own Lot Contracts, which are presented in home sales revenues and cost of home sales revenues on the consolidated statement of operations, respectively. As of December 31, 2016 and 2015, we had $1.0 million and $0.8 million in contract receivables, respectively, and $0.4 million and $0.3 million in billings in excess of collections, respectively, related to the Build on Your Own Lot Contracts, which are presented on the consolidated balance sheet in accounts receivable and accrued expenses and other liabilities, respectively.

Performance Deposits

We are occasionally required to make a land, bond, and utility deposit as each new development is started. These amounts typically are refundable as each home is sold. Performance deposits are included in prepaid expenses and other assets on the consolidated balance sheet.

Lot Option and Escrow Deposits

We enter into lot option purchase agreements with unrelated parties to acquire lots for the construction of homes. Under these agreements, we have paid deposits, which in many cases are non-refundable, in consideration for the right, but not the obligation, to purchase land or lots at a future point in time with predetermined terms. Lot option and escrow deposits are included in prepaid expenses and other assets on the consolidated balance sheet.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense on the straight-line basis over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

	Years
Buildings and improvements	3–40 years
Leasehold improvements	3–10 years
Machinery and equipment	3–15 years
Furniture and fixtures	2–7 years
Model furnishings	2–5 years
Computer hardware and software	1–5 years

Investment in Unconsolidated Subsidiaries

We account for our investment in unconsolidated subsidiaries under the equity method because we exercise significant influence over, but do not control, these entities. Under the equity method, these investments are initially recorded at cost and are subsequently adjusted to reflect our proportionate share of net earnings or losses, distributions received, contributions made and certain other adjustments, as appropriate. Such investments are included in "Investment in unconsolidated subsidiaries" in our consolidated balance sheets. Distributions from these investments that are related to cash earnings from operations are included as operating activities and distributions that are related to capital transactions are included as investing activities in our consolidated statements of cash flows. We recognize our proportionate share of the ongoing earnings or losses of the unconsolidated subsidiary in "equity in income of unconsolidated subsidiaries" in our consolidated statements of operations.

We evaluate our investment in unconsolidated subsidiaries for impairment whenever events or changes in circumstances indicate that there may be an other-than-temporary decline in value. To do so, we calculate the estimated fair value of the investment using a market, income or replacement cost approach, or combination thereof. The amount of impairment recognized, if any, would be the excess of the investment's carrying amount over its estimated fair value. We consider various factors to determine if a decline in the value of the investment is other-than-temporary. These factors are Level 2 and 3 inputs and include but are not limited to, age of the venture, our intent and ability to retain our investment in the entity, the financial condition and long-term prospects of the entity, expected term of the investment, and the relationships with our partners. If we believe that the decline in the fair value is temporary, no impairment is recorded. The aforementioned factors are taken as a whole by management in determining the valuation of our investment. Should the actual results differ from management's estimates, the valuation could be negatively affected and may result in a negative impact on our consolidated financial statements.

Amortizable Intangible Assets

Amortizable intangible assets consist of the estimated fair value of trade names, home construction contracts, non-compete agreements, and home plans that were acquired upon closing of the acquisition of Jimmy Jacobs, LVLH, Grand View, and Peachtree. The acquisitions were accounted for as business combinations as defined in Accounting Standards Codification (which we refer to as "ASC") 805, *Business Combinations*. A high degree of judgment is made by management on variables, such as revenue growth rates, profitability, and discount rates, when calculating the value of the intangible assets. The identified intangible assets are amortized over their respective estimated useful life. Trade names, non-compete agreements, and other intangibles assets are amortized to selling, general and administrative expenses in the consolidated statement of operations. Intangible assets for cell phone tower leases, and home construction contracts are amortized to other income and cost of home sales revenues, respectively, as income on the related contracts are earned.

The estimated lives for each major amortizable classification of intangible assets are as follows:

	Years
Trade names	2–4 years
Home construction contracts	1–2 years
Non-compete agreements	2–5 years
Cell phone tower leases	5–20 years
Home plans	7 years

Earnest Money Deposits

We collect earnest deposits at the time a home buyer's contract is accepted. Earnest money deposits held on homes under contract as of December 31, 2016 and 2015, totaled $7.3 million and $6.7 million, respectively, and are included in accrued expenses and other liabilities on the consolidated balance sheet.

Stock-Based Compensation

We account for share-based awards in accordance with ASC 718, *Compensation—Stock Compensation*. ASC 718 requires us to estimate the grant date fair value of stock-based compensation awards and to recognize the fair value as compensation costs over the requisite service period, which is generally three years, for all awards that vest. We value our restricted stock awards and restricted stock units equal to the closing price of our common stock on the New York Stock Exchange on the date of grant.

Income Taxes

We account for income taxes in accordance with ASC 740, *Income Taxes*, which requires recognition of deferred tax assets and liabilities at enacted income tax rates for the temporary differences between the financial reporting bases and the tax bases of its assets and liabilities. Any effects of changes in income tax rates or tax laws are included in the provision for income taxes in the period of enactment. When it is more likely than not that a portion or all of a deferred tax asset will not be realized in the future, the Company provides a corresponding valuation allowance against the deferred tax asset. As of December 31, 2016 and 2015, we had no valuation allowance recorded against our deferred tax assets.

In addition, when it is more likely than not that a tax position will be sustained upon examination by a tax authority that has full knowledge of all relevant information, the Company measures the amount of tax benefit from the position and records the largest amount of tax benefit that is more likely than not of being realized after settlement with a tax authority. The Company's policy is to recognize interest to be paid on an underpayment of income taxes in interest expense and any related statutory penalties in the provision for income taxes on the consolidated statement of operations. As of December 31, 2016 and 2015, we had no reserves for uncertain tax positions.

Goodwill

We evaluate goodwill for possible impairment in accordance with ASC 350, *Intangibles–Goodwill and Other,* on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. We use a three step process to assess whether or not goodwill can be realized. The first step is a qualitative assessment that analyzes current economic indicators associated with a particular reporting unit. If the qualitative assessment indicates a stable or improved fair value, no further testing is required.

If a qualitative assessment indicates that a significant decline to fair value of a reporting unit is more likely than not, we will proceed to the second step where we calculate the fair value of a reporting unit based on discounted future cash flows. If this step indicates that the carrying value of a reporting unit is in excess of its fair value, we will proceed to the third step where the fair value of the reporting unit will be allocated to assets and liabilities as they would in a business combination. Impairment occurs when the carrying amount of goodwill exceeds its estimated fair value calculated in the third step.

As of December 31, 2016 and 2015, we determined our goodwill was not impaired.

Business Combinations

We account for business combinations in accordance with ASC 850, *Business Combinations*, if the acquired assets assumed and liabilities incurred constitute a business. We consider acquired companies to constitute a business if the acquired net assets and processes have the ability to create outputs in the form of revenue. For acquired companies constituting a business, we recognize the identifiable assets acquired and liabilities assumed at their acquisition-date fair values and recognize any excess of total consideration paid over the fair value of the identifiable net assets as goodwill.

Variable Interest Entities

We review land option contracts where we have a non-refundable deposit to determine whether the corresponding land seller is a VIE and, if so, whether we are the primary beneficiary.

In determining whether we are the primary beneficiary, we consider, among other things, whether we have the power to direct the activities that most significantly impact the economic performance of the VIE. In making this determination, we consider whether we have the power to direct certain activities, including, but not limited to, determining or limiting the scope or purpose of the VIE, the ability to sell or transfer property owned or controlled by the VIE, or arranging financing for the VIE. We are not the primary beneficiary of any VIE as of December 31, 2016 and 2015.

We analyzed each of our land option contracts to determine whether the land seller is a VIE and, if so, whether we are the primary beneficiary. Although we do not have legal title to the underlying land, we are required to consolidate a VIE if we are the primary beneficiary. As a result of our analysis, we determined that as of December 31, 2016, we were not the primary beneficiary of any VIE from which we have acquired rights to land under the land option contract. As of December 31, 2016 and 2015, we have non-refundable cash deposits totaling $10.5 million and $2.9 million, respectively, classified in "Prepaid expenses and other assets" in our consolidated balance sheets for land option contracts. The non-refundable deposit is our maximum exposure to loss for the transactions as of December 31, 2016 and 2015, respectively.

Recently Issued Accounting Standards

In August 2015, the Financial Accounting Standards Board (which we refer to as "FASB") issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606)." ASU 2015-14 defers the effective date of ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" and will be effective for the Company beginning on January 1, 2018, including interim reporting periods within that period. Early adoption is permitted as of annual reporting periods beginning after December 15, 2016. We plan to adopt ASU 2015-14 on January 1, 2018 under the modified retrospective approach. We do not believe that there will be a material impact on the amount or timing in recording home sales revenues as a result of adopting ASU 2015-14. We will continue to evaluate the impact that the adoption of ASU 2015-14 will have on other aspects of our business and to our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. ASU 2016-02 is effective for the Company beginning January 1, 2019 and interim periods within the annual periods. We are currently evaluating the impact ASU 2016-02 will have on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 was effective for the Company beginning January 1, 2017 and interim periods within the annual periods. Early adoption is permitted in any interim or annual period. We do not expect the adoption of ASU 2016-09 to have a material effect on our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows- Classification of Certain Cash Receipts and Cash Payments." ASU 2016-15 consists of eight provisions that provide guidance on the classification of certain cash receipts and cash payments in the statement of cash flows. ASU 2016-15 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017. We are currently evaluating the impact ASU 2016-15 will have on our consolidated financial statements.

2. Reporting Segments

Our homebuilding operations are organized into the following six operating segments based on the geographic markets in which we operate: Atlanta, Central Texas, Colorado, Houston, Nevada and Utah. Our Corporate operations are a nonoperating segment, as it serves to support our homebuilding operations through functions such as our executive, finance, treasury, human resources, and accounting departments. Our homebuilding reportable segments are engaged in the development, design, construction, marketing and sale of single-family attached and detached homes. Our chief operating decision makers, the Co-CEO's of our Company, primarily rely on total revenue and income before income tax expense to determine segment profitability.

The following tables summarize total revenue and pretax income by operating segment (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Revenue:			
Atlanta	$343,141	$269,188	$ 36,726
Central Texas	107,435	77,996	55,845
Colorado	358,267	259,259	181,609
Houston	39,571	38,233	17,458
Nevada	143,395	89,813	70,754
Utah	2,631	—	—
Corporate	—	—	—
Total revenue	$994,440	$734,489	$362,392
Income before income tax expense:			
Atlanta	$ 31,138	$ 23,574	$ 899
Central Texas	5,519	5,048	5,053
Colorado	51,713	37,090	29,924
Houston	(2,833)	(788)	(759)
Nevada	15,586	12,425	8,588
Utah	(686)	—	—
Corporate	(27,288)	(17,044)	(12,746)
Total income before income tax expense	$ 73,149	$ 60,305	$ 30,959

The following table summarizes total assets by operating segment (in thousands):

	As of December 31,	
	2016	2015
Atlanta	$ 262,448	$185,331
Central Texas	112,612	117,037
Colorado	293,467	313,653
Houston	25,780	51,534
Nevada	231,057	220,209
Utah	17,133	—
Corporate	65,031	29,977
Total assets	$1,007,528	$917,741

Corporate assets primarily include cash and cash equivalents, prepaid insurance, our investment in unconsolidated subsidiaries, finished lots owned in Charlotte, North Carolina, and certain property and equipment.

3. Business Combinations

We did not complete any business combinations during the years ended December 31, 2016 and 2015.

Business combinations during the year ended December 31, 2014

Acquisition of LVLH

On April 1, 2014, we purchased substantially all of the assets and operations of LVLH, a homebuilder with operations in Las Vegas, Nevada, for a purchase price of approximately $165 million. The acquired assets consisted of 1,761 lots within five single-family communities in the greater Las Vegas, Nevada metropolitan area. The 1,761 lots included 57 homes in backlog, 17 model homes and three custom lots. In addition, we acquired two fully operational golf courses and two one-acre commercial plots. As the acquired assets and processes have the ability to create outputs in the form of revenue from the sale of single family residences, we concluded that the acquisition represents a business combination. We incurred $0.8 million in acquisition-related costs, which are included in other income (expense) on the consolidated statements of operations.

The following table summarizes the amounts recognized as of the acquisition date (in thousands):

Assets acquired and liabilities assumed	
Accounts receivable	$ 347
Inventories	145,599
Prepaid expenses and other assets	1,876
Property and equipment	8,619
Amortizable intangible assets	3,042
Goodwill	11,283
Total assets	$170,766
Accounts payable	2,074
Accrued expenses and other liabilities	1,816
Notes payable and capital lease obligations	1,497
Total liabilities	$ 5,387

Acquired inventories consist of both acquired land and work in process inventories. We determined the estimate of fair value for acquired land inventory with the assistance of a third party appraiser primarily using a forecasted cash flow approach for the development, marketing, and sale of each community acquired. Significant assumptions included in our estimate include future per lot development costs, construction and overhead costs, mix of products sold in each community as well as average sales price, and absorption rates. We estimated the fair value of acquired work in process inventories based upon the stage of production of each unit and a gross margin that we believe a market participant would require to complete the remaining development and requisite selling efforts. The stage of production, as of the acquisition date, ranged from finished lots to fully completed single family residences. We estimated a market participant would require a gross margin ranging from 7% to 24% based upon the stage of production of the individual lot.

We determined the estimate of fair value for amortizable intangible assets, which includes a non-solicitation agreement, cell phone tower leases, and home plans, with the assistance of a third party valuation firm. Our estimates of the fair value of the non-solicitation agreement, cell phone tower leases, and homes plans was $1.4 million, $1.4 million and $0.3 million, respectively, which will be amortized over 2 years, 16.6 years, and 7 years, respectively. In total, amortizable intangible assets will be amortized over a weighted average life of 9.1 years.

We determined that LVLH's carrying costs approximated fair value for all other acquired assets and assumed liabilities.

Goodwill includes the anticipated economic value of the acquired workforce. Approximately $7.0 million of goodwill is expected to be deductible for tax purposes.

Included in home sales revenue and income before income taxes on the consolidated statement of operations for the year ended December 31, 2014 is $70.8 million and $8.6 million, respectively, earned from LVLH subsequent to the acquisition date.

Acquisition of Grand View

On August 12, 2014, we purchased substantially all of the assets and operations of Grand View in Houston, Texas for a purchase price of approximately $13 million and annual earnout payments based on a percentage of adjusted pre-tax income over the next two years. As the acquired assets and processes have the ability to create outputs in the form of revenue from the sale of single family residences, we concluded that the acquisition represents a business combination. We incurred $0.1 million in acquisition-related costs, which are included in other income (expense) on the consolidated statements of operations.

The following table summarizes the amounts recognized as of the acquisition date (in thousands):

Assets acquired and liabilities assumed	
Accounts receivable	$ 188
Inventories	12,070
Prepaid expenses and other assets	295
Property and equipment	185
Amortizable intangible assets	1,748
Goodwill	1,746
Total assets	$16,232
Accrued expenses and other liabilities (inclusive of earnout liability)	3,376
Total liabilities	$ 3,376

Acquired inventories consist of both acquired land, work in process and model inventories. We determined the fair value for acquired inventories on a lot by lot basis primarily using a forecasted cash flow approach for the development, marketing, and sale of each lot acquired. Significant assumptions included in our estimate include future construction and overhead costs, sales price, and absorption rates. We estimated the fair value of acquired work in process inventories based upon the stage of production of each unit and a gross margin that we believe a market participant would require to complete the remaining development and requisite selling efforts. The stage of production, as of the acquisition date, ranged from finished lots to fully completed single family residences. We estimated a market participant would require a gross margin ranging from 6% to 18% based upon the stage of production of the individual lot.

We determined the estimate of fair value for amortizable intangible assets, which includes a non-compete agreement, a trade name, home plans, and backlog associated with certain custom home contracts, with the assistance of a third party valuation firm. Our estimate of the fair value of the non-compete agreement, trade name, home plans and backlog were $0.5 million, $1.0 million, $0.1 million, and $0.2 million respectively, which will be amortized over 4 years, 2.7 years, 7 years, and 1.5 years, respectively. In total, amortizable intangible assets will be amortized over a weighted average life of 2.8 years.

The fair value of the earnout on the acquisition date of $2.5 million was determined with the assistance of a third party valuation firm based on probability weighting scenarios and discounting the potential payments which are based on pre-tax income and range from $0 to a maximum of $5.3 million. The maximum earnout amount is subject to downward reductions of up to $1.5 million based on the number of future lots acquired over the next two years in our Houston operating segment.

We determined that Grand View's carrying costs approximated fair value for all other acquired assets and assumed liabilities.

Goodwill includes the anticipated economic value of the acquired workforce. No goodwill is expected to be deductible for tax purposes.

During the year ended December 31, 2015, we recorded measurement period adjustments, which decreased the estimated value of amortizable intangible assets by $0.5 million and decreased the estimated value of inventories by $0.2 million, resulting in an increase in goodwill of $0.7 million. The measurement period adjustments also resulted in a decrease of $0.1 million for the year ended December 31, 2015 to selling, general, and administrative expenses and a reduction of $0.2 million to cost of home sales revenues on the consolidated statements of operations.

Included in home sales revenue and income before income taxes on the consolidated statement of operations for the year ended December 31, 2014 is $17.5 million and ($0.8) million, respectively, resulting from Grand View subsequent to the acquisition date.

Acquisition of Peachtree

On November 13, 2014, we acquired substantially all the assets and operations of Peachtree, a leading homebuilder in Atlanta, Georgia for approximately $57 million in cash. The acquired assets include land, homes under construction, model homes and lot option contacts in 36 communities in the greater Atlanta area. As a result of the acquisition, we obtained ownership or control of 2,120 lots in the greater Atlanta market. As the acquired assets and processes have the ability to create outputs in the form of revenue from the sale of single family residences, we concluded that the acquisition represents a business combination. We incurred $0.5 million in acquisition-related costs, which are included in other income (expense) on the consolidated statements of operations.

The following table summarizes our estimates of the fair value of the assets acquired and liabilities assumed as of the acquisition date (in thousands):

Assets acquired and liabilities assumed	
Accounts receivable	$ 11
Inventories	48,034
Prepaid expenses and other assets	762
Property and equipment	54
Amortizable intangible assets	4,044
Goodwill	7,857
Total assets	$60,762
Accounts payable	3,304
Accrued expenses and other liabilities	3,108
Total liabilities	$ 6,412

Acquired inventories primarily consist of work in process homebuilding inventory in various stages of construction and do not include significant amounts of land held for future development. Accordingly, we estimated the fair value based upon the stage of production of each unit and a gross margin that we believe a market participant would require to complete the remaining development and requisite selling efforts. The stage of production, as of the acquisition date, ranged from finished lots to fully completed single family residences. We estimated a market participant would require a gross margin ranging from 6% to 18% based upon the stage of production of the individual lot. Due to the preliminary nature of these estimates combined with uncertainties in the estimation process and the significant volatility in demand for new housing, actual results could differ significantly from such estimates.

Intangible assets consist of a non-compete agreement with the former owner of Peachtree, acquired home plans and acquired lot option agreements. The non-compete agreement was valued using a with and with-out approach which estimates the impact on future cash flows with and with-out the non-compete agreement. The difference between the projected cash flows is then discounted in order to estimate the fair value of the agreement. We estimated a fair value of $3.2 million for the non-compete agreement. Acquired home plans were valued using a replacement cost approach, which resulted in an estimated fair value of $0.2 million. The fair value of the acquired lot option agreements of $0.6 million was estimated based upon the difference between the contractual lot option purchase prices and the estimated fair value of similar lots on the acquisition date. The non-compete agreement, home plans and lot option agreements will be amortized over 5, 7 and 3 years, respectively. In total, amortizable intangible assets will be amortized over a weighted average life of 4.8 years.

We determined that Peachtree's carrying costs approximated fair value for all other acquired assets and assumed liabilities.

Goodwill includes the anticipated economic value of the acquired workforce. Approximately $12.0 million of goodwill is expected to be deductible for tax purposes.

During the year ended December 31, 2015, we recorded a measurement period adjustment, which increased the estimated value of amortizable intangible assets and decreased the fair value of goodwill by $0.6 million. The measurement period adjustment also resulted in an increase of $0.1 million for the year ended December 31, 2015 to cost of home sales revenues on our consolidated statements of operations.

Included in home sales revenue and income before income taxes on the consolidated statement of operations for the year ended December 31, 2014 is $36.7 million resulting from Peachtree subsequent to the acquisition date.

4. Inventory

Inventory included the following (in thousands):

	As of December 31,	
	2016	2015
Homes under construction	$455,454	$374,274
Land and land development	373,496	414,330
Capitalized interest	28,935	21,533
Total inventories	$857,885	$810,137

5. Amortizable Intangible Assets

Amortizable intangible assets included the following (in thousands):

	As of December 31,	
	2016	2015
Trade names	$ 1,185	$ 2,499
Home construction contracts	—	880
Non-compete agreements	5,065	5,084
In place lot option contracts	628	628
Home plans	764	764
Gross intangible assets	7,642	9,855
Accumulated amortization	(4,731)	(5,071)
Intangible assets, net	$ 2,911	$ 4,784

We recognized amortization expense on our intangibles of $1.9 million, $2.4 million and $1.5 million during the years ended December 31, 2016, 2015 and 2014, respectively. During the year ended December 31, 2016, we wrote off fully depreciated amortizable intangible assets totaling $2.2 million and the related accumulated amortization.

As of December 31, 2016, expected amortization expense for amortizable intangible assets for each of the next five years, and thereafter, is as follows (in thousands):

2017	$1,266
2018	830
2019	675
2020	100
2021	40
Thereafter	—
Intangible assets, net	2,911

6. Property and Equipment

Property and equipment included the following (in thousands):

	As of December 31,	
	2016	2015
Land	$ —	$ 200
Buildings and improvements	300	958
Leasehold improvements	587	463
Machinery and equipment	605	222
Furniture and fixtures	730	458
Model furnishings	12,315	6,881
Computer hardware and software	3,641	2,538
	18,178	11,720
Less accumulated depreciation	(6,766)	(3,345)
Total property and equipment, net	$11,412	$ 8,375

7. Prepaid Expenses and Other Assets

Prepaid expenses and other assets included the following (in thousands):

	As of December 31,	
	2016	2015
Prepaid insurance	$12,236	$ 5,696
Lot option and escrow deposits	12,320	4,634
Performance deposits	1,544	1,404
Deferred financing costs revolving line of credit, net	2,637	2,318
Restricted cash	1,505	360
Secured note receivable	2,850	2,947
Assets held for sale	5,857	5,797
Other	1,508	3,579
Total prepaid expenses and other assets	$40,457	$26,735

8. Investment in Unconsolidated Subsidiaries

On November 1, 2016, we acquired a 50% ownership of WJH LLC (which we refer to as "WJH"), which is the successor to Wade Jurney Homes, Inc. and Wade Jurney of Florida, Inc., for $15.0 million of which $1.0 million is held by the Company for potential indemnification claims for a period of eighteen months following the closing. WJH primarily targets first-time homebuyers in the Southeastern United States. As a result of the transaction, we own 50% of WJH and Wade Jurney Jr., an individual, owns the other 50% interest. Each party contributed an additional $3.0 million in capital to WJH upon its formation and we incurred $0.1 million in related acquisition costs. The Company and Wade Jurney Jr. share responsibility for all of WJH's strategic decisions, with Wade Jurney Jr. continuing to manage the day-to-day operations under the existing operating model. Our investment in WJH is treated as an unconsolidated investment under the equity method of accounting.

Our aggregate investment in WJH at November 1, 2016 of $18.1 million was more than our share of the underlying net assets of WJH, resulting in outside basis of approximately $7.6 million. Of the $7.6 million in outside basis, we attributed $2.0 million, $1.2 million and $4.4 million to the underlying inventory, trade names and goodwill of WJH, respectively. Amounts allocated to inventory, and intangible assets, will be amortized to equity in earnings over approximately 6 months, and 10 years, respectively.

As of December 31, 2016, our investment in WJH was $18.3 million and we recognized $0.2 million in equity in earnings from the date of acquisition through December 31, 2016.

9. Accrued Expenses and Other Liabilities

	As of December 31,	
	2016	2015
Earnest money deposits	$ 7,304	$ 6,717
Warranty reserve	2,479	2,622
Accrued compensation costs	12,603	8,114
Land development and home construction accruals	31,486	83,322
Accrued interest	3,039	2,651
Income taxes payable	783	374
Liabilities related to assets held for sale	193	223
Other	4,427	2,754
Total accrued expenses and other liabilities	$62,314	$106,777

10. Warranties

Estimated future direct warranty costs are accrued and charged to cost of home sales revenues in the period when the related home sales revenues are recognized. Amounts accrued, which are included in accrued expenses and other liabilities on the consolidated balance sheets, are based upon historical experience rates. We subsequently assess the adequacy of our warranty accrual on a quarterly basis through an internal model that incorporates historical payment trends and adjust the amounts recorded if necessary. Based on favorable warranty payment trends relative to our estimates at the time of home closing, we reduced our warranty reserve by $1.4 million, $0.6 million and $0.2 million during the years ended December 31, 2016, 2015 and 2014, respectively, which is included as a reduction to cost of homes sales revenues on our consolidated statement of operations. Changes in our warranty accrual for the years ended December 31, 2016, 2015, and 2014 are detailed in the table below (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Beginning balance	$ 2,622	$ 2,194	$ 1,150
Warranty reserves assumed in business combinations	—	—	591
Warranty expense provisions	2,873	2,676	1,665
Payments	(1,610)	(1,628)	(1,030)
Warranty adjustment	(1,406)	(620)	(182)
Ending balance	$ 2,479	$ 2,622	$ 2,194

11. Notes Payable and Revolving Line of Credit

Notes payable and revolving line of credit included the following as of December 31, 2016 and 2015 (in thousands):

	As of December 31,	
	2016	2015
6.875% senior notes	$253,089	$251,815
Revolving line of credit	195,000	135,000
Land development notes	—	2,677
Insurance premium notes	5,999	751
Total notes payable and revolving line of credit	$454,088	$390,243

6.875% senior notes

In May 2014, we completed a private offering of $200.0 million in aggregate principal amount of senior unsecured notes due 2022 (which we refer to as the "Initial Senior Notes") in reliance on Rule 144A and Regulation S under the Securities Act of 1933, as amended (which we refer to as the "Securities Act"). The Initial Senior Notes were issued at a price equal to 99.239% of their principal amount, and we received net proceeds of approximately $193.3 million. In February 2015, we completed an offer to exchange $200.0 million in aggregate principal amount of our 6.875% senior notes due 2022, which are registered under the Securities Act (which we refer to as the "Initial Exchange Notes"), for all of the Initial Senior Notes. The terms of the Initial Exchange Notes are identical in all material respects to the Initial Senior Notes, except that the Initial Exchange Notes are registered under the Securities Act and the transfer restrictions, registration rights, and additional interest provisions applicable to the Initial Senior Notes do not apply to the Initial Exchange Notes.

In April 2015, we completed a private offering of an additional $60 million in aggregate principal amount of our 6.875% senior notes due 2022 (which we refer to as the "Additional Senior Notes") in reliance on Rule 144A and Regulation S under the Securities Act. The Additional Senior Notes were issued at a price equal to 98.26% of their principal amount, and we received net proceeds of approximately $58.5 million. The Additional Senior Notes are additional notes issued under the indenture pursuant to which the initial $200 million in aggregate principal amount of Initial Senior Notes were issued. In October 2015, we completed an offer to exchange $60.0 million in aggregate principal amount of our 6.875% senior notes due 2022, which are registered under the Securities Act (which we refer to as the "Additional Exchange Notes"), for all of the Additional Senior Notes. The terms of the Additional Exchange Notes are identical in all material respects to the Additional Senior Notes, except that the Additional Exchange Notes are registered under the Securities Act and the transfer restrictions, registration rights, and additional interest provisions applicable to the Additional Senior Notes do not apply to the Additional Exchange Notes.

The Initial Exchange Notes and the Additional Exchange Notes bear the same CUSIP number, are fungible with each other, and are treated as a single series of notes under the indenture. We refer to the Initial Exchange Notes and the Additional Exchange Notes, collectively, as the "Senior Notes." The Senior Notes carry a coupon of 6.875% per annum. The Senior Notes are unsecured senior obligations which are guaranteed on an unsecured senior basis by certain of our current and future subsidiaries. The Senior Notes contain certain restrictive covenants on issuing future secured debt and other transactions. The aggregate principal balance of the Senior Notes is due May 2022, with interest only payments due semi-annually in May and November of each year.

Revolving line of credit

On October 21, 2014, we entered into a credit agreement with Texas Capital Bank, National Association, as Administrative Agent and L/C Issuer, and the lenders from time to time party thereto (which we refer to as the "Credit Agreement"). The Credit Agreement provides us with a revolving line of credit of up to $120 million (which we refer to as the "Revolving Credit Facility").

Under the terms of the Credit Agreement, we are entitled to request an increase in the size of the Revolving Credit Facility by an amount not exceeding $80 million. If the existing lenders elect not to provide the full amount of a requested increase, we may invite one or more other lender(s) to become a party to the Credit Agreement, subject to the approval of the Administrative Agent and L/C Issuer. The Credit Agreement includes a letter of credit sublimit of $20 million. The obligations under the Revolving Credit Facility are guaranteed by certain of our subsidiaries.

On July 31, 2015, we entered into a First Modification Agreement with Texas Capital Bank, National Association, as Administrative Agent, the lenders party thereto, and our subsidiary guarantors party thereto, which modified the Credit Agreement. The First Modification Agreement, among other things, (i) increased the Revolving Credit Facility from $120 million to $200 million, (ii) extended the maturity date of the Revolving Credit Facility from October 21, 2017 to October 21, 2018, (iii) admitted Bank of America, N.A. as a new lender under the Revolving Credit Facility, and (iv) increased the amount of the Company's option to request, from time to time, an increase in the size of the Revolving Credit Facility, from an amount not exceeding $80 million to an amount not exceeding $100 million, subject to the terms and conditions of the First Modification Agreement and the Credit Agreement.

On December 22, 2015, we entered into a Second Modification Agreement with Texas Capital Bank, National Association, as Administrative Agent, the lenders party thereto, and our subsidiary guarantors party thereto, which modified the Credit Agreement. The Second Modification Agreement, among other things, (i) increased the Revolving Credit Facility from $200 million to $300 million, and (ii) admitted Compass Bank, an Alabama Banking Corporation, and U.S. Bank National Association as new lenders under the Revolving Credit Facility.

On August 19, 2016, we entered into a Third Modification Agreement with Texas Capital Bank, National Association, as Administrative Agent, the lenders party thereto, and our subsidiary guarantors party thereto, which further modified the Credit Agreement. The Third Modification Agreement, among other things, (i) increased the Revolving Credit Facility from $300 million to $380 million through our exercise of $80 million of the accordion feature of the Credit Agreement, (ii) admitted Citibank, N.A. and Flagstar Bank, FSB as new lenders under the Revolving Credit Facility, (iii) increased certain lenders' respective commitments to the Revolving Credit Facility, and (iv) extended the maturity date of the Revolving Credit Facility by one year to mature on October 21, 2019.

Unless terminated earlier, on October 21, 2019, the maturity date of the Revolving Credit Facility, the principal amount thereunder, together with all accrued unpaid interest and other amounts owing thereunder, if any, will be payable in full on such date. Borrowings under the Revolving Credit Facility bear interest at a floating rate equal to the LIBOR plus an applicable margin between 2.75% and 3.25% per annum, or, in the Administrative Agent's discretion, a base rate plus an applicable margin between 1.75% and 2.25% per annum. The "applicable margins" described above are determined by a schedule based on our leverage ratio, as defined in the Credit Agreement. The Credit Agreement also provides for fronting fees and letter of credit fees payable to the L/C Issuer and commitment fees payable to the Administrative Agent equal to 0.20% of the unused portion of the Revolving Credit Facility.

The Credit Agreement contains customary affirmative and negative covenants (including limitations on our ability to grant liens, incur additional debt, pay dividends, redeem our common stock, make certain investments and engage in certain merger, consolidation or asset sale transactions), as well as customary events of default. The Credit Agreement also requires us to maintain (i) a leverage ratio of not more than 1.50 to 1.0 as of the last day of any fiscal quarter, based upon our and our subsidiaries' (on a consolidated basis) ratio of debt to tangible net worth, (ii) an interest coverage ratio of not less than 1.50 to 1.0 for any four fiscal quarter period, based upon our and our subsidiaries' (on a consolidated basis) ratio of EBITDA to cash interest expense, (iii) a consolidated tangible net worth of not less than the sum of $250 million, plus 50% of the net proceeds of any issuances of equity interests by us and the guarantors of the Revolving Credit Facility, plus 50% of the amount of our and our subsidiaries' consolidated net income, (iv) liquidity of not less than $25 million, and (v) a risk asset ratio of not more than 1.25 to 1.0, based upon the ratio of the book value of all risk assets owned by us and our subsidiaries to the our tangible net worth. As of December 31, 2016, we were in compliance with all covenants under the Credit Agreement.

As of December 31, 2016 and 2015, we had $195.0 million and $135.0 million outstanding on the Credit Agreement, respectively.

Other financing obligations

As of December 31, 2016, the Company has two insurance premium notes which mature in March 2017 and December 2017, respectively. These notes bear interest at rates of 3.89% and 3.88%, respectively. During the year ended December 31, 2016, we repaid three outstanding land development notes totaling $2.7 million. As of December 31, 2016 and 2015, we had $6.0 million and $0.8 million, respectively, of outstanding insurance premium notes. As of December 31, 2015, we also had $2.7 million of outstanding land development notes.

Aggregate annual maturities of long-term debt as of December 31, 2016 are as follows (in thousands):

2017	$ 5,999
2018	—
2019	195,000
2020	—
2021	—
Thereafter	260,000
Total	460,999
Less: Discount and deferred financing costs, net on 6.875% senior notes	(6,911)
Carrying amount	$454,088

12. Interest

Interest is capitalized to inventories while the related communities are being actively developed and until homes are completed. As our qualifying assets exceeded our outstanding debt during the years ended December 31, 2016, 2015 and 2014, we capitalized all interest costs incurred during these periods, except for interest incurred on capital leases of machinery related to our golf course operations.

Our interest costs are as follows (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Interest capitalized beginning of period	$ 21,533	11,302	$ 2,820
Interest capitalized during period	26,904	20,313	10,848
Less: capitalized interest in cost of sales	(19,502)	(10,082)	(2,366)
Interest capitalized end of period	$ 28,935	21,533	$11,302

13. Income Taxes

Our income tax expense for the years ended December 31, 2016, 2015 and 2014 comprises the following current and deferred amounts (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Current			
Federal	$19,417	$16,754	$11,860
State and local	2,685	2,027	1,131
Total current	22,102	18,781	12,991
Deferred			
Federal	1,357	1,513	(1,923)
State and local	150	121	(131)
Total deferred	1,507	1,634	(2,054)
Income tax expense	$23,609	$20,415	$10,937

Total income tax expense differed from the amounts computed by applying the federal statutory income tax rate of 35% to income before income taxes as a result of the following items (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Statutory income tax expense	$25,602	$21,107	$10,836
State income tax expense, net of federal income tax expense	1,954	1,690	643
Domestic production activities deduction	(2,146)	(1,766)	(612)
Federal energy credits	(1,944)	—	—
Other permanent items	221	37	70
Other adjustments	(78)	(653)	—
Income tax expense	$23,609	$20,415	$10,937

Deferred income tax assets and liabilities are recognized for the future tax consequences of temporary differences. Temporary differences arise when revenues and expenses for financial reporting are recognized for tax purposes in a different period. ASC 740 requires that a valuation allowance be recorded against deferred tax assets unless it is more likely than not that the deferred tax asset will be utilized. As a result of this analysis, the Company has not recorded a valuation allowance against its deferred tax assets. The Company will continue to evaluate the need to record valuation allowances against deferred tax assets and will make adjustments in accordance with the accounting standard.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2016 and 2015 (in thousands):

	As of December 31,	
	2016	2015
Deferred tax assets		
Warranty reserves	$ 928	$ 983
Amortizable intangible assets	113	678
Stock based compensation	2,105	1,513
Accrued compensation and other	845	—
Inventories, additional costs capitalized for tax	—	41
Deferred tax asset	3,991	3,215
Deferred tax liabilities		
Prepaid expenses	191	514
Property and equipment	2,023	1,420
Accrued expenses	3,057	1,556
Inventories, additional costs capitalized for tax	502	—
Deferred tax liability	5,773	3,490
Net deferred tax liability	$(1,782)	$ (275)

The uncertainty provisions of ASC 740 also require the Company to recognize the impact of a tax position in its consolidated financial statements only if the technical merits of that position indicate that the position is more likely than not of being sustained upon audit. During the year, the Company did not record a reserve for uncertain tax positions. The tax years ended December 31, 2015, 2014 and 2013, are open and subject to audit by the Internal Revenue Service and the states of Colorado, Georgia, Nevada, and Texas.

14. Fair Value Disclosures

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

Level 1—Quoted prices for identical instruments in active markets.

Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are inactive; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets at measurement date.

Level 3—Valuations derived from techniques where one or more significant inputs or significant value drivers are unobservable in active markets at measurement date.

The following table presents carrying values and estimated fair values of financial instruments (in thousands):

		December 31, 2016		December 31, 2015	
	Hierarchy	Carrying	Fair Value	Carrying	Fair Value
Secured note receivable[1]	Level 2	$ 2,850	$ 2,828	$ 2,947	$ 2,926
6.875% senior notes[2]	Level 2	$253,089	$260,090	$251,815	$232,503
Revolving line of credit[3]	Level 2	195,000	195,000	135,000	135,000
Land development notes[4]	Level 2	—	—	2,677	2,672
Insurance premium notes[3]	Level 2	5,999	5,999	751	751
Total notes payable and revolving line of credit		$454,088	$463,689	$390,243	$370,926

(1) The estimated fair value of the secured note received in connection with the disposition of the golf course in our Tuscany community in our Nevada operating segment as of December 31, 2016 and 2015 was based on a cash flow model discounted at market interest rates that considered the underlying risks of the note.

(2) Estimated fair value of the Senior Notes at December 31, 2016 and 2015 incorporated recent trading activity of the Senior Notes in inactive markets.

(3) Carrying amount approximates fair value due to short-term nature and interest rate terms.

(4) The estimated fair values of the land development notes at December 31, 2015 were based on cash flow models discounted at market interest rates that considered underlying risks of the debt.

The carrying amount of cash and cash equivalents approximates fair value. Nonfinancial assets and liabilities include items such as inventory and property and equipment that are measured at fair value when acquired and resulting from impairment, if deemed necessary.

15. Operating Leases

The Company maintains noncancellable operating leases for office space. The Company recognizes expense on a straight-line basis over the life of each lease. Rent expense for the years ended December 31, 2016, 2015 and 2014, was $1.4 million, $1.1 million and $0.5 million, respectively, included in selling, general, and administrative on our consolidated statement of operations.

Future minimum lease payments as of December 31, 2016 are as follows (in thousands):

2017	$1,478
2018	1,261
2019	899
2020	924
2021	543
Thereafter	187
Total	$5,292

16. Postretirement Plan

The Company has a 401(k) plan covering substantially all employees. The Company makes matching contributions of 50% of employees' salary deferral amounts on the first 6% of employees' compensation. Contributions to the plan during the years ended December 31, 2016, 2015 and 2014 were $0.4 million, $0.2 million and $0.1 million, respectively.

17. Stock-Based Compensation

During the year ended December 31, 2016, we granted shares of restricted stock units, which vest over a period of three years from the grant date. Previously, we had issued awards of restricted common stock under our First Amended & Restated 2013 Long-Term Incentive Plan.

The following table summarizes the activity of our restricted stock units and restricted common stock for the years ended December 31, 2016, 2015 and 2014 (in thousands):

	Year Ended December 31,					
	2016		2015		2014	
	Shares	Weighted average per share grant date fair value	Shares	Weighted average per share grant date fair value	Shares	Weighted average per share grant date fair value
Outstanding, beginning of year	696	$18.18	366	$20.78	183	$19.57
Granted	514	14.28	500	16.92	250	21.34
Vested	(297)	18.65	(141)	20.62	(60)	19.58
Forfeited	(61)	16.05	(29)	17.42	(7)	19.59
Outstanding, end of year	852	$15.81	696	$18.18	366	$20.78

A summary of our outstanding awards of restricted common stock and restricted stock units are as follows (in thousands, except years):

	As of December 31, 2016		
	Restricted Stock Awards	Restricted Stock Units	Total
Unvested awards/units	357	495	852
Unrecognized compensation cost	$3,299	$5,002	$8,301
Period to recognize compensation cost	1.0 years	2.1 years	1.7 years (weighted average)

During the years ended December 31, 2016, 2015 and 2014, the Company recognized stock-based compensation expense of $6.7 million, $5.2 million and $2.2 million, respectively, which is included in selling, general, and administrative on the consolidated statements of operations.

18. Stockholders' Equity

The Company's authorized capital stock consists of 100.0 million shares of common stock, par value $0.01 per share, and 50.0 million shares of preferred stock, par value $0.01 per share. As of December 31, 2016 and 2015, there were 21.3 million and 20.6 million shares of common stock issued and outstanding, exclusive of the restricted common stock issued, respectively. The Company has also reserved a total of 1.8 million shares of common stock for issuance under our First Amended & Restated 2013 Long-Term Incentive Plan, including outstanding awards. During the year ended December 31, 2016, we repurchased 0.2 million shares of our common stock at a weighted average price of $15.03 per share.

On November 7, 2016, we entered into a Distribution Agreement (which we refer to as the "Distribution Agreement") with J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Citigroup Global Markets Inc. (which we refer to collectively as the "Sales Agents," and individually as a "Sales Agent"), relating to our common stock. Under the Distribution Agreement we are authorized to offer and sell shares of our common stock having an aggregate offering price of up to $50.0 million from time to time through any of our Sales Agents in "at the market" offerings. During the year ended December 31, 2016, we sold and issued 0.6 million shares of our common stock under the Distribution Agreement, which provided net proceeds to us of $11.4 million.

19. Earnings Per Share

We use the two-class method of calculating earnings per share (EPS) as our unvested restricted stock awards have non-forfeitable rights to dividends, and accordingly represent a participating security. The two-class method is an earnings allocation method under which EPS is calculated for each class of common stock and participating security considering both dividends declared (or accumulated) and participation rights in undistributed earnings as if all such earnings had been distributed during the period.

The following table sets forth the computation of basic and diluted earnings per share for the years ended December 31, 2016, 2015 and 2014 (in thousands, except share and per share information):

	Year Ended December 31,		
	2016	2015	2014
Numerator			
Net income	$ 49,540	$ 39,890	$ 20,022
Less: Undistributed earnings allocated to participating securities	(1,050)	(1,323)	(296)
Net income allocable to common stockholders	$ 48,490	$ 38,567	$ 19,726
Denominator			
Weighted average common shares outstanding—basic	20,679,189	20,569,012	19,226,504
Dilutive effect of restricted stock units	112,748	—	—
Weighted average common shares outstanding—diluted	20,791,937	20,569,012	19,226,504
Earnings per share:			
Basic	$ 2.34	$ 1.88	$ 1.03
Diluted	$ 2.33	$ 1.88	$ 1.03

20. Related-Party Transactions

Prior to our May 2013 private placement, the Company transacted with entities that were controlled by the same individuals who control the Company and are Co-CEOs of the Company. Transactions between entities under common control for land inventory are recorded at the carrying basis of the related party.

During the years ended December 31, 2016, 2015 and 2014, we delivered homes for which the land was originally purchased from entities under common control. Recording the lots at the carrying basis of the entities under common control as opposed to the purchase price benefitted gross margins by $2.9 million, $1.8 million, and $2.1 million for the years ended December 31, 2016, 2015 and 2014, respectively. As of December 31, 2016 and 2015, lots with a carrying basis, before development costs, of $0.2 million, and $1.0 million, respectively, which were purchased from entities under common control, were included in inventories on our consolidated balance sheet.

21. Commitments and Contingencies

Letters of Credit and Performance Bonds

In the normal course of business, the Company posts letters of credit and performance bonds related to our land development performance obligations, with local municipalities. As of December 31, 2016 and 2015, we had $70.1 million and $63.6 million, respectively, in letters of credit and performance bonds issued and outstanding.

Litigation

The Company is subject to claims and lawsuits that arise primarily in the ordinary course of business, which consist primarily of construction defect claims. It is the opinion of management that if the claims have merit, parties other than the Company would be, at least in part, liable for the claims, and eventual outcome of these claims will not have a material adverse effect upon our consolidated financial condition, results of operations, or cash flows. When we believe that a loss is probable and estimable, we record a charge to selling, general, and administrative on our consolidated statement of operations for our estimated loss.

We do not believe that the ultimate resolution of any claims and lawsuits will have a material adverse effect upon our consolidated financial position, results of operations, or cash flow.

22. Results of Quarterly Operations (Unaudited)

	Quarter			
	First	Second	Third	Fourth
	(in thousands, except per share amounts)			
2016				
Home sales revenues	$181,081	$257,179	$248,075	$292,398
Gross margin from home sales revenues	$ 36,728	$ 49,296	$ 50,425	$ 56,157
Income before tax expense	$ 12,429	$ 19,097	$ 19,731	$ 21,892
Net income	$ 7,983	$ 13,142	$ 13,342	$ 15,073
Basic and diluted earnings per share	$ 0.38	$ 0.62	$ 0.63	$ 0.71
2015				
Home sales revenues	$154,335	$186,808	$179,775	$204,519
Gross margin from home sales revenues	$ 29,529	$ 36,583	$ 38,323	$ 41,799
Income before tax expense	$ 9,524	$ 14,431	$ 15,945	$ 20,405
Net income	$ 6,351	$ 9,798	$ 10,583	$ 13,158
Basic and diluted earnings per share	$ 0.30	$ 0.46	$ 0.50	$ 0.62

23. Disposition of Golf Courses

On May 26, 2015, we disposed of the operations of the golf course in our Tuscany community in our Nevada operating segment for total consideration of $4.0 million, which included $1.0 million in cash and a $3.0 million secured note, and resulted in a gain on sale of $2 thousand. The secured note accrues interest at rates ranging from 4.5% to 5.5% per annum and requires monthly payments of principal and interest with a balloon payment of $2.5 million of principal in May of 2020.

We are currently marketing the golf course in our Rhodes Ranch golf community in our Nevada operating segment for sale and we believe the disposition is probable within one year and, accordingly, the assets and liabilities have continued to be classified as held for sale and presented in prepaid expenses and other assets and accrued expenses and other liabilities on our consolidated balance sheet as of December 31, 2016.

24. Supplemental Guarantor Information

In May 2014, we completed a private offering of $200.0 million in aggregate principal amount of our 6.875% senior unsecured notes due 2022 (which we refer to as the "Initial Senior Notes"). In February 2015, we completed an offer to exchange $200.0 million in aggregate principal amount of our 6.875% Senior Notes due 2022, which are registered under the Securities Act (which we refer to as the "Initial Exchange Notes"), for all of the Initial Senior Notes. The terms of the Initial Exchange Notes are identical in all material respects to the Initial Senior Notes, except that the Initial Exchange Notes are registered under the Securities Act and the transfer restrictions, registration rights, and additional interest provisions applicable to the Initial Senior Notes do not apply to the Initial Exchange Notes.

In April 2015, we completed a private offering of an additional $60 million in aggregate principal amount of our 6.875% senior notes due 2022 (which we refer to as the "Additional Senior Notes"). In October 2015, we completed an offer to exchange $60.0 million in aggregate principal amount of our 6.875% senior notes due

2022, which are registered under the Securities Act (which we refer to as the “Additional Exchange Notes”), for all of the Additional Senior Notes. The terms of the Additional Exchange Notes are identical in all material respects to the Additional Senior Notes, except that the Additional Exchange Notes are registered under the Securities Act and the transfer restrictions, registration rights, and additional interest provisions applicable to the Additional Senior Notes do not apply to the Additional Exchange Notes.

The Additional Senior Notes and the Additional Exchange Notes are additional notes issued under the indenture pursuant to which the Initial Senior Notes and Initial Exchange Notes were issued. The Initial Exchange Notes and the Additional Exchange Notes bear the same CUSIP number, are fungible with each other, and are treated as a single series of notes under the indenture. We refer to the Initial Exchange Notes and the Additional Exchange Notes, collectively, as the “Senior Notes.”

The Senior Notes are our unsecured senior obligations, and are fully and unconditionally guaranteed on an unsecured basis, jointly and severally, by substantially all of our direct and indirect wholly-owned operating subsidiaries (which we refer to as “Guarantors”).

The Indenture governing the Senior Notes provides that the guarantees of a Guarantor will be automatically and unconditionally released and discharged: (1) upon any sale, transfer, exchange or other disposition (by merger, consolidation or otherwise) of all of the equity interests of such Guarantor after which the applicable Guarantor is no longer a “Restricted Subsidiary” (as defined in the Indenture), which sale, transfer, exchange or other disposition does not constitute an “Asset Sale” (as defined in the Indenture) or is made in compliance with applicable provisions of the Indenture; (2) upon any sale, transfer, exchange or other disposition (by merger, consolidation or otherwise) of all of the assets of such Guarantor, which sale, transfer, exchange or other disposition does not constitute an Asset Sale or is made in compliance with applicable provisions of the Indenture; provided, that after such sale, transfer, exchange or other disposition, such Guarantor is an “Immaterial Subsidiary” (as defined in the Indenture); (3) unless a default has occurred and is continuing, upon the release or discharge of such Guarantor from its guarantee of any indebtedness for borrowed money of the Company and the Guarantors so long as such Guarantor would not then otherwise be required to provide a guarantee pursuant to the Indenture; provided that if such Guarantor has incurred any indebtedness in reliance on its status as a Guarantor in compliance with applicable provisions of the Indenture, such Guarantor’s obligations under such indebtedness, as the case may be, so incurred are satisfied in full and discharged or are otherwise permitted to be incurred by a Restricted Subsidiary (other than a Guarantor) in compliance with applicable provisions of the Indenture; (4) upon the designation of such Guarantor as an “Unrestricted Subsidiary” (as defined in the Indenture), in accordance with the Indenture; (5) if the Company exercises its legal defeasance option or covenant defeasance option under the Indenture or if the obligations of the Company and the Guarantors are discharged in compliance with applicable provisions of the Indenture, upon such exercise or discharge; or (6) in connection with the dissolution of such Guarantor under applicable law in accordance with the Indenture.

As the guarantees were made in connection with the February 2015 exchange offer for the Initial Exchange Notes and October 2015 exchange offer for the Additional Exchange Notes, the Guarantors’ condensed financial information is presented as if the guarantees existed during the periods presented. If any Guarantors are released from the guarantees in future periods, the changes are reflected prospectively.

We have determined that separate, full financial statements of the Guarantors would not be material to investors and, accordingly, supplemental financial information is presented below:

	Supplemental Condensed Consolidated Balance Sheet As of December 31, 2016 *(in thousands)*				
	CCS	**Guarantor Subsidiaries**	**Non Guarantor Subsidiaries**	**Elimination Entries**	**Consolidated CCS**
Assets					
Cash and cash equivalents	$ 14,637	$ 8,646	$6,167	$ —	$ 29,450
Cash held in escrow	—	20,044	—	—	20,044
Accounts receivable	2,980	2,749	—	—	5,729
Investment in subsidiaries	884,665	—	—	(884,665)	—
Inventories	—	857,885	—	—	857,885
Prepaid expenses and other assets	14,628	25,662	167	—	40,457
Property and equipment, net	1,166	10,224	22	—	11,412
Investment in unconsolidated subsidiaries	18,275	—			18,275
Amortizable intangible assets, net	—	2,911	—	—	2,911
Goodwill	—	21,365	—	—	21,365
Total assets	$936,351	$949,486	$6,356	$(884,665)	$1,007,528
Liabilities and stockholders' equity					
Liabilities:					
Accounts payable	$ 257	$ 15,575	$ (124)	$ —	$ 15,708
Accrued expenses and other liabilities	12,587	49,697	30	—	62,314
Deferred tax liability	1,782	—	—	—	1,782
Notes payable and revolving line of credit	448,089	5,999	—	—	454,088
Total liabilities	462,715	71,271	(94)	—	533,892
Stockholders' equity:	473,636	878,215	6,450	(884,665)	473,636
Total liabilities and stockholders' equity	$936,351	$949,486	$6,356	$(884,665)	$1,007,528

	Supplemental Condensed Consolidated Balance Sheet As of December 31, 2015 *(in thousands)*				
	CCS	**Guarantor Subsidiaries**	**Non Guarantor Subsidiaries**	**Elimination Entries**	**Consolidated CCS**
Assets					
Cash and cash equivalents	$ 22,002	$ 7,285	$—	$ —	$ 29,287
Cash held in escrow	—	11,817	—	—	11,817
Accounts receivable	1,239	4,002	—	—	5,241
Investment in subsidiaries	777,898	—	—	(777,898)	—
Inventories	—	810,137	—	—	810,137
Prepaid expenses and other assets	3,727	23,008	—	—	26,735
Property and equipment, net	857	7,518	—	—	8,375
Amortizable intangible assets, net	—	4,784	—	—	4,784
Goodwill	—	21,365	—	—	21,365
Total assets	$805,723	$889,916	$ —	$(777,898)	$917,741
Liabilities and stockholders' equity					
Liabilities:					
Accounts payable	$ —	$ 10,967	$—	$ —	$ 10,967
Accrued expenses and other liabilities	9,154	97,623	—	—	106,777
Deferred tax liability, net	275	—	—	—	275
Notes payable and revolving line of credit	386,815	3,428	—	—	390,243
Total liabilities	396,244	112,018	—	—	508,262
Stockholders' equity:	409,479	777,898	—	(777,898)	409,479
Total liabilities and stockholders' equity	$805,723	$889,916	$—	$(777,898)	$917,741

	Supplemental Condensed Consolidated Statement of Operations For the Year Ended December 31, 2016 *(in thousands)*				
	CCS	**Guarantor Subsidiaries**	**Non Guarantor Subsidiaries**	**Elimination Entries**	**Consolidated CCS**
Revenue					
Home sales revenues	$ —	$978,733	$ —	$ —	$978,733
Land sales revenues	—	11,799	—	—	11,799
Golf course and other revenue	—	3,908	—	—	3,908
Total revenue	—	994,440	—	—	994,440
Costs and expenses					
Cost of homes sales revenues	—	786,127	—	—	786,127
Cost of land sales revenues	—	10,589	—	—	10,589
Cost of golf course and other revenue	—	3,628	—	—	3,628
Selling, general and administrative	25,674	96,235	315	—	122,224
Total operating costs and expenses	25,674	896,579	315	—	922,568
Operating income	(25,674)	97,861	(315)	—	71,872
Other income (expense)					
Equity in earnings from consolidated subsidiaries	64,297	—	—	(64,297)	—
Interest income	34	161	—	—	195
Interest expense	—	(5)	—	—	(5)
Equity in earnings from unconsolidated subsidiaries	191	—	—	—	191
Acquisition expense	(490)	—	—	—	(490)
Other income	—	940	—	—	940
Gain on disposition of assets	—	446	—	—	446
Income before income tax expense	38,358	99,403	(315)	(64,297)	73,149
Income tax expense	(11,182)	34,791	—	—	23,609
Net income	$ 49,540	$ 64,612	$(315)	$(64,297)	$ 49,540

	Supplemental Condensed Consolidated Statement of Operations For the Year Ended December 31, 2015 *(in thousands)*				
	CCS	**Guarantor Subsidiaries**	**Non Guarantor Subsidiaries**	**Elimination Entries**	**Consolidated CCS**
Revenue					
Home sales revenues	$ —	$725,437	$—	$ —	$725,437
Land sales revenues	—	3,405	—	—	3,405
Golf course and other revenue	—	5,647	—	—	5,647
Total revenue	—	734,489	—	—	734,489
Costs and expenses					
Cost of homes sales revenues	—	579,203	—	—	579,203
Cost of land sales revenues	—	3,395	—	—	3,395
Cost of golf course and other revenue	—	5,037	—	—	5,037
Selling, general and administrative	18,013	69,827	—	—	87,840
Total operating costs and expenses	18,013	657,462	—	—	675,475
Operating income	(18,013)	77,027	—	—	59,014
Other income (expense)					
Equity in earnings from consolidated subsidiaries	51,197	—	—	(51,197)	—
Interest income	44	85	—	—	129
Interest expense	—	(10)	—	—	(10)
Acquisition expense	(491)	—	—	—	(491)
Other income	—	1,535	—	—	1,535
Gain on disposition of assets	—	128	—	—	128
Income before income tax expense	32,737	78,765	—	(51,197)	60,305
Income tax expense	(7,153)	27,568	—	—	20,415
Net income	$ 39,890	$ 51,197	$—	$(51,197)	$ 39,890

Supplemental Condensed Consolidated Statement of Operations For the Year Ended December 31, 2014 *(in thousands)*	CCS	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Elimination Entries	Consolidated CCS
Revenue					
Home sales revenues	$ —	$351,823	$—	$ —	$351,823
Land sales revenues	—	4,800	—	—	4,800
Golf course and other revenue	—	5,769	—	—	5,769
Total revenue	—	362,392	—	—	362,392
Cost of home sale revenues					
Cost of homes sales revenues	—	276,386	—	—	276,386
Cost of land sales revenues	—	1,808	—	—	1,808
Cost of golf course and other revenue	—	6,301	—	—	6,301
Selling, general and administrative	12,185	34,610	—	—	46,795
Total operating costs and expenses	12,185	319,105	—	—	331,290
Operating income	(12,185)	43,287	—	—	31,102
Other income (expense)					
Equity in earnings from consolidated subsidiaries	28,729	—	—	(28,729)	—
Interest income	359	3	—	—	362
Interest expense	—	(26)	—	—	(26)
Acquisition expense	(1,414)	—	—	—	(1,414)
Other income	—	736	—	—	736
Gain on disposition of assets	—	199	—	—	199
Income before income tax expense	15,489	44,199	—	(28,729)	30,959
Income tax expense	(4,533)	15,470	—	—	10,937
Net income	$ 20,022	$ 28,729	$—	$(28,729)	$ 20,022

	Supplemental Condensed Consolidated Statement of Cash Flows For the Year Ended December 31, 2016 *(in thousands)*				
	CCS	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Elimination Entries	Consolidated CCS
Net cash provided by/(used in) operating activities	$ (16,138)	$(29,123)	$ (575)	$ —	$ (45,836)
Net cash used in investing activities	$ (58,032)	$ (5,585)	$ (23)	$ 40,439	$ (23,201)
Financing activities					
Borrowings under revolving credit facilities	$ 220,000	$ —	$ —	$ —	$ 220,000
Payments on revolving credit facilities	(160,000)	—	—	—	(160,000)
Proceeds from insurance notes payable	—	11,612	—	—	11,612
Principal payments on notes payable	—	(9,217)	—	—	(9,217)
Debt issuance costs	(1,156)	—	—	—	(1,156)
Repurchases of common stock under our stock repurchase program	(2,393)	—	—	—	(2,393)
Repurchases of common stock upon vesting of restricted stock awards	(1,015)	—	—	—	(1,015)
Payments from (and advances to) parent/subsidiary	—	33,674	6,765	(40,439)	—
Net proceeds from issuances of common stock	11,369	—	—	—	11,369
Net cash provided by financing activities	$ 66,805	$ 36,069	$6,765	$(40,439)	$ 69,200
Net decrease in cash and cash equivalents	$ (7,365)	$ 1,361	$6,167	$ —	$ 163
Cash and cash equivalents					
Beginning of period	$ 22,002	$ 7,285	$ —	$ —	$ 29,287
End of period	$ 14,637	$ 8,646	$6,167	$ —	$ 29,450

	Supplemental Condensed Consolidated Statement of Cash Flows For the Year Ended December 31, 2015 *(in thousands)*				
	CCS	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Elimination Entries	Consolidated CCS
Net cash used in operating activities	$ (3,742)	$(158,992)	$—	$ —	$(162,734)
Net cash used in investing activities	(167,244)	(3,839)	—	166,851	(4,232)
Financing activities					
Borrowings under revolving credit facilities	180,000	—	—	—	180,000
Payments on revolving credit facilities	(65,000)	—	—	—	(65,000)
Proceeds from issuance of senior notes	58,956	—	—	—	58,956
Proceeds from issuance of notes payable	—	1,169	—	—	1,169
Principal payments on notes payable	—	(8,656)	—	—	(8,656)
Debt issuance costs	(2,817)	—	—	—	(2,817)
Repurchases of common stock upon vesting of restricted stock awards	(861)	—	—	—	(861)
Payments from (and advances to) parent/subsidiary	—	166,851	—	(166,851)	—
Net cash provided by financing activities	170,278	159,364	—	(166,851)	162,791
Net decrease in cash and cash equivalents	(708)	(3,467)	—	—	(4,175)
Cash and cash equivalents					
Beginning of period	22,710	10,752	—	—	33,462
End of period	$ 22,002	$ 7,285	$—	$ —	$ 29,287

	Supplemental Condensed Consolidated Statement of Cash Flows For the Year Ended December 31, 2014 *(in thousands)*				
	CCS	**Guarantor Subsidiaries**	**Non Guarantor Subsidiaries**	**Elimination Entries**	**Consolidated CCS**
Net cash used in operating activities	$ (7,783)	$(121,888)	$—	$ —	$(129,671)
Net cash used in investing activities	(359,291)	(233,001)	—	358,580	(233,712)
Financing activities					
Borrowings under revolving credit facilities	119,000	—	—	—	119,000
Payments on revolving credit facilities	(99,000)	—	—	—	(99,000)
Proceeds from issuance of senior notes	198,478	—	—	—	198,478
Proceeds from issuance of notes payable	—	6,760	—	—	6,760
Principal payments on notes payable	—	(3,083)	—	—	(3,083)
Debt issuance costs	(6,783)	—	—	—	(6,783)
Net proceeds from issuances of common stock	81,564	—	—	—	81,564
Repurchases of common stock	(9,746)	—	—	—	(9,746)
Excess tax benefit on stock-based compensation	43	—	—	—	43
Payments from (and advances to) parent/ subsidiary	—	358,580	—	(358,580)	—
Repurchases of common stock upon vesting of restricted stock awards	(386)	—	—	—	(386)
Net cash provided by financing activities	283,170	362,257	—	(358,580)	286,847
Net increase (decrease) in cash and cash equivalents	(83,904)	7,368	—	—	(76,536)
Cash and cash equivalents					
Beginning of period	106,614	3,384	—	—	109,998
End of period	$ 22,710	$ 10,752	$—	$ —	$ 33,462

25. Subsequent Events

On January 26, 2017, we completed a private offering of an additional $125 million in aggregate principal amount of our 6.875% senior notes due 2022 (which we refer to as the "January 2017 Senior Notes"). The January 2017 Senior Notes were sold and issued in a private offering, exempt from the registration requirements of the Securities Act, to qualified institutional buyers in reliance on Rule 144A under the Securities Act, and to certain non-U.S. persons in transactions outside the United States in reliance on Regulation S under the Securities Act. The January 2017 Senior Notes are additional notes issued under the Indenture pursuant to which we previously issued $260 million in aggregate principal amount of our 6.875% Senior Notes due 2022 (the "Existing Notes"). The January 2017 Senior Notes and the Existing Notes will be treated as a single series of notes under the Indenture, and will vote as a single class of notes for all matters submitted to a vote of holders under the Indenture. We received net proceeds from the sale of the January 2017 Senior Notes of approximately $125.4 million.

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CORPORATE INFORMATION

ANNUAL MEETING

Wednesday, May 10, 2017
1:00 pm MDT
Hyatt Regency Denver Tech Center
7800 E. Tufts Avenue
Denver, CO 80237

BOARD OF DIRECTORS

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Chairman and
Co-Chief Executive Officer

Robert J. Francescon

President and
Co-Chief Executive Officer

David L. Messenger

Chief Financial Officer

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STOCK EXCHANGE LISTING

New York Stock Exchange
(Symbol: CCS)

INVESTOR RELATIONS

Copies of Century Communities' Annual Report on Form 10-K for the fiscal year ended December 31, 2016 are available at no charge. Please direct requests and investor relations questions to:

(303) 268-8398

Email: investorrelations@centurycommunities.com

STOCKHOLDER COMMUNICATION

It is important to our stockholders to receive timely information about Century Communities. All stockholders are encouraged to visit the company website at **www.centurycommunities.com** for the latest news or to sign up for our email list.

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